

Risk Management

Until FY2022, Kumiai had discussed matters related to risk management and compliance at the Sustainability Promotion Committee. However, we established a Risk Management & Compliance Committee in FY2023 to strengthen the system for discussing such matters in a more focused manner.

We established a “Basic Policy on Risk Management” based on our “Basic Policy on Sustainability.”

The Risk Management & Compliance Committee chaired by the President examines the formulation of measures related to confirmation and evaluation of risk coverage and risk management.

Basic Policy on Risk Management

1. The Kumiai Group believes that risk management is the key to internal control for gaining the trust of stakeholders and for achieving continuous growth. As part of our social responsibility as a company, we recognize the importance of proper risk management, including proper management to prevent risks, and prompt reporting and information sharing. We endeavor to foster a risk culture through continuous engagement in risk management.
2. For handling risks during ordinary times, Kumiai Group considers cost-effectiveness measures for risks that affect the whole Company or cross-organizations, and then aggregate the risk management development and operation status by the department in charge. In order to handle risks during emergencies, we establish a Risk Response Headquarters and are working to minimize risks by determining measures taking correspondences with externals.

System

The Corporate Governance Office oversees and promotes risk management according to the “Risk Management Rules” for handling risks during ordinary times. The Risk Management & Compliance Committee identifies risks that affect the whole Company or cross-organizations as well as risks for each department, creates measures, and then aggregates and shares risk information with each department.

Regarding our business continuity plan (BCP), we take a result event approach for handling damage to management resources in order to respond to all hazards. The scope applies to production and supply systems for agricultural chemicals and fine chemicals as well as factories belonging to group companies. We have a system to establish a Risk Response Headquarters to handle critical risks such as during emergencies, according to our “Management Risk Control Rules.”

To respond to the business risks in connection with the spread of COVID-19 in FY2020, we set up a Pandemic Response Headquarters in accordance with our BCP for handling difficulties related to officers and employees coming to work, and deployed specific horizontal measures at group companies. At the same time, effort was made to monitor the infection status of officers and employees, and to help infected people and close contacts. We also reduced the risk of infection by expanding application of our staggered workday system and establishing a remote work system that institutionalized working at home and satellite offices.

When implementing the remote work system, we established the system according to our “Information Security Operation Management Regulations” to ensure the same security level as for inhouse access when accessing the inhouse system during remote work.

Efforts have also been made to strengthen the security level such as by giving training on information security to all employees, and setting comprehension requirements for remote work based on test scores. We also established an environment for quickly detecting and responding to unknown malware infections and malicious internal leaks using systems such as behavior detection at endpoints and for the entire network.

Major Risks and Countermeasures by Kumiai Group

Major risks			Overview of risk	Overview of countermeasure
1	Agricultural Chemicals and Agriculture-Related Business	Japan	Decrease in net sales in Japan due to various external environmental factors (weather, competitive products, laws and regulations)	Collecting information about changes of external environment and cooperating with related organizations
		Outside Japan	Decrease in sales due to changes in the agricultural chemical market (weather, grain prices, crop acreage, resistance development, competitive products, generic products, laws and regulations)	Improving the accuracy of market forecasts, strengthening information gathering and analysis capabilities, and improving the accuracy of demand assessments and risk monitoring, and responding quickly when these occur
2	Fine Chemicals Business		Decrease in net sales due to a drop in demand for end products and decreased sales volume due to specification changes	Working with sales partners for responding quickly to changing needs
3	Developing New Products		It takes much time to develop agricultural chemicals, so loss of sales opportunities resulting from revisions to laws and regulations in each country and changes in the market environment, impact development success	Quickly and accurately understanding regulatory trends and market trends in each country including revisions to laws
4	Exchange Rate Fluctuation		Decrease in net sales and increase in procurement cost due to sudden exchange rate fluctuations	Creating a management plan that incorporates unification of currencies in sales and procurement, forward exchange contracts and impact of exchange rate fluctuations
5	Changes of laws and regulations		Increase in costs for responding to changes with laws and tightening of regulations in each country related to the handling of chemical substances	Response and coverage through Responsible Care activities, and confirming costs
6	Product quality		Problems with product quality due to unexpected quality issues, defects, incidents	Proper quality management based on ISO, and thorough implementation of defect detection via complaint management
7	Production and procurement of raw materials		Delays and suspension of manufacturing at Kumiai and increase in procurements costs due to insufficient supply of raw materials as a result of incidents at suppliers, laws and regulations in the country of location, and geopolitical risks	Ensuring inventory by ordering raw materials early, arranging substitutes, and diversification of supply sources for important raw materials
8	Impaired asset accounting application		Worsening financial situation due to impairment loss as group business assets decline	Monitoring management by dispatching officers to group companies
9	Intellectual property		Decrease in net sales or leakage of technology and know-how due to infringement of our intellectual property Compensation payments due to violation of another company's intellectual property rights	Establishing a patent network for substances, manufacturing methods, intermediates, intended use, formulations, and usage methods Monitoring patent applications by other companies and the application examination status
10	Information security		System outages due to cyberattacks or other unintentional incidents, leakage of confidential information	Implementing various prevention measures, and developing a response system in the unlikely event of occurrence
11	Climate change		Increase in costs for responding to stricter greenhouse gas (GHG) emission regulations, and loss of trust from stakeholders due to insufficient efforts toward realizing a decarbonized society	Establishing GHG emission reduction targets, implementing meaningful capital investment, and promoting information disclosure via TCFD
12	Natural disasters and infection disease		Suspension of operations at business sites and disruptions to supply chains due to sudden large-scale natural disasters and pandemics caused by emerging infection diseases	Formulating and implementing a BCP and preventive measures for facilities
13	COVID-19 infection		Restriction of business activities due to employee infection, and long-term spread in society	Thorough implementation of basic preventive measures for infection and business operations under the BCP, and promotion of work style reforms according to new lifestyles