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.