



# 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](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

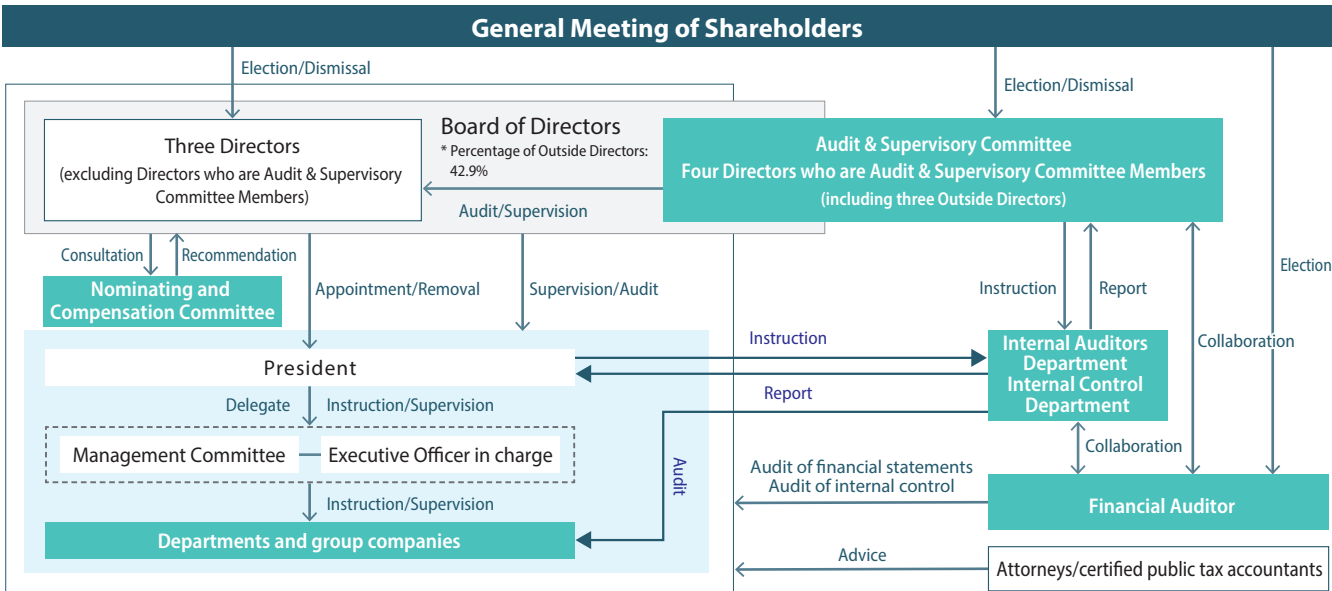
The Management Committee is composed of Executive Officers, General Managers of departments, and similar parties. The committee deliberates and reports on such items as material items that require the President's approval.

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