Message from the President



Yuto Matsumoto
President and CEO

Pioneering Our Own Future Rather than Waiting for the Tide to Turn
Taking on the Challenge of Discontinuous Growth for the Next 100 Years

The End of the Era of Waiting for Conditions to Improve

In 2026, Hodogaya Chemical marked the major milestone of its 110th anniversary. We have been able to build a history spanning 110 years thanks to the support of our customers and business partners, shareholders and investors, local communities and society, and every one of our officers and personnel. I would like to express my sincere gratitude to all of you.

Yet even as we celebrate this milestone, I feel a profound sense of urgency that our Company is standing at an unprecedented historical turning point. In the past, even when the external environment deteriorated, there was some scope for management to wait for conditions to improve on the assumption that economic cycles would eventually bring recovery. Today, however, what we face is not simply another economic cycle. We are confronting irreversible structural changes that overturn the very assumptions on which management is based, including the normalization of geopolitical risk, dramatic shifts in industrial structure, and the disruption and reconstruction of supply chains driven by economic security concerns. Persistently high raw material, fuel, and energy prices, declining market conditions caused by excess production capacity in China, and severe labor shortages in Japan are making corporate management increasingly complex.

Even with more than half of our net sales generated overseas, we can no longer rely on a formula for success that depends on favorable tailwinds, such as a weaker yen lifting our results. We must make a complete break with the passive management stance of waiting for conditions to improve and dramatically transform ourselves into a high-value-added company that pioneers its own future. Otherwise, we cannot survive this era of upheaval. This acute sense of urgency and determination form the starting point for our new Mid-term Management Plan CODE/CHORD 2030, covering FY2026 through FY2030.

Achievements under SPEED 25/30 (Phase 1) and the Challenges Ahead

Looking back at our previous Mid-term Management Plan, SPEED 25/30 (Phase 1), both achievements and challenges are clear. Net sales reached 48.0 billion yen against our target of 50.0 billion yen. One major achievement was that focused investment in the Functional Colorants Segment, particularly in SFC in South Korea, bore fruit and enabled the OLED materials business to grow into a pillar that drives the Group's earnings.

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We also made significant progress in non-financial areas. Through our support for the TCFD recommendations and the introduction of carbon-free electricity, we achieved our greenhouse gas reduction target well ahead of schedule. In shareholder returns, we achieved dividend increases for five consecutive fiscal years with a focus on DOE. On the profit front, however, results were highly challenging. Consolidated operating profit came in at only half of the target, a substantial shortfall that we take very seriously. One factor was that capital investment and R&D expenses required to maintain our competitive advantage in the rapidly changing OLED market increased, placing a heavy burden on earnings through fixed costs, including depreciation. In addition, the Specialty Polymers business struggled as prices for general-purpose products declined due to overproduction in China. Most importantly, delays in establishing the second and third pillars of growth to follow the OLED materials business left our business portfolio inflexible, and this remains a major issue that we must address.

Nevertheless, I do not regard our upfront investments to date as failures. Through investments in PCR diagnostic kit materials, SFC's BioPark, and the Chungju and Eumseong campuses in South Korea, among other areas, we steadily sowed the seeds for future leaps in growth. The true area for reflection is not that we invested, but that it took longer than expected to harvest the returns and monetize those investments. Simply following precedent may enable us to maintain our existing businesses, but it will not produce discontinuous growth. That is why, while our foundation remains strong and we are still generating profits, we must boldly take risks and move into the next stage of growth. With this firm resolve, we set our course for the new Mid-term Management Plan. Review of the Previous Mid-term Management Plan ►P.12

CODE/CHORD 2030: Taking on the Challenge of Discontinuous Growth Beyond Our Current Trajectory

CODE/CHORD 2030, our new Mid-term Management Plan launched in FY2026, is not simply an extension of the previous plan as Phase 2. In developing the plan, our executives held an off-site retreat and engaged in intensive, candid discussions. What all members of management shared was an acute sense of urgency that there would be no future if we continued doing things the same way.

The previous Mid-term Management Plan, SPEED 25/30, looked ahead to megatrends through 2050 and set out a 10-year scenario by backcasting from our "ideal figure" for FY2030, with a "target figure" for FY2025 as an interim milestone. During implementation, however, we became increasingly occupied with addressing immediate issues. As a result, an approach that should have remained based on backcasting gradually shifted into a forecast-based approach of building forward from the present as an extension of the past. Reflecting on this, if we use the analogy of climbing a mountain, this time we have reset our sights on a summit one level higher and fundamentally redesigned the approach we will take to reach it.

That new approach consists of multifaceted structural reforms, including a shift in the investment paradigm "to put capacity in place first," the execution of M&A, and the renewal of our human capital and financial strategies. At the heart of these reforms is our determination to move away from self-reliance and pursue co-creation with external partners, with speed as our highest priority. This determination is embodied in the name CODE/CHORD 2030. CODE reflects our aspiration to transform into an agile organization in which, like a code blue in a medical emergency, all officers and personnel autonomously understand their roles and move into action in unison when the signal is given. CHORD, meaning a musical chord, expresses our determination not to seek solutions within the Company alone, but to resonate with outstanding external knowledge and technologies, combine our respective strengths, and create new value.

Basic Policies of CODE/CHORD 2030 ►P.13

Management Targets (Financial Targets)

	FY2025 Results	FY2028 Targets	FY2030 Targets
Net sales	48.0 billion yen	65.0 billion yen	80.0 billion yen
Operating profit (Operating profit margin)	3.7 billion yen (7.7%)	6.5 billion yen (10.0%)	10.0 billion yen (12.5%)
EBITDA	7.1 billion yen	13.0 billion yen	17.0 billion yen
ROE	6.0%	6.0%	8.0%
Equity ratio	60.8%	Approx. 50%	Approx. 45%
Shareholder Return Policy	Five consecutive years of dividend increases (DOE: 1.6%)	Continued dividend increases → Progressive dividends	DOE ≥ 3.0%

Building the Second and Third Pillars of Growth: The CDMO Business for Nucleic Acid Medicines and Semiconductor-Related Materials

The two businesses we have positioned as the second and third pillars, new growth engines to follow the OLED materials business, are the CDMO business for nucleic acid medicines and semiconductor-related materials.

Of these, the CDMO business for nucleic acid medicines best embodies our new VISION, "Refining Originality, Co-creating the Future," and efforts to bring it to life are already gaining momentum. The market for nucleic acid medicines, which are expected to be used as treatments for cancer and rare diseases, is projected to expand rapidly. Precisely because the market is still in its infancy, I believe there is great significance in taking on this challenge now. Here too, we will not insist on doing everything ourselves. We will build a collaborative framework that brings together Hodogaya Chemical's global sales network and financial resources, SFC's oligonucleotide synthesis technologies in South Korea, and the advanced GMP expertise of YUKI GOSEI KOGYO CO., LTD. We are also moving ahead with the construction of GMP-compliant manufacturing facilities at the Koriyama Plant. By building an agile development and production structure capable of moving projects rapidly from the research stage through early clinical development, we aim to become a high-value-added niche leader.

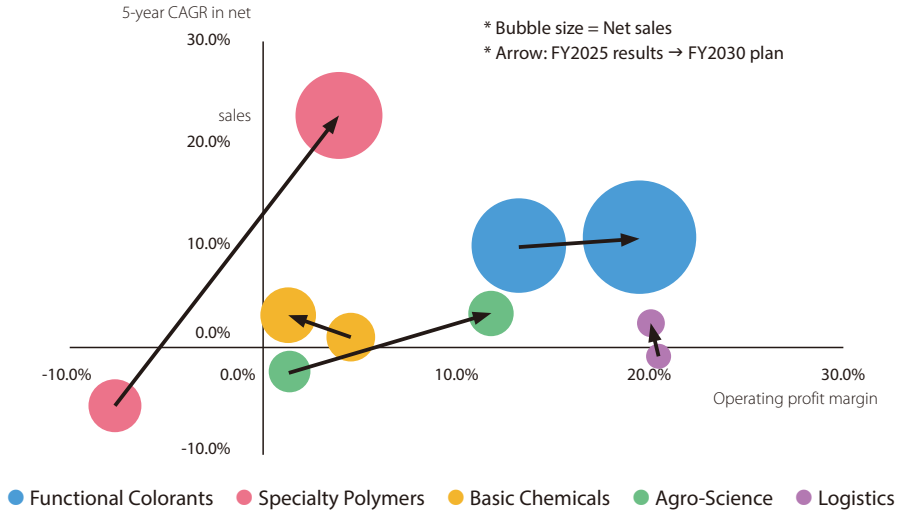
The other pillar, the semiconductor-related materials business, is benefiting from structural growth in demand that extends beyond conventional business cycles, driven by the explosive spread of generative AI and rapidly growing demand for data centers. As semiconductor circuits become increasingly miniaturized, technologies that eliminate impurities to the lowest possible levels are indispensable. Our world-class ultra-high-purity refining technologies and precision organic synthesis capabilities, cultivated through the OLED materials business, are major strengths in meeting these advanced needs. From front-end resist materials to

back-end materials that support next-generation chip stacking, we will pursue distinctive value that only a new entrant can offer by applying our own technologies and advancing co-creation with external partners.

These two businesses are areas in which we will take a proactive approach, accelerating our own efforts to pioneer markets rather than waiting for them to mature over time. We will bring together the full capabilities of the Group and work toward early monetization.

Mid-term Management Plan Pillars of the Growth Strategy ►P.14 R&D and Intellectual Property Strategy ►P.22

Portfolio Direction by Business Segment



A "Buying Time" Strategy: A Bold Shift in the Investment Paradigm

In today's fast-changing environment, we do not have the luxury of waiting for technologies and markets to develop from scratch. To keep pace with the market, we will not insist on self-reliance, but will actively use M&A and capital alliances to execute our "buying time" strategy with agility. Our decision in March 2026 to make Hungary-based Framochem a wholly owned subsidiary was a strategic decision based squarely on this concept, enabling us to secure a position as a global niche top player in the European market at once.

We are also making a bold change in our approach to capital investment. A passive approach of waiting until demand is fully visible before acting can now lead to significant lost opportunities. With construction costs rising and serious labor shortages, we have shifted to a proactive approach of putting scalable capacity in place in advance so that we can capture business opportunities at the right time. Upfront investment naturally entails risk, but in an uncertain era, I believe the greatest management risk is doing nothing because we fear risk.

To support these investments for discontinuous growth, we have also fundamentally revised our financial strategy. Hodogaya Chemical rebuilt its business from a period when interest-bearing debt was roughly equal to net sales and established a robust financial foundation that can be described as virtually debt-free. Today, however, simply maintaining a high equity ratio is no longer enough to earn a strong evaluation from capital markets. Going forward, while maintaining a sound equity ratio of around 45%, we will use appropriate leverage to raise funds and dynamically allocate them to growth investments. Rather than fall into a contractionary approach that merely reduces the "denominator," capital, we will steadily execute our growth strategy and dramatically increase the "numerator" —net profit— along with net sales. I am convinced that this is the path to sustainable enhancement of corporate value.

Financial Strategy and Capital Policy ►P.19, 20

When People Change, the Company Changes: The Essence of Human Capital Management

Ultimately, I believe people are everything. No matter how outstanding our technologies or facilities may be, it is people who connect them to new value. Based on this belief, we have made three areas the pillars of our human capital management: securing talented human resources and improving the work environment, ensuring greater transparency in evaluation and compensation, and creating mechanisms for sharing the rewards of success. Creating an environment in which every employee embraces the Company's VISION, proactively takes on challenges, and is fairly evaluated for the results they achieve will be a driving force behind sustainable growth.

As a symbol of our mechanism for sharing the rewards of success, from this fiscal year we expanded eligibility for the Japan Employee Stock Ownership Plan (J-ESOP) to all employees, including those at Group companies. This is not simply an employee benefit, but a strategic investment designed to give every employee a shareholder's perspective. I believe that increasing the number of employees who take personal ownership of the Company's future through a mechanism that directly links the Company's growth with their own returns will lead to the sustainable enhancement of corporate value.

Furthermore, accelerating business transformation requires not only revitalizing internal human resources through reskilling and career support, but also bringing in new knowledge from outside the Company. The same concept of "buying time" underpins our approach to talent acquisition. By moving swiftly to recruit mid-career professionals with deep expertise and management talent with diverse experience, we will inject positive stimulus into the organization and further accelerate the Company's growth.

Human Resource Strategy ►P.21

Building a Culture that Embraces "Good Failure" and Celebrates Challenges

No matter how compelling a growth strategy we develop or how well we design our systems, results will not follow if the people responsible for execution retreat into a defensive posture for fear of failure. We aim to build an organizational culture that evaluates not only whether an outcome succeeded or failed, but also the process of boldly taking on something new. When we launched an internal job posting program for the CDMO business for nucleic acid medicines, many motivated employees raised their hands from across

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organizational boundaries. I find it extremely encouraging that employees are emerging who are eager to pioneer new value together with colleagues who share their aspirations.

To firmly support these proactive frontline challenges through our systems, in April this year we introduced a hybrid job-based personnel system. While retaining the strengths of the traditional membership-based model, including organizational cohesion and employee development, the new system appropriately evaluates roles, results, and the process of taking on challenges, while giving capable people positions of responsibility regardless of age.

At the root of these reforms is our determination to rekindle for today's era the pioneering spirit of Honpo Koshi that was unmistakably present at our founding. Rather than taking the easy path of following precedent, we will firmly embed within the Company a culture that continually takes on the challenge of creating new value without fear of failure. Human Resource Strategy ►P.21

"The Answers Are on the Front Lines": Maximizing Frontline Capabilities through Integrated R&D, Production, and Sales

Over many years working in a wide range of frontline roles, I have become increasingly convinced that the starting point of value creation is always on the front lines. Even with a highly compelling growth strategy, it is the front lines that identify market and customer challenges, break through technological barriers, and ultimately generate earnings. The observations and ingenuity of each employee working on the front lines, together with their passion to make things better, are the source of Hodogaya Chemical's competitiveness.

The mechanism that elevates these frontline capabilities from individual effort into organizational strength is our "Three-in-One" integrated R&D, production, and sales model. Each function brings its own expertise while collaborating closely across organizational boundaries from the earliest stages. We will further refine and accelerate the continuous cycle from identifying market needs and customer challenges to commercializing technologies, ensuring reliable manufacturing, and providing stable supply. This is the key to determining the speed and profitability of our businesses.

Precisely because change is so rapid, it is more important than ever to bring together the collective wisdom of the front lines and strengthen and accelerate this integrated cycle. We will further enhance our combined frontline capabilities while reinforcing the absolute foundations of a chemical manufacturer: safety, quality, and stable operations. I am convinced that this is what will support discontinuous growth from the ground up and make Hodogaya Chemical's distinctive strengths unshakable.

Dialogue with Capital Markets and Effective Governance

Constructive dialogue with capital markets and effective governance to support it are indispensable to enhancing corporate value over the medium to long term. Under our new Mid-term Management Plan, we have set targets of 8% ROE and a DOE of 3.0% or higher. In improving capital efficiency to achieve these targets, we will not pursue a contractionary approach that simply shrinks our equity base. We will raise funds with the appropriate leverage and substantially increase profit, the numerator, through proactive growth investments. This is the path Hodogaya Chemical should take, and we intend to promptly overcome the urgent challenge of a PBR below 1.0x.

Alongside the implementation of this clear financial strategy, we will sincerely reflect the valuable feedback received from shareholders and investors through dialogue in Board of Directors discussions and in the further refinement of our management strategy.

On the governance front, through the transparent operation of the succession plan for the President and CEO, centered on the Nominating & Compensation Committee, together with active discussions with Outside Directors who bring diverse expertise, we are achieving both bold risk-taking and sound checks and balances at a high level.

I believe that facing market expectations and rigorous scrutiny head-on and delivering results instills healthy discipline in management. We will continue sincere dialogue and steadily demonstrate results, including early improvement in PBR, to further strengthen the trust placed in us by capital markets.

Overview of the Corporate Governance System ►P.40

Remaining a Company Indispensable to Society for the Next 100 Years

The milestone year of our 110th anniversary is not only an occasion to look back on the path we have traveled, but also an opportunity to return to our founding principles and take a firm first step toward the next 100 years. Our mission is to continue creating new value that helps solve social issues, building on the reliable technologies and trust we have cultivated throughout our history.



The driving force behind this mission is the pioneering spirit of Honpo Koshi that has been passed down continuously since our founding, together with the frontline capabilities created through integrated R&D, production, and sales and the passion of every employee. Without being constrained by existing ideas, we will maintain a proactive stance, press ahead with our transformation into a high-value-added company, and place Hodogaya Chemical on a firm growth trajectory even amid a rapidly changing social environment.

I hope you will look forward to the new value Hodogaya Chemical will create and to our continued sustainable growth. I sincerely ask all of our stakeholders for their continued support.