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Company name:	Hodogaya Chemical Co., Ltd.
Name of representative:	Yuto Matsumoto, President and Representative Director (Securities code: 4112, Prime Market of Tokyo Stock Exchange)
Inquiries:	Hideaki Hasizume, Executive Officer & General Manager Corporate Planning Department (Telephone: +81-3-6852-0327)

Notice of Expansion of the Scope of the Stock Benefit Trust (J-ESOP) to All Employees

Hodogaya Chemical Co., Ltd. (the “Company”) announced today that it has decided to further expand the scope of its Japanese Employee Stock Ownership Plan (J-ESOP) (the “J-ESOP”)—an incentive plan introduced in fiscal year 2023 to provide Company shares to employees—to include all employees of the Company and its domestic consolidated subsidiaries (“Group Companies”), effective from fiscal year 2026.

J-ESOP was introduced with the aim of further increasing the linkage between the Company’s share price and performance and the treatment of employees, and by sharing economic effects with shareholders, to enhance employees' motivation and morale toward improving the share price and business performance. For further details, please refer to the announcements dated February 7, 2023, "Notice Concerning Introduction of Stock Benefit Trust (J-ESOP) and Disposal of Treasury Stock through Third-Party Allotment," and March 17, 2025, "Notice of Expansion of the Scope of the Stock Benefit Trust (J-ESOP)" (both available in Japanese only on our website).

1. Background of the Expansion

The Company originally introduced J-ESOP in fiscal year 2023 as a core initiative under its “Expansion of Investment in Human Capital.” This system was established to foster a sense of unity between management and employees in further sharing value with shareholders. By reflecting share price fluctuations in employee remuneration and contributing to their long-term wealth building, the program rewards employees for their commitment to the growth scenarios outlined in the Medium-term Management Plan “SPEED25/30” (FY2021–2030).

In fiscal year 2025, the Company expanded eligibility to a broader range of employees and included Group Companies (both within a certain range of employees). To further accelerate the achievement of the Medium-term Management Plan, the Company has now decided to extend J-ESOP to all employees across the entire Group starting from fiscal year 2026. By sharing the results of corporate value enhancement through Company shares, the Company aims to further bolster the morale and long-term engagement of its entire workforce, thereby contributing to the sustainable growth of its overall enterprise value.

2. Overview of J-ESOP

J-ESOP is a trust-type scheme modeled after the Employee Stock Ownership Plan (ESOP) utilized in the United States. Based on the “Stock Benefit Rules” established by the Company and Group Companies (collectively, the “Target Companies”), Company shares are granted to employees who meet specific requirements. The mechanism of J-ESOP is as follows:

- ① The Target Companies establish or amend the "Stock Benefit Rules" upon the expansion of J-ESOP.
- ② In order to previously acquire the shares to be delivered to employees in the future based on the "Stock Benefit Rules," the Company entrusts money to Mizuho Trust & Banking Co., Ltd. (Re-trustee: Custody Bank of Japan, Ltd.) (Third-party-benefit trust).
- ③ The Trust acquires Company shares, using the money entrusted in ② as the source of funds, through the stock exchange market or by subscribing to the Company's disposal of treasury stock.
- ④ The Target Companies grant points to employees based on the "Stock Benefit Rules."
- ⑤ The Trust exercises voting rights based on the instructions of the Trust Administrator.
- ⑥ The Trust delivers Company shares to those employees who satisfy the beneficiary requirements set forth in the "Stock Benefit Rules" (the "Beneficiaries") in accordance with the number of points granted to such Beneficiaries.
- ⑦ Group Companies pay settlement funds to the Company after their employees receive the delivery of Company shares.

3. Summary of the Trust

- (1) Name: Stock Benefit Trust (J-ESOP)
- (2) Settlor: The Company
- (3) Trustee: Mizuho Trust & Banking Co., Ltd. (Re-trustee: Custody Bank of Japan, Ltd.)
- (4) Beneficiaries: Employees who meet the beneficiary requirements set forth in the Stock Benefit Rules
- (5) Trust Administrator: Selected from among the employees of the Company
- (6) Type of Trust: Trust of money other than money trust (Third-party-benefit trust)
- (7) Purpose of Trust: Delivery of Company shares to beneficiaries in accordance with the Stock Benefit Rules
- (8) Trust Agreement Date: March 1, 2023
- (9) Date of Entrustment: March 1, 2023
- (10) Trust Period: From March 1, 2023, until the termination of the trust (No specific termination date set)