Outside Directors' Roundtable Discussion

Hodogaya Chemical at a Turning Point: Perspectives from Outside Directors

The Hodogaya Chemical Group is strengthening its governance framework to support the sustainable enhancement of corporate value as it works to realize the Mid-term Management Plan CODE/CHORD 2030.
Against this backdrop, our Outside Directors, who play a vital role in governance, share their assessments of the Group's governance framework, recommendations on management issues, the risks they see on the path to future growth, and their messages to stakeholders.



Masaki Sakai
Outside Director
(Audit & Supervisory Committee Member)

Shinobu Fujino
Outside Director (Audit &
Supervisory Committee Member)

Akira Matsunaga
Outside Director (Audit &
Supervisory Committee Member)

How do you assess the Hodogaya Chemical Group's governance framework and its efforts to strengthen governance?

Sakai The foundations of sound governance are rigorous internal controls and robust internal audits. As part of its internal control efforts, the Company provides compliance training across a broad range of areas, from preventing quality-related misconduct to information security. We continually assess the effectiveness of this training and enhance the content based on participant feedback. Internal audits go beyond ensuring compliance with laws, regulations, and internal rules. They also proactively recommend operational improvements, with specific implementation steps, to enhance productivity and the working environment. While maintaining a strong defensive governance framework anchored in internal control and internal audit, I believe we now need to strengthen governance that supports growth by enabling the Company to take appropriate risks and enter new fields.

Fujino This is the second company at which I have served as an Outside Director, and I find the Hodogaya Chemical Group's governance framework both highly disciplined and flexible. Certain formalities are strictly observed, such as the chair's declaration at the outset of each Board meeting that it has been duly constituted. At the same time, except for certain confidential matters, Executive Officers who are not Directors also attend Board meetings as observers, making the discussions more open. I found this somewhat unusual at first, but I have come to see it as a positive practice, both from a governance perspective and in developing the next generation of management talent.

Matsunaga Since joining Hodogaya Chemical's Audit & Supervisory Committee and Board of Directors, I have been impressed by the thorough discussions held on the basis of well-prepared materials. Every agenda item draws comments from a range of perspectives, and important matters that are not resolutions are also discussed as reporting items. Depending on their significance, issues may be discussed several times before a decision is reached. The Company also places importance on procedural controls. For example, the Audit & Supervisory Committee holds meetings to exchange views with the Internal Audit Department, seeking to identify the root causes of various incidents, including industry practices and aspects of corporate culture.

What advice have you provided on the Hodogaya Chemical Group's management challenges to date? Looking ahead, in what areas or situations do you expect to offer advice?

Sakai At Board meetings, I have advocated using open innovation to strengthen product development and manufacturing capabilities, while also reinforcing sales capabilities, particularly overseas. In March 2026, the Company decided to acquire Hungary-based Framochem, a leading European producer and marketer of phosgene derivatives. Securing phosgene derivative production bases in both Japan and Europe is a significant achievement in a field with high barriers to entry due to the advanced manufacturing technologies required. I also expect the acquisition to dramatically expand sales of Hodogaya Chemical products in Europe by leveraging Framochem's network.

Outside Directors' Roundtable Discussion



Fujino The manufacturing sector remains overwhelmingly male-dominated, and that is true not only of Hodogaya Chemical. I am the Company's first female Director. Having built my career in information and communication sector and now focusing primarily on human resource development, I have felt that Hodogaya Chemical has yet to fully tap the capabilities of its female employees, and I have continued to advocate for greater opportunities for women. Going forward, as manufacturers face labor shortages and introduce new technologies, I believe how effectively they draw on the talents of women and senior employees will be an important source of competitiveness.

Matsunaga I try to raise issues from perspectives and angles that differ from those of management. In recent years, government policy has come to have a greater impact on business, including trade policy such as tariffs, industrial policy to promote innovation, and economic security policy. Drawing on my knowledge and experience to date, I have therefore sought to share developments in laws and regulations, government support measures, and related areas with the Board whenever possible. I also come from the automotive industry, rather than the chemical industry, so I seek to provide information on the economic environment and business trends from a different vantage point, in the hope of giving management opportunities to see issues in a new light.

Looking ahead to the five-year vision set out in CODE/CHORD 2030, what do you see as the greatest risk today, and what should management focus on?

Sakai For companies today, the greatest risk is settling for overly cautious management that avoids taking risks. Rather than continuing the previous Mid-term Management as Phase 2, Hodogaya Chemical formulated the new Mid-term Management Plan CODE/CHORD 2030 and decided to pursue strategies that break with the past. Through acquisitions and proactive investment in new technologies and facilities, the Company aims to unlock the full potential of the core technologies it has cultivated over more than a century since pioneering caustic soda production using the electrolysis method in Japan, and move decisively into advanced fields.

Fujino I believe the decision to launch CODE/CHORD 2030 as a new plan, rather than simply extend SPEED 25/30, reflects the executives' own sense of urgency that they themselves must change. If the Company is asking employees to change, for example by introducing a hybrid job-based personnel system for managers that combines the membership-based model with position-based compensation, I believe management itself must lead by example, taking on challenges without fear of failure so that employees can see and feel that Hodogaya Chemical is truly changing.

Matsunaga CODE/CHORD 2030 is designed to build a foundation for medium- to long-term growth by taking on new businesses through R&D, capital investment, and M&A, building on the business base the Hodogaya Chemical Group has steadily developed over its 110-year history. I am confident in the underlying strengths that make this possible, including the Group's technology, people, and financial resources, and I also expect strong growth in demand in fields such as OLED, bio, and semiconductors. The key challenge, however, will be the timing of development and market launch. Success will depend not only on avoiding being late to market, but also on avoiding being too early and bringing products to market at precisely the right time. This is where management's capabilities will truly be tested.

What message would you like to share with stakeholders as an Outside Director?



Sakai Among our stakeholders, I would particularly like to address investors. In addition to the OLED business and aluminum coloring dyes used for smartphones and other applications, both of which have grown steadily, Hodogaya Chemical is entering new fields such as nucleic acid medicines, a field of next-generation pharmaceuticals, through proactive investment under CODE/CHORD 2030. The Company has increased dividends for five consecutive fiscal years and will now pursue a progressive dividend policy with a DOE target of 3.0% or higher. At the recent Annual General Meeting of Shareholders, shareholders approved the Company's policy for responding to acquisition proposals. This has reduced the risk of an acquisition pursued unilaterally for short-term gains disrupting the stable management that draws on the Company's technological strengths. Hodogaya Chemical has more than a century of history and aims to achieve significant growth over the next 100 years. I hope investors will actively support that growth through investment in the Company.

Fujino Hodogaya Chemical has well-established internal control and internal audit systems that function effectively. It also takes a steady, practical approach to compliance training and works to ensure that compliance is firmly embedded among employees. I am able to serve as an Outside Director with confidence in the ethical standards of the President and other officers. Without compromising this important foundation, I want to support the Company as it pursues the goals of CODE/CHORD 2030 and to share the fruits of those efforts with all stakeholders, including shareholders, officers, and personnel.



Matsunaga For more than a century, the Hodogaya Chemical Group has stayed close to people through changing times and supplied materials needed by society. More recently, it has accelerated investment in new growth fields by building on the strengths it has developed over the years. Under the Company's PURPOSE, "Your Dream is Our Business," approximately 1,000 officers and personnel are bringing their capabilities together to make that purpose a reality. I hope stakeholders will continue to support the Hodogaya Chemical Group from a medium- to long-term perspective as it takes on these challenges.

Overview of the Corporate Governance System

Related Materiality
- Enhance corporate governance

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

Basic approach

Through constant innovation of chemical technology, the Hodogaya Chemical Group aims to provide high-quality products and services throughout the world that meet and satisfy customer expectations and contribute to the creation of an environmentally conscious society. To realize this Management Philosophy, the Group works to enhance management efficiency, while giving consideration to value creation for a broad range of stakeholders, including shareholders and investors, customers, business partners, local communities, and all officers and personnel. The Group also seeks to contribute to the development of economies and industries in Japan and overseas and to the prosperity of society. It regards ensuring and enhancing the soundness, legality, and efficiency of management as one of its highest priorities and works to strengthen corporate governance.

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 Director
Number of Audit & Supervisory Committee Members	4
Number of Outside Directors	3
Voluntary Committee	Nominating & Compensation Committee
Chairperson of the Nominating & Compensation Committee	Outside Director
Number of Nominating & 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 medium- to long-term performance
Financial Auditor	Ernst & Young ShinNihon LLC

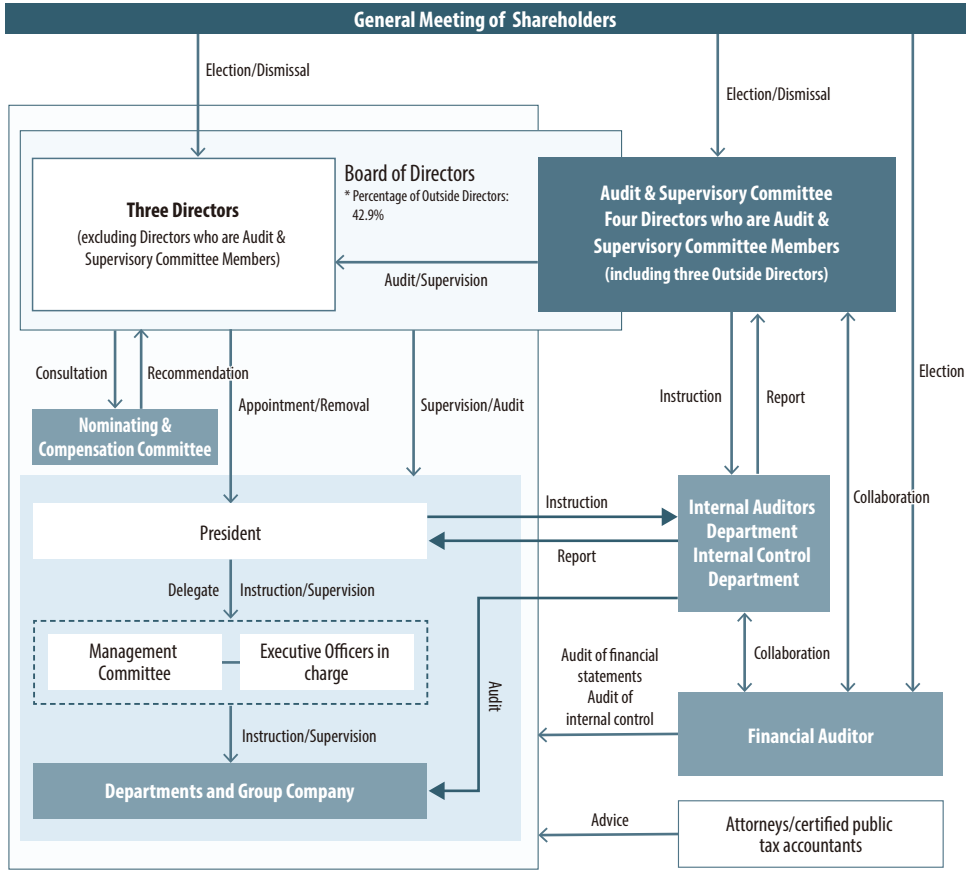
*1 As of July 1, 2026
*2 To increase the speed and agility of corporate management, the Board of Directors entrusts the decision-making on business operations to the Representative Director and President, excluding matters statutorily prescribed to be exclusively deliberated by the Board of Directors.

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 & Compensation Committee
March 2021	Response to the revised Companies Act
May 2021	Release of 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
June 2025	Change of Financial Auditor

Link to the Corporate Governance Report (Japanese only)
https://www.hodogaya.co.jp/wp/wp-content/uploads/2026/06/corporate_governance_20260625.pdf

Structure of the corporate governance system



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 two-way 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 disclosure 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

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

Supervisory Function

Board of Directors

Held 16 times in FY2025

To enable thorough discussions based on diverse opinions and prompt, rational decision-making, the Board of Directors consists of members who possess the extensive experience, knowledge, and expertise required by the Company.

Outside Director Activity Status

In FY2025, Outside Directors not only attended Board of Directors' meetings, Audit & Supervisory Committee meetings, and Nominating & Compensation Committee meetings, but also undertook the following activities.

- Attended management and executive meetings (September 2025 and March 2026)
- Inspected business sites (Koriyama, Yokohama, Nanyo, and Tsukuba) (September 2025 and other dates)
- Communicated with the Financial Auditor (July 2025 and other dates)
- Dialogue with next-generation management talent (June 2025 to May 2026)
  Held five sessions, with a total of 11 participants from among next-generation management candidates
- Attended executive compliance training (March 2026)

Audit & Supervisory Committee

Held 12 times in FY2025

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 from Directors, Executive Officers, and employees of the Group.

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

Key deliberations for FY2025

- Appointment of the Financial Auditor
- Approval of the audit plan and agreement on audit fees 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
- Deliberation on the Financial Auditor's audit reports.

Nominating & Compensation Committee

Held 12 times in FY2025

In order to strengthen the independence, objectivity, and accountability of the Board of Directors' functions, the Nominating & Compensation Committee, which is composed of a majority of Independent Outside Directors and chaired by an Independent Outside Director, serves as an advisory body to the Board of Directors and deliberates and submits reports to the Board of Directors regarding personnel matters concerning 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 FY2025

- Regarding the candidates proposed for Director election at the Annual General Meeting of Shareholders, the Committee reviewed the background and skills of each candidate and submitted a recommendation confirming that the proposal was appropriate.
- Concerning the remuneration of directors who are not Audit & Supervisory Committee members, the Committee conducted a comparative study with major companies in Japan and submitted a recommendation confirming that the proposal was appropriate and aligned.
- In electing Executive Officers, department heads, and presidents of affiliated companies, the Committee reviewed the detailed backgrounds of each candidate, conducted interviews, and expressed our opinion that the proposed appointments were appropriate.

Executive Function

Management Committee

The Management Committee is composed of Executive Officers, relevant General Managers of departments, and other key executive members. The Committee deliberates on and receives reports concerning important matters that require the President's approval. Meetings are generally held twice a month in accordance with the annual schedule for internal meetings and are also convened as necessary.

In FY2025, the committee's main topics of deliberation included M&A transactions and business alliances in the field of nucleic acid medicines.

Executive Officers

The executive officer system was introduced to (1) improve management efficiency and, (2) as a result, accelerate decision-making, as well as to (3) promote functional specialization, (4) strengthen supervisory and monitoring functions, and (5) enhance management capabilities. The President appoints Executive Officers suited to these objectives and places them in charge of executing operations in key departments.

Board of Directors

Agenda Items of Board of Directors

The deliberations for FY2025 are summarized in the table below, focusing on monitoring the progress of the previous Mid-term Management Plan SPEED 25/30, addressing issues in businesses showing delayed progress, and reviewing the status of sustainability initiatives.

Agenda Items	Number of Agenda Items at the Board of Directors		
	Resolutions	Reports	Others
Management strategy and businesses	3	14	2
Sustainability	—	3	—
Corporate governance	2	4	—
Financial results, investor relations and finance	10	3	1
Compliance and internal controls	—	4	—
Committee matters	—	—	2
Officers and management executives	14	7	—
Others	—	1	2

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 careful examination and verification from these perspectives, the Board has determined that the 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, the Company 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	2025
Number of issues (companies)	36	35	34	33	33

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 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 Process

Corporate Planning Department and Audit & Supervisory Committee Secretariat → Management Committee → Audit & Supervisory Committee → Board of Directors

Evaluation Results for FY2025 (reported at the Board of Directors meeting on June 19, 2026)

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 decision-making on business execution, excluding matters statutorily prescribed for exclusive resolution by the Board of Directors, to the President, based on the General Meeting of Shareholders and Board of Directors resolution • In FY2025, 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 • Provided 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 2026
5. Provision of proper explanations beforehand to independent Outside Directors	• Sent 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 15 times in FY2025, with slightly more than 2 hours per 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 FY2025, 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 2025 and March 2026 • Regarding the acquisition of Framochem, for which a timely disclosure was made in March 2026, information was shared with Outside Directors and other relevant parties, and necessary steps were taken to support the Board of Directors' resolution. • The proposed revisions to the Corporate Governance Code were covered in executive compliance training.
Overall Evaluation for FY2025	As outlined in the table above, the Board of Directors satisfies the evaluation standards and achieves the following two items, leading to the evaluation that the function of the Board of Directors is being effectively exercised. (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 CODE/CHORD 2030 • Provide more accurate, concise, and understandable Board of Directors' meeting materials • Continue to follow new trends, such as Financial Services Agency and advisory board trends and social trends

*Evaluation period: from the conclusion of the 2025 Annual General Meeting of Shareholders to prior to the 2026 Annual General Meeting of Shareholders

Dialogue with Investors

Hodogaya Chemical distributes the BUSINESS REPORT annually to shareholders as a means of communicating with them, and to explain the progress of the previous Mid-term Management Plan SPEED 25/30 to our shareholders.

For the FY2025 financial results, the President participated in an online briefing in May 2026, where he also explained the Mid-term Management Plan CODE/CHORD 2030 and answered questions from shareholders and investors.

Directors and Officers



Yuto Matsumoto

Representative Director, President and CEO

Number of Board of Directors meetings attended in FY2025 16/16



Norimasa Yokoyama

Director and Managing Executive Officer

Number of Board of Directors meetings attended in FY2025 12/12*

* Mr. Yokoyama has attended all meetings held since assuming office in June 2025.



Shinichi Sato

Director and Managing Executive Officer

Number of Board of Directors meetings attended in FY2025 16/16



Shinichi Matsuno

Director (Audit & Supervisory Committee Member)

Number of Board of Directors meetings attended in FY2025 16/16

Number of Audit & Supervisory Committee meetings attended in FY2025 12/12



Masaki Sakai

Outside Director (Audit & Supervisory Committee Member)

Number of Board of Directors meetings attended in FY2025 16/16

Number of Audit & Supervisory Committee meetings attended in FY2025 12/12



Shinobu Fujino

Outside Director (Audit & Supervisory Committee Member)

Number of Board of Directors meetings attended in FY2025 16/16

Number of Audit & Supervisory Committee meetings attended in FY2025 12/12



Akira Matsunaga

Outside Director (Audit & Supervisory Committee Member)

Number of Board of Directors meetings attended in FY2025 12/12*

Number of Audit & Supervisory Committee meetings attended in FY2025 8/8*

* Mr. Matsunaga has attended all meetings held since assuming office in June 2025.

Executive Officers

President and CEO	Yuto Matsumoto
Managing Executive Officer	Norimasa Yokoyama
Managing Executive Officer	Shinichi Sato
Managing Executive Officer	Takeshi Nakano
Managing Executive Officer	Yasuo Murakami
Executive Officer	Hikaru Hoshikawa
Executive Officer	Fumio Wamme
Executive Officer	Atsushi Takesue
Executive Officer	Hisatoshi Koinuma
Executive Officer	Hiroshi Nanaumi
Executive Officer	Toshihide Tanaka
Executive Officer	Hideaki Hashizume
Executive Officer	Miki Tsukui
Executive Officer	Noriyuki Watanabe
Executive Officer	Masakazu Ikari
Executive Officer	Toshio Minoura
Executive Officer	Yasuhiro Mohri

Skills Matrix / Reasons for Election of Directors

Board of Directors Skill Matrix

Seven skills have been selected for the skill matrix of the Board of Directors from the perspective of achieving the Mid-term Management Plan "CODE/CHORD 2030."

- Four skills to perform basic functions as a company: "Corporate management", "Legal affairs & risk management", "Finance & accounting", "Human resources strategy"
- Two skills corresponding to the Company's core trinity (R&D, manufacturing, sales): "Business strategy", "R&D/technology/manufacturing"
- One skill corresponding to the cross-border nature of the Company's business fields: "Internationality"

Name	Corporate management	Legal affairs & risk management	Finance & accounting	Human resources strategy	Business strategy	R&D/ technology/ manufacturing	Global perspective
Yuto Matsumoto	○			○	○	○	○
Norimasa Yokoyama	○				○	○	○
Shinichi Sato	○	○	○	○			
Shinichi Matsuno	○			○	○	○	
Masaki Sakai (Outside)				○	○	○	○
Shinobu Fujino (Outside)	○	○		○			
Akira Matsunaga (Outside)		○	○		○		○

* The skill 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.

Reasons for Election of Directors

Directors

Name	Reason for election
Yuto Matsumoto	Since joining the Company in April 1983, he was engaged in research and development and subsequently in sales operations, including overseas business. In November 2016, he was appointed as Representative Director and President of the Company. Since then, he has continued to leverage his extensive experience and knowledge while appropriately fulfilling his duties. Consequently, the Company has judged that he is well-qualified to serve as a Director.
Norimasa Yokoyama	Since joining the Company in April 1988, he has been engaged in research and development and production operations. Currently supervising the Research & Development Department of the Group, he possesses extensive experience and knowledge and has been appropriately fulfilling his duties. Therefore, the Company has judged that he is well-qualified to serve as a Director of the Company.
Shinichi Sato	Since joining the Company in March 2014, he has been engaged in internal control, legal, human resources, sustainability, and accounting operations of the Group, leveraging his extensive experience and knowledge gained during his career in banking. Currently, as the Managing Executive Officer supervising internal control and human resources, he has been appropriately fulfilling his duties. Therefore, the Company has judged that he is well-qualified to serve as a Director of the Company.
Shinichi Matsuno	Since joining the Company in April 1981, he has been widely involved in the Research & Development, Purchasing, Sales and Corporate Planning Departments and operations of a plant as General Manager, and has a wide range of business experience and knowledge at the Company and Group companies. Therefore, the Company judges he is qualified as Director who is an Audit & Supervisory Committee Member.

Outside Directors

Name	Reason for election
Masaki Sakai	He utilizes his extensive knowledge and experience, both that gained since his appointment as a Director who is an Audit & Supervisory Committee Member in June 2019, and that cultivated both in Japan and overseas through his business activities over many years at government ministries. Although he has not been directly involved in corporate management in the past, the Company expects that he will continue to appropriately fulfill his duties for the Company. Therefore, the Company has judged he is qualified as a Director who is an Audit & Supervisory Committee Member.
Shinobu Fujino	She utilizes years of work experience at systems integrator, expertise as a career counselor and a wide range of knowledge and experience as an outside director since her appointment as a Director who is an Audit & Supervisory Committee Member in June 2023. Although she has not been directly involved in corporate management in the past, the Company expects that she can continue to appropriately fulfill her duties. Therefore, the Company has judged she is qualified as a Director who is an Audit & Supervisory Committee Member.
Akira Matsunaga	Since his appointment as a Director who is an Audit & Supervisory Committee Member in June 2025, he has applied to the Company's operations the extensive knowledge and experience he acquired over many years at government ministries, both in Japan and overseas. Although he has not been directly involved in corporate management in the past, the Company expects that he will continue to appropriately fulfill his duties. Therefore, the Company has judged he is qualified as a Director who is an Audit & Supervisory Committee Member.

Succession Plan / Compensation

Successor Development Plan and Officer Training

Election of Directors and Selection of the Representative Director and President

Hodogaya Chemical positions the election of Directors as one of the most important matters for the Company. The Board of Directors has established selection criteria for candidates for Internal Directors and Outside Directors. The Board of Directors resolves on the selection of Director candidates and the President and CEO based on deliberations by the Nominating and Compensation Committee.

Successor Development Plan

Hodogaya Chemical provides opportunities for personnel who will lead the next generation of management to attend meetings of the Board of Directors and the Management Committee as observers, enabling them to observe management discussions firsthand and develop a management perspective. Executive Officers attend Board of Directors meetings as observers, while General Manager-level personnel attend Management Committee meetings as observers. Depending on the circumstances, they also provide explanations on agenda items and participate in question-and-answer sessions, making these meetings a forum for development that combines practical experience with learning. In addition, as part of its succession plan, the Company regularly holds dialogue sessions between Outside Directors and next-generation management candidates. Through opportunities to gain objective and multifaceted perspectives, the Company seeks to broaden the management perspective of future leaders and build a talent base that supports sustainable enhancement of corporate value.

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 domestic and overseas business sites to inspect operations firsthand.

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

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 the Representative Director and President; however, bylaws stipulate that representative directors shall determine compensation amounts after deliberations by the Nominating & 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.

Key Evaluation Indicators for Performance-Based Compensation

Short-Term Performance-Based Compensation is 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 is based on the Group's medium- to long-term performance (including not only quantitative performance but also contributions to corporate value).

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). * Granting Company stock as compensation enables Directors to share a common perspective with shareholders. Delivering it upon a director's retirement serves as motivation for the director to enhance the corporate value of the Group during service.

Total Director Compensation, etc. (FY2025)

Type of Director	Total compensation (million yen)	Totals of different types of compensation(million 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)	99	61	21	16	4
Directors who are Audit & Supervisory Committee Members (excluding Outside Directors)	15	15	—	—	1
Outside Directors	26	26	—	—	4
Total	140	102	21	16	9

* Amounts of less than one million yen are truncated.

Compliance

Related Materiality
- Promote compliance awareness

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 the fundamental premise of compliance, which entails 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 disciplinary dismissals of personnel, nor has the Group incurred fines or other penalties due to actions that violate its legitimate interests or undermine public trust and its corporate reputation.

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.

In addition to these initiatives, the Company has 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 related matters is reported to the Audit & Supervisory Committee. There were no internal reports in FY2025.

Tax Compliance

The Hodogaya Chemical Group meets the demands and expectations 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. To this end, the Group is working to maintain and improve tax compliance.

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 personnel (increased by one session to five times annually from FY2025), 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 officers and personnel in each of these training programs has 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, 2026).

Compliance Training Calendar (FY2025)

	May	June	August	November	December	February	March
Training	General training (1)	Group company officer training	General training (2)	General training (3)	General training (4)	General training (5)	Officer training
Eligible participants	All officers and personnel	Group company officers	All officers and personnel	All officers and personnel	All officers and personnel	All officers and personnel	Directors (including Outside Directors) and executive officers
Content	• Compliance basics • Insider trading • Internal reporting system	• Responsibilities of officers and recent cases of mis-conduct and corporate scandals	• Quality-related scandals • 167th Annual General Meeting of Shareholders • Information security • Harassment education • J-SOX	• Respect for human rights • Quality-related scandals • Internal reporting system • Regulatory matters	• Information security • Antisocial forces education • Contracts • Information assets	• Harassment education • Accounting treatment	Explanation on the following by external lawyers: • Recent developments in corporate legal affairs • Status of discussions on revisions to the Corporate Governance Code • Status of discussions on revisions to the Companies Act • Recent trends relating to General Meetings of Shareholders

* 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.

Furthermore, the Group strives to enhance its framework by maintaining close collaboration and exchanging information with external specialized organizations, such as the police and attorneys, on a regular basis, and by disseminating this information to each business site and Group company.

Risk Management

Related materiality
- Ensure thorough risk management

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

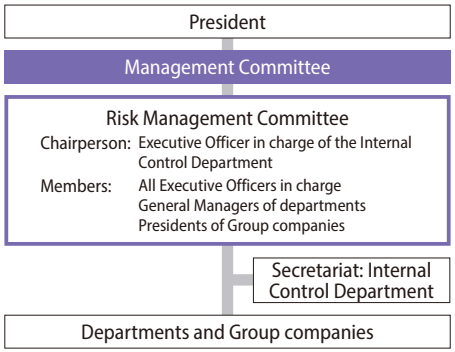
Basic Approach

The Hodogaya Chemical Group has created its own risk management system to minimize damage related to risks that harm the Group, including illegal conduct, poor quality, natural disasters, infectious diseases, information leaks and other risks.
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 risk awareness and promote risk management among all officers and personnel.

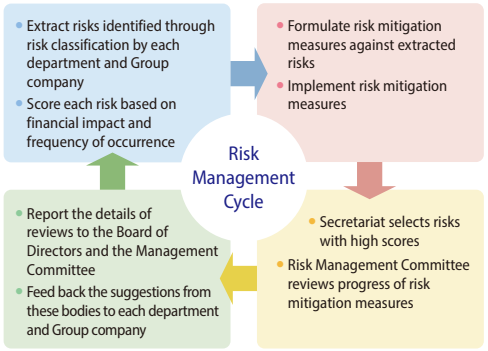
Risk Management Committee

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 deepen 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 submitted and reported on the details of their discussions to the Board of Directors and the Management Committee.

Risk management structure



Risk evaluation procedures



* In particular, risks that impede the achievement of KGIs/KPIs are recognized as Key Risk Factors (KRFs)

Overall Risk Awareness for FY2026

For FY2026, the Risk Management Committee recognizes the following as overall risks.

Risk awareness for FY2026

1. Risk of geopolitical fragmentation in energy and logistics
   - Conflict involving Iran → heightened risk of closure of the Strait of Hormuz → sharp increases in crude oil and natural gas prices, longer lead times due to the avoidance of Middle East shipping routes, and higher logistics costs
   - Higher manufacturing costs, failure to meet delivery deadlines due to logistics delays, and supply chain disruptions
2. Forced realignment of supply chains toward friend-shoring
   - Dysfunction of the free trade system → economic security becoming a management priority
   - Against the backdrop of U.S.-China tensions and risks in the Middle East, a shift from efficiency (just-in-time) to resilience (just-in-case), leading to increased capital investment aimed at reducing dependence on specific countries and regions, including China and unstable areas in and around the Middle East
   - Costs of complying with export controls and sanctions imposed by the United States and other countries
3. Risk of sticky inflation and interest rate volatility
   - Renewed increases in energy prices fueling global inflation once again
   - Imported inflation caused by the combined impact of higher energy prices and a weaker yen, higher financing costs due to uncertainty surrounding interest rate policies in Japan and the United States, and higher fixed costs due to upward pressure on wages

Details of FY2025 Deliberations

Based on the risk management cycle depicted in the figure to the left, deliberations by the Risk Management Committee in FY2025 focused primarily on sales, manufacturing, and procurement risks.

Information Security

The Hodogaya Chemical Group recognizes that keeping company information classified and ensuring information security are a fundamental part of our business activities and one of our social responsibilities. We have established the 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.
We also conduct training for all officers and personnel to increase their awareness of information security.