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.



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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.

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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.