

Bringing 100 years of technology
and trust, now and to the future



Corporate Business Plan

(FY2022–2024)

*KX2.0: Striving for transformation utilizing
knowledge and experience of over 100 years*



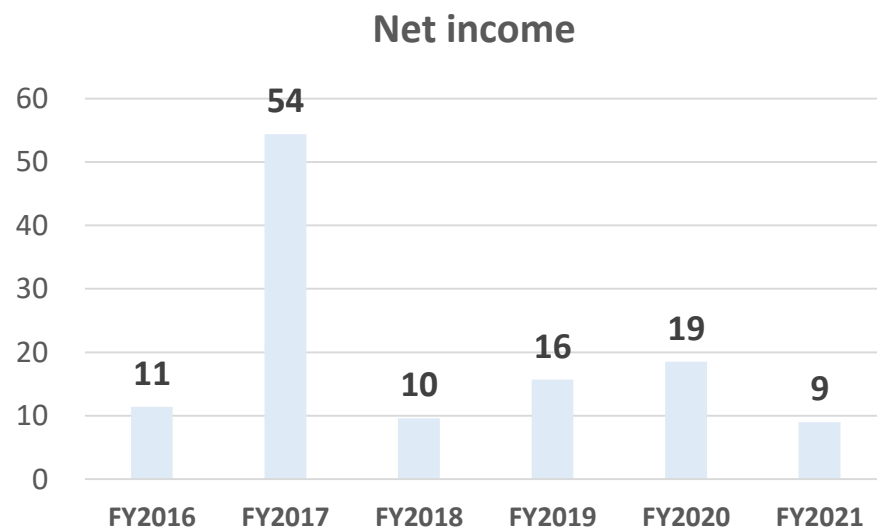
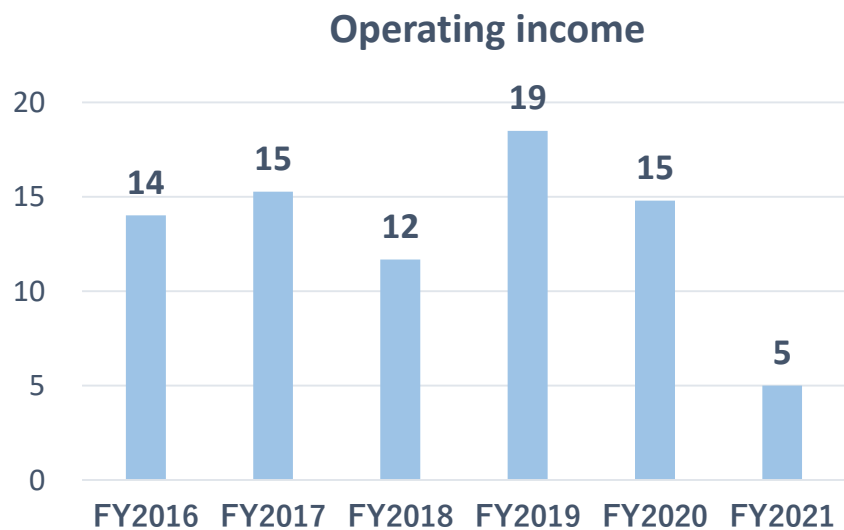
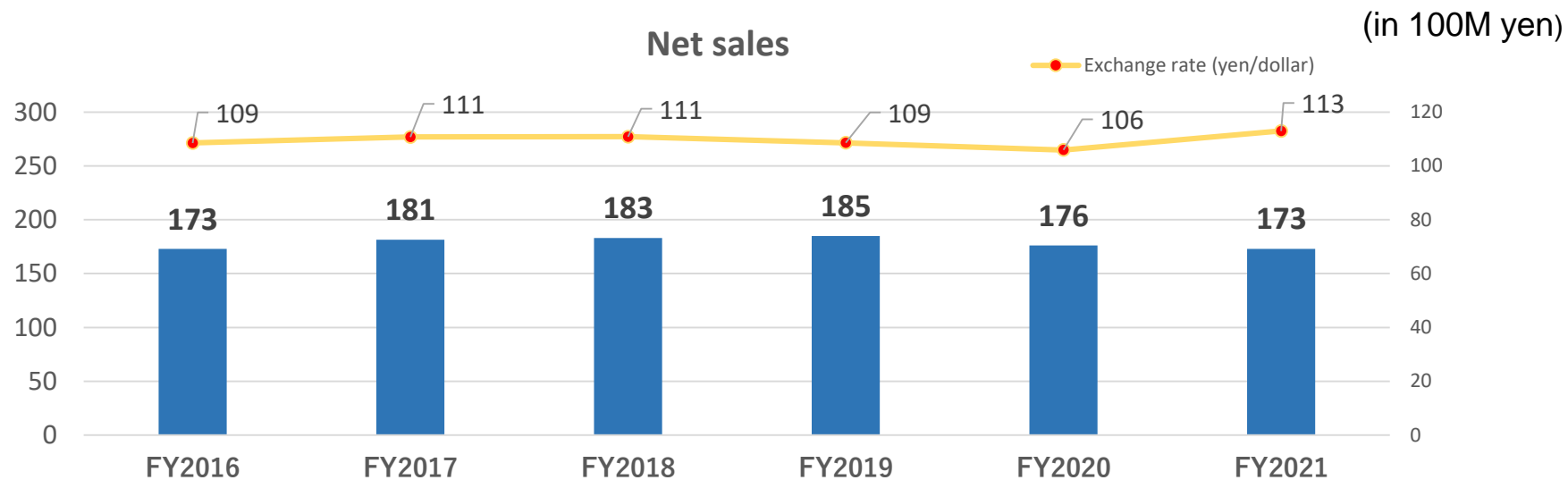
March 2022 (Updated August 2022)
KOEI CHEMICAL COMPANY, LIMITED

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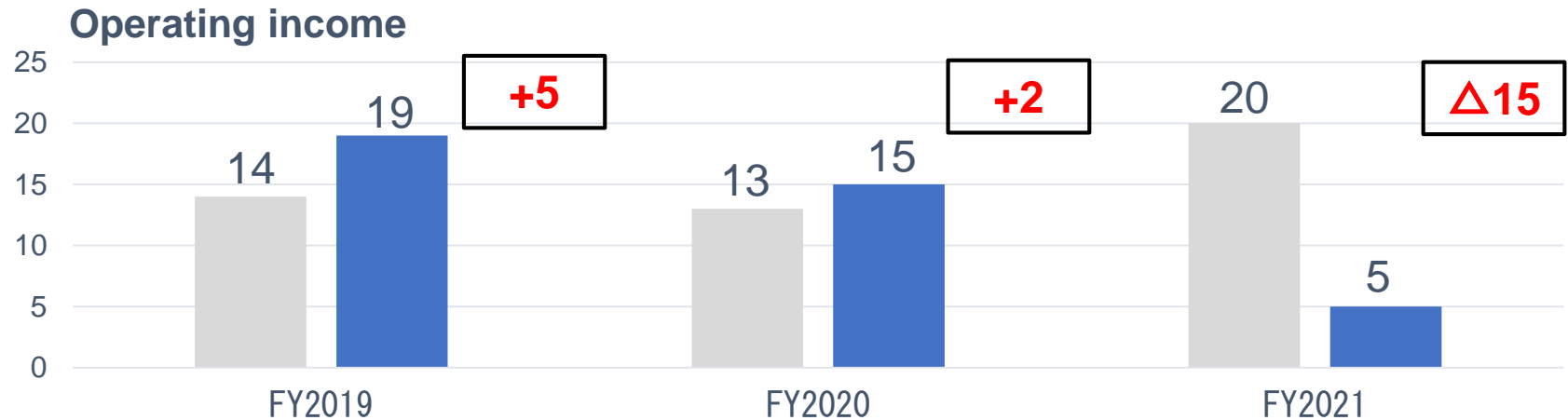
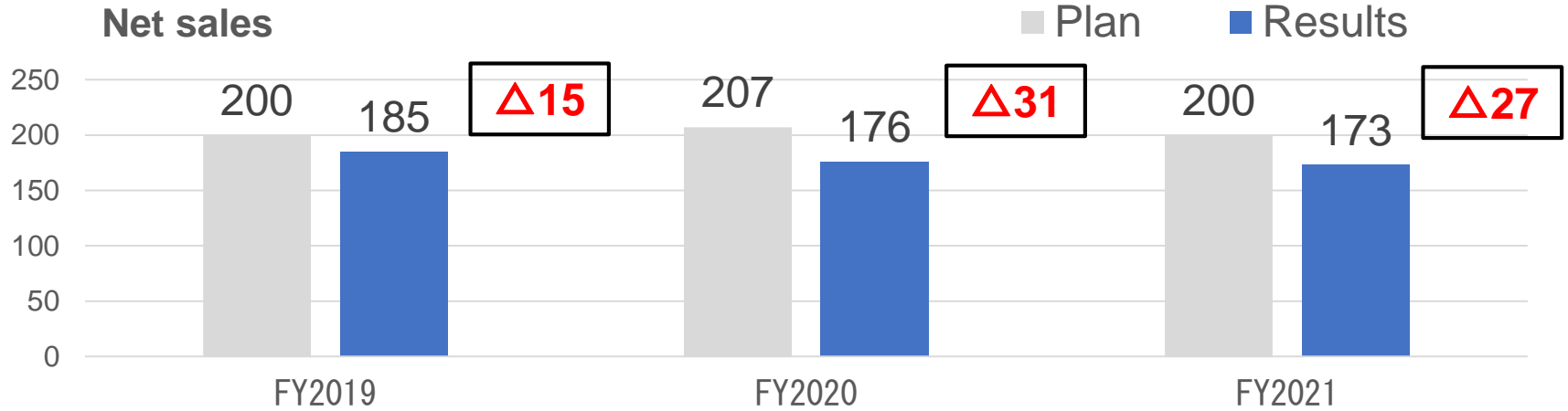
I. Corporate Business Plans in Previous Periods (FY2016–2021)

1. Past Performances



2. Financial Results FY2019 - 2021

(in 100M yen)



Major Investment Projects Implemented for Future Business Expansion and Increased Competitiveness

FY2016–2018 Plan

Challenges	Achievements
◇Key projects	
• Consolidation of production sites into Chiba.	• Osaka plant shut down in 2016.
• Construction of CM III plant (2 production lines).	• Operations started in 2017 (Line 1) and 2019 (Line 2)
◇Business restructuring	
• Transfer of pentaerythritol business to Perstorp.	• Transfer completed and Koei’s production terminated in 2017.
	• Sales agency with Perstorp expired in 2022.

FY2019–2021 Plan

Challenges	Achievements
◇Key projects	
• Construction of CM IV plant.	• Decision taken in 2020.
	• Production scheduled to start in fall 2022.
• Restructuring of basic products plants.	• Amine plant(partial).
	• Gas-phase reaction plant.
• Accelerate new product development.	• Pursue development of low-temperature curing catalysts for polyurethane
◇Business restructuring	
• Shift to high-value-added activities.	• DX initiatives started.
	• HR, organization structure, meetings/committees re-examined.

3. Challenges continuing further

Items	Actions
◇Accelerate new product development.	<ul style="list-style-type: none">▪ Commercialize low-temperature curing catalysts for polyurethane.▪ Additional applications/uses for ionic liquids.
◇Strengthen basic business.	<ul style="list-style-type: none">▪ Profitability analysis and future production planning for a gas -phase reaction plant.
◇Capital investments.	<ul style="list-style-type: none">▪ Realizing the return on the past capital investments
◇Sustainability development.	<ul style="list-style-type: none">▪ Promote carbon neutral initiatives.
◇Human resources development.	<ul style="list-style-type: none">▪ Improve middle managers' management capabilities.▪ Enhance junior/young employees' skills.



To be addressed in the New Corporate Business Plan

II.

New Corporate Business Plan

FY2022–2024

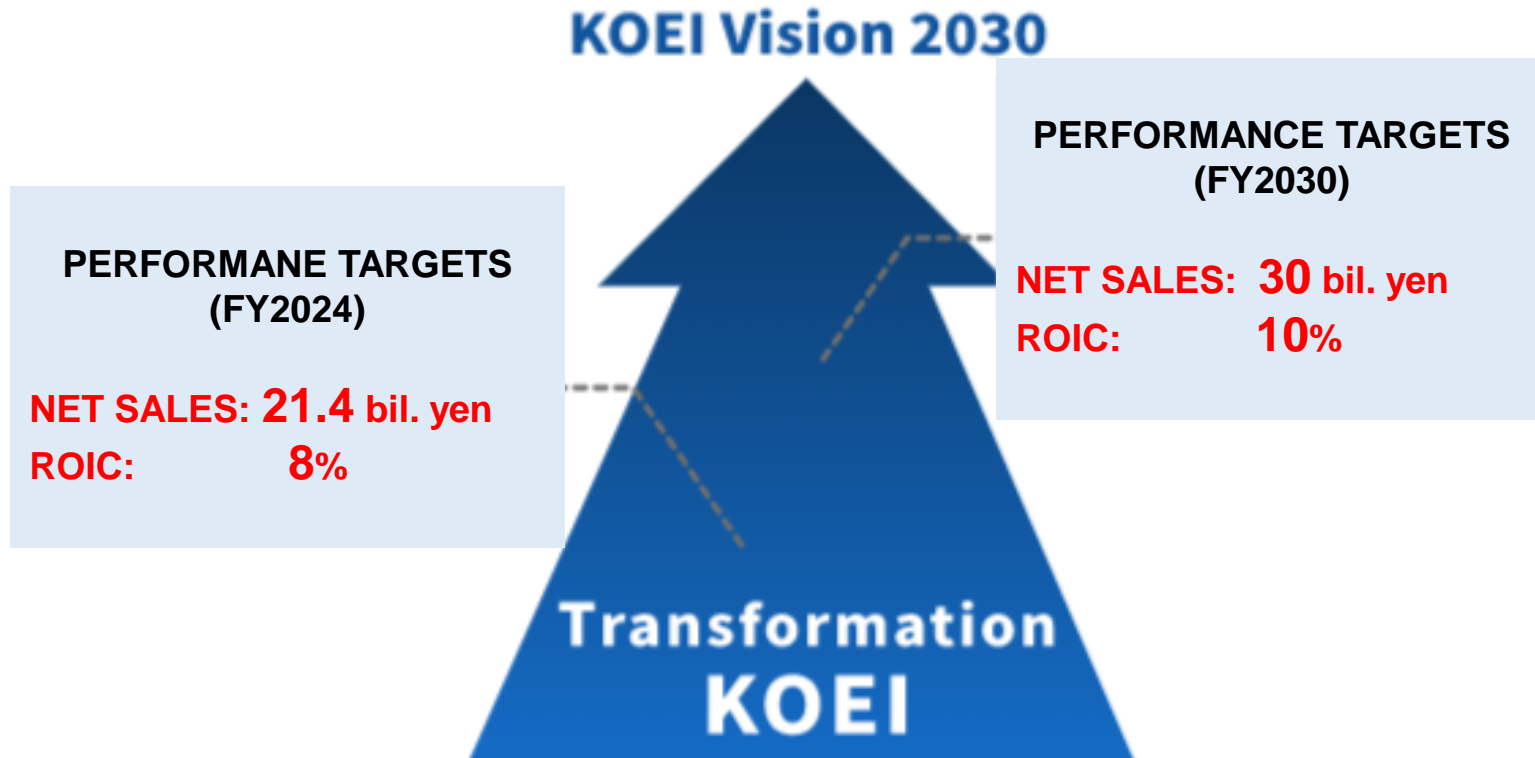
***KX2.0: Striving for transformation utilizing
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1. Future Directions

(1) KOEI Vision 2030

To accelerate innovations across the sectors —sales, R&D, manufacturing, as well as support and administration—for creating new corporate values that will lead to sustainable growth, and to make meaningful contributions to a sustainable society through business activities.



Key Factors

- (1) Increase in socio-economic activities as COVID-19 impact wanes.
- (2) Growth in frictions between the US and China; concerns over growing geopolitical risks.
- (3) Rise in raw materials/energy costs.
- (4) Acceleration in efforts to address social and environmental challenges as awareness of sustainability enhances worldwide.
- (5) Promoting DX-driven productivity improvement and pursuit of work-style reform.

Outlook for Major Product Areas

Basic Products

- (1) Pyridines and pyrazines:
 - Tuberculosis drug intermediates: Stable demand expected.
 - Electronic materials: Demand expansion expected over the medium-to-long term.
 - Raw materials/intermediates for crop protection products: Demand outlook and cost competitiveness to be reexamined.
- (2) Amines:
 - Raw/materials/intermediates for crop protection products: Steady demand foreseen.
 - Expanded demand expected for CO₂-absorbing applications.

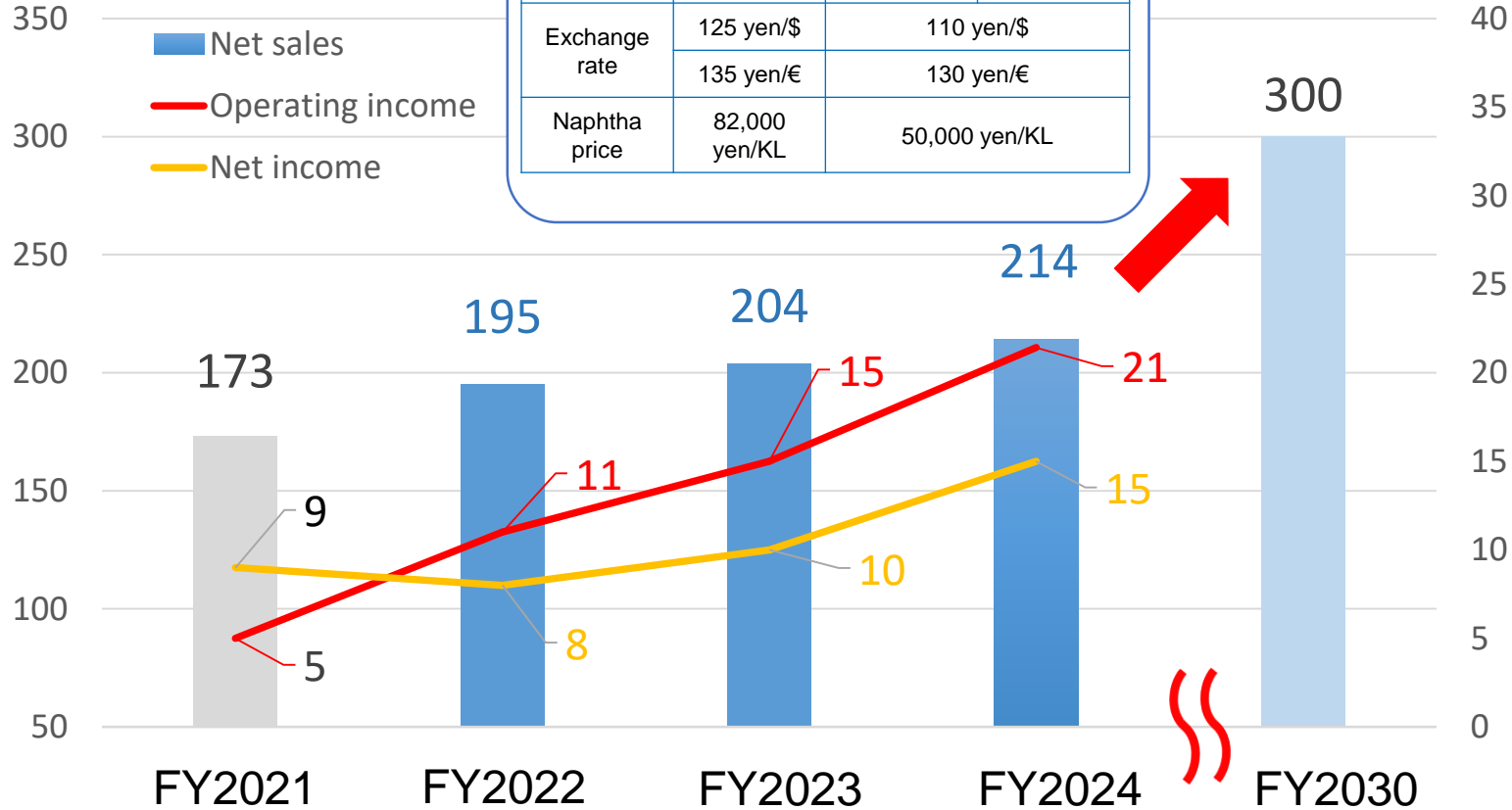
Specialty Products and New Business

- (1) Organometallic catalysts and Pharmaceuticals/crop protection products intermediates:
 - Expansion in custom synthesis business expected.
- (2) Ionic liquids/low-temperature curing catalysts for polyurethane:
 - Acceleration of new product development.
- (3) Synergy with Sumitomo Chemical Group to be expanded:
 - Pharmaceuticals/crop protection products intermediates.
 - Optical materials, organometallic catalysts, etc.

3. Performance Targets

Net Sales
(in 100M yen)

Profit
(in 100M yen)



Assumptions			
Item	FY2022	FY2023	FY2024
Exchange rate	125 yen/\$	110 yen/\$	
	135 yen/€	130 yen/€	
Naphtha price	82,000 yen/KL	50,000 yen/KL	

EBITDA	2.3 billion yen	3.6 billion yen	4.5 billion yen	5.3 billion yen
	(results)	(forecast)	(plan)	(plan)

(results)

(forecast)

(plan)

(plan)

(target)



(1) Accelerate Business Growth Strategy



(2) Strengthen Business Foundations



(3) Enhancement of Human Resources
Development

1) Basic products: Enhance competitiveness & Develop high-value added uses

- Expand sales of amines and pyridines and expedite new products commercialization.
- Accelerate development of new applications (e.g., CO₂ absorption).
- Pursue business expansion via collaboration with third parties.
- Improve competitiveness through fundamental cost reduction and productivity enhancement measures.

2) Specialty Products and New Business: Expansion

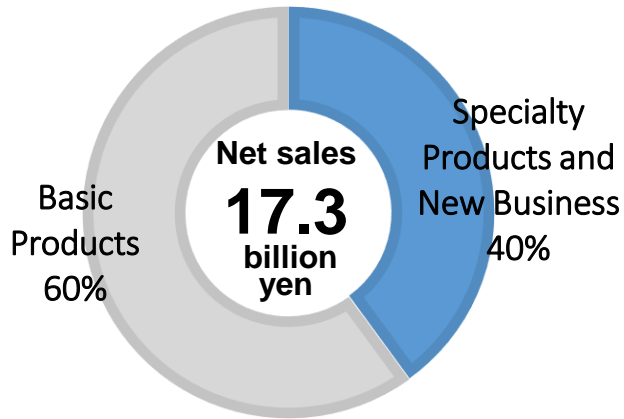
- Achieve smooth startup of CM IV plant (scheduled to start fall 2022)
- Find new applications for ionic liquids.
- Early commercialization of low-temperature curing catalysts and accelerate development of applications.
- Expand organometallic catalyst and pharmaceuticals/crop protection products intermediates business.
- Accelerate new product development through stronger collaboration with Sumitomo Chemical Group.
- Explore new business fields (e.g., optical/electronic/battery materials, environmental impact reduction).
- Construct new business models through combination of existing and new technologies.

3) Business portfolio enhancement

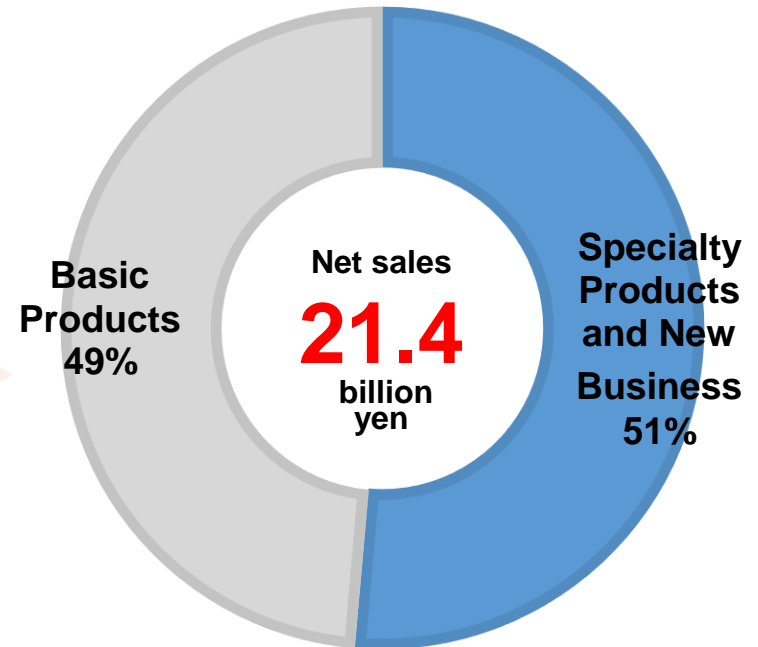
- Review of product priorities in light of profitability and strategic importance as well as the implementation of PLCM (product life cycle management) for maximizing profits.

(a) Expansion of Specialty Products and New Business

FY2021 (results)



FY2024 (plan)

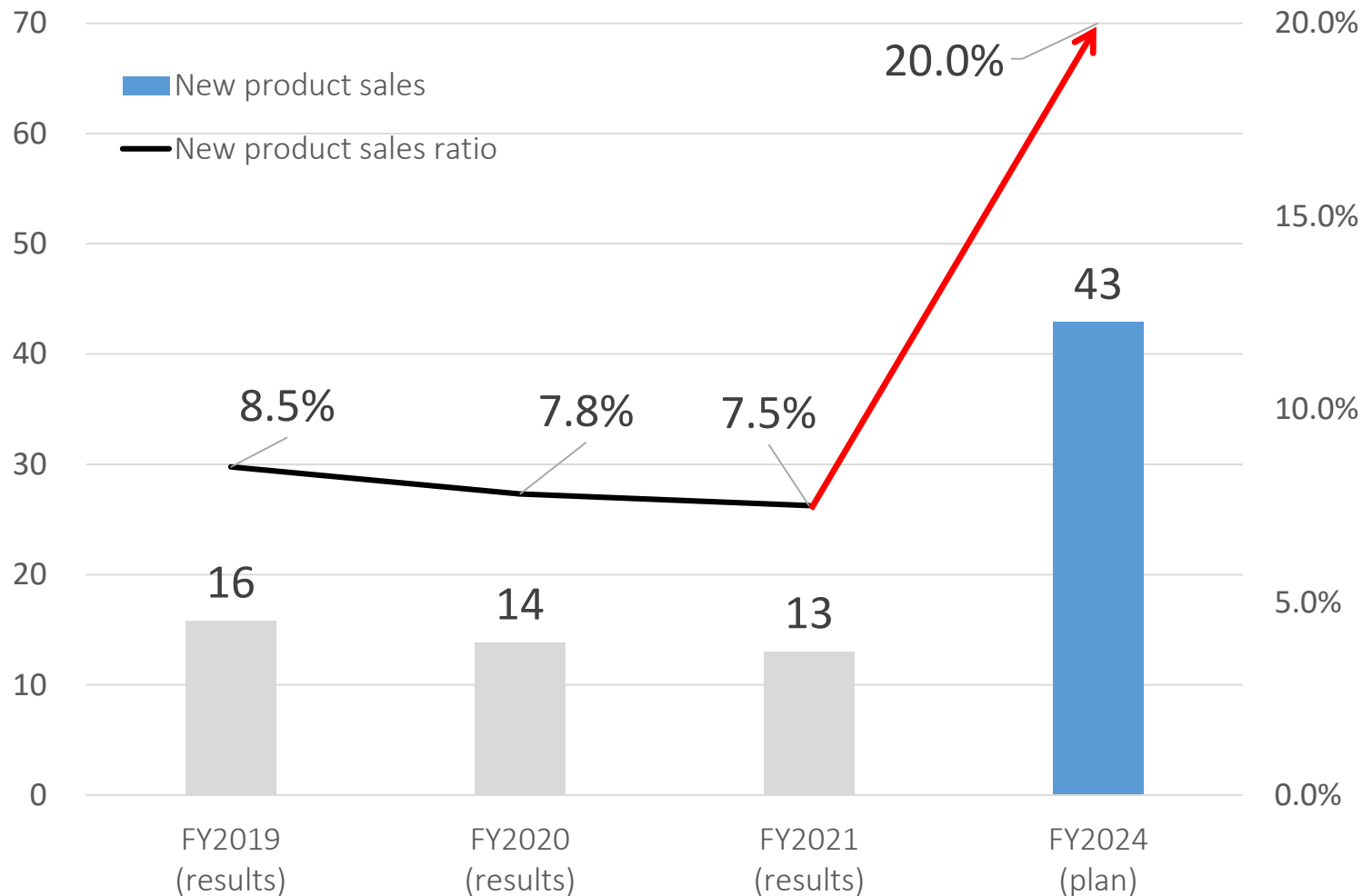


Basic products	10.4 billion yen	⇒	10.5 billion yen
Specialty Products and New Business	6.9 billion yen	⇒	10.9 billion yen

(b) New Product Sales Growth

New Product Sales
(in 100M yen)

New Product Sales Ratio
(%)

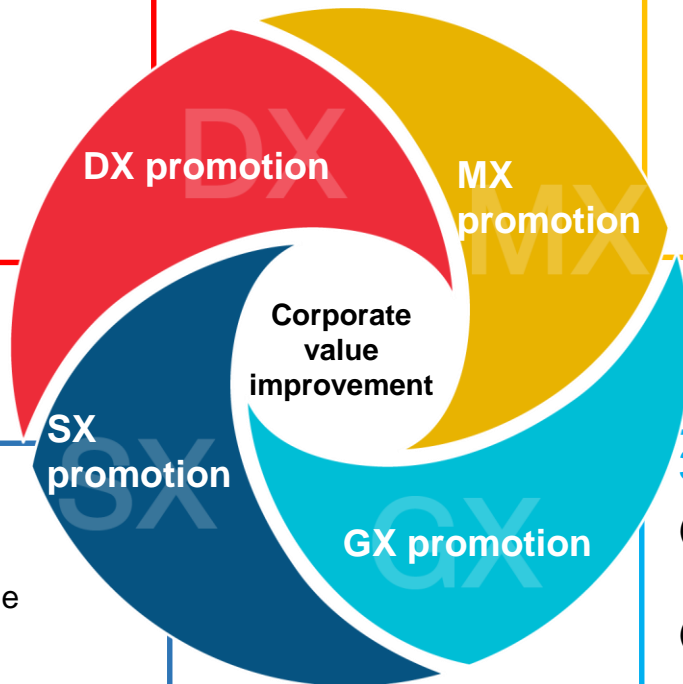


1) Digital Transformation

- (a) Enhance productivity and strengthen competitiveness in Manufacturing, R&D, SCM and Office areas.
- (b) Data scientists/engineers' skill development.

2) Management Transformation

- (a) Enhanced use of new management indicators
 - Return on invested capital (ROIC)
 - Cash conversion cycle (CCC)
- (b) Strengthen PR and IR activities.
- (c) Pursue organizational development.



4) Sustainability Transformation

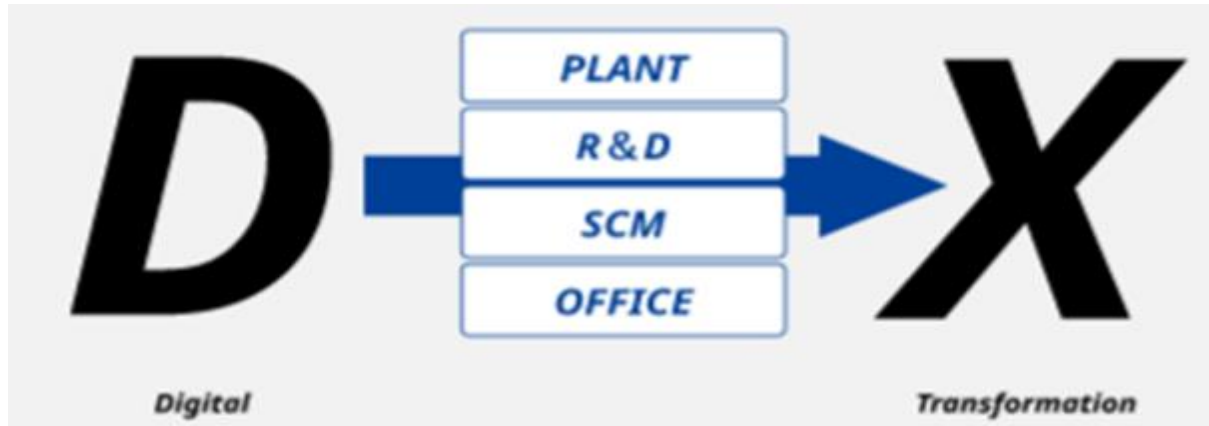
- (a) Improve KPIs for corporate value creation.
- (b) Create and implement a plan and schedule for carbon neutrality.

3) Governance Transformation

- (a) Adapt to the new Corporate Governance Code (CGC).
- (b) Improve governance structure and relevant rules.
 - Reorganization and enhancement of internal committees.

Improve corporate value through cross-functional initiatives

(a) Objectives and Vision



Vision

PLANT	Improved production opportunities with maximized production capacity.
R&D	Faster and more advanced R&D through data-driven research.
SCM	Faster and optimized operation of the overall supply chain activities.
OFFICE	More employee-friendly operations with digital technology.

Improve productivity and competitiveness

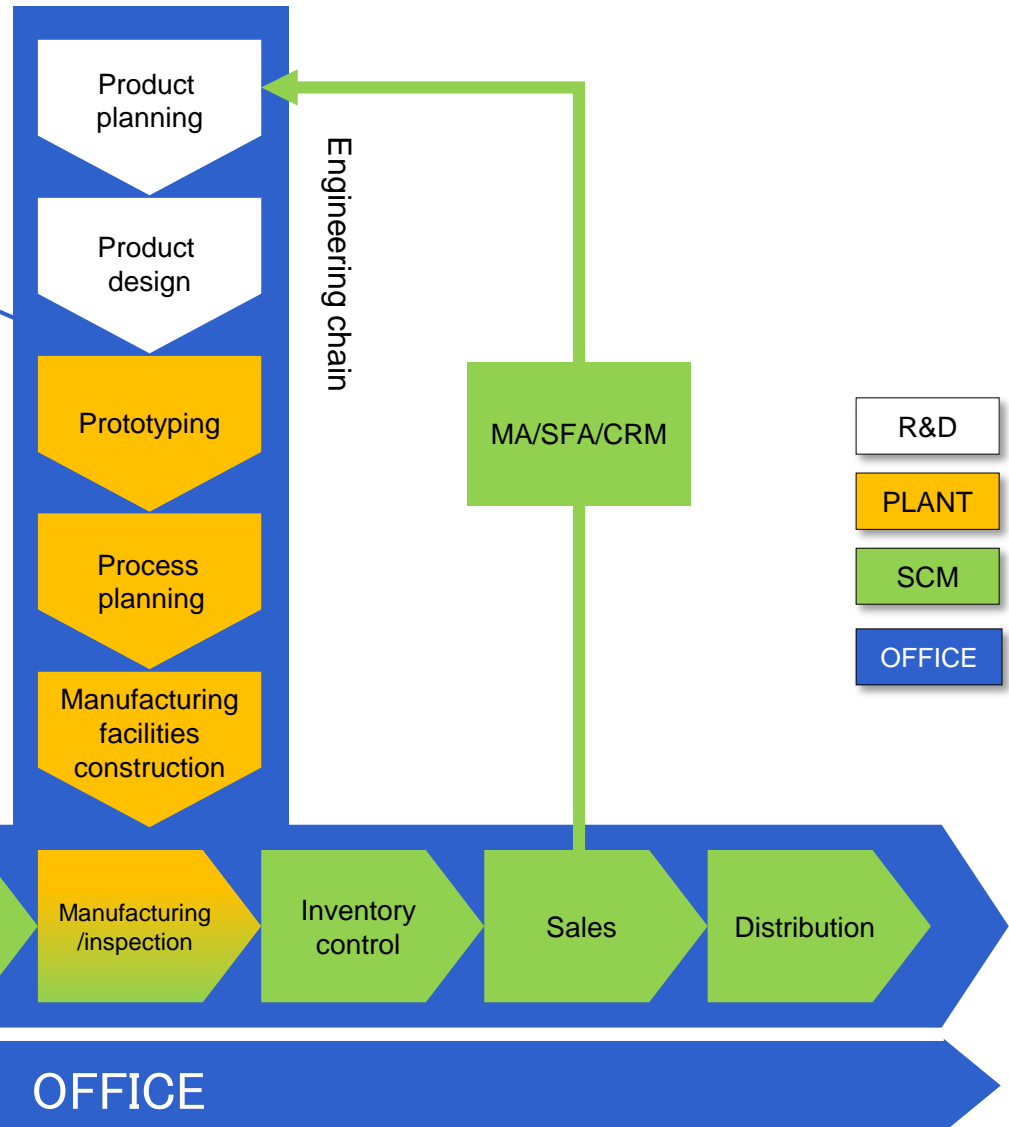
(a) Objectives and Vision

Faster and optimized operation of the overall supply chain activities.

- Improve development precision and speed.
- Improve production opportunities and yields.

- Accommodate wider product variety and prompt product deliveries.
- Cost reduction through rationalization.


Supply chain



(a) Initiatives for Improving Management Capability

● Improve ROIC and shorten CCC

Strengthen efforts aimed at improving the return on invested capital (ROIC) and cash conversion cycle (CCC), and significantly enhance management efficiency.

- 
- Sale of marketable securities in possession for asset reduction.
 - Shorten the accounts receivable turnover period.
 - Extend the accounts payable turnover period.
 - Shorten the inventory turnover period.

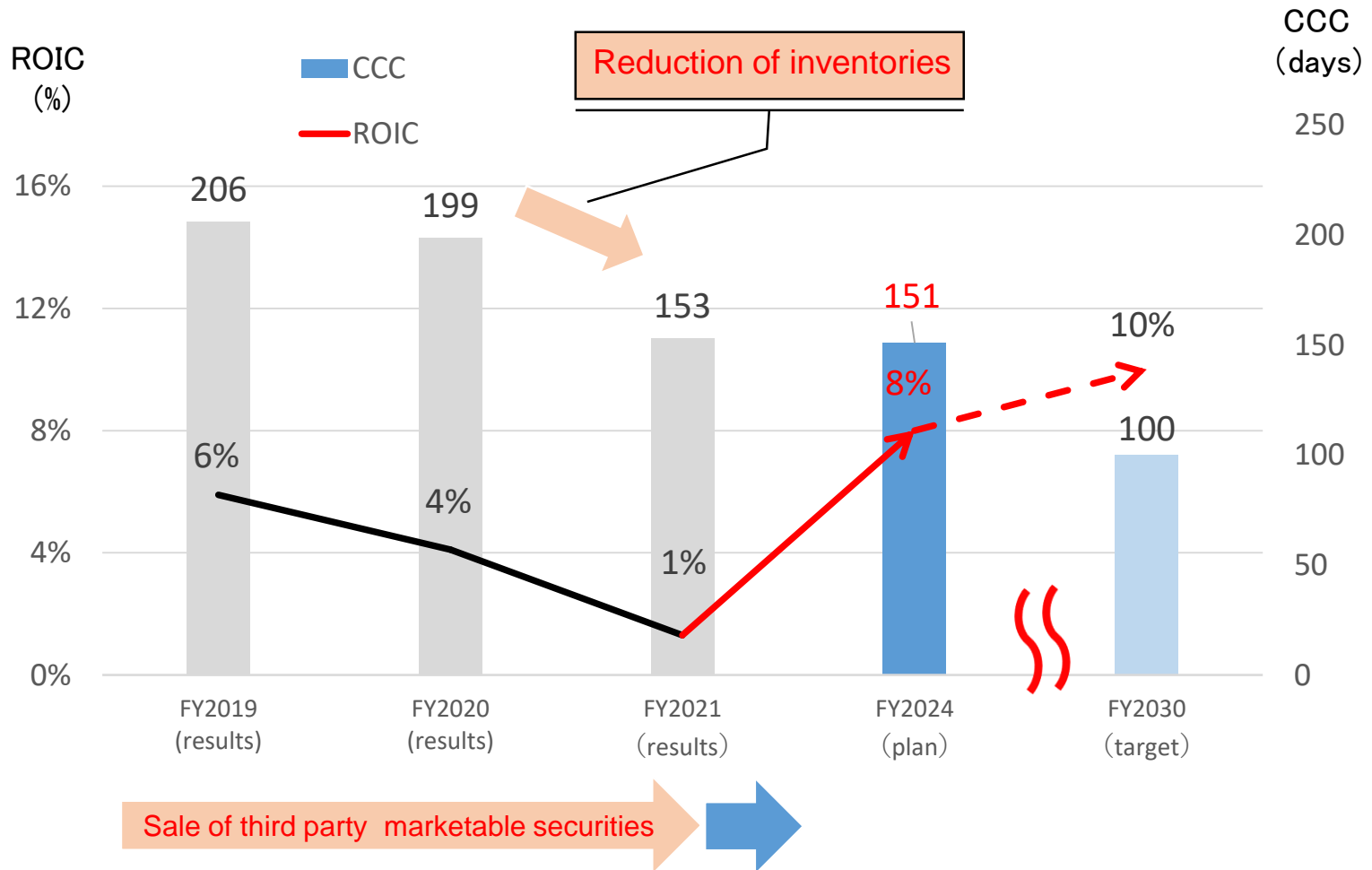
● Strengthen PR and IR

Strengthen PR and IR activities, and value communications with all stakeholders.

● Pursue organizational development

Pursue an optimal organization structure for the business operations.

(b) Management Targets (ROIC and CCC)



(a) Initiatives for Strengthening Corporate Governance

2015

- Nomination Committee/Compensation Committee established.

2016

- Introduced an effectiveness evaluation of the Board of Directors.
- Transformed the structure into a company with an Audit and Supervisory Committee.

2019

- First female director appointed.
- Established an Outside Directors Meeting system.

2020

- Number of Directors/Audit and Supervisory Committee Members is increased from three to four.

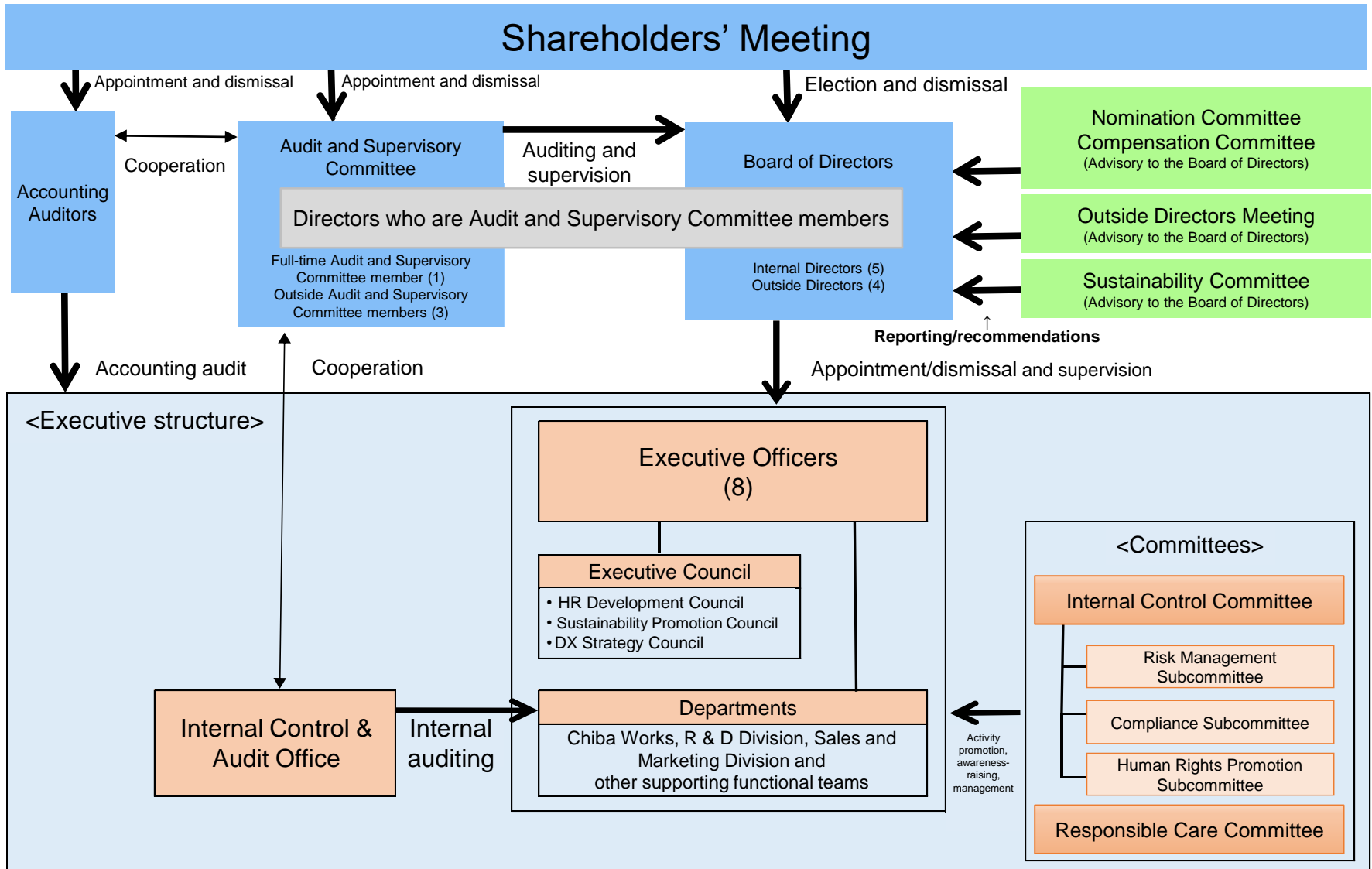
2021

- Introduced an Executive Officer structure, making 1/3 of Board consisting of the Independent and Outside Directors.

Future initiatives

- Abide by the new Corporate Governance Code (CGC)
- Improve the governance structure and relevant rules.
- Reorganization and enhancement of various internal committees.

(b) Corporate Governance Structure

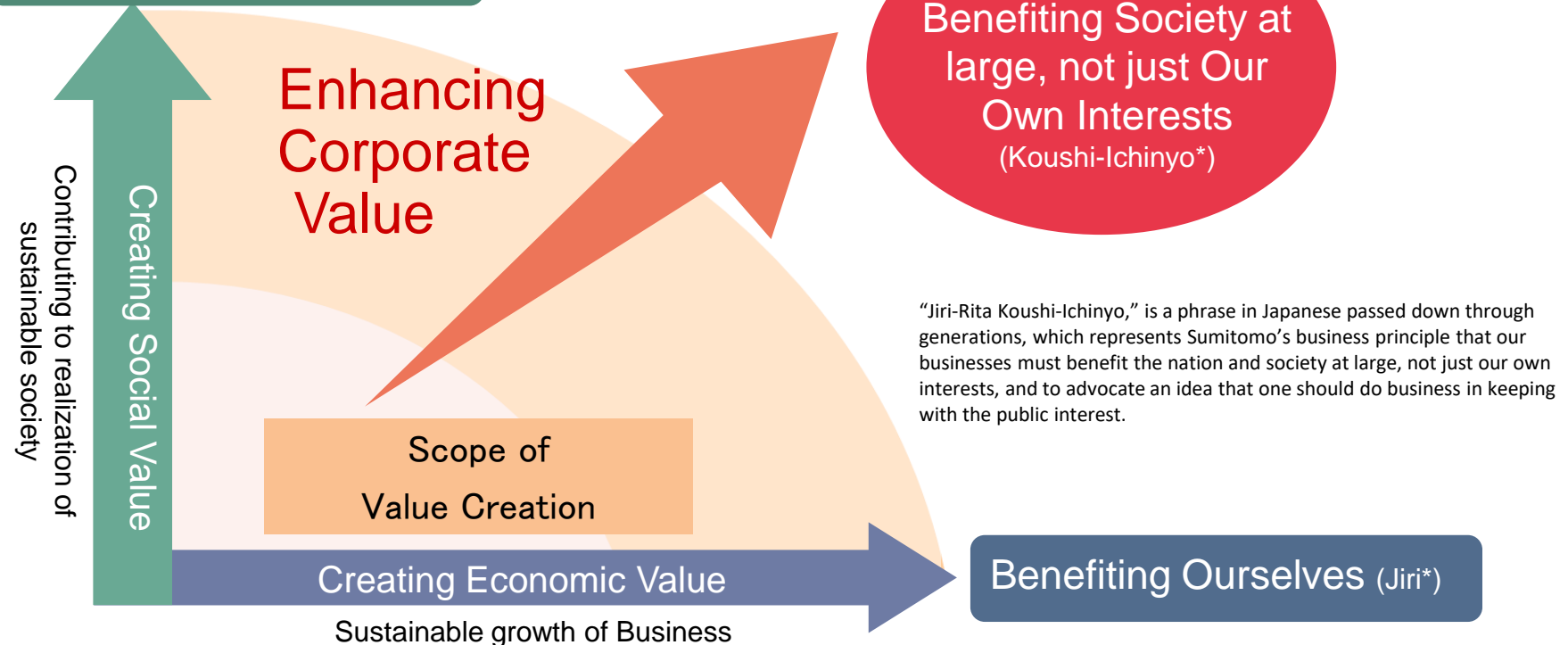


(a) Sumitomo Chemical Group's Vision

What We Strive to Be

Achieve sustained growth for the Sumitomo Chemical Group and build a sustainable society by creating economic and social value.

Benefiting Society (Rita*)



As a member of the Sumitomo Chemical Group, we, Koei Chemical, have also been conducting our business to contribute to the realization of a more sustainable society while simultaneously achieving sustainable growth.

(b) Sumitomo Chemical Group Material Issues for Sustainable Value Creation ^{*1}

Material issues for social value creation

- Contribute to the environment
 - Climate change mitigation and adaptation
 - Contribute to recycling resources
 - Sustainable use of natural capital
- Contribute to the food supply
 - Advance sustainable agriculture
- Contribute to healthcare
- Contribute to ICT

Material issues for future value creation

- Advance innovation
- Bolster competitiveness leveraging DX
- Human resources:
DE&I^{*2}, growth & development, health

Foundation for business continuation ^{*1}

- | | | |
|---|---|----------------------------|
| ● Occupational safety and health, and
operational safety and disaster prevention | ● Product safety and
quality assurance | ● Respect for human rights |
| ● Cybersecurity | ● Compliance | ● Anti-corruption |

※1 Partially revised in March 2022

※2 Diversity, Equity & Inclusion

(c) KOEI Chemical KPIs

Material issues

Material issues
for social
value creationMaterial issues
for future
value creation

- Contribute to the environment
 - Climate change mitigation and adaptation
 - Contribute to recycling resources
 - Sustainable use of natural capital

- Contribute to the food supply
 - Advance sustainable agriculture

- Contribute to healthcare

- Contribute to ICT

- Advance innovation

- Bolster competitiveness leveraging DX

- Human resources:
 - DE&I*, growth & development, health
 - *Diversity, equity & inclusion

KOEI Chemical KPI

CO₂ emissions (Scope 1 + 2):
[Target: 50% reduction compared with 2013]
Improvement in energy efficiency etc.

Sales of raw materials and intermediates for crop protection products.

Sales of raw materials and intermediates for pharmaceuticals.

Sales of electronic materials-related products

New product sales ratio.
Cumulative savings from cost rationalization.

Digital literacy assessment.

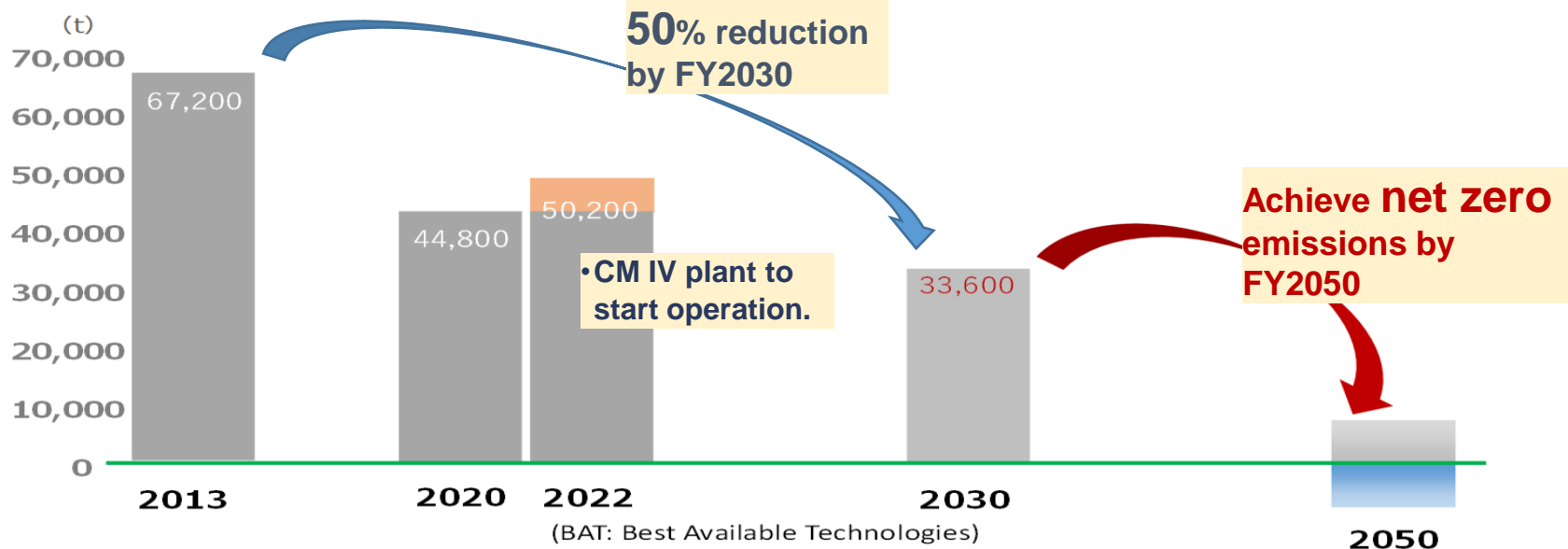
Percentage of female new graduate hires:
[Target: 20% or more]
Employment rate of persons with disabilities:
[Target: 2.5% or more]

(d) Initiatives

Sustainability-related activities

- Introduction of the Sustainability Committee as an advisory committee to the Board of Directors.
- Key activities
 - KPIs progress follow-up and improvement.
 - Plan various actions for achieving carbon neutrality.
 - Energy conservation programs.
 - Increase renewable energy uses (e.g., solar power generation).
 - In-house promotion and awareness-raising.

○ Milestones for carbon neutrality





1) Enhance management capability

- (a) Strengthen management training programs.
- (b) Continue improving performance appraisals skills.
- (c) Establish new programs for middle managers.



2) Career development of junior/young employees

- (a) Reexamine and strengthen development programs in functional area (manufacturing, R&D and sales/marketing).



3) Reform HR systems

- (a) Establish a career development system.
- (b) Update a dual career ladder path scheme.
- (c) Improve and modify the management of objectives, including clarification of criteria for appraisals

(1) Headcount plan

1) For future business expansion

(a) Strengthen R&D activities.

⇒ Continue adding new hires to support new research themes.

(b) Increase salesforce.

⇒ Future business growth.

(c) New Pilot Plant operation staff.

⇒ Secure new product development and process rationalization.

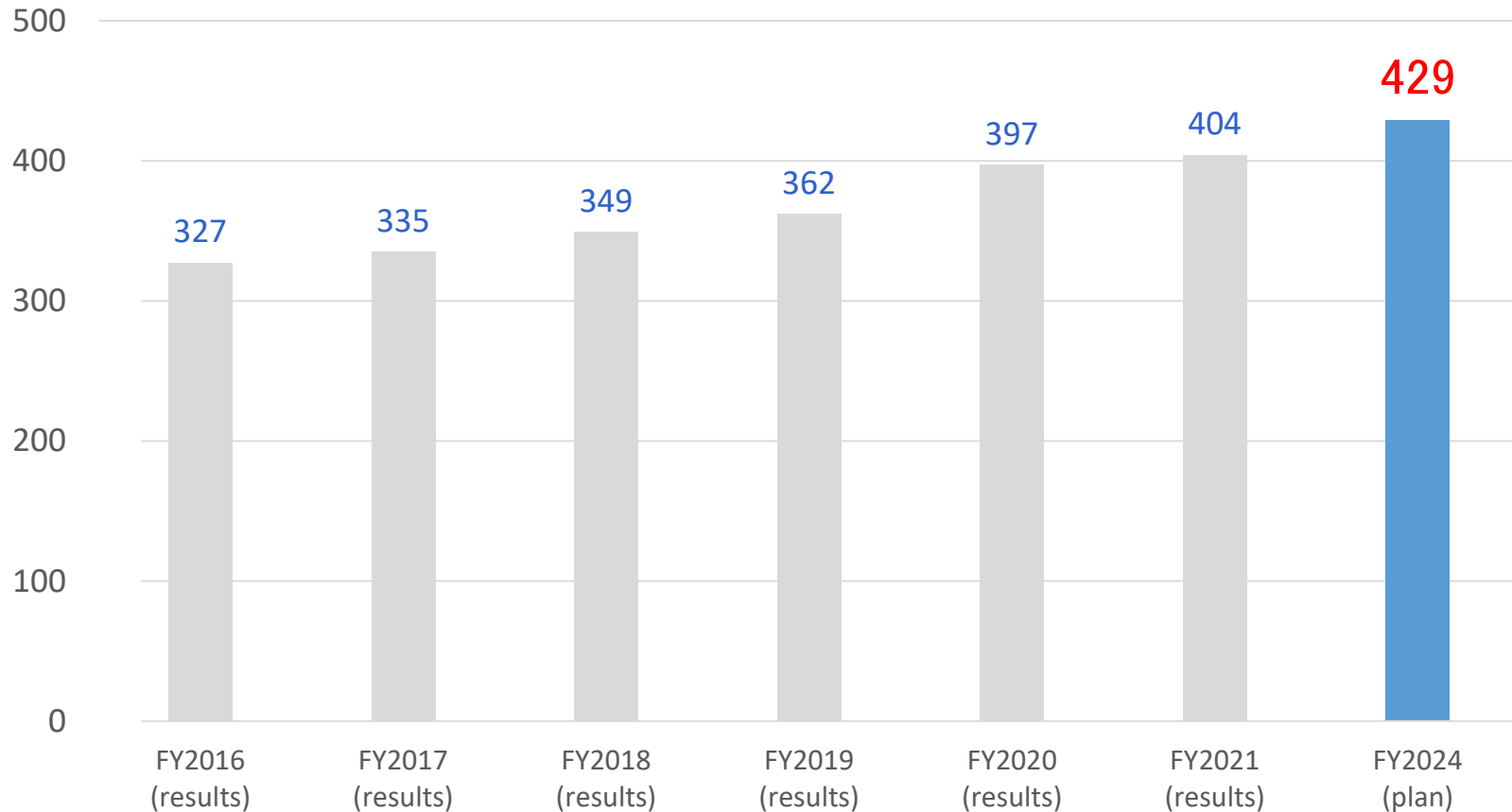
2) For DE & I

(a) Increase hiring of people with disabilities.

⇒ Further diversity.

Headcount Plan*

Number of employees



*Non full-time/non-permanent employees are included.

(2) Capital Investment (on a decision-making timing basis)

Aggressive investment

Highly selective investment

FY2016–2018

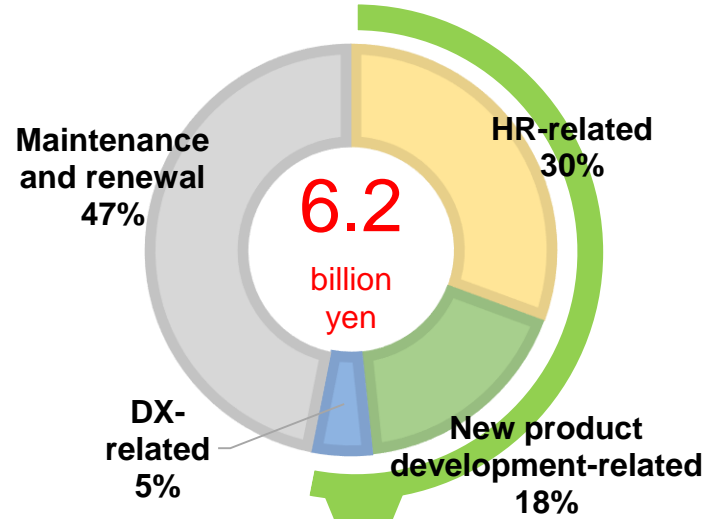
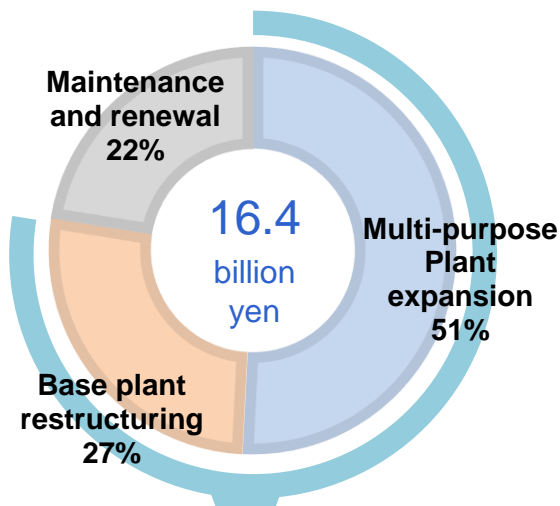
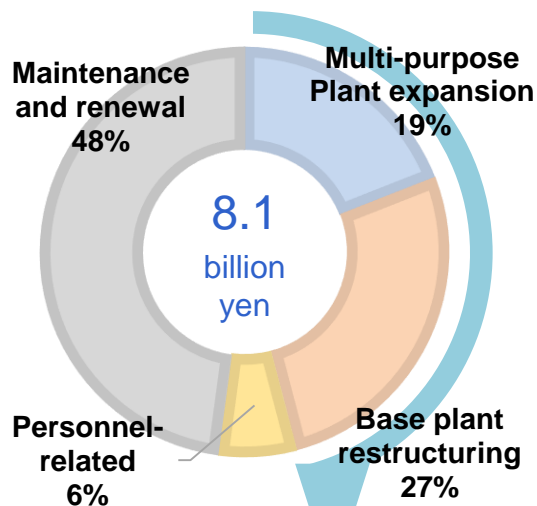
FY2019–2021

FY2022–2024

(results)

(results)

(plan)



Business expansion and competitiveness improvement

Expansion in sustainable investment

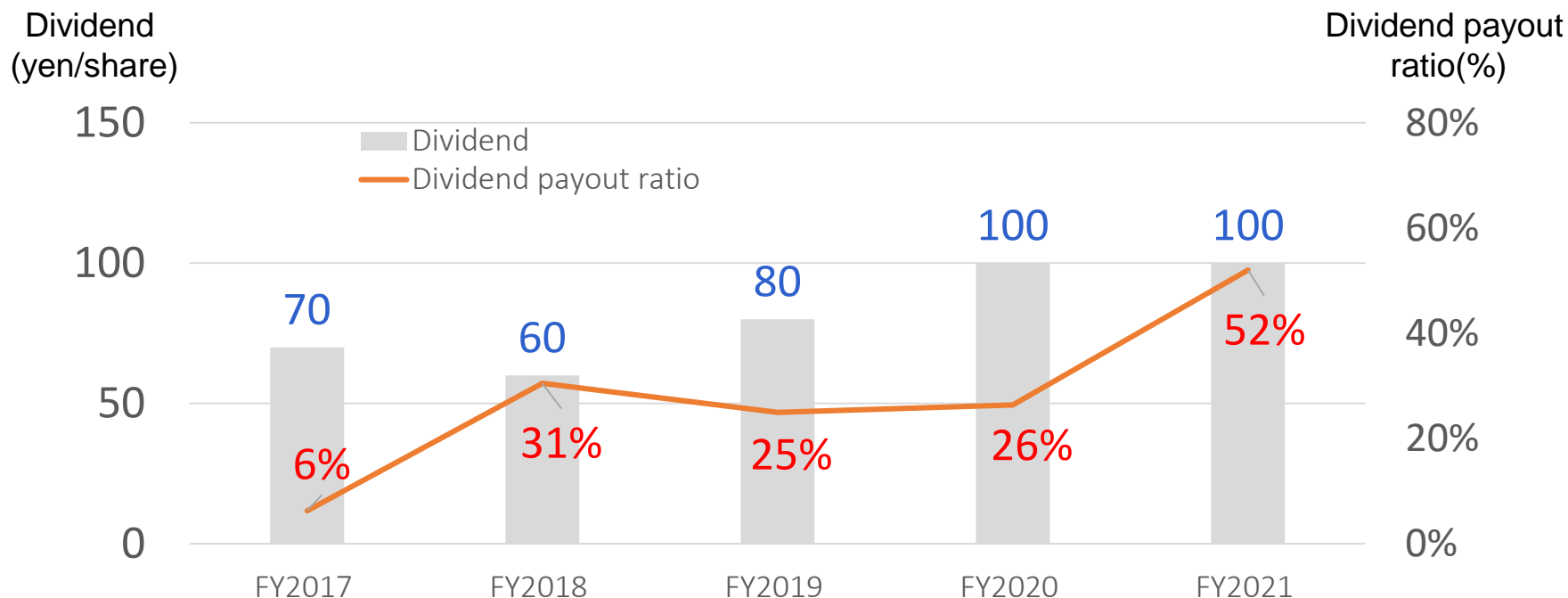
Realizing returns on past investments.

(1) Dividend Policy

We will determine dividends for each financial year taking into account such factors as maintenance of long term and stable benefits for shareholders, our financial performance and position, and requirements for the shareholder equity to facilitate future growth and expansion.

Target dividend payout ratio: 50%.

(2) Dividend Records



	Medium-to-long-term business challenges
1) Performance target	(a) Achieve 10% return on invested capital (ROIC).
2) Growth strategy	(a) Increase productivity of multi-purpose plants. (b) Review the restructuring plan of the manufacturing plants for the Basic Products according to business plans. (c) Entry to new business field(s); explore new business model(s) (d) Continue study on a new manufacturing site, overseas base(s) and/or M&A(s).
3) Strengthen business foundations	(a) Develop skills for data scientists/engineers. (b) Expedite plan on achieving carbon neutrality.
4) Enhancement of human resources development	(a) Secure and train new hires sufficient for future growth. (b) Adapt to legal and regulatory requirements for the employment of elderly workforce. (c) Promote further diversity & inclusion.

Thank you for your attention.

[IMPORTANT]

These materials include performance figures, expectations, outlooks, targets, plans and other future-related information pertaining to KOEI Chemical. This information is derived from data currently available at the time these materials were prepared and is based on assumptions, estimates, outlooks and other determinations made by KOEI Chemical in light of said data, and, as such, contains inherent or unknown risks and uncertainties. Therefore, various, subsequent factors may arise which cause the predictions, plans, targets, etc., presented in these materials to not be realized, or which lead to results which diverge significantly from the expected performance, research and development achievements/progress or other outlooks expressed herein.