

Contributing to Sustainable Agriculture, Kumiai Proceeds to its Next Phase



Representative Director,
President

横山 優

On My Appointment as Representative Director, President

Starting as a Researcher Before Building My Career in Global Business

I assumed the position of Representative Director, President in November 2024. I have been involved in the food and agriculture sectors for many years, ever since majoring in agriculture at university. After joining Kumiai Chemical Industry in 1989, I was assigned to the Life Science Research Institute, where I began my career as a researcher of herbicides. In 1994, I was transferred to the Overseas Department (now the Overseas Sales Division), and I spent seven years working in Europe from 2002 to 2009. On my return to Japan, I worked in a variety of positions, including overseas sales and corporate planning & coordination, before assuming my current position. I spent a great many years working in overseas operations, 26 years in total. Today, overseas sales account for approximately 70% of our non-consolidated sales. My pride in having helped to build the foundations for the expansion of our business has become a major driving force in my new position at the helm of the company.

I worked on the formulation of the current Medium-Term Business Plan, which will end in FY2026, together with my predecessor, Mr. Takagi. While my fundamental approach is to carry on in the same direction, under the new leadership team, I have also outlined three new policies. They are “Change into a strong corporate structure,” “Enhancement of corporate value through promotion of sustainability management,” and “Pursuit of happiness for all stakeholders.”

Change into a Strong Corporate Structure that is Not Affected by Changes in the Business Environment

The first of these, “Change into a strong corporate structure,” refers to the strengthening of our management foundations. We have already built a firm business foundation that is not easily swayed by external pressures. On the other hand, I am always conscious of the notion that any company, by nature, could collapse at any time. Our business centers on agricultural chemicals, and if it were not able to continue, it would have a massive impact on agriculture and food supply in Japan and around the world. The foundation of sustainable

business activity is the generation of profit. Profit for a company means being able to employ staff and make contributions to society. In some ways, its presence is akin to what water means to human beings. Humans need to drink water to stay alive, but that does not mean that they live for the sake of drinking water. My aim is to change our corporate structure on both axes of social contribution and profit generation through business.

The specific areas in which we will concentrate our efforts are “Strengthening profitability through improving mindset and organizational reform,” “Creating new values through developing new products and technologies that anticipate customer’s needs and wants,” “Realizing the vision for the human capital strategy and developing human capital,” and “Promotion of digital transformation (DX) / implementation of digitalization.” For us to continue to grow, the creation of new value is essential; our lifeline is the development of products that do not yet exist in the world. The series of research and development (R&D) activities, from creating new compounds that will become active ingredients in agricultural chemicals to transforming those compounds into products, namely agricultural chemicals, through to activities for the spread and sales of those products after their registration as agricultural chemicals, are the source of value creation. For this reason, we will place efforts into related activities, namely, the development of innovative technologies, human capital development, and improvement of research and production efficiency through DX. That approach of predicting future customer needs and pressing forward with product development also applies to the Fine Chemicals Business. Considering the area of materials for semiconductors and other electronic applications for which growth in social demand is predicted as growth areas, we will continue proactively developing our business in that field. By focusing our efforts on strengthening profitability, creating new value, human capital development, and promotion of DX, we will build a corporate structure that will not be easily affected by changes in the business environment.

Promotion of Sustainability Management to Protect the Environment, Society, and Human Rights

In my second policy, “Enhancement of corporate value through the promotion of sustainability management,” we will aim to enhance our social value, including that of our group companies. In addition to the formulation of the Basic Policy on Sustainability in 2021, we established the Sustainability Promotion Committee, and we have strengthened our efforts toward, in the main, the realization of a carbon-free society and transition to a recycling-oriented economy.

In the area of decarbonization, we have declared targets of reducing GHG emissions by 30% compared to FY2019 levels by FY2030 and achieving carbon neutrality by FY2048. We have set this second target two years ahead of the Japanese government’s target of 2050 because 2048 is the 100th

anniversary of our foundation. In particular, at our factories and institutes that have high levels of CO₂ emissions, we are proceeding with the switch to CO₂-free electricity, derived from renewable energy, etc., and the switch from heavy oil to fuels with low GHG emissions. We are currently on track to achieve our numerical targets for FY2030.

At the same time, to address social issues, we have set KPIs for diversity and inclusion (D&I), work-life balance, and KENKO Investment for Health, and are progressing measures in line with the action plan.

Also, in the belief that respect for human rights is the foundation of sustainability management, we are promoting respect for human rights with the establishment of a Basic Policy on Human Rights and Guidelines for Human Rights Due Diligence. We continue to address human rights issues with initiatives such as conducting surveys of our suppliers based on the Guidelines.

Through such efforts, we hope to enhance corporate value by contributing to the environment and society.

* The term “KENKO Investment for Health” is a registered trademark of Nonprofit Organization Kenkokeiei.

Individual Aspiration Producing Results, Leading to the Happiness of Our Stakeholders

For the third policy, “Pursuit of happiness of all stakeholders,” the concept of “the Dreams and Triangle for Happiness” is the slogan of the current Medium-Term Business Plan that was set when the previous President, Mr. Takagi, assumed office. This concept has taken firm root among the officers and employees of Kumiai and our group companies. I would like to add another word, “aspiration,” to this concept. If each individual employee approaches their work with dreams, hope, and aspiration, great outcomes will result, and the company will grow stronger. This will benefit our employees, their families, our business partners, and our shareholders, and ultimately lead to the happiness of all stakeholders. I intend to share this philosophy across the entire group so that this kind of virtual cycle can be fostered.

Previous Fiscal Year’s Results and Focus Issues

Acknowledge the Major Fall in Profit and Respond to Changes in the Business Environment

Consolidated net sales in FY2024 amounted to 161.0 billion yen, an increase of 47 million yen from the previous fiscal year. This was our 14th consecutive year of increases in net sales. On the other hand, operating income, at 11.4 billion

yen, was significantly down from the previous fiscal year, which we admit is a harsh result. The impact of inventory reduction efforts in the global agricultural chemicals market and plummeting prices of competitors' products meant that our sales did not proceed according to plan. An additional macro-economic factor was the plateauing of trends that had previously provided a tailwind for our business, such as the depreciation of the yen and increases in the demand for and prices of agricultural products.

In terms of our business, changes in the business environment surrounding AXEEV® (active ingredient name: Pyroxasulfone), the core of our overseas business, were also a factor. AXEEV®, a field crop herbicide, is highly effective against weeds that are resistant to existing herbicides in the cultivation of crops such as soybeans, maize, wheat, and sugarcane. As such, sales of this product have grown steadily since it was first launched in 2011. It is registered as an agricultural chemical in 25 countries (as of March 31, 2025). The substance patent for AXEEV® expired in 2022. Since the expiration of the substance patent, which is our greatest defense, generic products and products that infringe our patents have flooded the market and started to spread at low prices. For this reason, we have had no choice but to adopt a price-based response to maintain our market for AXEEV®, and this is what ultimately led to the fall in profits.

Also Target AXEEV® Market Share Expansion Through Cost Reductions While Advancing Patent Infringement Countermeasures

To overcome these challenges, we are currently proceeding with legal responses based on the policy to take decisive action in the event of any infringement of our patent rights. Although the substance patent for AXEEV® has expired, our patents resulting from new pre-mixture development and patents for production methods and intermediates are still current.



Exercising our intellectual property rights across the entire manufacturing process will enable us to counter patent-infringing products.

Already, in Australia, we have taken legal action against a patent infringement by a distributor of a product containing pyroxasulfone, and this case was settled out of court in our favor. By continuing with such efforts, we expect to be able to recover sales of the original product, AXEEV®, in Australia.

However, given the ongoing need for price adjustments over the medium to long term, it is true that we may see a shift from the sharp growth of the past to a more moderate rate of growth. On the other hand, these price adjustments have also helped us to capture new users of AXEEV®. Instead of taking a pessimistic view, by seeing the situation as an opportunity and formulating proactive strategies, we hope to achieve a further spread of AXEEV®.

Roll Out EFFEEDA® Overseas in Earnest and Steadily Develop New Products in Japan

At the same time, we will also need to reinforce our product portfolio for the improvement of our business performance. We have other strong product ranges. In the area of paddy rice herbicides in Japan, one-shot herbicides, in which pre-mixtures of various compounds allows long-lasting control of a broad range of weeds, are important. We have maintained the top market share in the field of one-shot herbicides for four consecutive years. EFFEEDA® is performing strongly in this field. We believe that we can cultivate a new core business by expanding the EFFEEDA® that has penetrated the domestic market in Japan to overseas in earnest.

One market in which we can maximize the potential of EFFEEDA® is Europe, the world's leading wheat producing region. We are currently applying for its registration as an agricultural chemical in Europe with its business expansion as a field crop herbicide in mind. In the U.S., through a partnership with Valent, we have begun joint development of a paddy rice herbicide for the U.S. market.

In January 2025, REGARD was registered as a new paddy rice fungicide in Japan, and we plan to launch sales of this product in 2026. We are proceeding with the development of the proprietary miticide, VANENTA®, and preparations are underway for its market launch after registration. In our domestic business, methods other than in-house, proprietary development, will also be effective. This includes new products created by the introduction of products developed by other companies and pre-mixture created from combinations of existing products. Even as we proceed with diversified approaches, over the long term, we will take full advantage of our superior R&D capabilities in our aim to develop new compounds that will be a match for AXEEV®. In doing so, we hope to build up a powerful product lineup.

Make the Fine Chemicals Business Our Second Pillar Followed by Agricultural Chemicals

In the Fine Chemicals Business, the chlorination business struggled against competition with China, which had a significant impact on sales. The reason for this is that IP strategies are less applicable in the upstream area of fine chemicals, and unlike agricultural chemicals, this area is more heavily influenced by price competition, making it more vulnerable to the impact of a downturn in market conditions. On the other hand, bismaleimides (BMIs), which are resin raw materials, are performing well due to their use in the substrates of semiconductors, demand for which is growing. The Fine Chemicals Business as a whole recorded increases in sales and profit, and we expect that favorable wave to continue against the background of increased semiconductor demand.

These results are primarily from our group companies, but Kumiai itself will also strengthen its own Fine Chemicals Business. In the Chemical Research Institute, Shimizu Innovation Park (ShIP), which started operating in 2023, we have newly established a New Material Research Laboratory, where research into completely novel materials and the development of applications for existing products are underway. Researchers from group companies have also gathered in this new laboratory, where they are working to bring together knowledge and insights from a variety of fields. Armed with our advanced research capabilities, we will aim to grow the Fine Chemicals Business into a second pillar followed by the agricultural chemicals business.

Progress of the Medium-Term Business Plan

Seven Key Policies Being Promoted Under the Medium-Term Business Plan

FY2021–2023, the period of the previous Medium-Term Business Plan, was positioned as the Challenge for New Possibilities, and in those three years, we pursued the strengthening of our R&D capabilities, large-scale growth investments for the reduction of production costs, M&As in Japan and overseas aimed at business expansion, and initiatives related to sustainability management. Carrying on these efforts, we have set out seven key policies in the current Medium-Term Business Plan (FY2024–2026). They are “Contributing to sustainable agricultural industry / Providing a stable supply of high-quality products and services,” “Mitigation of climate change and environmental impact,” “Strengthening R&D capabilities,” “Expanding business domains and promoting new businesses,” “Human capital development / Human capital strategy based on the idea of human capital,” “Improvement of corporate governance,” and

“Promotion of digital transformation / Implementation of digitalization.” We are trialing new measures under each of these policies, and we are gradually starting to see results in some fields.

Contributing to Sustainable Agricultural Industry / Providing a Stable Supply of High-Quality Products and Services

The world's agricultural industry is facing a variety of challenges due to factors such as increased food demand caused by population growth and changes in diets, climate change, and geopolitical risks. As a company engaged in the agricultural chemical business, it is our responsibility to provide agricultural chemicals that are essential for raising harvest yields per unit area and producing safe and secure agricultural products. Initiatives such as the patent infringement countermeasures that I mentioned earlier, and the overseas roll-out of domestic products will, I believe, lead to stable food production and contribute to the realization of a sustainable society.

In Japan, in particular, the aging of the farming population and the shortage of workers are serious issues. Amid the decline in crop acreage, the number of agricultural production corporations is expected to increase in the future, and there is growing demand for more efficient farming operations on the ground. We are currently working to help reduce labor for growers by marketing MAMETSUBU®, its propriety formulations that contribute to smart agriculture, and realizing the application of agricultural chemicals by drones.

In such ways, we will leverage the power of our technologies and networks to support the construction of a sustainable agricultural industry.

Mitigation of Climate Change and Environmental Impact

The Ministry of Agriculture, Forestry and Fisheries has formulated the Strategy for Sustainable Food Systems, MIDORI, which advocates innovation that will enhance potential and ensure sustainability in a harmonious manner. Among the KPIs set in this strategy, one that is directly related to our business is the target for a 50% reduction in risk-weighted use of chemical pesticides by 2050. This may seem to have adverse implications for the agricultural chemical industry, but the development of agricultural chemicals that are more effective, safer, and have a lower environmental impact has been the R&D policy of us for the many long years since the company was founded. As there is no conflict between our policy directions and this government policy approach, I believe that it represents not a crisis, but a business opportunity.

For example, with paddy rice herbicides, whereas in the past, 3 kilograms of active ingredient had to be applied per hectare, today, some of our products now require as little as 30 grams applied per hectare. This reduction in required product quantity will also lead to the reduction of CO₂

emissions in the transportation process. Also, the need to address international safety evaluation standards in agricultural chemical registrations is growing every year. To that end, we have been working to strengthen our research environment, including building a safety evaluation research building for our Life Science Research Institute in 2021.

Further, we are also proceeding with the development of microbial pesticides and biostimulants, which have a smaller environmental impact, supplement chemical pesticides, and are able to address a variety of needs. Going forward, we will remain steadfast in our efforts to reduce environmental impact and ensure safety in such ways.

Strengthening R&D Capabilities

In the previous Medium-Term Business Plan, we worked on the establishment of the Chemical Research Institute (ShIP) that I mentioned earlier, and we strengthened our chemistry-related research functions by merging three centers, namely the New Molecule Research Center, Formulation Technology Research Center, and Process Chemistry Research Center, into one. On the other hand, in the R&D of new compounds, biology-related functions for evaluating their practical application are indispensable. In the current Medium-Term Business Plan, we are stepping up our investment in the Life Science Research Institute. As part of that initiative, a new research building is scheduled for completion in 2027. By lining up both domains of chemistry and biology, the creation of new agricultural chemicals is sure to accelerate.

In addition, as well as actively partnering with external research organizations, we are promoting initiatives for the establishment of proprietary chemical discovery methods using AI, as part of our efforts to develop basic technologies.

Expanding Business Domains and Promoting New Business

While the Agricultural Chemicals and Agriculture-Related Business and the Fine Chemicals Business are the main axes of our operations, we are also venturing into peripheral areas. The main starting point in this regard is M&A. Under the previous Medium-Term Business Plan, we made Singapore-based Asiatic Agricultural Industries (AAI) a consolidated subsidiary and acquired the shares of Agricore Corporation in Fukushima Prefecture and GRA INC. in Miyagi Prefecture. Currently, these companies are working hard to expand the Group's business domains. For example, AAI is working to expand sales channels into Asia and Africa, Agricore is growing wasabi using IT, and GRA is using smart agriculture for strawberry in house cultivation. Going forward, we hope to take on the challenge of creating synergy effects, including having them collaborate with us on the use of technology.

Human Capital Development / Human Capital Strategy Based on the Idea of Human Capital

For the sustainable development of Kumiai and our group, securing and developing human capital are essential. We are currently undertaking a drastic review of our personnel evaluation and remuneration systems with the aim of developing an environment that supports every effort and creating mechanisms that provide a sense of accomplishment in accordance with achievement. We plan to have these mechanisms up and running from FY2026. Behind these reforms is our rigid personnel system that has remained unchanged for some 30 years. While establishing mechanisms that will fully recognize employees who have produced results, we will introduce systems such as a multifaceted salary increase scheme and a region-limited employee program to ensure career diversity, in our efforts to increase employee and company engagement.

Improvement of Corporate Governance

Compliance and risk management have become more and more important in recent times. As well as establishing our Guidelines for Human Rights Due Diligence, we signed the United Nations Global Compact for building a sound global society in 2023, and is continuously strengthening efforts in the areas of human rights and labor.

For the promotion of diversity and inclusion, we also established a Diversity Promotion Working Group, inviting applications from employees nationwide. The members of the Working Group were tasked with gathering recommendations for the management team from the field, as well as summarizing the current challenges and clarifying our future vision, with the aim of being a company that anyone will find comfortable to work in. Initiatives undertaken in 2024 included diversity training for managers based on the contents of those recommendations, and we are currently strengthening our efforts in this regard.

Promotion of Digital Transformation / Implementation of Digitalization

For the promotion of digital transformation and implementation of digitalization, we established the Information Systems Management Department in May 2024. The promotion of DX is essential for the survival of business enterprises today, but any DX that is lacking in substance would be meaningless. To understand the fundamental substance of DX, we will select employees who are interested in the IT field from across Japan and conduct four months' basic training in the Information Systems Management Department. The objectives of the training will be to improve the IT skills of individuals, share head office's know-how with other sites, and

promote DX at the field level. If we promote bottom-up initiatives and roll out excellent insights and success stories, I believe that we will be able to achieve productivity improvements across entire group.

Message to Stakeholders

Accomplish Various Measures to Achieve Our Ultimate Goals as a 100-Year-Old Company

Through a series of initiatives, what our group first aims to accomplish is the achievement of the targets of 185.0 billion yen in net sales and 16.0 billion yen in operating income in FY2026, as declared in the current Medium-Term Business Plan, and to return those profits to our investors. At the same time, our group has set as its Ultimate Goals as a 100-year-old company, to become "a corporate group with flexibility and a strong presence that enriches the lives of people through its unique technologies, and that contributes to sustainable development of society in harmony with nature." The current Medium-Term Business Plan is a key step toward those goals. While keeping long-term growth firmly in view, we intend to steadily implement the measures necessary to achieve the plan.

In my leadership statement on my appointment as President, I made three requests of all officers and employees.

The first was that they maintain a healthy sense of crisis. AXEEV® has supported our company's growth, but that does not mean that we can continue to expect it to continue that upward growth trajectory. On the contrary, in anticipation of changes in the business environment, it is important that each of us engage in the business with all our might, while maintaining a healthy sense of crisis.

My second request was not to be afraid of change. Just like in the natural world, only those organizations that successfully adapt to change will survive. In business as well, we must not be afraid of change. Conversely, what we should be afraid of is not changing, of becoming unable to change. I told them that, instead of adhering to past experiences of success, they should actually doubt them and keep embracing new challenges boldly.

My third request was that they be insistent on results. If the quality, quantity, and direction of one's efforts are correct, results will definitely emerge. While I do understand the efforts and struggles in processes, I do not evaluate only those things. I urged everyone to engage in their work with the mindset of constantly and avidly pursuing outcomes, while also taking time to reflect on what "outcomes" truly means.



These three requests are based on my own personal values. As I stand at the company's helm, I personally intend to drive the company forward by putting this kind of attitude into practice while demonstrating leadership.

To Pass Kumai's Value Creation on to Future Generations

Centered on our core business of agricultural chemicals, our business of supporting the world's food can, I am certain, provide value to society in a sustained way. Given the long time required for R&D, including the synthesis and exploration of new compounds, the long-term support of our stakeholders is essential.

On the other hand, when we look at our financial situation, while return on equity (ROE) is at a high level, our price-to-earnings ratio (PER), which is an indication of expectations for future growth, tends to be low. As this appears to be an industry-wide trend, my analysis is that one reason for this is the negative image of agricultural chemicals.

To share with our wide-ranging stakeholders, including general consumers, the importance and vision for growth of our business, we need to spread awareness of the necessity and high degree of safety of agricultural chemicals. We have been engaging in awareness-raising efforts, including visiting schools to give classes, and in 2024, we launched a new food education program targeting high school students, titled "Let's Think about Food Production: What Would Happen if Agricultural Chemicals Disappeared from Our World?" This program involves discussions on the topic of agricultural chemicals, followed by production of a written report. The high school students who took part conducted their own research and interviews and submitted reports of an extremely high standard, based on accurate information. Communicating the importance of agricultural chemicals to the generation that will lead the future is crucial for sustainable food and agriculture. We will continue with initiatives designed to foster understanding of our business.

Dialogue with all our stakeholders, including growers, business partners, partner organizations, employees, investors, and local communities, is an indispensable process for the realization of a safe, secure, and abundant society. To live up to the trust and expectations of those stakeholders, we will dedicate all our efforts to the enhancement of corporate value.