

Financial strategy



Aiming to expand business domains via aggressive investments while maintaining our sound financial base

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In Charge of Finance
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Basic Policy

Kumiai Group has been focusing on the development of safe agricultural chemicals with low impact on the environment since its founding. Since developing and commercializing the first agricultural chemical produced in Japan, we have promoted the distribution of products centered on our proprietary products throughout the world, and have been proactively working in harmony with the theme of protecting and fostering “life and nature” for contributing toward improvement of crop productivity on a global scale.

Kumiai Group is effectively investing management resources by focusing on our core business of research and development related to agricultural chemicals. Our basic policy is to establish a corporate structure for ensuring and increasing sales and profits through coordinated production, distribution, and sales, and by thoroughly implementing profit-oriented management.

Financial KPIs

It is our aim to continue sustainable growth and to strengthen profitability for improving corporate value. Therefore, Kumiai Group is well aware of the importance of “ROE” that indicates the operating efficiency of shareholder’s equity and total capital in addition to “Net sales” and “Operating income” as management indicators. In particular, ROE is a financial indicator that is most fitting with Kumiai Group’s strategy, and it is widely supported by investors as an

easy-to-understand single indicator. Our targets for the fiscal year ending October 2023 are net sales of 167.9 billion yen, an operating income of 14.5 billion yen, and ROE of 12.0%. During the current fiscal year, we will review the current Mid-Term Business Plan and formulate a new Mid-Term Business Plan (from FY2024 to FY2026) including establishment of set long-term financial KPI targets.

Mid-Term Business Plan Initiatives

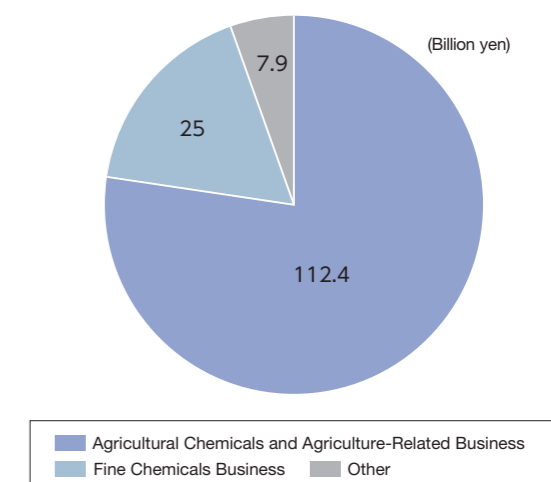
Although overall business performance was impacted by soaring raw material costs during the period ended October 2022, there was a significant year-on-year increase in sales and profits due to yen depreciation and price pass-through in addition to increased shipments in both segments of Agricultural Chemicals and Agriculture-related Business and Fine Chemicals Business.

In the Agricultural Chemicals and Agriculture-related Business, sales of proprietary products such as AXEEV®, which is a herbicide for upland crops in overseas markets, and EFFEEDA®, a herbicide for paddy rice in domestic market, and DISARTA®, which is a fungicide for paddy rice, increased. AXEEV®, in particular, has been highly accepted in the market due to its excellent performance, and is positioned as an essential product for agricultural crop production, which contributed significantly to our business performance.

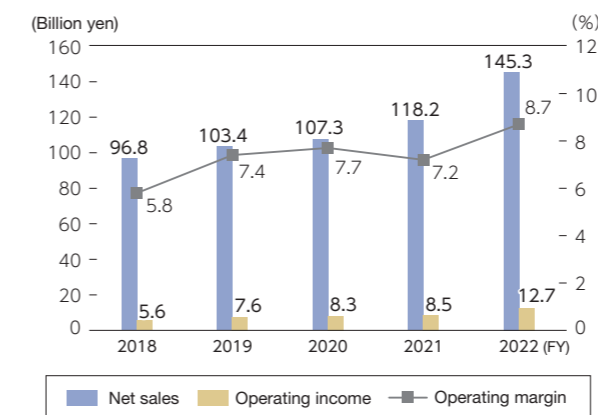
In the Fine Chemicals Business, demand for raw materials of aramid fiber in the Chlorination Business and for bismaleimides in the Advanced Chemicals Business remained high, and sales were strong. Our main business portfolio of Kumiai Group includes Agricultural Chemicals and Agriculture-related Business and Fine Chemicals Business, and Agricultural Chemicals and Agriculture-related Business accounts for 77% of net sales. Therefore, in order to respond to the ever-changing business environment, we believe it is important to strengthen our business portfolio. In order to expand the Fine Chemicals Business and

develop it as a second pillar, we newly established the New Material Research Laboratory in the Chemical Research Institute with the aim of deepening our major business domains such as Chlorination Business and Advanced Chemicals Business. This laboratory includes researchers from our group companies to promote initiatives through the utilization of the knowledge, know-how, and technologies owned by each company. By deepening collaboration within the Kumiai Group and with outside institutes, we will develop new markets and move business downstream.

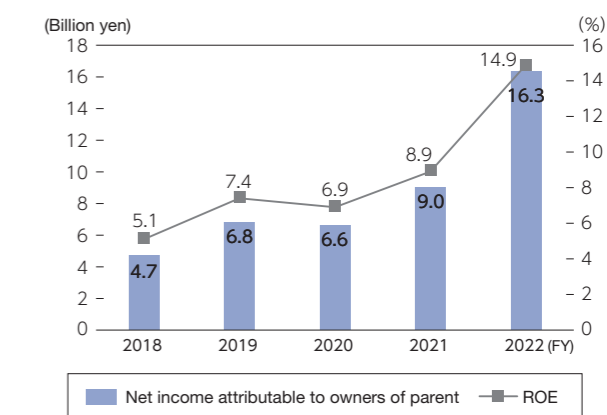
FY2022, Net Sales by Segment (Consolidated)



Net sales / Operating income / Operating margin



Net income attributable to owners of parent / ROE

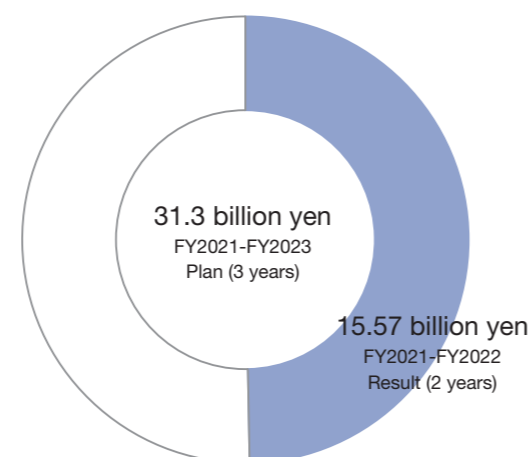


Investment Plan

(1) Progress of Capital Investment

Our current Mid-Term Business Plan includes the planning and execution of large-scale investments such as constructions of new Chemical Research Institute, a research building for the Life Science Research Institute (Kakegawa), a new production plant for the Tatsuno Factory, and a new plant for Ihara Construction Industry. Because of the implementation of large-scale investments for business growth, the total amount of capital investment during the period of the current Mid-Term Business Plan was expected to increase significantly compared to the previous Mid-Term Business Plan. However, the total amount of capital investment for the current Mid-Term Business Plan is expected to be less than the amount of investment in the original plan, as the targets of investment are being carefully examined and investments are being made more efficiently in order to adapt to the changes in the business environment. As for the next Mid-Term Business Plan period starting in November 2023, since large-scale capital investment will slow, total capital investment is expected to decrease while capital investment contributing to reduction of environment impact such as for reducing GHG emissions is expected to increase.

Progress of Capital Investment

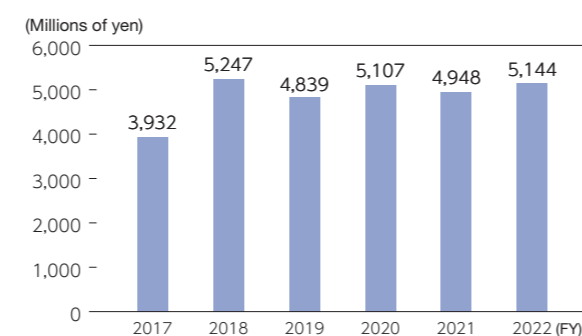


(2) Progress of R&D Investment

Since Kumiai Group is a research and development oriented company, continuous investment in R&D is essential for future growth.

With the current Mid-Term Business Plan, we have been promoting efficient and effective investment in new agricultural chemicals and fine chemicals that are in the development phase such as Flupentiofenox in line with the development plan, and are proactively investing in the creation of new products that will support future business for Kumiai Group. Therefore, the R&D investment amount for the current Mid-Term Business Plan period is expected to exceed results from the previous Mid-Term Business Plan period.

Research and Development Expenses



(3) Ensuring Diversity of Sales Routes and Expansion of Business domains through M&A

As an initiative for ensuring diversity of sales routes, we acquired a 60% share in the company Asiatic Agricultural Industries Pte. Ltd. (AAI) in February 2021, making it a consolidated subsidiary. AAI has a formulation factory in Singapore and sells products such as agricultural chemicals and pest control agents for public health in a total of 16 countries throughout Asia and Africa. We are working with AAI to expand business for promoting the development of new products and cultivating new markets in Asia and Africa.

We pursue opportunities of M&A to expand our business domains. We acquired 80% of the outstanding shares of Agricare Corporation and made it a non-consolidated subsidiary in October 2022. Agricare Corporation is proposing new agriculture through the use of microorganisms and IT with the aim of realizing an environmentally-friendly society. They have developed culture soil and special fertilizers using microorganisms, cultivation technology utilizing these, and a digested liquid circulation system for biogas power generation with aiming to contribution to sustainable agriculture and society through their business. Collaborations that utilize the knowledge and know-how cultivated by Kumiai Group will maximize various synergies for strengthening business profitability. It is our goal to continuously take hold of opportunities for investments and acquisitions to help expand our business in the future.

Shareholder Return

We recognize shareholder return as one of our most important management responsibilities. Our basic policy for dividends is to continue stable dividends comprehensively judging based on our earning trends, and internal reserves for strengthening our business structure and future business development.

Agricultural Chemicals and Agriculture-related Business, which is core business of Kumiai Group, needs many years from R&D investment until return on investment. Therefore, dividends are determined by prioritizing continuous and stable distribution of profits to our shareholders.

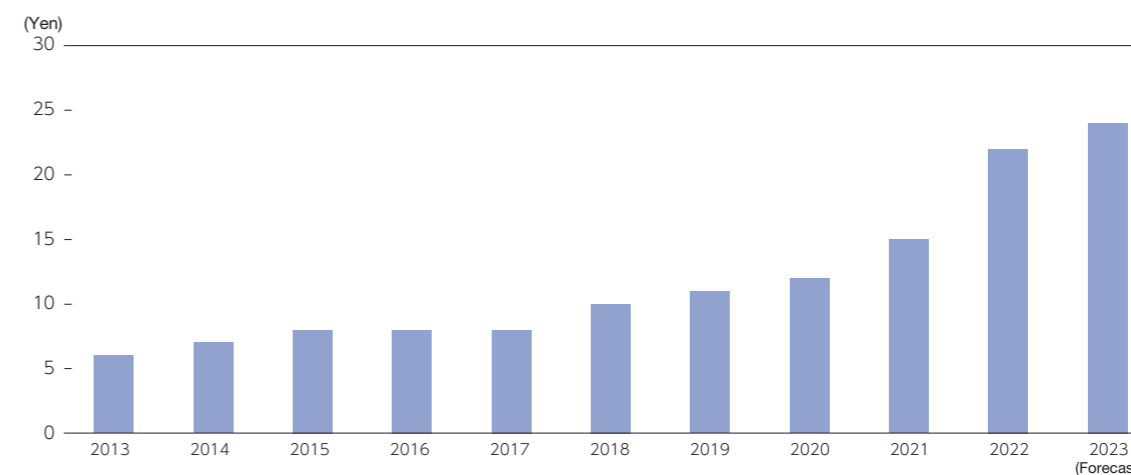
Regarding dividends for the period ending October 2023, we plan to increase dividends by 2 yen based on our current business performance.

Moreover, 4.1 billion yen in treasury stock was acquired in December 2021.

Although the existing basic policy will continue in the next Mid-Term Business Plan that is now being formulated, we also plan to disclose our basic concept regarding distribution of profits from the perspective of our shareholders, shareholder return and capital allocation, internal reserves and maintaining financial soundness.

By improving capital efficiency and strengthening our financial base, we will work continuously to improve corporate value for meeting the expectations of our shareholders.

Changes in Dividends



Dialogue with Investors

To help investors and shareholders better understand Kumiai Group, we have been promoting proactive IR activities to provide a variety of accurate information about us.

In particular, we hold a financial results briefing or small meeting every quarter for institutional investors, and respond to individual requests for interview. In recent years, we have set up opportunities to improve understanding of Kumiai Group including holding tours of our facilities.

When inquiries are made by individual investors, we reply to each one via email, and publish an information brochure for individual shareholders.

We will proactively make efforts to disclose comprehensive and integrated financial and non-financial information for improving our IR activities and for helping investors and shareholders to get a better grasp of our attractive features.

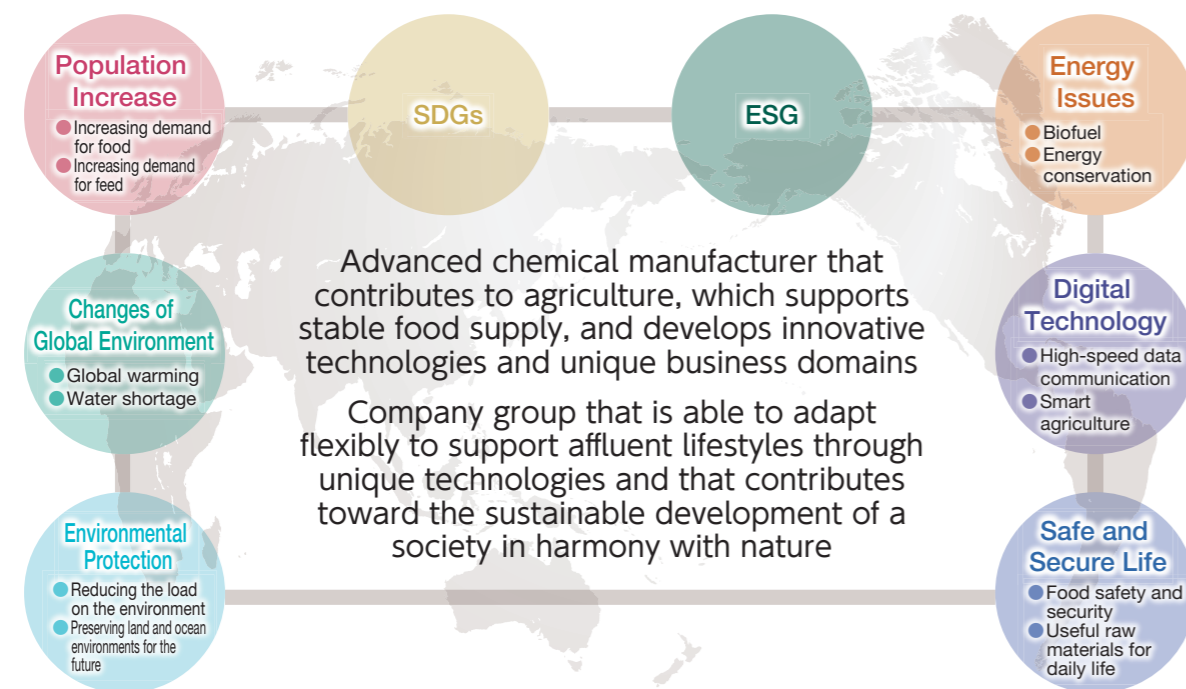
Progress and Results with the Mid-Term Business Plan “Create the Future -The Challenge for New Possibilities-”

According to our Mid-Term Business Plan, this is a seeding period for expanding business domains from the perspective of our “Ultimate Goals” in the next 20 to 30 years later with the aim of becoming a 100-year old company 26 years later from now.

Mid-Term Business Plan Overview

Kumiai Group launched the current Mid-Term Business Plan “Create the Future -The Challenge for New Possibilities-” (FY2021 to FY2023) in November 2020. When formulating the Mid-Term Business Plan, we decided that our management policy and strategies needed to be established from a long-term market perspective based on our future vision of Kumiai Group and to become a 100-year old company in order to sustainably develop our Group as economic trends and market environments in Japan and other countries become uncertain. Based on this concept, we made long-term perspective (up to 20 to 30 years) for the market environment and set Kumiai Group Ultimate Goals and then established our business strategies for realizing these Ultimate Goals.

(1) Ultimate Goals of Kumiai Group



(2) Orientation of future business strategies

| | |
|--------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| ① Creating new active ingredients for agricultural chemicals, and strengthening R&D capabilities | ⑥ Strengthening and review of production systems |
| ② Expansion of research and business domains | ⑦ Expansion of contracted manufacturing business |
| ③ Ensuring diversity of sales routes | ⑧ Ensuring cost competitiveness |
| ④ Business efficiency | ⑨ Ensuring access to advanced technology and expansion of Fine Chemicals Business |
| ⑤ Selecting and concentrating on growing business | ⑩ Corporate activities that emphasize SDGs, contributing to a recycling-based society, and ESG |

Based on our Ultimate Goals of Kumiai Group in 20 to 30 years later from now, three years in the current Mid-Term Business Plan are a time for planting seeds to expand our business domains. Since the business environment changes greatly, there is a limitation of our sustainable growth if we stick only to the agrochemical business. Therefore, we carefully considered what value Kumiai Group was able to provide to society, prepared for a paradigm shift in the future business environment by expanding our business domains, and set our basic management policy as “Aiming to be a corporate group that can be adaptable to changing market situations by development of innovative technologies and expansion of business domains, and aim to become company group that contributes to sustainable development of society by providing our products and services to enrich people’s lives”. We also selected “Expansion of research and business domains,” “Ensuring diversity of sales routes,” “Ensuring cost competitiveness” and “Corporate activities that emphasize ESG” as important policies that we should focus on during these three years in our current Mid-Term Business Plan among the items in the “Future Business Strategy” set in the above. Kumiai Group will ensure the implementation of measures according to the Mid-Term Business Plan while also working on non-continuous growth such as through M&A, and will continue making efforts based on the slogan “Speed, Cost, and Innovation” in order to “be a corporate group that can contribute to the sustainable development of society,” which is stated in our basic management policy.

Management Target Figures

| | Results for FY2020 | Mid-Term Business Plan (FY2021 to FY2023) | | | |
|----------------------------------|--------------------|-------------------------------------------|--------------------|---------------------------------------------------|----------------------------------------|
| | | Results for FY2021 | Results for FY2022 | Forecasts for FY2023 (Announced in December 2022) | Forecasts for FY2023 (During planning) |
| Net sales (Billion yen) | 107.3 | 118.2 | 145.3 | 167.9 | 126.0 |
| Operating income (Billion yen) | 8.3 | 8.5 | 12.7 | 14.5 | 9.8 |
| Net income (Billion yen) | 6.6 | 9.0 | 16.3 | 14.1 | — |
| Capital Investment (Billion yen) | 6.6 | 5.9 | 9.6 | — | 31.3 / 3 years |
| Return on Equity (ROE) (%) | 6.9 | 8.9 | 14.9 | 12.0 | 7.3 |
| Operating Margin (ROS) (%) | 7.7 | 7.2 | 8.7 | 8.6 | 7.8 |

In the Mid-Term Business Plan, we set management target figures of 126 billion yen for net sales and 9.8 billion yen for operating income during FY2023. However, we were able to achieve these targets a year early during the second fiscal year of the Mid-Term Business Plan FY2022. For FY2023, we have set higher targets and are working to achieve these. We will implement our business strategy for realizing our Ultimate Goals in the next 20 to 30 years later. We will also continue making efforts to grow our business and will proactively implement important policies and prioritized measures for strengthening our sustainability management base.