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Striving to transform into a resilient corporate structure by flexibly allocating funds in response to changes in the environment and ensuring financial soundness.

In FY2025, net sales in all business segments increased year on year to record highs, and this was our 15th consecutive year of increases in net sales. On the other hand, operating income decreased year on year due to a decline in profitability resulting from the entry of generic products of our core herbicide AXEEV®. In addition, net income attributable to owners of parent decreased significantly year on year, mainly because a consolidated subsidiary in Thailand recorded impairment losses on non-current assets of 3.7 billion yen as extraordinary losses due to intensifying competition with rival manufacturers in China and India for chlorotoluene and chloroxylene chemicals in the Fine Chemicals Business.

As we come to the end of the second year of the Medium-Term Business Plan, we must admit that the hurdles to achieving the numerical targets of the plan have become extremely high due to major changes in the business environment. However, based on the capital allocation set forth in the Medium-Term Business Plan, our policy is to vigorously promote transformation into a resilient corporate structure by flexibly allocating funds in response to changes in the environment and ensuring financial soundness through strategic improvements to our cash conversion cycle (CCC).

In FY2025, our price/book ratio (PBR) stayed below 1, and we recognize this as a significant issue. To improve our PBR, we will increase profitability and, as we believe it is important for investors to gain a better understanding of our business and growth strategies, promote proactive information disclosure.

Review of Second Year of Medium-Term Business Plan (FY2025)

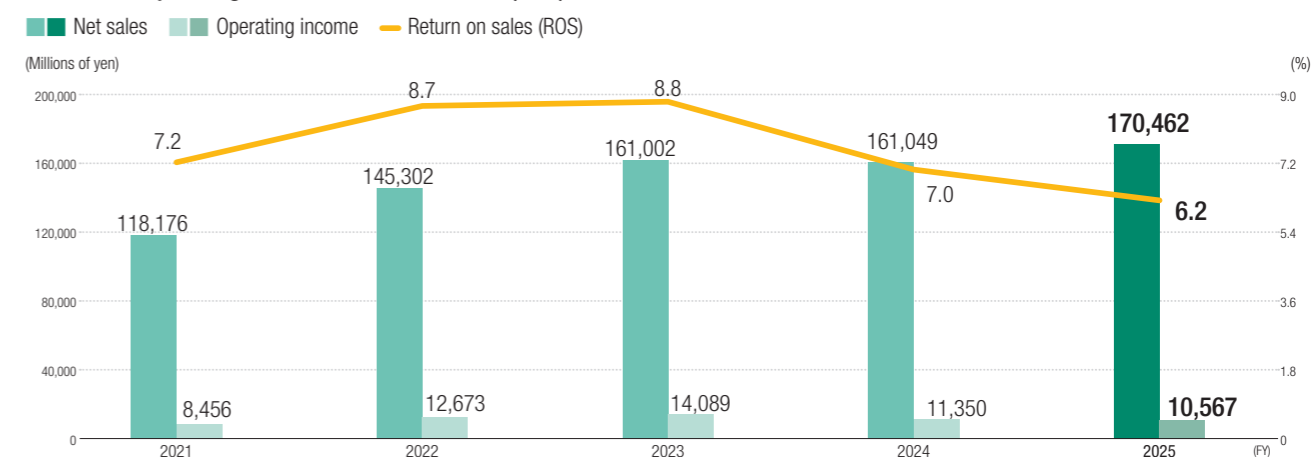
In our results for FY2025, the second year of the Medium-Term Business Plan, regarding the Agricultural Chemicals and Agriculture-Related Business, sales of the herbicide EFEEEDA® and fungicide DISARTA® continued to be favorable. AXEEV®, which lies at the core of overseas sales, saw a decrease in shipments to Argentina, but shipments to the U.S. increased due to the progress in clearing distribution inventory and strengthened sales promotion support. Shipments to Australia increased due to successful legal action against products that infringe our patents. Although shipment volumes of AXEEV® increased, profitability declined due to increased pressure for price reductions caused by the entry of generic products and lower prices of competing products. As a result, in the Agricultural Chemicals and Agriculture-Related Business, net sales increased year on year while operating income decreased year on year. On the other hand, in the Fine Chemicals Business, net sales and operating income both increased year on year due to increased shipments of bismaleimides (BMIs) resulting from strong demand for electronic materials for generative AI servers, as well as solid shipments of amines. In other businesses, both net sales and operating income increased. However, in terms of overall consolidated results, net sales increased year on year to 170.5 billion yen while operating income decreased year on year to

10.6 billion yen, due to the impact of a fall in profits in the Agricultural Chemicals and Agriculture-Related Business.

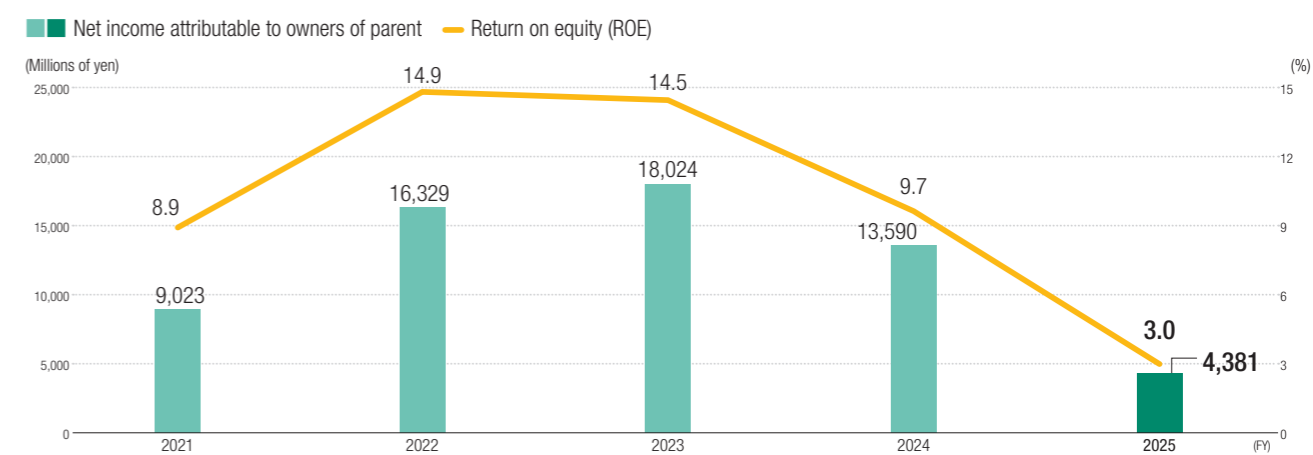
The targets for the final year of the Medium-Term Business Plan are net sales of 185.0 billion yen, operating income of 16.0 billion yen, net income attributable to owners of parent of 15.0 billion yen, return on equity (ROE) of 11.0% or more, and return on sales (ROS) of 8.5% or more. In FY2025, our consolidated results were net sales of 170.5 billion yen, operating income of 10.6 billion yen, net income attributable to owners of parent of 4.4 billion yen, ROE of 3.0%, and ROS of 6.2%. One of the reasons for the significant decline in ROE from the previous fiscal year (9.7%) was the recording of extraordinary losses of approximately 3.7 billion yen due to the impairment losses on non-current assets at Iharanikkei Chemical (Thailand) Co., Ltd., a consolidated subsidiary in Thailand engaged in the Fine Chemicals Business.

In the results forecast for FY2026, we are currently forecasting year-on-year decreases in net sales and operating income, and must admit that the hurdles to achieving the targets of the Medium-Term Business Plan have become extremely high. The main reason for this deviation from the targets is that the business environment surrounding AXEEV®, our mainstay product, has worsened beyond the assumptions and expectations envisaged when the plan was first formulated.

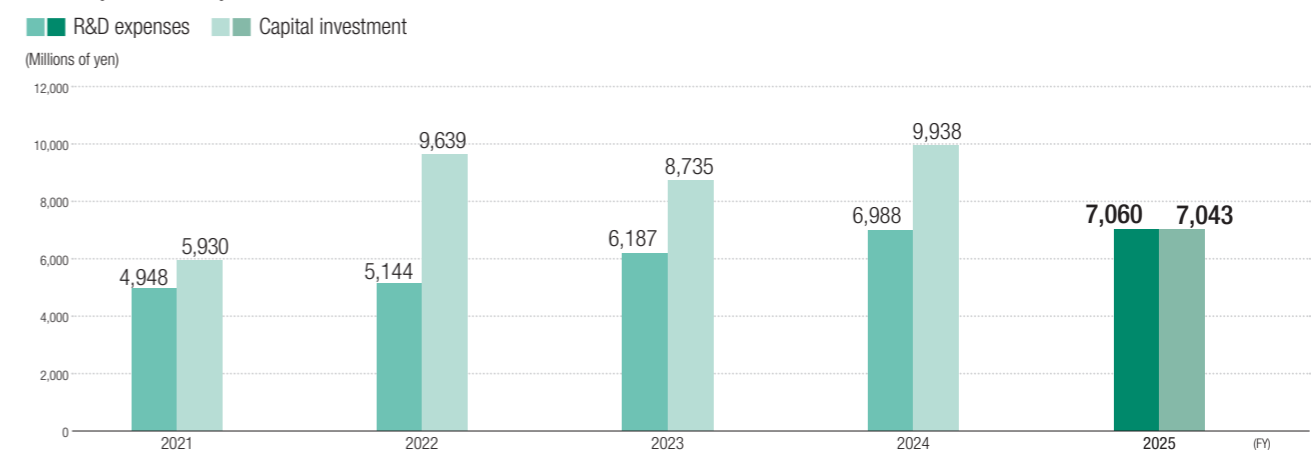
Net Sales / Operating Income / Return on Sales (ROS)



Net Income Attributable to Owners of Parent / ROE



R&D Expenses / Capital Investment



Progress in Capital Allocation

Capital allocation, which indicates the breakdown of the use of financial resources, has been set and announced in the Medium-Term Business Plan. The source of funds, approx. 90.0 billion yen over the three-year period from FY2024 to FY2026, will consist of approx. 60.0 billion yen in operating cash flow and approx. 30.0 billion yen in borrowings from financial institutions. Of these funds, we

will allocate approx. 12.0 billion yen to dividend payments, approx. 15.0 billion yen to repayments of borrowings, and approx. 63.0 billion yen to growth investments. The growth investments are for realizing the future growth of our group, and were planned to be composed of approx. 28.0 billion yen for capital investments, approx. 22.0 billion yen for R&D expenses, and approx. 13.0 billion yen for

strategic investments, such as M&A. Now that the second year of the Medium-Term Business Plan has ended, our outlook for the three-year period is that, due to changes in the environment of the AXEEV® business, operating cash flow will be 52.0 billion yen, which is lower than initially planned, and funds to be procured will increase slightly to 30.5 billion yen. As for the allocation of funds, dividend payments are expected to be 11.5 billion yen in order to achieve the initial dividend payout ratio of 30% or more, and repayments of borrowings are expected to be 24.0 billion yen, which is an increase from the initial plan, in order to strengthen financial soundness. Growth investments are expected to decrease from the initial plan. In terms of capital investments, we have revised part of our initial plan, carefully selecting investments that should be implemented during the period of this Medium-Term Business Plan. We expect capital investments of 24.5 billion yen. In FY2025, we actively invested in facilities for the reduction of production costs and the enhancement of production capacity. These included a liquid formulation manufacturing plant at the Kogota Factory and a bismaleimide manufacturing multi-plant at K-I CHEMICAL INDUSTRY CO., LTD.

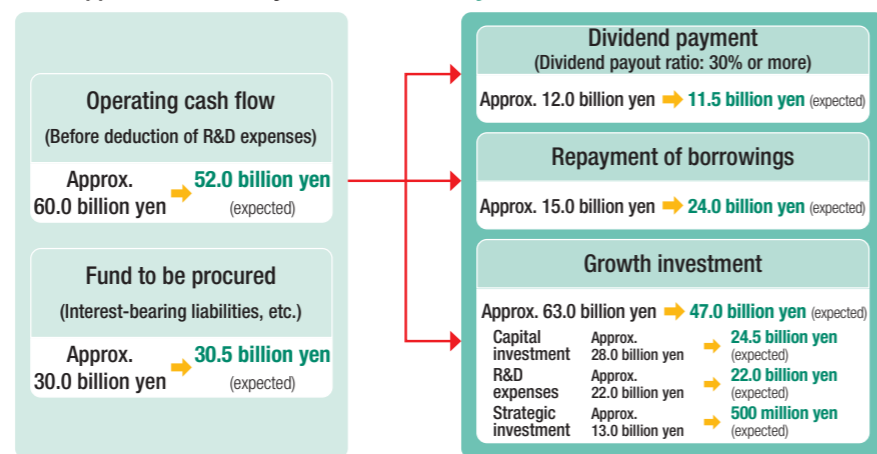
As a company with research and development at its core, we have positioned R&D expenses as a top priority and will allocate 22.0 billion yen to it as originally planned. In the Agricultural Chemicals Business, which is our core business, developing a new compound that will be a new active ingredient for agricultural chemicals generally requires a significant period of time, more than 10 years, and huge investments of over 30.0 billion yen. We promoted effective and efficient R&D investment corresponding to development plans

for new agricultural chemicals and fine chemicals in the new product pipeline, for the development of new products that will support our business 10 to 20 years from now. In FY2025, we launched REGARD, a fungicide for paddy rice, and in the spring of FY2026, we launched microbial pesticide ECOARK® and biostimulant NATSU-TSUYOSHI. In addition, we are currently pursuing the development of EFFEEDA® as a herbicide for paddy rice in the U.S. We will actively invest in the roll-out of this product into other regions and the expansion of its applicable crops, with the intention of growing it into a product that, following AXEEV®, will support our future profits.

In terms of strategic investments, we considered investments that would contribute to the growth of our business, such as M&A, but at present, there are few investment projects that have been completed, and we expect the amount to be 500 million yen. Our policy is to continue to actively promote M&A that contributes to the growth of our business. While flexibly allocating funds in response to changes in the environment and ensuring financial soundness, we will make selective investments to ensure continued growth.

Capital Allocation Assumptions under the Medium-Term Business Plan

Total Approx. 90.0 billion yen → 82.5 billion yen (expected)



Initiatives for the Realization of Management that Takes Capital Costs and the Share Price into Account

In FY2025, our PBR stayed below 1, and we recognize this as a significant issue. We believe that the main reasons for this are that our price-to-earnings ratio (PER) was at a low level of 10 times or lower until FY2024, and that ROE has been on a downward trend due to the declining profitability of our mainstay herbicide, AXEEV®. We believe that it is important to improve profitability by reducing product costs and fixed costs, and to further increase investors' understanding of our business strategy and growth strategy. We are therefore promoting measures to make improvements.

In FY2025, the equity ratio was 58.2% (up 5.2% year on year) and the D/E ratio was 0.36 (down 0.16 year on

year). In FY2024, inventories and interest-bearing liabilities temporarily increased due to the impact of global inventory adjustments of agricultural chemicals, but as a result of strategic improvements to our CCC, we made progress in optimizing inventories and interest-bearing liabilities levels.

In the Medium-Term Business Plan, in addition to net sales, operating income, and net income attributable to owners of parent, we have set numerical targets for ROE and ROS as management indicators, and we have also disclosed our capital allocations, as well as setting targets for investments for growth and dividend payout ratio. To enhance profitability, we will strive to improve profitability after first gaining an accurate understanding

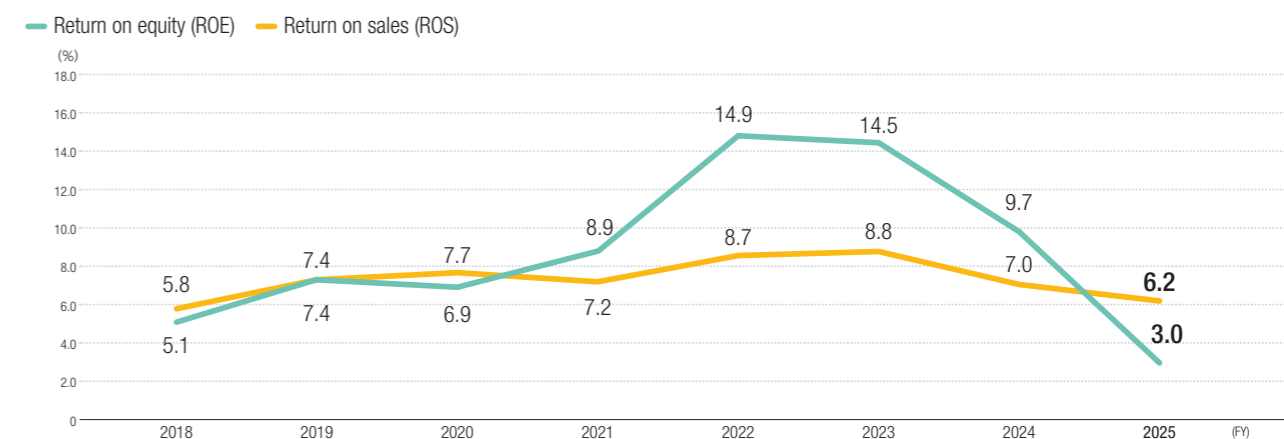
of our own cost of shareholders' equity and weighted average cost of capital (WACC). In addition, we are promoting various initiatives to realize efficient and flexible capital allocation for future growth and optimize the balance between maintaining financial soundness and shareholder returns.

We also believe that it is important to raise investors'

expectations for the future of us by clearly showing them our future growth scenario and potential, and we will continue to disclose management information in a timely and appropriate manner and engage in active dialogue with investors.

By implementing these measures, we aim to transform into a resilient corporate structure.

ROE and ROS



Approach to Dialogue with Investors and Shareholder Returns

In order to actively promote dialogue with investors, we hold financial results briefings after the disclosure of semi-annual and year-end financial results, where top management uses their own words to communicate the current situation and strategies to institutional investors. In addition, after the disclosure of financial results for the first and third quarters of the fiscal year, small meetings are held with the Executive Officer in charge of IR in attendance, and the department in charge of IR actively engages in dialogue with institutional investors (individual meetings) and accepts IR interviews (94 times in FY2025). Moreover, we conduct shareholder surveys, and the opinions and concerns of shareholders and investors gathered through these dialogues are compiled by the department in charge of IR, reported to manage-

ment, and appropriately addressed, such as by utilizing the information in subsequent IR activities.

In the Medium-Term Business Plan, we have set a target dividend payout ratio of 30% or more, taking into consideration the opinions of shareholders and investors obtained through IR activities. We have set a basic policy to continue to pay stable dividends based on a comprehensive assessment of shareholder returns, taking into account earnings trends, and internal reserves to strengthen the corporate structure and prepare for future business development. Regarding future shareholder returns, we are not currently considering the adoption of a progressive dividend, but we will continue to flexibly consider various options to determine the best policy that is consistent with our business model.

Dividends and Dividend Payout Ratio

