



Hodogaya Chemical Group's Sustainability



Details on TCFD can be found on our website.
<https://www.hodogaya.co.jp/english/csr/eco/tcfd/>



Basic approach

The Hodogaya Chemical Group actively promotes sustainability activities based on the concept of balancing the pursuit of economic value and solutions to social issues and providing value to all stakeholders to fulfill its responsibility to realize a sustainable world and society in the medium- to long-term in line with the PURPOSE (Management Philosophy) and VISION (Target Corporate Image).

Sustainability policy

The Hodogaya Chemical Group aims to address social issues within its business areas while ensuring economic rationality. By promoting sustainability management in a manner suited to its scale and advancing it in a sustainable way, our Group seeks to enhance corporate value over the medium- to long-term and achieve sustainable growth.

As a comprehensive policy, we have established our Sustainability Policy, which sets forth our basic approach and related policies for addressing sustainability-related challenges from five perspectives, guiding us in pursuing initiatives with clear intent.

To advance these efforts, we have established the Sustainability Development Committee, whose discussions are regularly submitted to and reported at the Board of Directors and Management Committee for approval.

Philosophy Structure



Sustainability Promotion Structure



Disclosure of Information Related to Climate Change Based on TCFD



Basic approach

The Hodogaya Chemical Group will actively move forward based on the idea of balancing the pursuit of economic value and solutions to social issues and providing value to all stakeholders to fulfill its responsibilities related to creating a sustainable world/society as given in the VISION (Target Corporate Image) appearing in the Mid-term Management Plan SPEED 25/30, which started from FY2021.

As a chemical company, Hodogaya Chemical is resolutely confronting climate change in accordance with the guidance by the TCFD, while proactively striving for information disclosure. In November 2022, we declared our support towards guidance from TCFD.

Governance and Risk Management

The Sustainability Development Committee is a committee organization that actively promotes responsibility toward the realization of a sustainable earth and society in accordance with the Management Philosophy and Corporate Action Guidelines. We established the Global Environment Subcommittee, which promotes activities related to preservation and improvement of the global environment, and the TCFD Subcommittee, which promotes disclosure activities in response to guidance from the TCFD, in addition to the conventional RC/QM Subcommittee.

The Risk Management Committee discusses Companywide risk recognition, evaluation and mitigation measures. The Risk Management Committee also discusses environmental risks, such as climate-related risks, opportunities and countermeasures recognized by the TCFD Subcommittee.

The content of discussions in each committee and subcommittee is submitted and reported to the Board of Directors and Management Committee.

Strategies and Risk Analysis

In pursuing the Mid-term Management Plan SPEED 25/30 business strategy of developing a new portfolio, we expect production volume to increase. We have classified the risks projected from a long-term perspective, looking ahead to 2030, into TCFD risk

categories, are proceeding with climate scenario analysis, and from the results of our analysis, we are promoting new initiatives and opportunities for transition risks and physical risks.

Scenario Analysis

Risks and Opportunities		Risks	Opportunities	Measures	Impact on business
Transitional risk 1.5°C scenario	Policy/Regulation	• Strengthening energy-related laws and regulations • CO ₂ reduction		• Promoting energy saving • Use of renewable energy • Review of manufacturing process	Increase in energy costs and raw material procurement costs due to the introduction of a carbon tax, etc.
	Strengthening environment management			Strengthen the internal structure by leveraging the knowledge gained thus far	Increased cost burden for maintenance and improvement of management system
	Technology	Creation of new technologies for environmental friendliness		• Strengthen R&D to meet demands • Strengthen production technology capabilities by reviewing manufacturing processes, etc.	[Risk] Increase in R&D and manufacturing costs [Opportunity] Maintain and expand market share by providing products and services that meet demand
	Market	Eco-friendly market formation		• Revise and strengthen business strategies by deepening market and customer needs, and improve R&D and manufacturing technology capabilities corresponding to them	[Risk] Increase in R&D and manufacturing costs [Opportunity] Maintain and expand market share by providing products and services that meet demand
Physical risk 4°C scenario	Reputation	Stakeholders making environment as important matters		• Enhancing dialogue with local communities, personnel, and shareholders and securing a system	—
	Chronic	Rise in average temperature		• Labor saving and automation of manufacturing equipment	[Risks and Opportunities] Response to market changes, especially in the agrochemicals business
	Acute	Increase in earthquakes, typhoons, and floods		• Promote multiple purchases, strengthen BCP	Shutting down of factories and inability to procure raw materials

Targets and Indicators

The Hodogaya Chemical Group has set the following non-financial targets (climate change-related) in its Medium-term Management Plan SPEED 25/30:

- Reduction of carbon dioxide emissions (achieved FY2025 target)
- Reduction of energy intensity (achieved FY2025 target)

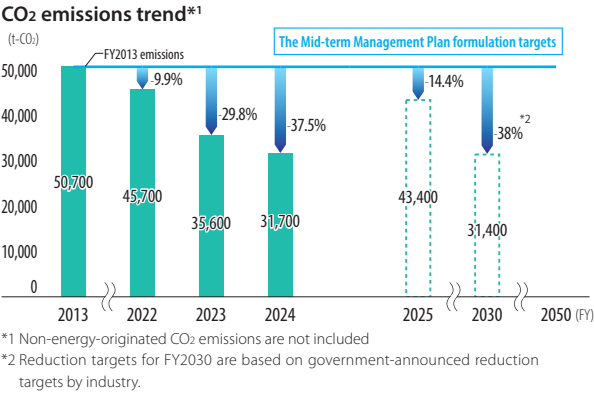
- Reduction of industrial waste volumes (did not achieve less than the previous fiscal year's generation)

These are being discussed by the Global Environment Subcommittee, debated in the Sustainability Development Committee, and progress is confirmed by the Board of Directors and Management Committee.

Responding to Climate Change

Most of the greenhouse gases (GHG) emitted by Hodogaya Chemical are carbon dioxide. The GHG emissions for FY2024 are 31,700 t-CO₂*1. In anticipation of increased production volumes in the future, we will address climate change from both mitigation and adaptation perspectives with a long-term view towards FY2030.

*1 Non-energy-originated CO₂ emissions are not included



*1 Non-energy-originated CO₂ emissions are not included
*2 Reduction targets for FY2030 are based on government-announced reduction targets by industry.

Roadmap for Reducing CO₂ Emissions

		2030 Toward achieving future goals	2050 Development of hydrogen society and challenge to carbon neutrality
Promotion of technological innovation	Process	• Efforts to save energy — Promotion of high efficiency through process improvement — Promotion of waste heat recovery (heat pump)	• Study of hydrogen plant CO ₂ recovery and use • External procurement of green hydrogen
	Steam boiler	• Efforts to save energy — Active use of waste heat • Improvement of electrification rate of heat source	• External procurement of green hydrogen • Fuel conversion (LNG → hydrogen) — Hydrogen-fired boilers introduced at all plants • Introduction of cogeneration (hydrogen mixture → hydrogen-only combustion)
Expansion of use of renewable energy	Electricity	• Efforts to create energy — Introduction of renewable energy • Efforts to save energy — Promotion of high efficiency • Gradual switch to CO ₂ -free power sources using renewable energy	
Utilizing the ICP system	—	• Promoting ICP system • Continue switching to LED lighting equipment • Continue to introduce top-runner equipment • Reduction of heat loss through appropriate management of heat insulating materials and traps • Efficient operation	

* 1 Scope 1: Direct emissions * 2 Scope 2: Energy-originated indirect emissions



Responsible Care (RC)

Related Materiality

- Responding to climate change
- Maintaining air, water, soil environments

Message from the Executive Officer in charge of Production



The Hodogaya Chemical Group regards Responsible Care activities as one of the most important pillars of management, engaging in initiatives that encompass environmental conservation, security and disaster prevention, workplace safety and health, chemical and product safety, quality assurance, logistics safety, and dialogue with society.

Furthermore, through the promotion of digital transformation (DX), the Group is working to streamline business processes and enhance data-driven decision-making, thereby improving safety and productivity while reducing environmental impact. In doing so, we aim to realize environmentally friendly manufacturing and build a new foundation to support value creation.

Fumio Wanme Executive Officer

Environment Basic approach

In protecting the environment, the Hodogaya Chemical Group continuously reduces the emission volumes of all chemical substances released into the air, water, and soil, and the volume of waste discharged in the course of its business operations. As its implementation structure, under the Basic Philosophy of Responsible Care (RC) the Group obtained integrated certification for the ISO 14001 environmental management system covering all Hodogaya Chemical offices and Group company offices located in Japan.

ISO 14001: 2015 Environmental management systems

Certification body Japan Chemical Quality Assurance

Registration no. JCQA-E-0330

Compatible standards JIS Q 14001:2015/ISO 14001:2015

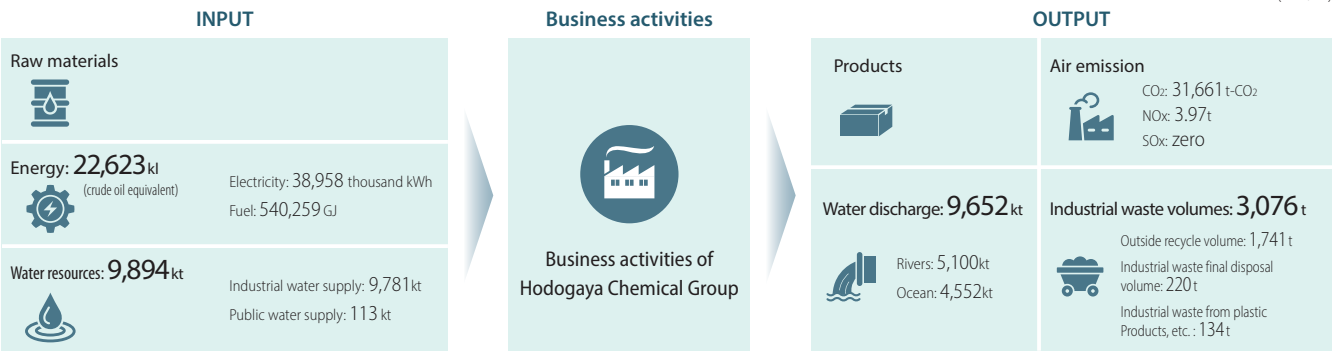
Date of acquisition 2001.12.25



Details of environmental data from the past 10 years can be found on our website.
https://www.hodogaya.co.jp/english/csr/eco/environmental_data/



Hodogaya Chemical Group material flow



Initiatives to Reduce Greenhouse Gas (GHG) Emissions

The Hodogaya Chemical Group considers responding to climate change to be a crucial management challenge. We have been actively promoting initiatives to reduce greenhouse gas (GHG) emissions, in order to fulfill our responsibilities toward the realization of a sustainable planet and society as set forth in the VISION of our Mid-term Management Plan.

Most of the GHG emitted by Hodogaya Chemical is CO₂. The GHG emissions for FY2024 are 31,661 t-CO₂*¹.

We will continue to work on reducing emissions through the

introduction of energy-saving equipment and switching to renewable energy sources based on long-term decarbonization investments to reduce energy intensity. Regarding Scope 3*², we are currently at the stage of gathering information on other companies' initiatives.

We will continue to grasp our GHG emissions for each Scope, analyze the results, formulate reduction plans, and strive to reduce GHG emissions according to the plans.

* 1 Non-energy-originated CO₂ emissions are not included * 2 Scope 3: Other indirect emissions, classified into 15 categories



Details on Responsible Care can be found on our website.
https://www.hodogaya.co.jp/english/csr/eco/safety_responsible/



Details on PRTR can be found on our website.
https://www.hodogaya.co.jp/english/csr/eco/environmental_data/#a21



Initiatives to Lower Environmental Impacts

The water resources consumed, and the chemical substances released into the air, water, and soil during the course of business operations by the Hodogaya Chemical Group have the potential to impact the global environment. Taking into consideration the global environment and each of its stakeholders, the Hodogaya Chemical Group strives to lessen the environmental burden accompanying its business activities.

● Prevention of air pollution

Hodogaya Chemical is committed to reducing emissions of SO_x (sulfur oxides), NO_x (nitrogen oxides), and dust associated with chemical production at its plants. Following the switch to city gas as fuel, which was completed in FY2011, the Company has maintained zero SO_x emissions since FY2012. In addition, the introduction of dust collectors, scrubbing towers, and the use of catalyzers has resulted in a significant reduction in the emissions of NO_x and dust.

● Protection of water resources and prevention of water pollution

In FY2024, Hodogaya Chemical used 9,894 kilotons of water at its plants, 99% of which was drawn from rivers. The use of potable tap water was minimal, and no water was drawn from other sources. According to an assessment of plant locations using AQUEDUCT, the World Resources Institute's water risk evaluation tool, none of the Company's water intake sites were located in areas classified as having high water risk.

Wastewater from manufacturing processes is treated at on-site facilities using advanced methods before being discharged into public water bodies, in compliance with regulatory standards for water pollutants. In FY2024, there were no violations related to water usage or water quality, and we will continue to maintain thorough management of our wastewater treatment facilities to reduce environmental risks to oceans and rivers.

● Environmental accounting initiatives

Of the major expenditures related to environmental conservation in FY2024, a large expense was resource circulation cost, which amounted to 150 million JPY.

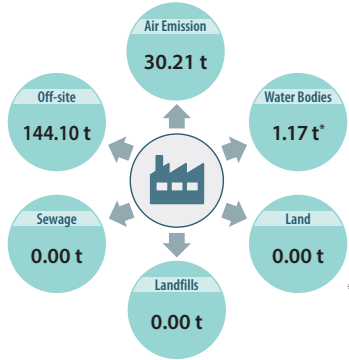
Environmental Accounting Data 2024→P. 61

● Industrial waste reduction

The Hodogaya Chemical Group promotes the 3R+Renewable initiative (reduce, reuse, recycle, renewable) and we have set a target to reduce the volume of industrial waste generated compared with the previous fiscal year, with initiatives underway. A target has been set to reduce the volume of industrial waste to below that of the previous fiscal year. However, in FY2024, both total emissions and final disposal volume increased compared to FY2023. While this was partly due to differences in the production item composition, we take this outcome seriously and will strengthen our efforts to further reduce industrial waste.

● PRTR

Based on the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (PRTR Act), which is the legal regulation of chemical substances, Hodogaya Chemical manages the release and transfer of PRTR-listed substances that are manufactured or used and reports them to the national authorities. From the perspective of environmental conservation, we will ascertain the actual status of chemical substance emissions and transfers as waste, while continuing to strive to work to reduce the amounts of such substances released and transferred.



* Of which 1.17 tons have been sent to the adjacent wastewater treatment facility and released into the public water bodies after being treated.

VOICE



Manufacturing Department, Nanyo Plant
T.K.

Shift to CO₂-free electricity

At the Nanyo Plant, we began introducing CO₂-free electricity in April 2024 as part of our efforts to reduce the environmental impact of manufacturing processes. In parallel, we are actively promoting energy-saving measures, including the introduction of high-efficiency amorphous transformers to reduce power loss.

Furthermore, upgrading the air conditioning systems has improved energy efficiency, significantly reducing electricity consumption. Along with initiatives such as converting lighting to LED, we are promoting efficiency across the entire factory.

Going forward, we will work on advancing energy management by leveraging cutting-edge technologies such as AI and IoT, as well as further expanding the use of renewable energy, with the aim of establishing a more sustainable production system.



Responsible Care (RC)

Related Materiality

- Improving product value and reliability
- Promoting health and productivity management and workplace safety and health
- Ensuring product and chemical safety

Workplace Safety and Health, Security and Disaster Prevention Basic approach

The Hodogaya Chemical Group places highest priority on ensuring workplace safety and health as the basis of its production activities, and ensures thorough compliance with laws and regulations related to safety and health, to achieve disaster-free operation. In order to promote workplace safety and health, and security and disaster prevention, we spell out the basic rules on actions to be taken by the Hodogaya Chemical Group based on relevant laws and regulations in the Safety and Health Management Rules, the Disaster Prevention Rules, and the Logistic Safety Management Rules.

Initiatives for Workplace Safety and Health

The Safety and Health Management Rules set forth the basic rules on safety and health management to prevent occupational disasters and health disorders of all personnel. The aim is to engage both personnel and employers to collaborate in ensuring the safety and health of all personnel in the workplace, and to promote creating a more comfortable work environment, while streamlining operations and contributing to improving productivity.

Furthermore, the Group has designated February 3 as the

Group's annual Safety Day to prevent personnel forgetting the fire accident at the Yokohama Plant on February 3, 2012, and the lessons learned from it, to enhance the culture of safety, and to spread among all personnel of the Group the efforts in structurally establishing safety in the business operation.

In FY2024, as a result of continuing to strengthen initiatives for each measure, the Hodogaya Chemical Group and subcontracting companies achieved zero lost-time injuries.

Initiatives for Disaster Prevention

The Group conducts its activities in accordance with its basic principle to deliver security and safety, including environmental conservation to the local communities and society. The Disaster Prevention Rules stipulate that education and training be carried out on a regular basis in preparation for an accident or other emergency. In addition to conducting disaster drills, fire extinguisher training, emergency lifesaving drills jointly with fire departments and other first responders, we are striving to instill an awareness of safety and disaster prevention among all personnel and enhance their ability to sense danger.

We are continuing the conventional KYT (Kiken Yochi

Training, risk prediction training) and PYT (process error prediction training) activities, and conduct safety patrols, 3S (Sort, Set in Order, Shine) and inspection visits among offices. In internal audits of RC activities, the basis of activities was expanded to the five actuals (place, thing, fact, principle, rule) to implement safety measures and safety education that include mechanism and law principles, and rules such as routines and orders.

Personnel from plants are active participants in competitions in which teams pit their firefighting and disaster prevention skills against teams from other plants located in the same area.

Occurrence of Lost-time Injuries

FY occurred	Hodogaya Chemical Group			Subcontracting companies		
	2022	2023	2024	2022	2023	2024
Number of accidents / incidents	0	0	0	0	0	0
Number of work-related fatalities and injuries	0	0	0	0	0	0
Frequency rate	0.00	0.00	0.00	0.00	0.00	0.00
Severity rate	0.00	0.00	0.00	0.00	0.00	0.00

Frequency rate = Number of work-related fatalities and injuries / Total work hours x 1,000,000
Severity rate = Total number of working days lost / Total work hours x 1,000

Initiatives for Logistic Safety

Hodogaya Chemical endorsed the spirit of the White Logistics Promotion Campaign* advocated by the Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Economy, Trade and Industry, and Ministry of Agriculture, Forestry and Fisheries in January 2021 and submitted a voluntary action declaration to the White Logistics Promotion Campaign Secretariat. In the voluntary action declaration, we reviewed the content of transportation, including greater logistics efficiency and modal shift, and listed our efforts to standardize contracts and ensure safety.

For the purpose of ensuring safety, we help maintain the

safety and health of all local residents, including those involved in logistics, and protect the local environment by following Logistic Safety Management Rules, which stipulate basic items concerning preventing accidents and disasters in logistics related to Group products and other items and measures in the case of an accident or disaster.

* White Logistics Promotion Campaign
This is a campaign to realize not only greater productivity and more efficient logistics, particularly in truck transportation, but also a work environment welcoming to female and older drivers so as to ensure stable logistics, which are necessary for the lives of Japanese and industrial activities, in response to the shortage of drivers that is growing more serious and to contribute to economic growth.



For more information on workplace safety and health and security and disaster prevention, please visit our website
https://www.hodogaya.co.jp/english/csr/eco/safety_health_logistics/



For more information on chemical and product safety, please visit our website
https://www.hodogaya.co.jp/english/csr/eco/chemical_product_safety/



Chemicals and Product Safety Basic approach

The Hodogaya Chemical Group sets forth a set of internal rules on the use of chemical substances and measures to control the content in products, etc. based on the Basic Philosophy of Responsible Care (RC) to ensure environmental conservation, safety and health, and product quality, which forms the basis for all business activities. The aim of these rules is to voluntarily manage chemical substances that are likely to injure human health or impact the global environment in each process, from development, manufacturing, transportation, and use to disposal.

Chemical Substance Management

From the perspectives of environmental conservation, security and disaster prevention, workplace safety and health, and product safety, the Hodogaya Chemical Group manages chemical substances in all phases, from development, raw materials procurement, manufacturing, and use to disposal.

The controlled chemical substances designated under national laws and regulations have been added those requested under customers' RoHS and REACH directive as well as green procurement policies.

The substances are categorized into three groups: prohibited substances, the manufacture, import and use of which are prohibited in principle under domestic law; release-restricted substances, on which domestic laws require that restrictions be placed on their release into the environment or that their

environmental impact be reduced; and controlled substances in products, those that customers have requested either not be present in products or that the amounts contained be controlled. Having been made into a database, this system provides integrated management of information on all products, raw materials, and chemical substances handled by the Hodogaya Chemical Group.

We also ensure that information is provided to our customers in a standardized format, including confirmation of legal compliances with national and foreign laws and regulations, the automated production of safety data sheets (SDSs) and product labels in multiple languages as well as the compiling of safety information on the chemicals contained in our products.

Compliance with Global Laws and Regulations

In addition to the conventional regulations such as TSCA (USA) and REACH (Europe), Asian countries including China, South Korea and Taiwan are actively enforcing new laws and regulations.

With an eye on expanding its business globally, the Hodogaya Chemical Group not only works in close collaboration with foreign affiliate companies and representative offices, but also

takes active part in various industry activities to keep track of the latest trends in chemical substance management policies and legislation of other countries to be prepared to respond in a timely manner. We share this legislative information and responses from other countries with the entire Hodogaya Chemical Group.

Risk Assessment of Chemicals

The Hodogaya Chemical Group formulates procedures for risk assessments to prevent accidents and disasters, and measures to reduce risks based on the assessment results. The Group also sets forth the Risk Assessment Guidelines to clearly identify risks and take precise measures, and implements them on a regular basis. The substances to be subjected to risk assessments are divided into two categories—the risk assessment of operations and the risk assessment of handling chemical substances—to enable the clearer identification of risks and more precise

measures to be taken. In addition, based on the recent revision of the Industrial Safety and Health Act, we are working to strengthen our self-directed "chemical substance management system," "information transmission," and "risk assessment" to prevent workplace accidents caused by chemical substances.

To provide information on chemical substances, we have launched an SDS download page on our website starting April 2025.

VOICE



Tsukuba Research Laboratory, Research and Development Department
T.M.

"4S Time," an initiative of the Workplace Safety and Health Promotion Committee, launched a few years ago

My group handles various chemicals used to create new products. Since improper handling can lead to serious accidents, we conduct a risk assessment for all chemicals used during our monthly workplace safety and health meetings, sharing information on hazards and countermeasures. We also pay careful attention to the laboratory environment. As team members become more experienced, their workbenches and surrounding areas tend to become 'their own space,' but to someone else, it may appear as though they are falling behind in 4S practices (Sort, Set in Order, Shine, Standardize). For this reason, starting a few years ago, our group members have gathered every Friday to check that 4S practices are upheld. While gaining proficiency in our work is important, we aim to maintain awareness of potential risks and foster a safety-conscious culture to achieve zero accidents and incidents.



Responsible Care (RC)

Quality Assurance Basic approach

Based on its quality policy, the Hodogaya Chemical Group is committed to delivering “customer-oriented quality.” Through continuous improvement and efforts to enhance customer satisfaction, we strive to strengthen reliability and brand value, thereby increasing corporate value.

Initiatives for Quality Assurance

In accordance with the “RC Basic Philosophy” and the “RC Basic Policy,” the Hodogaya Chemical Group continues to practice quality assurance activities. We will further promote company-wide quality assurance activities and focus on preventing complaints and defective products.

To ensure that all employees involved in our products and services maintain a high awareness of quality, we foster an environment where both experienced and younger staff can learn from daily operations and drive improvement. This is achieved through sharing quality-related incidents that occurred at other sites, implementing near-miss/close call activities pertaining to quality, and exchanging information in the Quality Management Committee and QM representative meetings. At the same time, challenges remain in our efforts to eliminate customer complaints. By returning to the fundamentals, reinforcing feedback loops with each workplace,

and providing education to raise quality awareness, we aim to identify quality issues at an early stage and establish effective countermeasures. Guided by our commitment to “customer-oriented quality,” we will continue to provide high-performance, high-value-added products and services that earn our customers’ trust and satisfaction.

Four quality assurance activity system

1. Quality assurance activity system from the planning stage to stable production of products
2. Quality assurance activity system for the steady production operation of products
3. Quality assurance activity system for commercial goods and OEM products
4. Activity system to review the quality assurance activities

Quality Day

November has traditionally been Quality Improvement Month at Hodogaya Chemical, and the Company has generally designated the third Friday of November as Quality Day since 2020 so as to further improve quality management. On Quality Day, all officers and employees of the Hodogaya Chemical Group gather together, with representatives from each site

reciting the Quality Pledge. This event provides an opportunity to share our commitment to maintaining and enhancing quality, as well as to reinforce the importance of compliance. It also serves to raise each employee’s awareness of preventing the occurrence of quality complaints, thereby contributing to greater customer trust and satisfaction.

Quality Management

The Hodogaya Chemical Group in Japan and HODOGAYA CHEMICAL KOREA have obtained integrated certification for ISO 9001, the international standard for quality management systems (QMS), while our group company, SFC in South Korea, has acquired certification independently. Under a unified group-wide quality management framework, we practice QMS-based quality control across all products and services to meet customer expectations, and we are committed to continuous improvement with a high level of expertise and responsibility. Furthermore, as part of our activities to effectively operate

the QMS, we are focusing on training ISO internal auditors and continuing to provide not only in-house training but also practical education by external lecturers.

ISO 9001: 2015 Quality management systems	
Certification body	Japan Chemical Quality Assurance
Registration no.	JCQA-0184
Compatible standards	JIS Q 9001:2015/ISO 9001:2015
Date of acquisition	December 25, 1996



VOICE



Manufacturing Department,
Yokohama Plant
S.T.

Participant feedback from the QC circle presentation

What I felt from participating in the QC circle presentation meeting was that the concept of valuing quality is deeply ingrained in each and every employee. Observing participants who identified workplace issues on their own, collaborated with colleagues to develop and implement improvement measures, I was able to sense a strong culture of pursuing quality enhancement in daily operations. I was also impressed by the fact that the results of these activities were clearly reflected in numerical results, and that they were directly linked to improving customer satisfaction and ensuring reliability. I strongly felt that such steady, continuous efforts ultimately strengthen the overall competitiveness of the Company and contribute directly to enhancing corporate value. Moving forward, I hope to continue spreading a high level of quality awareness throughout the Company through these activities, thereby contributing to further growth.

Procurement Activities Basic approach

The Hodogaya Chemical Group specifies its commitment to the realization of a fair and appropriate supply chain in the Sustainability Policy, and implements the activities of procurement based on the Compliance Action Policy and the Procurement Policy. We have a fair deal with all partner companies in good faith when purchasing raw materials, products/consigned products, and facilities/equipment. We regard them as our good business partners in jointly addressing social issues.

Procurement Policies

The Hodogaya Chemical Group has established the Procurement Policy and Procurement Guidelines. In addition to having a fair deal in good faith, the concept of sustainable procurement, that is, giving consideration to the environment while deepening mutual communication was incorporated into the Procurement Policy. The Hodogaya Chemical Group conducts procurement in line with this policy.

In the basic purchasing contract concluded when doing business with the Hodogaya Chemical Group, there is a clause that covers compliance with the Procurement Guidelines. By having them comply with the terms of these guidelines, we work with our partner companies to conform with environmental, social, and governance needs, such as reducing the environmental impacts from raw material quality and the management and manufacture of chemical substances as well as respecting

human rights throughout the supply chain, health and safety management, and ethics. Thus, the Hodogaya Chemical Group promotes compliance together with its partner companies.

Procurement Policy

1. Compliance with Laws and Regulations and Social Norms
2. Implementation of Environmentally Conscious Procurement Activities
3. Provision of Fair Transaction Opportunities
4. Deepening of Communications with Supply Chain

Details on the Procurement Policy can be found on our website.
<https://www.hodogaya.co.jp/english/company/philosophy/#a8>

Promotion of Sustainable Procurement

When procuring raw materials, facilities and equipment as well as other items, we endeavor to establish robust supply chains. From a global perspective, we search for financially sound partner companies that are capable of continuous transactions, including respect for human rights and compliance with society’s ESG requirements. In particular, we work to secure multiple suppliers for each raw material and to diversify the countries from which we procure.

For those business partner companies whose purchasing transactions exceed a certain amount, we regularly use a Procurement Guidelines Implementation Status Survey Sheet to confirm whether the compliance items listed in the Procurement Guidelines are being properly implemented. In parallel with confirmation by means of the survey sheet, we also conduct visiting audits of business partner companies and work to deepen mutual understanding and establish

relationships of trust with them while conducting improvement activities.

The personnel of the Purchasing Department are provided with the training necessary to put sustainable procurement activities into practice.

In April 2024, we obtained RSPO certification and are working on the procurement of sustainable palm oil.

The Hodogaya Chemical Group is also striving for responsible mineral resource procurement. We do not handle conflict minerals that are sources of funding for human rights violations or armed groups.

Details on Procurement Guidelines can be found on our website.
https://www.hodogaya.co.jp/english/wp/wp-content/uploads/2024/09/Procurement-Guidelines_ENG_20241001.pdf

Declaration on Partnership Building

Hodogaya Chemical is committed to promoting collaboration and mutual prosperity with our supply chain partners and other stakeholders involved in value creation, as well as implementing initiatives focused on building new partnerships.

Aiming to establish a sustainable supply chain, we will advance business activities that consider environmental and

social aspects, based on constructive dialogue with our partners.

Details on the Declaration on Partnership Building can be found on our website. (Japanese only)
<https://www.hodogaya.co.jp/wp-content/uploads/2024/01/partnership2024.pdf>



Respect for Human Rights

Related Materiality

- Respecting human rights



Details can be found on our website.
<https://www.hodogaya.co.jp/english/csr/stakeholder/humanrights/>



Basic approach

The Hodogaya Chemical Group believes that respect for human rights as stipulated in the Constitution of Japan is a fundamental matter in carrying out its business activities. Identifying respect for human rights in our Sustainability Policy, we comply with laws and regulations as well as highly ethical and normal behavior, respect the diversity, personality, and individuality of everyone working at the Hodogaya Chemical Group, and ensure a sound and pleasant working environment free of discrimination and harassment, while also paying close attention to respect for human rights regarding partner companies in accordance with the Corporate Action Guidelines and the Compliance Action Policy, which include items described in the United Nations “Guiding Principles on Business and Human Rights.



Corporate Action Guidelines
<https://www.hodogaya.co.jp/english/company/philosophy/#a7>



Compliance Action Policy (Japanese only)
<https://www.hodogaya.co.jp/company/governance/action/>



Human Rights Policy

The Hodogaya Chemical Group formulated the Human Rights Policy as part of its Sustainability Policy.

The Hodogaya Chemical Group regards respect for human rights as the basis of its business activities and ensures the following listed items in accordance with the Corporate Action Guidelines, Compliance Action Policy, and Procurement Policy, while also paying close attention to respect for human rights regarding partner companies.

1. Complying with laws and regulations, highly ethical and normal behavior
2. Respect for diversity, personality, and individuality of everyone working at the Hodogaya Chemical Group
3. Creation of a sound and pleasant working environment free of discrimination and harassment



Procurement Policy
<https://www.hodogaya.co.jp/english/company/philosophy/#a8>



Procurement Guidelines
https://www.hodogaya.co.jp/english/wp/wp-content/uploads/2018/09/procurement_guidelines_20180918.pdf



Human Rights Due Diligence Initiatives

The Hodogaya Chemical Group identifies human rights risks that may arise through its operations.

We are conducting education and training, upgrading workplace environments and systems, and engaging in supply chain management to address human rights risks and as preventative measures against identified risks.

We also closely monitor these activities to ascertain the effectiveness of preventive measures and to promote improvements on a continuous basis. We regularly conduct surveys of partner companies using the Procurement Guidelines Implementation Status Survey Sheet as part of efforts to monitor the supply chain and to confirm whether compliance items are properly implemented. In addition, we work to improve activities to deepen mutual understanding while building mutual trust with our partner companies.

A grievance mechanism is in place to detect and address risks related to human rights.

Initiatives to Tackle Human Rights Issues in the Supply Chain

The Hodogaya Chemical Group has formulated the Procurement Policy and the Procurement Guidelines and has included clauses on compliance with the Procurement Guidelines in basic contracts with partner companies. In addition to understanding the content of these clauses, we also ask partner companies to undertake initiatives to tackle human rights issues that are similar to those of the Group. The Procurement Guidelines spell out the prohibition of forced labor, prohibition of inhumane treatment, prohibition of child labor, prohibition of discrimination, proper wages, and work hours as items to be complied with for the Human Rights and Labor Standards.

Due to these policies, forced labor and child labor are not observed in the supply chain.



Procurement Guidelines
https://www.hodogaya.co.jp/english/wp/wp-content/uploads/2018/09/procurement_guidelines_20180918.pdf



Establishment of a System to Prevent All Forms of Harassment

The Hodogaya Chemical Group established a system to comprehensively prevent all forms of harassment that could be considered as violations of human rights. This includes workplace bullying, sexual harassment, pregnancy-related harassment, or harassment related to leave taken for childcare or other long-term nursing care. After clearly stipulating in our business policies and Work Rules that harassment is prohibited, we created harassment prevention regulations and a manual in order to implement a range of measures, including establishing a consultation desk and establishing internal human rights due diligence. During Compliance Training, personnel are regularly educated on the prevention of various types of harassment and about consultation desks, and by continuing to do so, we will ensure a work environment that respects human rights.



Inquiries from partner companies
https://www.hodogaya.co.jp/english/eng_cntct/othr_i/



Community and Society

Related Materiality

- Contributing to communities



Details can be found on our website.
<https://www.hodogaya.co.jp/english/csr/stakeholder/community/>



Basic approach

The Hodogaya Chemical Group believes that as corporate citizens contributing to the sustainable development of the community is an important activity in carrying out its business. We are engaged in various community contributions including the nurturing of children through chemistry, environmental conservation activities in the regions where the Group’s plants are located, and the provision of tangible and intangible objects that are useful for the rich lifestyles of people.

In addition, if a disaster is designated as a major disaster by the Cabinet Office, where one of our key bases is located, and the damage to the area around the base is severe, we donate a certain percentage of the previous fiscal year’s earnings to the impacted prefecture. Most recently, in August 2023, we made a donation through the corporate version of hometown tax to contribute to the regional revitalization of Fukushima Prefecture, which we have always been indebted to.

Hosting Sign Language Courses for Companies

(M.A., Management Department, Koriyama Plant)

To promote understanding and active communication with those who are hearing-impaired, we hosted the “Corporate Sign Language Course” organized by Koriyama City at our Koriyama Plant. The program was held every Wednesday over three periods: December 2023 to February 2024, June to July 2024, and May to June 2025, totaling 25 sessions with approximately 60 participants in total.

In the course, participants learned simple self-introductions, greetings, and practical sign language expressions that can be used in the workplace. Unlike textbooks or video-based learning, the face-to-face format allowed them to grasp subtle differences in expression and finger movements.

Going forward, we will continue to foster mutual understanding and deeper communication by being mindful of others’ circumstances and situations.



From Oshima Tidal Flats: Shunan City Blue Carbon Project in Tokuyama–Kudamatsu Port

(K.A., Environmental Safety Office, Nanyo Plant)

This project (“PJ”) is an advanced initiative in Shunan City, located along the Seto Inland Sea, that leverages the natural power of fishing ports and surrounding areas to help prevent global warming and revitalize the local community.

The central site of the PJ, Oshima Tidal Flats, is Japan’s first 29-hectare artificial tidal flat with the primary goal of promoting the autonomous regeneration of clams. It is a valuable habitat supporting a rich ecosystem, home to seagrasses such as eelgrass, clams, oysters, octopuses, small fish, and a diverse range of other organisms.

Seagrass beds not only absorb carbon dioxide from the seawater but also serve as nurseries for juvenile fish, contributing to the recovery of fishery resources.

The PJ has expanded its activities, with seagrass restoration and planting efforts, including eelgrass, underway at Heta (Tsugi) fishing port. In addition, local schools, citizens, companies, and government agencies collaborate to monitor the marine environment and provide experiential learning, helping to raise environmental awareness.

By participating in marine environmental improvement activities that support building future communities in harmony with nature, centered on blue carbon initiatives for a decarbonized society, we aim to contribute to biodiversity enhancement and local climate change mitigation*, while also enhancing corporate value.

* As a “blue carbon ecosystem” that plays a vital role in absorbing and sequestering CO₂, it has been certified for 95.6 t-CO₂ credits in 2025 (of which 3.2 t-CO₂ are attributable to our Company).

Supporting Children’s Curiosity and Creativity

(M.S., Management Department, Yokohama Plant)

Hodogaya Chemical participates in the “Summer Vacation Children’s Chemistry Experiment Show,” presenting a workshop on creating water-based pens using our specialty dyes and exploring color separation. While assisting with the experiments, we were impressed by the children’s flexibility and creativity. Through the paper chromatography (color separation) experiment, many works were produced that reflected ideas adults would never have imagined. Together with the children, we were able to truly experience the event’s theme: “Chemistry is so much fun!”

Around 60 of our employees supported this event over the two-day period. With many young staff members taking part, the atmosphere was vibrant, and it highlighted their strong willingness to contribute to society.





Corporate Governance

Related Materiality

● Enhance and strengthen corporate governance

Basic approach

By means of our original portfolio and environmentally friendly manufacturing with a focus on specialty products, the Hodogaya Chemical Group aims to be a company that contributes to achieving a sustainable society and remains cognizant of value creation for a wide range of stakeholders — including shareholders, customers, partner companies, local communities, and personnel. At the same time, we consider top priority management objectives to include: developing economies and industries at home and abroad, contributing to the prosperity of society, ensuring the soundness and legality of business management, and achieving gains in efficiency. In the process, we strive to enhance and strengthen our corporate governance system.

Hodogaya Chemical Corporate Governance System

List of Corporate Governance Systems*1

Organizational Design	Company with an Audit & Supervisory Committee
Chairperson of the Board of Directors*2	President
Number of Directors	7
Number of Outside Directors	3 (42.9%)
Number of female Directors	1
Number of Directors who are Audit & Supervisory Committee Members	4
Chairperson of the Audit & Supervisory Committee	Internal Directors
Number of Audit & Supervisory Committee Members	4
Number of Outside Directors	3
Voluntary Committee	Nominating and Compensation Committee
Chairperson of the Nominating and Compensation Committee	Outside Director
Number of Nominating and Compensation Committee Members	5
Number of Outside Directors	3
Directors' Term of Office	1 year (2 years for Directors who are Audit & Supervisory Committee Members)
Adoption of an executive officer system	Adopted
Introduction of a performance-linked compensation system	Compensation linked to short-term performance and compensation linked to mid- to long-term performance
Financial Auditor	Ernst & Young ShinNihon LLC

*1 As of July 1, 2025

*2 To increase the speed and agility of corporate management, the Board of Directors entrusts the decision-making on important business operations to the Representative Director and President, excluding matters statutorily prescribed to be exclusively deliberated by the Board of Directors.

Initiatives to Strengthen Corporate Governance

June 2003	➤ Introduction of executive officer system
March 2004	➤ Abolishment of directors' retirement benefits program
May 2006	➤ Formulation of Basic Policy on Internal Control
November 2006	➤ Establishment of Internal Control Department
June 2013	➤ Start of appointment of Outside Directors
June 2015	➤ Transition to a Company with an Audit & Supervisory Committee
July 2016	➤ Introduction of stock-based compensation plan
January 2018	➤ Shift into new management structure
June 2019	➤ Establishment of a Nominating and Compensation Committee
March 2021	➤ Respond to the revised Companies Act
May 2021	➤ Release the Board of Directors skills matrix
May 2023	➤ Review of the Board of Directors skills matrix
June 2023	➤ Election of female outside director
June 2024	➤ Election of female executive officer

Link to the Corporate Governance Report (Japanese only)

https://www.hodogaya.co.jp/wp-content/uploads/2025/06/corporate_governance_20250627.pdf



See website for reason director was elected
<https://www.hodogaya.co.jp/english/company/governance/director/>



Details can be found on our website.
<https://www.hodogaya.co.jp/english/company/governance/>



● General Meeting of Shareholders

In addition to the appropriate statutory disclosure and timely disclosure, Hodogaya Chemical strives to proactively provide shareholders and investors with relevant information, such as management strategies, in order to gain understanding of business activities. It engages in constructive bilateral dialogue with shareholders in an effort to achieve effective corporate governance that can contribute to sustainable growth and increase corporate value.

Hodogaya Chemical also establishes measures to ensure shareholders can more easily attend the General Meeting of Shareholders, such as avoiding dates on which many companies hold meetings, early mailing of the Notice of Annual General Meeting of Shareholders, provision of the Notice of Annual General Meeting of Shareholders in English, and use of electronic voting (smart voting) and an electronic voting platform.

● Board of Directors

Held 10 times in FY2024

To enable thorough discussions based on diverse opinions and prompt, rational decision-making, the Board of Directors consists of members that satisfy the extensive level of experience and education required by the Company.

The deliberations for FY2024 are summarized in the table below, focusing on monitoring the progress of the Mid-term Management Plan SPEED 25/30, addressing issues in businesses showing delayed progress, and reviewing the status of sustainability initiatives.

Deliberations	Number of deliberations of the Board of Directors		
	Resolutions	Reports	Others
Management strategy and businesses	-	11	-
Sustainability	-	3	-
Corporate governance	2	5	-
Financial results, investor relations and finance	10	2	1
Compliance and internal controls	-	4	-
Committee matters	-	-	2
Officers and management executives	11	6	-
Others	-	1	2

● Audit & Supervisory Committee

Held 10 times in FY2024

The Audit & Supervisory Committee audits the legality of business execution by Directors and Officers, appropriateness of the Company's business operations, internal control, and financial status, etc., through attendance at important meetings and through timely and appropriate reporting.

The Audit & Supervisory Committee also maintains close relations with the Financial Auditor to take necessary measures in relation to the audit work.

Outside Director Activity Status

In FY2024, Outside Directors not only attended Board of Directors' meetings, Audit & Supervisory Committee meetings, and Nominating & Compensation Committee meetings, but also did the following.

- Attended management and executive meetings (September 2024 and March 2025).

Key deliberations for FY2024

Approval of the audit plan and approval of audit compensation for the Financial Auditor.

- Review of internal controls and internal audit status.
- Oversight and evaluation of risk awareness and risk mitigation measures by the Risk Management Committee.
- Review of audits of affiliated companies, etc.
- Deliberation on the Financial Auditor's audit reports.

● Nominating & Compensation Committee

Held 11 times in FY2024

In order to strengthen the independence, objectivity, and accountability of the Board of Directors' functions on matters of nomination and compensation, the Nominating & Compensation Committee serves as an advisory body to the Board of Directors and deliberates and submits reports to the Board of Directors on the election and dismissal of Directors and compensation of Directors. The Board of Directors respects the content of such reports. An Outside Director serves as chairperson.

Key recommendations and opinions for FY2024

- Regarding the proposal for the Director election proposal made at the Annual General Meeting of Shareholders, we reviewed the background and skills of each candidate and reported that the proposal is reasonable.
- Concerning the remuneration of directors who are not Audit & Supervisory Committee members, we compared practices with major companies in Japan and reported that the proposal is appropriate in line with the policy for determining Directors' remuneration.
- In selecting Executive Officers, department heads, and presidents of affiliated companies, we reviewed the detailed backgrounds of each candidate and conducted interviews, reporting that the proposals are reasonable.

● Management Committee

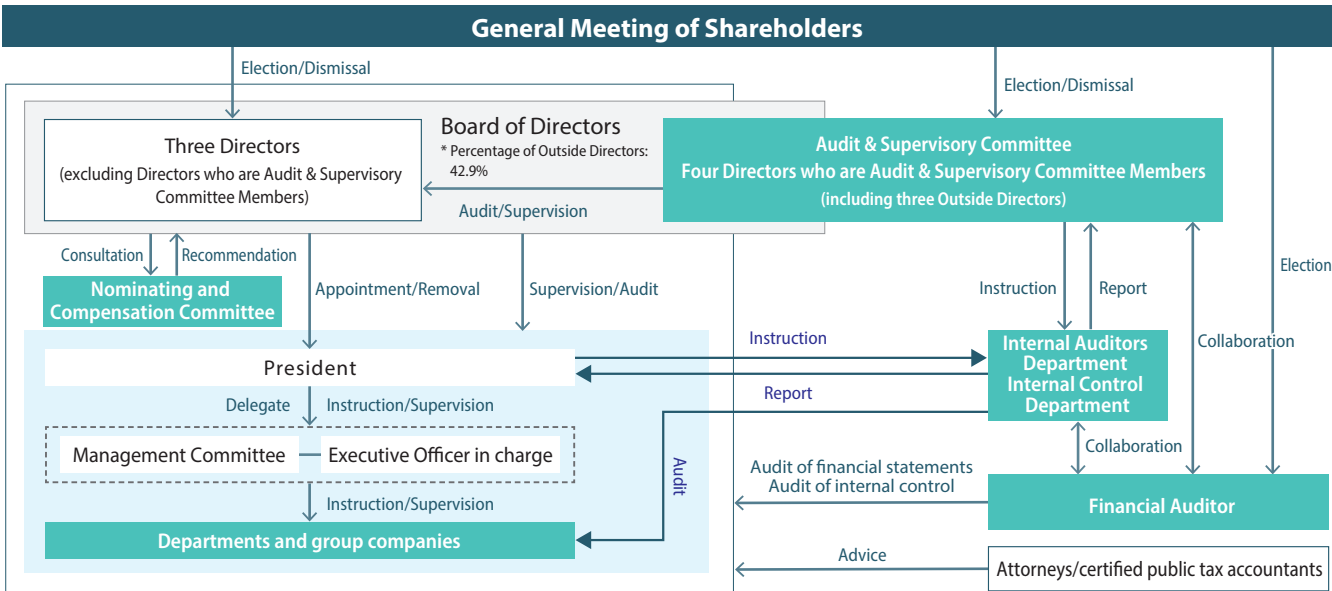
The Management Committee is composed of Executive Officers, General Managers of departments, and similar parties. The committee deliberates and reports on such items as material items that require the President's approval.

In FY2024, the committee's main topics of deliberation were investments in affiliated companies and capital expenditures, etc. in factories and research laboratories.

● Executive Officers

The executive officer system was introduced to achieve several objectives, including promoting management efficiency and enabling quicker decision-making, and the President elects executive officers who can fulfill these goals and puts them in charge of execution of operations in key departments.

Structure of corporate governance system





Corporate Governance

Successor training plan and officer training

●Election of Directors

Hodogaya Chemical positions the election of Directors as one of the most important matters for the Company, where the Board of Directors determines the selection criteria for candidates for Internal and Outside directors, and determines the selection of candidates for directors, based on deliberations by the Nominating and Compensation Committee.

●Requirements for the Appointment of the President and CEO

Hodogaya Chemical requires the following qualities in selecting the President and CEO, in addition to the qualifications expected of a Director candidate: (1) possesses dignity and integrity befitting the Company's top management; (2) ability to manage the Company based on concrete facts, with a broad perspective, while recognizing social trends and change of the times; (3) capability to make rational decisions and take full responsibility for them; and (4) commitment to actively engage in the

development and promotion of human resources. Based on deliberations of the Nominating and Compensation Committee, the Board of Directors makes the final resolution on the appointment of the President and CEO.

●Training for Directors

Upon assuming office, the Internal Directors of Hodogaya Chemical are provided with training to acquire knowledge of the roles and responsibilities expected of directors, laws and regulations, as well as compliance.

Independent Outside Directors are also provided explanations of Hodogaya Chemical's business, finances, organization, and other aspects, so that they can fulfill the roles and responsibilities expected of them when they assume office. Thereafter, they deepen their understanding of the Company by visiting offices in Japan and overseas to check on the situation.

Additionally, training sessions for directors by outside attorneys are held on a regular basis.

that emphasizes supervision.

In order to verify whether the Board of Directors is fulfilling this monitoring function, the Audit & Supervisory Committee and the Board of Directors conduct evaluations every year based on the following nine evaluation criteria.

Evaluation of Effectiveness of Board of Directors

Hodogaya Chemical has transitioned to a company with an Audit & Supervisory Committee in June 2015 and delegates decisions on matters other than those specified in the Companies Act to the President. In other words, the Hodogaya Chemical Board of Directors focuses on a monitoring model

Evaluation Process



Evaluation Results for FY2024 (reported at the Board of Directors meeting on June 19, 2025)

Evaluation Standards	Status of Initiatives
1. Election of multiple independent Outside Directors	• Implemented. 3 out of 7 directors are independent Outside Directors (42.9%)
2. Narrowing down matters for resolution	• Delegated decisions regarding execution of operations other than those that legally require Board of Directors approval to the President based on the General Meeting of Shareholders and Board of Directors resolution • In FY2024, resolutions were passed regarding the determination of proposals for the General Meeting of Shareholders, and the appointment of Directors, etc.
3. Establishment of appropriate reporting matters	• Set annual report schedule and submitted reports after expanding items to be reported as stipulated in Board of Directors Rules • Increased efficiency of operation execution reports by compiling individual ones into a Mid-term Promotion Execution Report • Received individual reports and questions and requests from independent Outside Directors, which are separate from resolution and report items
4. Deliberation on agenda items related to personnel affairs and remuneration of Directors	• Based on the report by the Nominating & Compensation Committee, a resolution was passed regarding the proposal for the election of Directors to be submitted at the Annual General Meeting of Shareholders in June 2025
5. Provision of proper explanations beforehand to independent Outside Directors	• Mailed agenda materials several days prior to the Board of Directors' meetings and offered preliminary explanations prior to the meetings
6. Preparation of informative and easy-to-understand materials	• Continued efforts to create materials with attention to the comprehensiveness and ease of understanding of the information so that Outside Directors can make accurate management decisions
7. Appropriate time management (meeting frequency, time for deliberations, etc.)	• Met 11 times in FY2024, with slightly less than 2 hours for each meeting
8. Implementation of effective and efficient organizational audits	• Implemented an organizational audit as a Company with an Audit & Supervisory Committee • Established the Audit & Supervisory Committee Secretariat as a system to assist the Audit & Supervisory Committee • Audit & Supervisory Committee met 11 times in FY2024, with approximately 1 hour for each meeting
9. Follow up and respond to new trends in corporate governance and the best way to operate the Board of Directors	• Reported on state of sustainability promotion in August and December 2024 and March 2025 • Conducted thorough communication with Audit & Supervisory Committee members regarding the consideration of changing the Financial Auditor (reported in February and March 2025) • Implemented a stock split as a measure to address individual shareholders in connection with the reduction of cross-shareholdings (reported in February 2025)
Overall Evaluation for FY2024	As outlined in the table above, the Board of Directors satisfies the evaluation standards and achieves the following two items, allowing for the conclusion that the Board of Directors' functions as intended (1) Expedited managerial decision-making and business execution (2) Enhanced the Board of Directors' monitoring function
Future Initiatives	• Make a thorough investigation of monitoring activities intended to achieve the Mid-term Management Plan SPEED 25/30 • Provide more accurate, concise, and understandable Board of Directors' meeting materials • Continued to follow new trends, such as Financial Services Agency and advisory board trends and social trends

*Evaluation period: from the conclusion of the 2024 Annual General Meeting of Shareholders to the commencement of the 2025 Annual General Meeting of Shareholders

Director Compensation Plan

Hodogaya Chemical positions its Directors' compensation plan as a priority item for corporate governance. The basic requirements in determining the compensation of Directors include: 1. Compensation linked to performance; 2. Incentives to improve corporate value; 3. Linkage to shareholder interests; and 4. Securing and retaining talented personnel.

In consideration of the above, individual director compensation is paid to directors within the range approved at the General Meeting of Shareholders.

Determinations on the individual compensation of directors

(excluding directors who are Audit & Supervisory Committee members) are made by resolution of the Board of Directors at the discretion of representative directors; however, bylaws stipulate that representative directors shall determine compensation amounts after deliberations by the Nominating and Compensation Committee, following the general composition ratio outlined herein.

Directors who are Audit & Supervisory Committee members receive only a fixed-amount base compensation in consideration of the fact that they are not involved with executive functions.

Components of Director Compensation (excluding Outside Directors and Audit & Supervisory Committee Members)

Types of Director compensation		Payment method	Composition ratio	Overview of Director compensation
Fixed Compensation		Cash Payment	60%	Compensation is paid based on each director's performance in fulfilling their duties, leadership, and execution of daily operations.
Performance-Based Compensation	Short-Term Performance-Based Compensation	Cash Payment	25%	Compensation is paid based on the Group's performance in the previous fiscal year and the individual performance of directors (including not only quantitative performance but also contributions to corporate value).
	Medium- to Long-Term Performance-Based Compensation	Stock Grant	15%	Compensation is paid based on the Group's medium- to long-term performance (including not only quantitative performance but also contributions to corporate value). * Paying with Company stock as consideration fosters a shared shareholder perspective. Delivering it upon a director's retirement serves as motivation for the director to enhance the corporate value of our Group during service.

Total Director Compensation, etc. (FY2024)

Type of Director	Total compensation (millions of yen)	Totals of different types of compensation (millions of yen)			No. of applicable Directors
		Base compensation (cash)	Performance-linked compensation (cash)	Non-monetary compensation (Company stock)	
Directors (excluding Audit & Supervisory Committee Members) (excluding Outside Directors)	94	63	17	13	4
Directors who are Audit & Supervisory Committee Members (excluding Outside Directors)	15	15	—	—	2
Outside Directors	23	23	—	—	3
Total	133	102	17	13	9

* Amounts are rounded down to the nearest million yen.

Dialogue with Investors

Hodogaya Chemical distributes the BUSINESS REPORT annually to our shareholders as a means of communicating with them, and of explaining the progress of Hodogaya Chemical's Mid-term Management Plan SPEED 25/30 to our shareholders. Hodogaya Chemical streams videos on the website to explain the Company's financial results (first-half and year-end) and

progress of the Mid-term Management Plan to our shareholders and investors. In addition, the Company makes individual visits to institutional investors. These results are fed back to management meetings, leading to improvements and revisions in financial strategy and investor relations activities.

Cross-shareholdings

When maintaining and strengthening stable transactional relationships with suppliers and partners has been deemed to contribute to greater corporate value for the Hodogaya Chemical Group, the Company will in some cases hold shares of the said companies for the purpose of maintaining and strengthening the transactional relationship.

The Board of Directors carefully examines and verifies the purpose of each holding, as well as the relative standing between benefits/risks and capital costs coinciding with the holding.

As a result of making a careful examination and verification from this perspective, the Board has determined that current

holdings are appropriate.

If the verification reveals that it is less important to hold particular shares and thus no longer rational to do so, we will examine disposing of those shares, taking into consideration such factors as the impact on the market.

Number of issues held as cross-shareholdings

FY	2021	2022	2023	2024
Number of issues (companies)	36	35	34	33



Messages from Outside Directors



Masaki Sakai

**Outside Director
(Audit and Supervisory
Committee Member)**

With many years of experience as an administrative official in the Ministry of Agriculture, Forestry and Fisheries, he has extensive and broad knowledge of agricultural, forestry and fisheries administration and international affairs.

Increase diversity and creativity in the workplace through employee-focused career development

Under the strong leadership of Yuto Matsumoto, President and CEO, Hodogaya Chemical is actively working to reform its business. With the establishment of the Organic & Optical Device Materials Division and steady efforts to grow the organic light-emitting diode (OLED) business, the Company has put into place a system to focus on the development of perovskite solar cell materials, which could be a key to solving energy issues. By merging its South Korean subsidiaries SFC and REXCEL, the Company has achieved integrated production of OLED materials and is seeking to enter the field of nucleic acid medicine, next-generation pharmaceuticals. Hodogaya Chemical has also upped shareholder returns by raising the dividend for five

consecutive years and it aim to be a company that continues to grow and is beloved by investors for the next 100 years.

The basis of this strategy is maintaining a workplace where everyone feels job satisfaction by proactively developing human resources and improving engagement, the first E of SPEED 25/30. With subsidiaries and bases in various countries, the Company requires global talent who can overcome cultural differences to build relationships of trust and push its business forward. To promote open innovation, Hodogaya Chemical also needs specialized talent who can proactively collaborate with its affiliates. Furthermore, as a manufacturing company, it is essential that plant employees, who are the Company's lifeline, can work safely and with motivation. In areas such as accounting and internal control, the Company also requires talent who can drive reforms through the use of AI and other technologies.

As a company with over a century of history, we have long

strived to create a collaborative and stable workplace. Our relationship with the labor union has also remained strong.

However, the workplace is evolving. It will increasingly be composed of diverse talent—including new graduates, mid-career hires from other companies, alumni rejoining the organization, and individuals with varying career paths, such as those who stay until retirement or those who transition to other companies after reaching a milestone. We also expect to see a continued increase in foreign talent.

To enhance the creativity of this increasingly diverse workforce, a company must stand alongside its employees and actively support them in realizing their desired career paths. I believe that steady, sincere efforts will lead to meaningful outcomes. With this belief, I will continue to engage in active discussions within the Board of Directors and the Nomination and Compensation Committee.



Shinobu Fujino

**Outside Director
(Audit and Supervisory
Committee Member)**

In addition to many years of business experience in operating companies, she has extensive knowledge and experience in human resource development, organizational development, and diversity promotion as a career counselor and Outside Director.

Deepen discussions at Board of Directors' Meetings to promote shareholder returns and diversity

The Board of Directors' agenda covers a wide range of topics, including decisions on the allocation of revenue earned through business activities. Even in an uncertain business environment where the future is difficult to predict, the Company has continued to steadily increase dividends to shareholders. Hodogaya Chemical has also discussed expanding the scope of the J-ESOP to employees and encouraging increases in employee salaries. Following its recent investment in South Korea, the Company has also been proactive in domestic capital investment, primarily in the Functional Colorants segment, including strengthening the functions of

the Tsukuba Research Laboratory. I sense a growing commitment to returning profits to shareholders and employees and to investment activities.

The progress of SPEED 25/30 is also reported to the Board of Directors, and a target for the percentage of female managers has been set as part of the promotion of diversity. While numerical targets for managers are important, I believe that even before that, Hodogaya Chemical needs to become a company where each employee, including women, can gain confidence through work experience and take on new challenges. The only way to develop confidence in one's work is to experience success and failure at work. The Company's future challenge is how to create an environment where each individual can take on new work, regardless of attributes such as age, nationality, or gender.

Consultations received from employees at internal and

external reporting hotlines are also reported to the Board of Directors. While the malfunctioning of whistleblowing systems has been in the news as of late, the Company is discussing ways to ensure that whistleblowers are not disadvantaged and that the consultations received contribute to the greater health of the organization. I would like the Company to continue this approach without wavering.

SPEED 25/30 is also entering its next phase. Hodogaya Chemical offers a wide range of products, so at the Board of Directors' meetings we are not just tracking sales figures, but are also currently in discussions with executives to share more specific information about each product group and discuss the future direction of business together, taking into account changes in the global situation and economic trends.



Akira Matsunaga

**Outside Director
(Audit and Supervisory
Committee Member)**

As an administrative official of the Ministry of International Trade and Industry (now the Ministry of Economy, Trade and Industry), he has extensive knowledge and experience both domestically and internationally.

Utilize my experience in economic and industrial administration to analyze the business environment and contribute to sustainable growth

Japanese companies are currently facing severe changes in their business environment. While technologically, they must respond to carbon neutrality and DX, the future of trade is uncertain due to rising geopolitical risks and protectionist movements. Furthermore, corporate Japan is being forced to deal with unprecedented threats, such as cybersecurity and economic security. Throughout my time working in economic and industrial administration, I analyzed major changes in the business environment and continually considered what policies were needed. I hope to utilize this experience to offer a different perspective and approach than those in internal discussions to

major changes in trends, rather than individual risks, compared to internal discussions. As a 100-year-old company, Hodogaya Chemical has weathered many economic storms. I would like to use my experience to contribute through discussions at the Board of Directors' meeting, so that the Company can continue to grow sustainably for another 100 and 200 years.

I have learned that Hodogaya Chemical's products are used as "essential" components in a variety of familiar products, such as mobile phones, copiers, stationery, herbicides, clothing, and daily necessities. I have also learned that as a 100-year-old company, Hodogaya Chemical has a history of steadily growing by pioneering new fields one after another while still valuing its founding business and overcoming numerous crises. As mentioned above, I believe that the environment surrounding corporate Japan is currently undergoing a once-in-a-century period of sea change. In order to respond to this, the Company

must not only revive its existing businesses but also create new "essentials" (pillars of revenue). I believe that Hodogaya Chemical's strength lies in the ability of its employees to work together toward this goal. I hope to contribute to creating an environment that will make this possible.



Board of Directors



Yuto Matsumoto
Representative Director, President and CEO

Number of Board of Directors meetings attended in FY2024 10/10

Brief personal record
Mr. Matsumoto joined the Company in April 1983 and worked in the R&D department, followed by the sales department, which included overseas. He was appointed as the Company's Representative Director, President and CEO in November 2016.



Norimasa Yokoyama
Director and Managing Executive Officer

Number of Board of Directors meetings attended in FY2024 (after appointed as a Director) -

Brief personal record
Mr. Yokoyama joined the Company in April 1988, and has been engaged in research and development as well as production operations. In June 2025, he was appointed Director and Managing Executive Officer, overseeing the R&D department.



Shinichi Sato
Director and Managing Executive Officer

Number of Board of Directors meetings attended in FY2024 7/7*

Brief personal record
Mr. Sato joined the Company in March 2014, and has been engaged in operations of the Internal Control Department and Legal Department of the Group while utilizing his extensive experience and knowledge gained during his time in the banking field. He was appointed Managing Executive Officer in June 2024, overseeing promotion of sustainability, human resources, accounting, internal controls departments.



Shinichi Matsuno
Director (Audit & Supervisory Committee Member)

Number of Board of Directors meetings attended in FY2024 7/7*

Number of Audit & Supervisory Committee meetings attended in FY2024 7/7*

Brief personal record
Mr. Matsuno joined the Company in April 1981 and has been widely involved in the Research & Development, Purchasing, Sales and Corporate Planning Departments. After serving as a Director and Managing Executive Officer since June 2015, he was elected Director in June 2024.



Masaki Sakai
Outside Director (Audit & Supervisory Committee Member)

Number of Board of Directors meetings attended in FY2024 10/10

Number of Audit & Supervisory Committee meetings attended in FY2024 10/10

Brief personal record
Mr. Sakai joined the Ministry of Agriculture, Forestry and Fisheries in 1981. He was extensively involved in the administration of agriculture, forestry and fisheries, and international affairs in the same ministry. He was appointed as a Director (Audit & Supervisory Committee Member) of our Company in June 2019.



Shinobu Fujino
Outside Director (Audit & Supervisory Committee Member)

Number of Board of Directors meetings attended in FY2024 10/10

Number of Audit & Supervisory Committee meetings attended in FY2024 9/10

Brief personal record
Ms. Fujino began career counseling business (private practice) in January 2002. She has extensive experience in personnel and organizational development and diversity promotion and was appointed as a Director (Audit & Supervisory Committee Member) of our Company in June 2023.



Akira Matsunaga
Outside Director (Audit & Supervisory Committee Member)

Number of Board of Directors meetings attended in FY2024 -

Number of Audit & Supervisory Committee meetings attended in FY2024 -

Brief personal record
Mr. Matsunaga joined the Ministry of International Trade and Industry (now Ministry of Economy, Trade and Industry) in April 1986, where he was extensively involved in economic and industrial administration as well as international affairs. In June 2025, he was appointed Director (Audit and Supervisory Committee Member) of the Company.

* They have attended all meetings since taking up position as Director in June 2024.

Board of Directors Skills Matrix

The following seven skills were selected for the Board of Directors Skills Matrix for achieving the SPEED 25/30 Mid-term Management Plan.

- Four skills to perform the basic functions as a Company: “Corporate management”, “Law & risk management”, “Finance & accounting” and “Human resources strategy”
- Two skills to support the three pillars (Research and Development, Production and Sales) of our Company: “Business strategy” and “R&D, technology and production”
- One skill to support the Company's business field that extends beyond borders: “International business”


Name	Corporate management	Law & risk management	Finance & accounting	Human resources strategy	Business strategy	R&D, technology and production	International business
Yuto Matsumoto	○			○	○	○	○
Norimasa Yokoyama	○				○	○	○
Shinichi Sato	○	○	○	○		○	
Shinichi Matsuno	○			○	○	○	
Masaki Sakai (Outside)				○	○	○	○
Shinobu Fujino (Outside)	○	○		○			
Akira Matsunaga (Outside)		○	○		○		○


* The skills matrix includes the areas expected for each individual. It is not meant to be a comprehensive list of all forms of expertise and experience they may possess.

Compliance

Related Materiality

• Spreading compliance

Details can be found on our website.
<https://www.hodogaya.co.jp/english/company/governance/compliance/>



Basic approach

In addition to fully recognizing and consistently applying compliance's basic meaning of adhering to laws and regulations, the Hodogaya Chemical Group conducts corporate activities keeping in mind its meaning of ensuring behavior in line with what society demands of the Group.

As a result of earnestly implementing compliance and conducting fair, non-discriminatory business activities, there have been no personnel who have been fired and the Group has not had to pay fines or other penalties due to behavior that goes against the legitimate interests of the Group or behavior that undermines trust in and the reputation of the Group.

Promotion Structure

The Hodogaya Chemical Group formulates various rules and regulations based on the Basic Policy on Internal Control, and strives to achieve compliance through organized and cross-sectional initiatives led by the Internal Control Department.

The Internal Auditors Department audits the status of compliance and provides advice and guidance for improvements as required.

Over and above these activities, we have published the Hodogaya Chemical Group Compliance Handbook, which contains data that is closely aligned to the Group's operations. This Handbook is distributed to all officers and personnel in a bid to raise awareness toward compliance.

Internal Reporting System

As for the internal reporting system, the Hodogaya Chemical Group has not only designated an outside attorney and the Internal Control Department as contact points but also created a system that clearly stipulates whistleblower protection and other elements so as to prevent and quickly detect violations of laws, regulations, rules, and corporate ethics, based on the Internal Reporting Rules.

In addition, the status of internal reporting and other matters are reported to the Audit & Supervisory Committee. One internal report was submitted in FY2024.

Compliance Training Calendar (FY2024)						
Training	April	July		December	January	February
	Issue-based training (1)	General training (1)	Group company officer training	General training (2)	Issue-based training (2)	Officer training
Eligible participants	All officers and personnel	All officers and personnel	Group company officers	All officers and personnel	All officers and personnel	Directors (including Outside Directors) and executive officers
Content	• Questions from the compliance textbook (total of 15)	• Compliance basics • J-SOX • Regulatory matters • Information security • Respect for human rights • Quality-related scandals • Contract examination and review • Harassment education • General Meeting of Shareholders Report	• Basics of the Companies Act	• Contracts • Approval rules • Quality-related scandals • Personal information management • Harassment education • Antisocial forces education • Information security • Insider trading • Internal report	• 22 key compliance questions to understand	Explanation on the following by external lawyers: • Recent developments in corporate legal affairs • Latest trends in the Stewardship Code and Corporate Governance Code

* For all training, the participation rate was 100%.

Efforts Aimed at Eliminating Antisocial Forces

The Hodogaya Chemical Group has put in place specific guidelines to ensure that it avoids forming any kind of relationship with antisocial forces. The Group's approach toward antisocial forces is centralized in and managed by the General Affairs Department.

Compliance Education

The Hodogaya Chemical Group is committed to ensuring strict compliance. From the perspective of cultivating and improving compliance awareness, we continuously conduct compliance training for all officers and employees (four times annually), training sessions for officers (once annually), training for officers of Group companies (once annually), as well as individual education through e-learning. The participation rate of all managerial employees in these training programs has consistently reached 100%. In addition, managerial personnel (including personnel one step prior to their appointment to management) of the Group are required to take the Examination of Compliance Proficiency for Practical Business (Primary Level) to gain knowledge and increase understanding of compliance. The percentage of qualified managerial personnel currently stands at 99.6% (as of March 31, 2025).

Tax Compliance

The Hodogaya Chemical Group meets the demands and expectation of society by properly fulfilling its obligation to pay taxes in all countries and regions in line with the Corporate Action Guidelines and Compliance Action Policy. We are working to maintain and improve tax compliance.

In addition, we have established a structure and systems to address the issue of antisocial forces. This includes closely collaborating and exchanging information with such outside professionals as the police and lawyers and to disseminate relevant information to each Group office and company.

Risk Management

Related Materiality

- Thoroughly spreading risk management



Details can be found on our website.
<https://www.hodogaya.co.jp/english/company/governance/management/>



Basic approach

As for risks that harm the Hodogaya Chemical Group, including illegal conduct, poor quality, natural disasters, infectious diseases, and information leaks, the Group has created its own risk management system to minimize damages.

In order to maintain and increase corporate value, fulfill its social responsibilities as a company, and generate sustainable growth for the Group, efforts are made to raise the risk awareness of all officers and personnel and promote risk management by all personnel.

Risk Management Committee

The Hodogaya Chemical Group has a Risk Management Committee in place, in accordance with the Risk Management Committee Rules.

The Committee holds regular meetings to share risk awareness, develop measures to reduce risks, review the progress of such measures, and take initiatives to minimize damages based on the Crisis Management Regulations, across the Hodogaya Chemical Group as a whole.

The Committee provides and reports on the details of their discussions to the Board of Directors and the Management Committee.

Overall Risk Awareness for FY2025

For the current fiscal year, the Risk Management Committee recognizes the following as overall risks.

[Uncertainty surrounding US politics]

Implementation of tariff hikes, immigration measures, or tax cuts could drive higher inflation, possibly leading to stagflation.

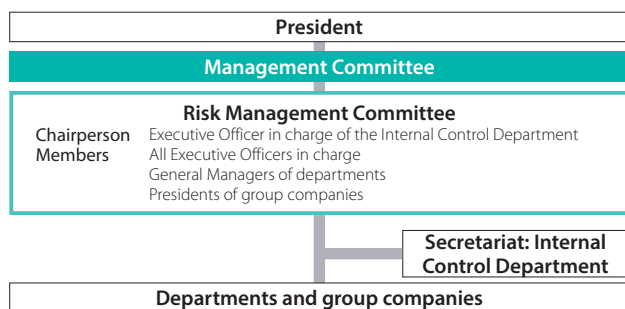
[The impact of US tariffs, etc. on Japan (as a risk scenario)]

— Economic slowdown, stagflation, spillover of a financial crisis

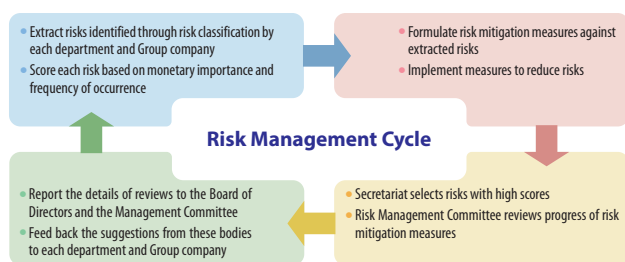
— Significant impact on manufacturing, particularly the capital goods sector (industrial machinery, construction machinery, and transportation machinery such as vehicles, etc.)

[Trend towards global multipolarity and political polarization due to the collapse of the middle class in Europe and the US]

Risk management structure



Risk Evaluation Procedures



* In particular, risks that impede KGI/KPI are recognized as Key Risk Factors (KRFs)

Details of FY2024 Deliberations

Deliberations by the Risk Management Committee in FY2024 were primarily regarding such issues as sales risk, manufacturing risk, purchasing and procurement risk, which are based on the risk management cycle depicted in the figure to the left.

Information Security

The Hodogaya Chemical Group recognizes that keeping company information classified and ensuring information security are the basics in business and one of our social responsibilities.

We have established Information Security Policy in which the appropriate acquisition, use, disclosure, and management of information, information protection activities, security measures, and compliance with applicable laws and regulations, including the Unfair Competition Prevention Act and regulations on insider trading, are specified.

Also, we conduct training for all personnel to increase their awareness of information security.

VOICE



A.A.
Internal Control
Department

The circle of trust created by psychological safety and compliance

In the Internal Control Department, we support the organization in establishing trust by ensuring strict compliance throughout daily operations. What I value most is fostering a psychologically safe workplace. When everyone feels secure in expressing their opinions and sharing mistakes or questions, it helps prevent misconduct and enables the early detection of issues. In such an environment, colleagues naturally support one another, and constructive discussions can lead to the creation of new value.

In everyday conversations, moments when phrases like "That's a great idea" or "Thanks for noticing that (issue)" are exchanged make me feel that psychological safety is a driving force within the organization. Moving forward, I want to continue expanding this circle of trust and security and remain a member who contributes to the Company's future.