Hodogaya Chemical Group Report

Integrated Report 2026

HODOGAYA CHEMICAL

Stakeholders / Editorial Policy

In line with its Management Philosophy, PURPOSE, and VISION, the Hodogaya Chemical Group conducts its business activities based on the core principle of balancing economic value with solutions to social issues, thereby delivering value to all stakeholders to fulfill its responsibility toward realizing a sustainable planet and society over the medium and long term.

Stakeholders of the Hodogaya Chemical Group

Stakeholders	Basic Views
Shareholders and Investors	In order to maintain and improve the trust of our stakeholder groups over the long term, we have positioned ourselves to ensure the soundness and legality of management, improving efficiency as one of the most important governance priorities. We are working to enhance and strengthen corporate governance.
Customers	In addition to providing a stable supply of safe and reliable products, we are committed to offering new products and services that meet our customers' expectations for a safe, secure, comfortable, and prosperous life.
Partner Companies	Regarding our business partners as valued partners of the Hodogaya Chemical Group, we work together to address social issues, not only in the purchase of raw materials, products, and consignment goods, but also in the purchase of facilities and equipment.
Community and Society	In the course of the Hodogaya Chemical Group's business activities, we consider contribution to the sustainable development of communities an important activity as a corporate citizen, and are engaged in various community contribution activities.
Officers and Personnel	To achieve the Hodogaya Chemical Group's PURPOSE and VISION while also boosting corporate value, we aim to enable all officers and personnel to experience job satisfaction (motivation to work and ease of work).

Main independent evaluations

* Latest data: https://www.hodogaya.co.jp/english/csr/evaluation/

EcoVadis

SILVER | Top 15%
ecovadis
Sustainability Rating
JUL 2026

Recognition Page

FTSE Russell score: 3.8 (FY2025)
(Constituent of the FTSE JPX Blossom Japan Index)

FTSE JPX Blossom Japan Index

https://www.lseg.com/en/ftse-russell/indices/blossom-japan

(Constituent of the FTSE JPX Blossom Japan Sector Relative Index)

FTSE JPX Blossom Japan Sector Relative Index

https://www.lseg.com/en/ftse-russell/indices/blossom-japan

Health & Productivity Management Outstanding Organization 2026

2026
健康経営優良法人
KENKO Investment for Health
大規模法人部門

Eco Rail Mark

- Received Eco Rail Mark Certification
  Hodogaya Chemical Co., Ltd.
- Certified Products
  Sakana Guard, Peracetic acid, Sodium percarbonate, Charge control agent TP-415, Chloro-IPC

CDP

- Both climate change and water security received a CDP rating of "B" in 2025

Editorial Policy (at the time of publication)

We have published the Hodogaya Chemical Group Integrated Report since FY2017 to deepen understanding of our efforts toward value creation over the medium to long term. We have engaged in dialogue with all our stakeholders, including our shareholders and investors, customers, partner companies, people from local communities and society as well as our officers and personnel. When compiling the report, we strive to present information in a way that is easy for stakeholders to understand.

This report presents our corporate value creation system and the materiality that the Hodogaya Chemical Group should address for mid- to long-term corporate growth. We also continue to disclose ESG information, including our environmental and climate change initiatives, our approach to human resources, and corporate governance.

In addition, detailed information regarding products, financial matters and ESG, as well as the details of group companies, which could not be included in this report, is available on our website. To easily access the applicable reference information on our website, please use the addresses (URLs) provided in this report.

We hope that this report will help our stakeholders better understand the Hodogaya Chemical Group. We will continue to make efforts to further expand the contents of this report and use it to facilitate dialogue with our stakeholders.

■ Period Covered
This Report generally covers the period from April 2025 to March 2026, but also contains reports on activities before and after said period.

■ Scope of Report
Hodogaya Chemical Co., Ltd. and its group companies

■ Publication Date October 2026

■ Major Guidelines Referenced
Ministry of Economy, Trade and Industry Guidance for Collaborative Value Creation
IFRS Foundation Integrated Reporting Framework
ISO 26000: 2010 Guidance on Social Responsibility
GRI Sustainability Reporting Standards
Ministry of the Environment Environmental Reporting Guidelines 2018
Recommendations by the Task Force on Climate-related Financial Disclosures

Environment Social Governance
Guidance for Collaborative Value Creation

* The cover illustrates how materials manufactured using the Hodogaya Chemical Group's technologies are used in many products found in familiar scenes of everyday life. A variety of products that we see around us every day are depicted in lively illustrations.

Guide to This Report / Contents

Guide to This Report

What VISION does the Hodogaya Chemical Group seek to realize?

The Group has established a new VISION: "Refining Originality, Co-creating the Future: With our pioneering DNA of Honpo Koshi, we create value and turn dreams into reality." Taking our 110th anniversary as a new starting point, this VISION sets out our aspiration to achieve discontinuous growth through co-creation with diverse stakeholders.

►Mid-term Management Plan Basic Policies of CODE/CHORD 2030 P.13

How will we build a stronger earnings base?

Alongside the OLED materials business that drives our growth, we are transforming our business portfolio to establish second and third pillars of earnings. We outline the growth scenarios and challenges for each segment, including expansion into nucleic acid medicines and semiconductor materials, strengthening the specialty chemicals business through an overseas acquisition, and fundamental structural reforms.

►Message from the President PP.5-8 ►Business Overview: Challenges and Measures PP.24-28

What is our approach to investment and finance going forward?

To accelerate growth investments, we are evolving our capital policy to make appropriate use of leverage while maintaining financial soundness. We provide details on our cash allocation over the period of the Mid-term Management Plan and our shareholder return policy, which targets a DOE of 3.0% or higher in the fiscal year ending March 31, 2031.

►Financial Strategy and Capital Policy PP.19-20

What are the sources of value creation that support discontinuous growth?

Our pioneering spirit of Honpo Koshi and the distinctive technological capabilities we have cultivated over many years are the sources of our value creation. We introduce our integrated R&D, production, and sales business model, the shift in our investment paradigm, and our efforts to promote co-creation with stakeholders, together with our strategy for leveraging these strengths to develop the next pillars of earnings.

►Message from the President PP.5-8 ►Cutting Edge PP.15-16

What governance framework supports the sustainable enhancement of corporate value?

Under our structure as a company with an Audit & Supervisory Committee, which enables swift management decision-making, we are advancing a monitoring model that emphasizes the supervisory function. We describe initiatives to enhance the independence and diversity of the Board of Directors, including the establishment of the Nominating & Compensation Committee chaired by an Outside Director, the appointment of a female Outside Director, and the appointment of a female Executive Officer.

►Governance Supporting Strategy Execution PP.38-47

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Management Philosophy

Management Philosophy

Through constant innovation of chemical technology, we will provide high-quality products and services throughout the world and contribute to the creation of an environmentally conscious society.

PURPOSE

Your Dream is Our Business

VISION

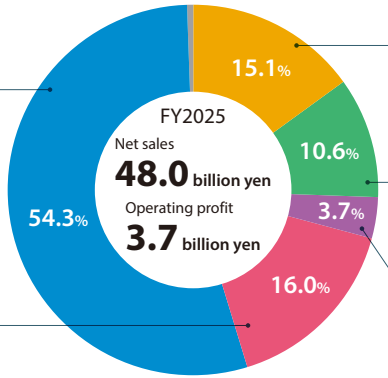
Refining Originality, Co-creating the Future:
With our pioneering DNA of Honpo Koshi, we create value and turn dreams into reality

* Honpo Koshi: Literally meaning "the first of its kind in Japan." Rather than following in the footsteps of others' success, we always stay one step ahead of others and boldly take on new businesses. We ourselves become the first arrow (the pioneer).

At a Glance

SUSTAINABLE DEVELOPMENT GOALS

Net sales composition



Net sales **26.0** billion yen
Operating profit **3.5** billion yen
(Operating margin 13.5%)

Net sales **7.2** billion yen
Operating profit **0.3** billion yen
(Operating margin 4.5%)

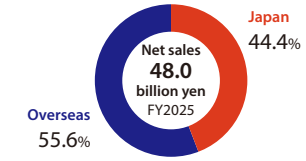
Net sales **5.1** billion yen
Operating profit **0.06** billion yen
(Operating margin 1.3%)

Net sales **1.7** billion yen
Operating profit **0.3** billion yen
(Operating margin 20.3%)

Net sales **7.7** billion yen
Operating profit
-0.5 billion yen
(Operating margin -7.6%)

* Sales ratio of the Other segment was 0.3%.

Global network



Overseas
6 countries and regions
- HODOGAYA CHEMICAL (U.S.A.), INC.
- SFC CO., LTD.
- HODOGAYA CHEMICAL KOREA CO., LTD.
- HODOGAYA (SHANGHAI) TRADING CO., LTD.
- HODOGAYA CHEMICAL EUROPE GmbH
- Taipei Office
- Framochem Francia-Magyar Finomkemiai Kft.

Japan
6 bases
- Head Office
- Osaka Branch Office
- Koriyama Plant
- Yokohama Plant
- Nanyo Plant / Nanyo Branch Plant
- Tsukuba Research Laboratory

(As of September 1, 2026)

Functional Colorants Segment

Strength Ability to boldly challenge new business domains that support a prosperous future by constantly refining our organic synthesis and purification technologies

OLED Materials and Advanced Device Materials Businesses
- Emitting materials, transport materials, capping layer materials
- Bio materials (oligonucleotide products)
- Imaging materials for copier toner
- Dyes for color filters
- Perovskite solar cell materials
- Semiconductor materials (resist materials)

Colorants Business
- Aluminum coloring dyes
- Stationery dyes
- Dyes for hair color treatment
- Natural dyes (for food and industrial use)

▶ P.24

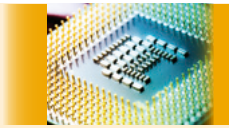
Specialty Polymers Segment

Strength Ability to deliver high value-added specialty products globally, achieving both prosperous lifestyles and environmental harmony, by establishing a Global Niche Top position centered on our phosgenation technology

Functional Polymers & Specialty Chemicals Business
- Urethane materials (PTG, BIO-PTG, PTG-SOFTENA, etc.)
- Phosgene derivatives (intermediates for pharmaceutical, functional polymers and electronics)
- Adhesives
- Release agents

Construction Materials Business
- Waterproof materials for civil engineering and construction (urethane based)
- Waterproofing and leak-plugging work

▶ P.25



Basic Chemicals Segment

Strength Creativity to explore new applications demanded by the times—from clothing, food, and shelter to cutting-edge fields—drawing on our long-held hydrogen peroxide production technologies and a robust stable supply network

Peroxide Business
- Hydrogen peroxide
- Sodium percarbonate
- Peracetic acid (disinfectant agents, food additives)
- Industrial chemicals

▶ P.26

Agro-Science Segment

Strength Co-creating new, environmentally friendly markets through original product development based on our formulation technology.

Agrochemicals and Agricultural Materials Businesses
- Herbicides
- Insecticides
- Fungicides
- Agricultural materials (oxygen supply materials)

▶ P.27

Logistics Segment

Strength Shaping next-generation safety and security by integrating advanced technologies with our know-how in handling hazardous materials and chemicals.

Logistics Business
- Warehousing (hazardous substances and chemicals / general goods) Yokohama Branch, Koriyama Branch, Nanyo Branch
- Consigned freight forwarding
- ISO tank container storage services

▶ P.28

The Hodogaya Chemical Group's History of Innovation

Otosuke Isomura
Founder

Hodogaya Chemical was founded in 1916 as the first company in Japan to manufacture caustic soda using an electrolysis method.

Since its foundation 111 years ago, Hodogaya Chemical has responded to the needs of the times by applying technologies developed over those long years, and through continuous innovation, created a wide range of products from dyes and agricultural chemicals to pharmaceutical intermediates, polyurethane materials and OLED materials, which support people's lifestyles and society.

As a corporate group, all members of the Hodogaya Chemical Group are committed to executing CODE/CHORD 2030 and contributing to the development of society through the creation of products and services that benefit people for the next 100 years.

1915
Hodogaya Soda Works founded in present-day Hodogaya Ward, Yokohama City, Kanagawa.

•1916
Toyo Soda Co., Ltd. (present-day Koriyama Plant) opened.

•1939
Tsurumi Plant (current Yokohama Plant) was established.
Name changed to Hodogaya Chemical Co., Ltd.

•1967
New York Office opened. (incorporated in 1986)

•1971
Nanyo Plant opened.

•1978
Hodogaya Vandex Construction Products Co., Ltd. established. (changed its name to Hodogaya Construction Products Co., Ltd. in 2017).

•1991
Tsukuba Research Laboratory was established.

•1993
Hodogaya Contract Laboratory Co., Ltd. founded.

•1994
HODOGAYA AGROS Co., Ltd. founded. (Changed its trade name to HODOGAYA AGROTECH Co., Ltd. in 2011.)

•1997
Hodogaya Logistics Co., Ltd. founded.
Shanghai Office opened. (Incorporated in 2014)

•2006
Some of the shares of Nippon Polyurethane Industry Co., Ltd. sold. (all shares sold off in 2012.)

•2008
Office in South Korea opened (incorporated in 2011).
HODOGAYA UPL Co., Ltd. established.

•2010
Düsseldorf Office opened. (incorporated in 2018)
Taipei Office opened.
Shares of SFC Co. Ltd. (South Korea) acquired.

•2015
Transitioned to company with Audit & Supervisory Committee.

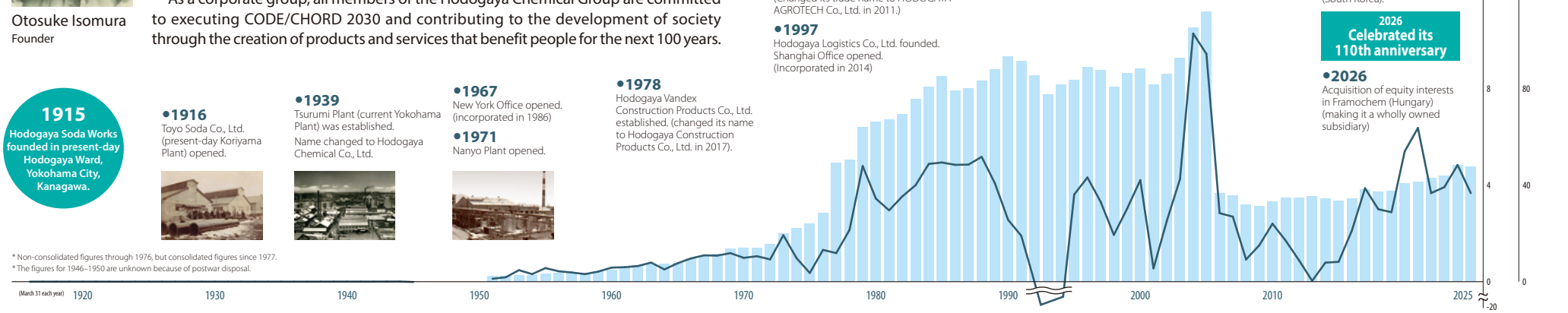
•2022
Transition to the Prime Market of the Tokyo Stock Exchange.
Head office moved (Shiodome)

•2023
Completed construction of SFC BioPark (South Korea)

•2025
SFC Co., Ltd. (South Korea) absorbed REXCEL Co., Ltd. (South Korea).

2026
Celebrated its 110th anniversary

•2026
Acquisition of equity interests in Framochem (Hungary) (making it a wholly owned subsidiary)



* Non-consolidated figures through 1976, but consolidated figures since 1977.
* The figures for 1946–1950 are unknown because of postwar disposal.

Products developed

1920

1915
Production of caustic soda using an electrolysis method launched (first for Japan).

1930

1926
Production of phosgene started (first commercialized in Japan).

1927
Dye production launched.

1940

1950
Production of agrochemicals started.

1960

1963
Production of urethane materials (PTG) launched (first for Japan).

1966
Hydrogen peroxide production started.

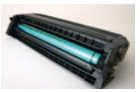
1967
Production of urethane waterproof materials started (first in Japan).

1970

1978
Production of charge control agents (CCA) for toners launched.

1980

1984
Charge transport materials (CTM) production launched.



1990

2000

2001
Production of OLED materials and hole transport materials (HTM) launched.

2004
OLED materials and electron transport materials (ETM) developed.

2010

2017
Production of OXYATTACK (disinfectant agent for food products), a peracetic acid formulation, started.
Urethane waterproof material Sugomaku production launched.

2020

2020
Mass production of materials for PCR diagnostic kits launched.

2021
Began production of metal-free dyes for aluminum coloring.

2020

2024
Started production of PTG-SOFTENA.

Needs of society

Broke free of chemical industry's reliance on imports

1914 World War I
1923 The Great Kanto Earthquake

Became an integrated chemicals manufacturer as society industrialized and modernized

1939 World War II

Developed various products that supported post-war recovery

1950 Postwar rebuilding
1960 Rapid economic growth
1973 Oil crises

Expanded business fields to electronic materials with an eye toward the emergence of an electronics era

1985 Plaza Accord
1991 Economic bubble burst

Creating an environmentally conscious society through new materials and products with low environmental impact

2008 The collapse of Lehman Brothers
2011 Great East Japan Earthquake
2020 Novel coronavirus disease (COVID-19)

Technological roots and change

Original products (1916–)

- Salt electrolysis
  - Caustic soda
  - Chlorine
  - Hydrogen

Raw materials and intermediates	Major product groups	-1980	-2000	Present day
Aromatic compounds	Organic and optical device materials	Materials for copiers		OLED materials
				Bio materials
Natural materials	Various dyes	Aluminum coloring dyes		Color filter dyes
			Stationery dyes	Dyes for hair color treatment
Organic compounds	Urethane materials	Raw materials of spandex		
Phosgene	Pharmaceutical/agrochemical raw materials Industrial chemical raw materials	Raw materials for release agents		Pharmaceutical intermediates
	Urethane waterproof materials	Construction materials		
Aromatic compounds	Various herbicides	Herbicides	Technical grade active ingredients (in-house and in-licensed)	Agricultural materials
Hydrogen	Hydrogen peroxide and its derivatives	Hydrogen peroxide	Sodium percarbonate	Peracetic acid

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.

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.

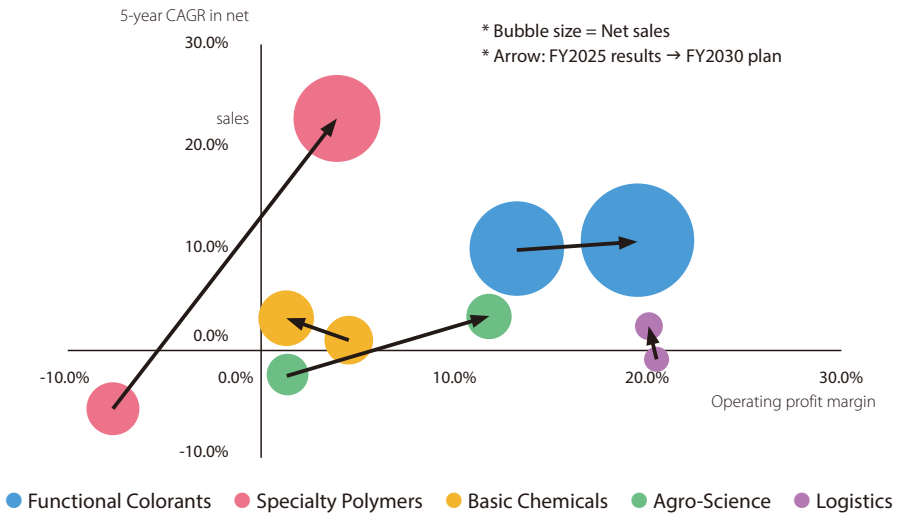
The other pillar, the semiconductor-related materials business, is benefiting from structural growth in demand that extends beyond conventional business cycles, driven by the explosive spread of generative AI and rapidly growing demand for data centers. As semiconductor circuits become increasingly miniaturized, 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

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.

Risks and Opportunities

Based on changes in the internal and external environment, the Hodogaya Chemical Group has identified key social issues that affect value creation and extracted the associated risks and opportunities for each time horizon. By clarifying these risks and opportunities and classifying them by related capital, we have identified management issues that must be addressed. We will address social issues by appropriately responding to risks and taking advantage of opportunities, leading to the realization of further value creation.

Changes in the internal and external environment	Risks	Opportunities	Materiality
Growth investments and business operations • Build a robust business foundation • Expand business opportunities by developing new domains Related capital	• Decrease in profit due to deterioration in market conditions • Decrease in profit due to the emergence of new technologies, products, and services and intensifying competition, including new market entrants • Deterioration in the business environment following M&A and delays in PMI	• Pursue new business opportunities through originality and co-creation • Create demand and capture growth opportunities through new technologies and products • Expand business domains and transform the business structure through the acquisition of new management resources	• Build a business portfolio rich in originality • Address PBR below 1.0x • Maintain technological superiority • Build next-generation core technologies and create new businesses
Global environment • Uncertainty surrounding global environmental issues that could develop into major economic problems • Need to enhance resilience based on temperature rise scenarios Related capital	• Impacts on people and facilities from increasingly severe natural disasters • Higher maintenance costs • Loss of supply chain trust and economic losses due to inadequate environmental consideration or violations of laws and regulations in Japan and overseas	• Expansion in demand for products for climate change mitigation and adaptation and products that reduce environmental impact • Growing demand for products that comply with laws and regulations in each country	• Preserve the global environment • Establish highly efficient production systems • Ensure product and chemical safety
Society and human resources (Company and organization) • Occurrence of quality-related scandals • Increasing diversity • Continued demands for workplace safety and health • Greater respect for human rights and fair labor practices inside and outside the Company • Rise of AI • Geopolitical risks Related capital	• Loss of trust due to deterioration in quality and safety performance • Stagnation of organizational capabilities due to failure to promote workforce diversity, engagement among officers and personnel, physical and mental health, and workplace safety and health • Lawsuits, administrative penalties, and deterioration in reputation due to insufficient attention to business and human rights • Uncertainty in raw material procurement	• Expansion of the market for high-value-added products with superior quality and safety performance • Enhance organizational performance by increasing motivation to work and ease of work among officers and personnel • Improve organizational capabilities by promoting diversity, health and productivity management, and workplace safety and health • Increase trust from society by addressing business and human rights • Dialogue with and contributions to local communities in areas where the Group operates	• Improve product value and reliability • Advance human capital management • Enhance organizational diversity • Promote health and productivity management and workplace safety and health • Put the philosophy of respect for human rights into practice • Contribute to communities
Governance • Continue strengthening corporate governance, compliance, and risk management functions • Occurrence of internal control deficiencies • Geopolitical considerations Related capital	• Inadequate response to increasingly sophisticated corporate governance • Major losses or disruption to business continuity due to legal violations, scandals, deficiencies, and other issues • Deficient measures resulting from inadequate risk recognition and assessment	• Drive corporate value creation by continuing to promote the monitoring model as a function of the Board of Directors under the Company's structure as a company with an Audit & Supervisory Committee • Increase corporate value through thorough compliance and the prevention of legal violations, scandals, and other issues • Minimize losses in risk areas	• Enhance corporate governance • Promote compliance awareness • Ensure thorough risk management

Financial capital | Human capital | Intellectual capital | Manufactured capital | Social and relationship capital | Natural capital

Six Forms of Capital and Materiality for Value Creation

In the process of formulating the Mid-term Management Plan CODE/CHORD 2030, the Hodogaya Chemical Group identified key management issues through its business activities based on the Management Philosophy and established specific monitoring indicators.

As these monitoring indicators underpin the basic strategies of CODE/CHORD 2030, the Group will address them on a company-wide basis as medium- to long-term business issues, together with the "ideal figure" for FY2030.

	Capital	Current status	Materiality	Enhancement measures	Monitoring indicators	Ideal state	SDGs contributed to
STEP 1. Identify changes in the external environment that will have a major impact on society	Financial Capital	• Sound, virtually debt-free financial position	• Build a business portfolio rich in originality • Address PBR below 1.0x	• Expand growth and infrastructure investments • Utilize leverage • Implement timely and appropriate shareholder return measures	ROE DOE	• Establish strong earnings power through discontinuous growth and provide shareholder returns through progressive dividends, with a DOE of 3.0% or higher in the fiscal year ending March 31, 2031	9, 17
	Human Capital	• Measures to improve engagement • Percentage of female managers: 13.0% (consolidated)	• Advance human capital management • Enhance organizational diversity	• Introduce personnel and compensation systems designed to enhance corporate value and linked to performance and roles • Develop flexible work environments that enable diverse human resources to fully demonstrate their capabilities • Proactively recruit highly specialized and highly skilled human resources	Engagement score Ratio of female managers Ratio of male employees taking childcare leave Ratio of paid leave utilization	• Achieve an appropriate balance among "psychological safety," "alignment with the VISION," "growth opportunities," and "evaluation and compensation" • Foster a rich corporate culture that combines flexibility and resilience	3, 5, 8, 16
STEP 2. Identify the impact of those changes in the external environment on business	Intellectual Capital	• Core technologies including organic synthesis and ultra-high-purity refining • Aim to increase the ratio of new product sales	• Maintain technological superiority • Build next-generation core technologies and create new businesses	• Strengthen development and sales activities in nucleic acid medicines and semiconductor materials • Expand open innovation • Promote DX in R&D	Ratio of R&D expenses to net sales	• Create innovative new products and businesses that benefit society and contribute to Company profits • Development capabilities that enable rapid responses to market changes through originality and co-creation	6, 7, 9, 17
	Manufactured Capital	• Five manufacturing bases in Japan and overseas	• Ensure product and chemical safety • Establish highly efficient production systems	• Stable production of existing products • Reconfigure domestic production bases • Promote "smart operations" through AI, data utilization, and other measures • Build timely production systems through strategic advance investment	Strategic capital investment	• Stable production • Predictive maintenance and highly efficient production systems through DX	7, 9, 12
STEP 3. Identify issues that Hodogaya Chemical should give priority to solving	Social and Relationship Capital	• Trusted relationships with stakeholders since its founding • Compliance with Procurement Guidelines	• Improve product value and reliability • Promote health and productivity management and workplace safety and health • Put the philosophy of respect for human rights into practice • Contribute to communities	• Maintain and promote quality assurance systems • Sustain and advance workplace safety and health • Responsible procurement throughout the supply chain • Continuously promote respect for human rights • Enhance corporate governance • Promote compliance awareness • Ensure thorough risk management	Zero quality problems Zero occupational accidents Zero legal and regulatory violations FTSE Russell score (Human Rights & Community: 4.0) Results of community contribution activities	• Create value through co-creation with stakeholders • More transparent governance that combines enhanced supervisory functions with stronger executive functions	3, 4, 8, 11, 12, 16
	Natural Capital	• Energy-related CO_2 emissions: 19,358 t • Energy intensity • Water intake and discharge volumes • Waste volume	• Preserve the global environment	• Contribute to the realization of a hydrogen society • Improve manufacturing process efficiency • Environmentally friendly manufacturing (technologies, services, and products)	Energy-related CO_2 emissions Energy intensity Water intake and discharge volumes Waste volume	• Enhance long-term sustainability of the global environment	7, 11, 13, 14, 15

Hodogaya Chemical Group Value Creation Process

The Hodogaya Chemical Group takes its unwavering Management Philosophy, its PURPOSE, which defines its reason for being, and its VISION, the corporate image it aspires to, as the foundation of its day-to-day activities. Through diverse forms of originality and co-creation fostered by a rich corporate culture, we will seek to maximize the value we create and realize a sustainable planet and society.

Management Philosophy

Through constant innovation of chemical technology, we will provide high-quality products and services throughout the world and contribute to the creation of an environmentally conscious society.

PURPOSE

Your Dream is Our Business

VISION

Refining Originality, Co-creating the Future: With our pioneering DNA of Honpo Koshi, we create value and turn dreams into reality

Inputs

External Environment

- Growth investments / Business operations
- Global environment
- Society / People (Company and Organization)
- Governance

Risks and Opportunities ►P.9

- Financial capital
- Human capital
- Intellectual capital
- Manufactured capital
- Social and relationship capital
- Natural capital

Inputs ►P.10

Strengths

Strengths accumulated over many years

A solid foundation of three core technologies

- High-purity refining technology
- Development capability in functional materials
- Evaluation technology for functional materials

Ever-evolving three competitive advantages

- Value creation
- Research and development
- Manufacturing technology

Business Model

R&D function

Cutting-edge research targeting the technologies of the next generation

Always provide high-quality products and services

Production function

High-quality manufacturing with the greatest attention to the environment and safety

Leverage unique technology and network to respond to diverse needs

Sales function

Ability to accurately identify social and customer needs

Foundation to Support Value Creation

- Compliance and Risk Management ►P.46-47
- Human Resources ►P.21
- Responsible Care ►P.30
- Respect for Human Rights ►P.35
- Corporate Governance ►P.38

Mid-term Management Plan CODE/CHORD 2030

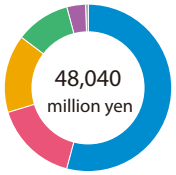
- Shift in the investment paradigm
- Promotion of co-creation
- Expansion into new business domains through proprietary technologies
- Further strengthening of integrated R&D, production, and sales activities
- Fundamental measures for unprofitable businesses
- Preservation of the global environment
- Promotion of human capital management
- Enhancement of shareholder returns

►P.13

Outputs

(FY2025)

Sales by segment



Functional Colorants
26,049 million yen
54.3%

Specialty Polymers
7,702 million yen
16.0%

Basic Chemicals
7,258 million yen
15.1%

Agro-Science
5,108 million yen
10.6%

Logistics
1,775 million yen
3.7%

Business Overview ►P.24

Outcomes

- Economic Value
- Human Value
- Intellectual Value
- Manufacturing Value
- Social Value
- Environmental Value

Materiality ►P.10

Impacts

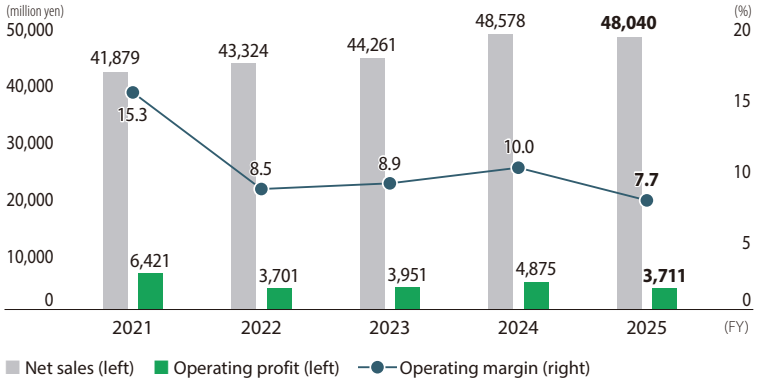
- Helping to achieve safe, secure, and rich dietary habits
- Contributing to reduced environmental impact
- Supporting the realization of a prosperous smart life
- Providing safe logistics functions
- Maintaining public health and safety while promoting safe and secure medical services

Review of the Previous Mid-term Management Plan

During Phase 1 (FY2021-FY2025) of the previous Mid-term Management Plan SPEED 25/30, net sales reached a reasonable level relative to the target, while operating profit, operating margin, and ROE fell short of their targets. In particular, operating profit was significantly below the initial profit plan because capital investments, mainly in the OLED materials business, exceeded the initial plan in order to drive business growth, resulting in higher depreciation, while R&D expenses also increased as R&D activities were strengthened.

	Target	Result in the final year of Phase 1	Achievement rate
Net Sales	50.0 billion yen	48.0 billion yen	96.0%
Operating profit	7.5 billion yen	3.7 billion yen	49.3%
Operating margin	15.0%	7.7%	-7.3 pt
ROE	9.0%	6.0%	-3.0 pt

Performance trends

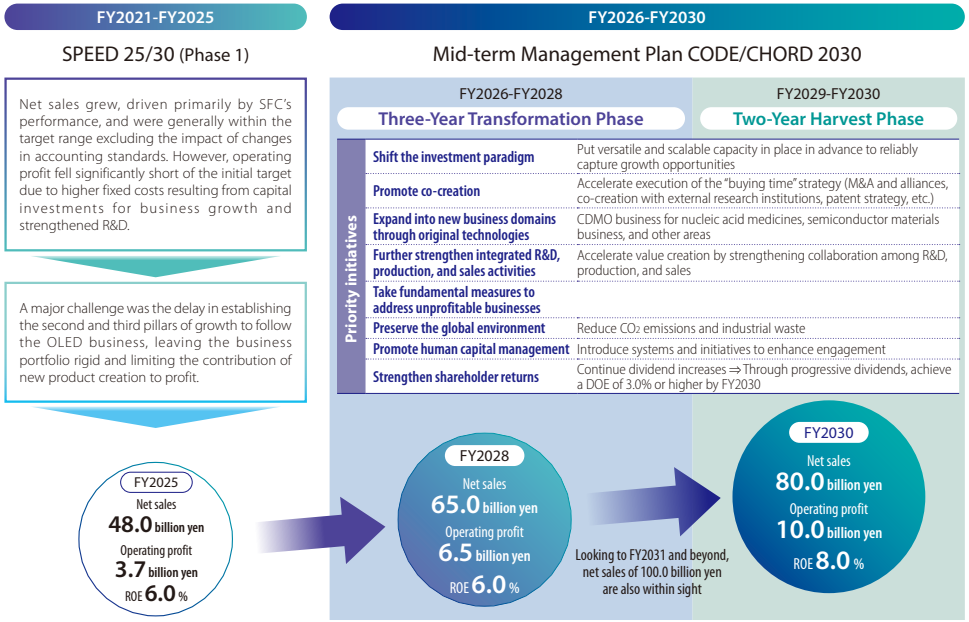


SPEED 25/30 Phase 1

	SPEED 25/30 Phase 1 (FY2021-FY2025)
Vision / Positioning	Aiming for the ideal figure in FY2030, the Company set its target figure for FY2025 as the midpoint of the 10-year Mid-term Management Plan SPEED 25/30 and implemented initiatives to achieve it. **FY2025 targets:** Consolidated net sales of 50.0 billion yen, consolidated operating profit of 7.5 billion yen, consolidated operating margin of 15.0%, and ROE of 9.0%
Framework of the plan	**Framework** • Aim for sustainable growth by proactively undertaking strategic investments in businesses, facilities, IT, and infrastructure, with the promotion of sustainability and DX as twin pillars **Measures** • Generate sustainable growth in both strategic businesses and core businesses and build a new business portfolio - Strengthening operations • Promote technological innovation in strategic businesses, quickly commercialize R&D themes, and continually generate new R&D themes - Creating new products • Establish a system to quickly launch new products and conduct safe and stable production with high productivity - Improving productivity • Improve organizational capabilities and job satisfaction, respond to the growing importance of social value, strengthen finances, and improve operational efficiency – Strengthening the management foundation • Undertake strategic investments that contribute to growth (businesses, facilities, IT, and infrastructure) • Promote sustainability and DX
Review	• Strengthening operations: OLED materials grew as a source of earnings, but contributions from other businesses remained limited and dependence on specific businesses continued • Creating new products: Progress was made in launching metal-free aluminum coloring dyes and other products, but delays in commercializing new themes were not enough to offset stagnation in existing businesses • Improving productivity: Stable production systems were established and energy-related and other targets were achieved ahead of schedule, but the burden of depreciation lowered the operating margin • Strengthening the management foundation: Measures such as engagement surveys and the introduction of J-ESOP were implemented to improve job satisfaction, while shareholder returns were steadily provided through dividend increases for five consecutive fiscal years • Undertaking strategic investments that contribute to growth (businesses, facilities, IT, and infrastructure): Proactive investments were made in OLED materials, BioPark in South Korea, and other areas, and the ratio of R&D expenses to net sales was maintained above 10%, but monetization lagged behind the increase in fixed costs • Promoting sustainability and DX ・Achieved the FY2025 targets for energy intensity and CO_2 emission intensity ahead of schedule ・Improved the FTSE Russell ESG evaluation score through enhanced ESG information disclosure ・Promoted operational efficiency through the renewal of the ERP system and introduction of RPA as part of DX
Results	• **Consolidated net sales** Net sales reached a reasonable level relative to the target, driven by growth in the Functional Colorants business and other factors • **Consolidated operating profit** Operating profit fell short of the target, with an achievement rate of 49.3%, due to increases in fixed costs associated with investments and other factors • **Consolidated operating margin** Delayed monetization of proactive R&D and capital investments pushed down the operating margin, which fell short of the initial target • **ROE** ROE was 6.0%, below the cost of equity, failing to reach the target
Issues	• Establish the second and third pillars following the OLED materials business and rebalance the business portfolio • Accelerate the commercialization and monetization processes for new products and realize investment returns at an early stage • Urgently improve returns on capital through optimization of asset holdings

Basic Policies of Mid-term Management Plan CODE/CHORD 2030

Based on the results of Phase 1 of the previous Mid-term Management Plan SPEED 25/30, we formulated the Mid-term Management Plan CODE/CHORD 2030 with completely renewed content, rather than positioning the next five years as Phase 2, an extension of the existing plan.



* Quantitative targets
Net sales: 50.0 billion yen Operating profit: 7.5 billion yen

Meaning behind the Name CODE/CHORD 2030

The name CODE/CHORD 2030 represents the two English words CODE and CHORD, with each letter embodying multiple aspirations for discontinuous growth, including co-creation and originality.

コード2030
CODE/CHORD 2030

- **C** : Unlocking new possibilities through co-creation (Collaboration)
- **O** : Honing our originality (Originality)
- **D** : Digital transformation and pioneering spirit (DX & DNA)
- **E** : Environmentally friendly (Environment) / Improving engagement (Engagement)

- **C** : Taking on challenges during the three-year transformation phase (Challenge)
- **H** : Two-year harvest phase (Harvest)
- **O** : A rich corporate culture combining adaptability and resilience (Organization)
- **R** : Bringing ideas to life (Realization)
- **D** : Dream

Two-Stage Structure: Transformation and Harvest

To clarify the role of each strategy and the timeline, the five-year Mid-term Management Plan will be implemented in two stages: the three-year transformation phase and the two-year harvest phase.

FY2026-FY2028
Three-Year Transformation Phase

- Bold structural reforms and business portfolio transformation
- Sowing seeds for the future and reallocating resources
- Putting mechanisms in place to achieve discontinuous growth

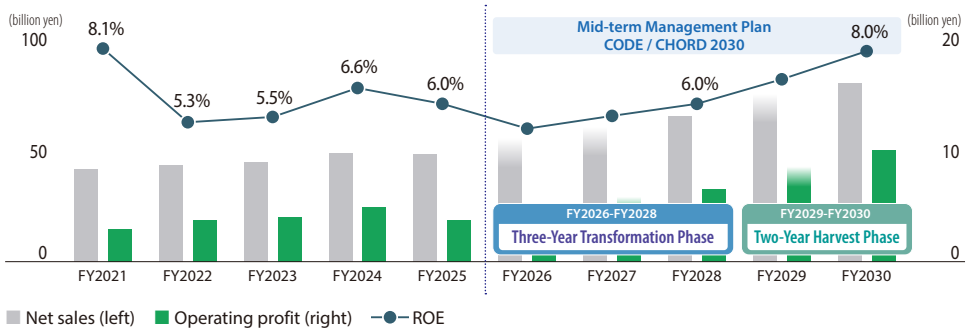
FY2029-FY2030
Two-Year Harvest Phase

- Maximizing the results of transformation and the seeds sown for future growth
- Establishing a highly profitable business structure

Management Indicators under the Mid-term Management Plan

Under the new Mid-term Management Plan, we have set targets that reflect our ability to overcome the challenges we have faced and achieve discontinuous growth.

	FY2025 results	FY2028 targets (Three-year transformation phase)	FY2030 targets (Two-year harvest phase)
Net sales	48.0 billion yen	65.0 billion yen	80.0 billion yen
Operating profit (Operating 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%)	Continue dividend increases ⇒ Progressive dividends	DOE of 3.0% or higher



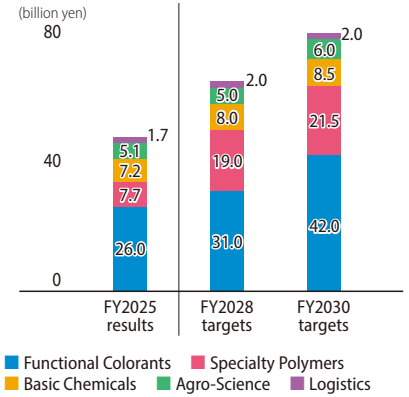
Pillars of the Growth Strategy under the Mid-term Management Plan

Under the new Mid-term Management Plan, we are confronting the issues identified under the previous Mid-term Management Plan and aim to achieve discontinuous growth under our new VISION: "Refining Originality, Co-creating the Future: With our pioneering DNA of Honpo Koshi, we create value and turn dreams into reality." To realize this VISION, we have established three strategic pillars: Business Strategy, which prioritizes speed in investment; Financial Strategy, which aims to improve capital returns and strengthen shareholder returns; and Non-financial Strategy, which advances human capital management and environmental conservation. Through the execution of these strategies, we will work toward achieving our FY2030 targets.

Business Strategy

While securing stable sources of earnings in our core domains, we will actively invest in the Functional Colorants Segment, which we position as a growth business. During the period of the Mid-term Management Plan, we aim to return the Specialty Polymers Segment to profitability at an early stage while expanding into new business domains for discontinuous growth, including the CDMO business for nucleic acid medicines and the semiconductor materials business.

Net sales



Segment	Focus businesses
Functional Colorants	**OLED** (continuous) **Colorant materials** (continuous + discontinuous: new domains) **Bio - diagnostic oligonucleotides** (continuous) **Bio - CDMO for nucleic acid medicines** (discontinuous: new domain) **Semiconductor materials** (discontinuous: new domain)
Specialty Polymers	**Specialty chemicals** (continuous + discontinuous) **Polymer materials** (continuous + review)
Basic Chemicals	**Hydrogen peroxide** (continuous + discontinuous)
Agro-Science	**Agrochemicals: Herbicides** (continuous) **Agricultural materials: Peroxide-based materials** (continuous)
Logistics	**ISO tank container storage** (continuous)

Shift to leveraged business strategy and management: "Honing Our Originality, Unlocking New Possibilities through Co-creation"

- Shift the investment paradigm and promote co-creation to support discontinuous growth; accelerate execution of the "buying time" strategy
  - Place the highest priority on investment speed, put versatile and scalable capacity in place in advance, and accurately capture business opportunities
  - Accelerate strategic alliances and M&A: acquire proven management resources to "buy time" for business launches and rapidly establish a market position in the relevant business domains
  - Leverage open innovation in R&D: co-creation with external research institutions, etc.
  - Pursue strategic patent management and licensing: achieve early commercialization through the use of external resources and lay multiple strategic footholds in promising technology domains, etc.
- Expand into new business domains: the CDMO business for nucleic acid medicines, the semiconductor materials business, and other areas through the application of original technologies cultivated in existing businesses and the introduction of external resources

Reinforcing our "Three-in-One" integrated R&D, production, and sales model: Accelerating value creation by enhancing collaboration across functions

Financial Strategy

To achieve ROE above the cost of capital, we will make proactive growth investments while providing stable and appropriate dividends. During the period of the Mid-term Management Plan, we will continue our policy of increasing dividends and plan to provide shareholder returns with a DOE of 3.0% or higher in FY2030. We plan to pay total dividends of 6.0 billion yen or more from FY2026 through FY2030.

Achieve capital returns above the cost of equity

- Implement fundamental measures to address unprofitable businesses
- Implement capital policies that balance capital efficiency and growth potential: optimize assets through a review of holdings, including strategic shareholdings
- Strengthen shareholder returns: continue dividend increases and, through progressive dividends, provide shareholder returns with a DOE of 3.0% or higher in FY2030

Non-financial Strategy

To preserve the global environment, we will focus on addressing climate change and promoting environmentally friendly products, while also strengthening our human capital management initiatives. To realize our Management Philosophy, PURPOSE, and VISION, we regard human resources as a source of corporate competitiveness and the driving force behind sustainable growth, and view investment in human capital as a key management priority for enhancing corporate value.

Sustainability / ESG initiatives

- Preservation of the global environment: reduce CO_2 emissions and industrial waste
- Human capital management: introduce systems and initiatives to enhance engagement
- Contribution to local communities: continue giving back in recognition of our use of social capital
- Enhance Group governance: strengthen risk management and the BCP framework

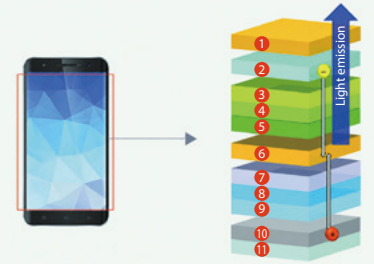
Cutting Edge

With applications expanding beyond smartphones to tablets, notebook PCs, televisions, and other devices, the OLED market is entering a phase of medium- to long-term growth. Building on more than 20 years of materials development expertise and synergies across the Group, the Hodogaya Chemical Group is strengthening its business foundation and expanding its R&D and production capabilities to support the continued growth of the OLED market.

Advancing the OLED Business and Expanding Its Scope

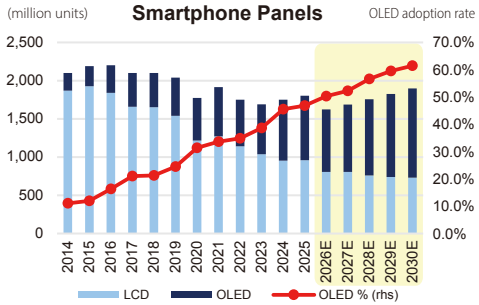
New business opportunities in an expanding market

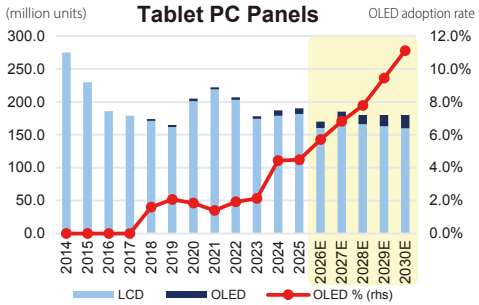
OLEDs have become increasingly familiar in recent years. For more than 20 years, the Hodogaya Chemical Group has been engaged in R&D on materials that underpin OLED technology. In addition to being thin and lightweight, OLED panels offer excellent color reproduction and flexible form factors, making them a display technology distinct from LCD panels. OLED panels are now mainstream in the small-panel market for smartphones. Around 2026, the OLED adoption rate is expected to surpass 50%, with OLED becoming the dominant display technology and overtaking LCD. The shift from LCD to OLED is also progressing in the medium-sized panel market for tablets, notebook PCs, and gaming monitors, as well as the large-panel market for televisions, driven by demand for higher image quality and functionality. These markets are therefore expected to enter a phase of medium- to long-term growth.

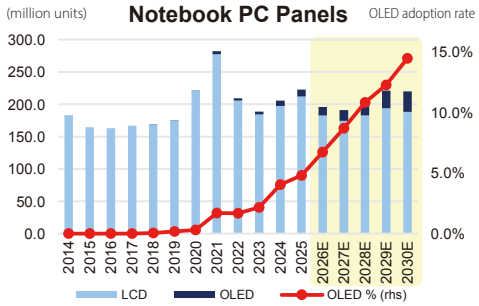


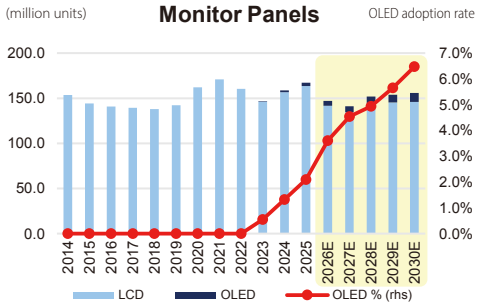
OLED Structure

1 Capping layer (CPL) 2 Cathode 3 Electron injection layer (EIL) 4 Electron transport layer (ETL) 5 Hole blocking layer (HBL) 6 Emitting layer (EML) 7 Electron blocking layer (EBL) 8 Hole transport layer (HTL) 9 Hole injection layer (HIL) 10 Anode 11 Glass substrate









*Source (data and graph): Equity Research Department, Mizuho Securities Co., Ltd.

Materials development capabilities backed by proprietary technologies

The Hodogaya Chemical Group develops and manufactures materials used in the electron blocking layer (EBL), drawing on its long-established synthesis and refining technologies, expertise accumulated in charge transport materials, and advanced molecular design capabilities. These materials help extend OLED lifetimes and improve durability, while the Group is also actively developing emitting materials, hole injection materials, and other materials. In addition, we are developing high- and low-refractive-index capping layer (CPL) materials by leveraging optical simulation and other technologies. The core technologies behind these developments are applications of charge transport materials (CTM), one of our imaging materials.

Competitive advantage through co-creation

A major competitive advantage is our ability to offer distinctive OLED materials by combining Hodogaya Chemical's strength in hole transport materials with emitting materials created through proven technological capabilities in South Korea. As a leading company in OLED materials, we will continue supplying materials to major panel manufacturers in Japan and overseas. From dyes to imaging materials, from imaging materials to OLED materials, and onward to materials for nucleic acid medicines and semiconductor materials. The Hodogaya Chemical Group continues to evolve with the times.

Expanding investment in people and facilities in South Korea

Our competitive OLED materials, including blue-emitting materials, are expected to deliver further growth as OLED displays, currently driven mainly by smartphone demand, expand into medium-sized displays for tablets, PCs, and other devices.

To capture this opportunity, we are strengthening our already extensive production capacity in South Korea by constructing a plant and enhancing the business structure for OLED materials. We have also established and begun operating a new R&D and production base for the Bio business, applying technologies cultivated in the OLED materials business to expand into new business domains. In addition, by expanding our storage center for shipping and other logistics operations, as well as office and meeting space, while continuing to recruit outstanding talent, we believe we can further accelerate R&D on new materials and other areas.

Cutting Edge

Expanding into New Businesses Beyond Our Existing Trajectory

Building on the organic synthesis technologies and manufacturing capabilities cultivated over many years, the Hodogaya Chemical Group is taking on new growth fields through collaboration with partners and global business development. We are steadily advancing initiatives that put the growth strategies of CODE/CHORD 2030 into action, including expansion into nucleic acid medicines, innovation through industry-academia co-creation, and the strengthening of our business foundation through strategic M&A.

Collaboration with YUKI GOSEI KOGYO in nucleic acid medicines

Nucleic acid medicines, which use oligonucleotides as their basic framework, are attracting attention as next-generation pharmaceuticals with the potential to treat hereditary diseases, rare diseases, cancer, and other conditions that have been difficult to address with conventional small-molecule and antibody drugs. In the bio materials field, the Hodogaya Chemical Group has applied technologies cultivated in the OLED business to develop proprietary raw materials and conduct contract synthesis of research-grade and non-GMP oligonucleotides, building strengths in agile small-batch, high-variety production and manufacturing infrastructure. YUKI GOSEI KOGYO CO., LTD., through its many years of experience in small-molecule drug manufacturing, has advanced manufacturing and quality control systems compliant with GMP standards, as well as expertise and know-how in the manufacture of nucleic acid-related compounds. By combining the strengths of both companies through this collaboration, we aim to provide global stakeholders, including academia and pharmaceutical companies, with one-stop solutions covering everything from raw materials for nucleic acid medicines through GMP manufacturing.

The Hodogaya Chemical Group has also decided to establish an integrated framework capable of handling everything from raw materials for nucleic acid medicines through GMP manufacturing. A new building equipped with synthesis equipment, cleanrooms, and other facilities is planned at the Koriyama Plant, the Group's main production site.

Conceptual rendering of GMP facility

Co-creation research with Tohoku University

In June 2026, as the first initiative under the open innovation strategy set out in the Mid-term Management Plan, the Company established the Hodogaya Chemical Co., Ltd. × Tohoku University Co-Creation Research Center for Contributing to a Sustainable Society through Manufacturing within Tohoku University's Institute of Multidisciplinary Research for Advanced Materials. Under the three-year program, Company researchers will participate as specially appointed faculty members through a cross-appointment system.

Functional organic materials, one of the Company's strengths, not only absorb light but also perform a wide range of functions involving the conversion and release of energy in forms such as light, heat, and electricity. They play an essential role across modern society, including electronics, life sciences, the environment, and infrastructure. Rapid market changes and evolving social demands are creating an increasing need to move research outcomes into practical use more quickly in order to realize a sustainable society. At the Co-Creation Research Center, we will combine Tohoku University's advanced academic knowledge with Hodogaya Chemical's manufacturing technologies, transforming the conventional step-by-step development process into an integrated framework that seamlessly connects research with social implementation. Specifically, we will address environmental challenges involving trace amounts of hazardous substances and pursue the development of materials for highly durable devices. Through cross-sector collaboration between industry and academia, we will accelerate the creation of new materials while developing the next generation of R&D leaders through hands-on experience, thereby contributing to the realization of a sustainable society.

Acquisition of Framochem (Hungary)

In March 2026, the Company decided to acquire all equity interests in Hungary-based Framochem Francia-Magyar Finomkemiai Kft. (Framochem) and make it a wholly owned subsidiary.

Under the Mid-term Management Plan CODE/CHORD 2030, the Company has positioned the strengthening and expansion of the specialty chemicals business in the Specialty Polymers Segment as one of its key business growth strategies.

The acquisition puts this growth strategy into action and represents an important measure for achieving discontinuous growth that will sustainably enhance the Hodogaya Chemical Group's corporate value.

By integrating Framochem's strong reputation in Europe and distinctive product portfolio into our global network, we will build a robust platform for growth. At the same time, by establishing a two-site production structure in both Japan and Europe for phosgene derivatives, which require advanced manufacturing technologies, we will solidify our position as a Global Niche Top player.

Framochem site

Future Forum

Toward Becoming a Company People Want to Support

— Hodogaya Chemical in 2050 Envisioned By Young Employees —

What kind of company does Hodogaya Chemical aspire to be in 2050?
To explore this question, young employees from a wide range of functions, including sales, R&D, manufacturing, administration, and overseas operations, came together for the Future Forum.
A recurring aspiration throughout the discussions was for Hodogaya Chemical to be "a company people want to support." What does it mean to be a company that earns the support of society, customers, local communities, families, and the colleagues we work alongside? The discussion extended beyond the direction of the business to manufacturing, ways of working, corporate culture, and the Company's relationship with society.
What emerged was a vision of a company that takes on the challenge of solving social issues, values people, and encourages employees to take on new challenges. With a strong belief that what we do today can change the future, young employees are shaping a vision of Hodogaya Chemical for 2050.

Toward a Value-Creating Company That Society Needs

At the heart of the discussion was the conviction that Hodogaya Chemical should continue to contribute to society through its core businesses. Many young employees expressed the view that social contribution should not be something separate from business, but should be embedded in the business itself. Examples included helping maintain and preserve green spaces through agrochemicals, advancing the information and communications society through electronic materials, and supporting decarbonization through environmentally friendly products. Participants shared a recognition that Hodogaya Chemical's technologies themselves help underpin society.

Topics discussed
Corporate model

Participants also agreed on the need to take on new challenges with the next 25 years in mind. Hodogaya Chemical has grown by capturing opportunities in the expanding information and communications field, including OLED materials. Looking ahead, participants said the Company needs to take on new challenges in fields shaped by next-generation megatrends, such as climate change, AI, energy, biotechnology and healthcare, and space.

Topics discussed
Business portfolio

There was also extensive discussion of how best to leverage Hodogaya Chemical's synthesis and purification technologies for low-molecular-weight materials and its strengths in electronic materials. Participants agreed on the importance of uncovering latent customer needs and creating new value while strengthening high-mix, low-volume, high-value-added businesses.

Topics discussed
Contribution and responsibility to society

Some participants noted that there is still considerable room to deepen internal collaboration in creating new products. At the same time, others cited the opportunity to stay involved from research through manufacturing as one of the attractions of working at Hodogaya Chemical. Closer collaboration among sales, R&D, and manufacturing, combined with a direct understanding of customers' challenges, could open up more opportunities to create new products and businesses. Young employees see these organic connections across the organization as a source of future competitiveness.

Toward Sustainable Manufacturing Where People and AI Work Together

Discussions about the future of manufacturing generated many concrete ideas about what a chemical manufacturer should look like in 2050. These ideas reflect major social changes, including a shrinking workforce, decarbonization, and advances in AI and robotics.

Topics discussed
Production technology

The factory envisioned by the young employees is not a place where people are expected to push themselves in hazardous environments. It is a smart factory that uses DX, AI, and robotics to sharply reduce dangerous, dirty, and physically demanding

Toward Becoming a Company People Want to Support — Hodogaya Chemical in 2050 Envisioned By Young Employees —

Topics discussed
Responsibilities as a manufacturer

work. Machines would handle tasks in hazardous areas and physically demanding work, allowing people to focus on monitoring, analysis, and decision-making. Many participants expressed a desire to create workplaces where diverse people can thrive regardless of age, gender, nationality, or disability.

At the same time, many participants said they want to preserve the rewarding aspects of manufacturing. Even as automation advances, human experience, insight, and a practical feel for operations will remain essential. By using AI as a partner and applying AI and digital technologies to capture and share the knowledge of experienced employees and the know-how developed on the shop floor, that expertise can become a strength across the entire workplace. Participants see this as the kind of operator future manufacturing will require.

The discussion also explored decarbonization and the circular use of energy. Participants envisioned factories that use renewable energy and recycled raw materials while making circular use of heat, electricity, water, and raw materials. They also agreed that environmental initiatives should be viewed not simply as a cost, but as an important factor in strengthening the corporate brand and competitiveness.

Young employees believe that being a manufacturer that balances environmental responsibility with economic viability will be essential to earning society's support in 2050.

Topics discussed
Work-life balance and ways of working

Topics discussed
Management philosophy

Toward an Organization Where Everyone Can Take on Challenges and Support One Another

The Future Forum also devoted considerable time to discussing what kind of organization Hodogaya Chemical should aspire to be.

Participants described positive aspects of Hodogaya Chemical today, saying that people are kind, the atmosphere is calm, and motivated employees are given opportunities. At the same time, they also recognized challenges, including a tendency to see issues as someone else's responsibility, hesitation to act for fear of failure, and an inclination to follow precedent.

That is why many participants said that, looking toward 2050, they want every employee to take ownership of issues and help create a culture in which people feel empowered to take on challenges. This requires a system that fairly recognizes not only those who take on challenges themselves, but also those who support them. Rather than blaming people for failure, the organization should share the lessons learned so they can inform the next attempt, while celebrating achievements together. Young employees believe that a culture in which people can take on challenges with confidence will be essential.

Topics discussed
Organizational characteristics and culture

Topics discussed
Research and the Next Generation

Ways of working also need to offer flexibility that accommodates diverse values. Employees should be able to choose how they work according to their stage of life, balance work with childcare or caregiving, and make flexible use of remote work and flextime. At the same time, participants see a need for more diverse professional career paths that do not depend on becoming a manager, as well as systems that enable teams to support one another when employees temporarily step away from work for life events.

When the Future Forum first reported its conclusions, some executives questioned whether the phrase "a company people want to support" sounded too passive. Yet the discussions revealed that young employees were not simply seeking a company that delivers strong financial performance. They want to build a culture that is unafraid of challenges and grounded in professionalism. They envision a company that takes on the challenge of solving social issues, values people, and enables every employee to work with pride. By continuing to build on these efforts, Hodogaya Chemical can become a company that earns the support of society, customers, local communities, families, and colleagues alike. Young employees have already begun taking on the challenge of shaping Hodogaya Chemical for 2050.

Financial Strategy and Capital Policy

Related Materiality
- Build a business portfolio rich in originality
- Address PBR below 1.0x

Message from the Executive Officer in Charge of Corporate Planning

Making Investments for Sustainable Growth and Enhancing Shareholder Returns

Yasuo Murakami　Managing Executive Officer

In FY2025, the final year of the previous Mid-term Management Plan SPEED 25/30 Phase 1, net sales reached a level reasonably close to the target, but the quantitative targets for operating profit, operating margin, and ROE were not achieved. Operating profit, in particular, reached only 49% of the target—a significant shortfall. This was because capital investment beyond the initial plan, primarily in the OLED materials business, together with stepped-up R&D to support business growth, put downward pressure on profit margins. After analyzing our initiatives to date and identifying the issues that had emerged, we fundamentally renewed the plan as CODE/CHORD 2030, a new Mid-term Management Plan that is not simply an extension of the previous plan.

Under CODE/CHORD 2030, we have divided the timeline into the Three-Year Transformation Phase and the Two-Year Harvest Phase. During the Three-Year Transformation Phase, we will undertake bold structural reforms and business portfolio transformation, sow seeds for the future and reallocate resources, and put mechanisms in place to achieve discontinuous growth. During the Two-Year Harvest Phase, we will maximize the results of transformation and the seeds sown for future growth, while establishing a highly profitable business structure. Throughout these phases, we will actively pursue infrastructure investments, including investments to maintain production, develop IT infrastructure, drive manufacturing DX, and invest in human capital, as well as growth investments in areas including R&D, new business development, M&A, expansion of production capacity, strengthening of supply systems, and fostering of co-creation.

To support these investments, we will shift to management with appropriate leverage that takes the cost of capital into account and flexibly utilize interest-bearing debt, thereby ensuring the achievement of our final-year ROE target of 8.0%.

The Company's PBR remains below 1.0x. We recognize that our capital efficiency and profitability have not met investor expectations and that the market has not fully recognized our future growth potential. While advancing growth investments, we will pursue investment and shareholder returns in tandem, with a view to responding flexibly through measures such as improving the efficiency of asset holdings and acquiring treasury shares, as we strive to sustainably enhance corporate value.

Financial Strategy to Achieve Mid-term Management Plan Targets

To achieve the targets of the Mid-term Management Plan CODE/CHORD 2030, we will strategically allocate approximately 69.0 billion yen in investment over the five-year period.

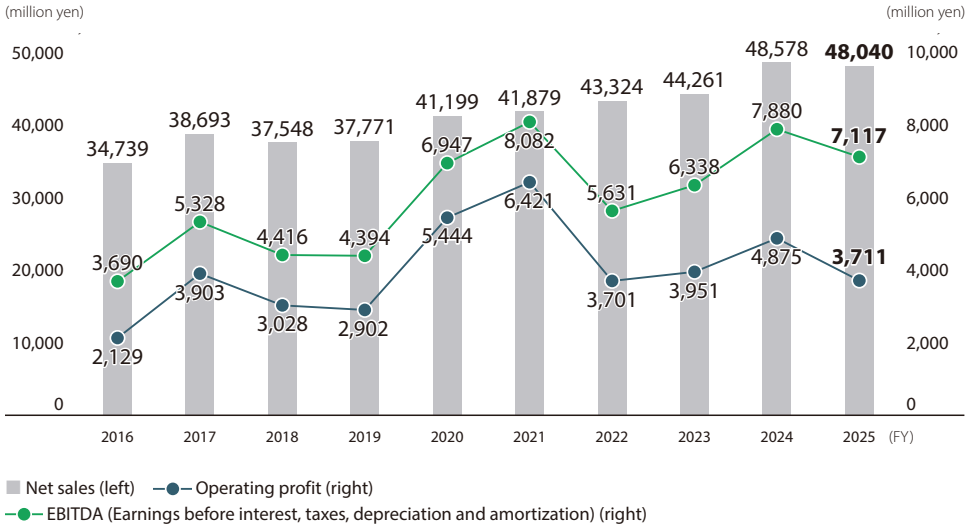
In addition to investing capital in the Functional Colorants Segment and the Specialty Polymers Segment, including specialty chemicals, we will invest in new business domains and M&A, while building a robust management foundation through manufacturing DX and investment in human capital, thereby putting in place the mechanisms for discontinuous growth.

As we execute these bold investments, our underlying earnings power is expected to follow a trajectory in which fixed costs precede returns during the Three-Year Transformation Phase, before the benefits of investment bear significant fruit during the Two-Year Harvest Phase.

With contributions from new products and new businesses, we will seek a dramatic improvement in the operating margin from its FY2025 low, while absorbing depreciation associated with large-scale investments through growth in net sales and achieving a substantial increase in EBITDA.

Through these initiatives, we aim to build a more robust business portfolio comprising multiple core businesses and establish a resilient earnings structure capable of withstanding fluctuations in the external environment.

Net sales / Operating profit / EBITDA

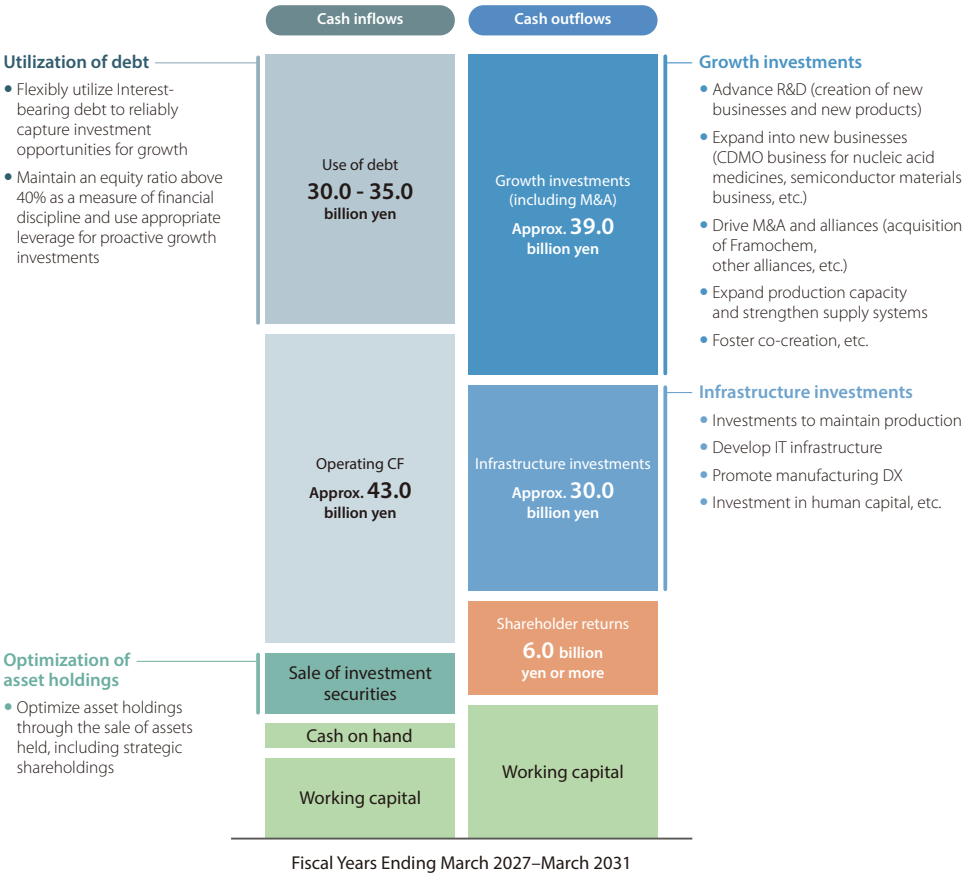


Financial Strategy and Capital Policy

Cash Allocation

From a financing perspective, while maintaining a certain level of financial discipline, we will flexibly raise 30.0 to 35.0 billion yen in interest-bearing debt over the next five years and strategically utilize debt. Together with approximately 43.0 billion yen in cash flow from operating activities, this will enable us to reliably capture investment opportunities for growth. We will also optimize our asset holdings, including through the sale of strategic shareholdings, both to generate a source of funds and to control the balance sheet.

Making growth investments for sustainable growth and enhancing shareholder returns



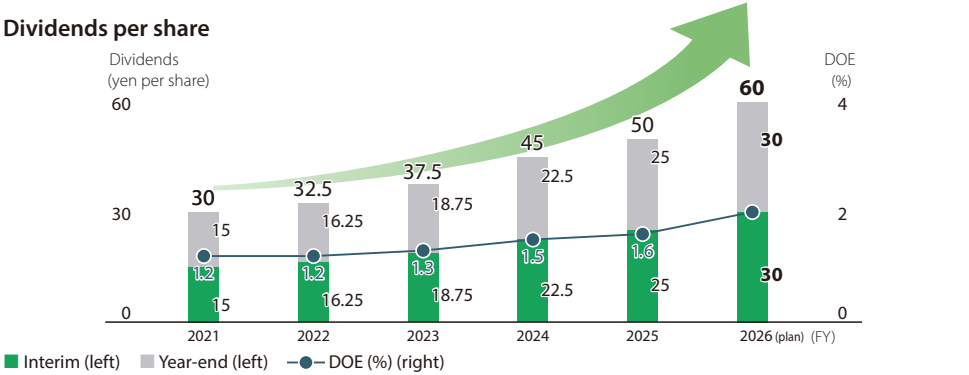
Shareholder Return Policy

The Company regards the sustainable maximization of corporate value as its highest management priority.

We have increased dividends for five consecutive fiscal years. Under the Mid-term Management Plan CODE/CHORD 2030, our basic policy is to balance future profit generation through growth investments with flexible and appropriate shareholder returns, and we have newly committed to a progressive dividend policy under which dividends will not be reduced during the plan period.

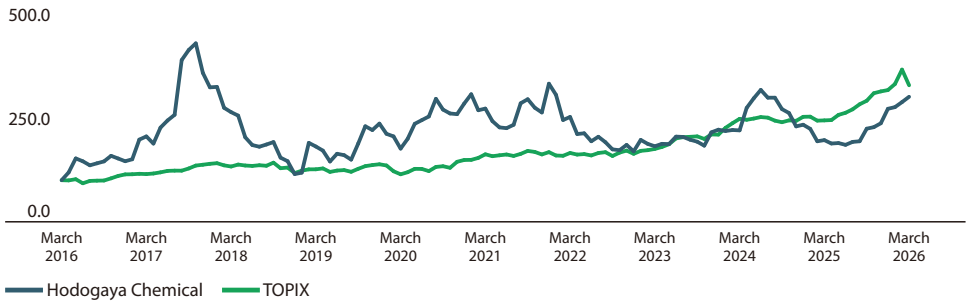
Under this policy, we will pay total dividends of 6.0 billion yen or more over the five-year period of the Mid-term Management Plan and aim to provide shareholder returns with a DOE of 3.0% or higher in FY2030. We will also consider the acquisition and cancellation of treasury shares as viable options to further improve capital efficiency.

Dividends per share



* The Company carried out a 2-for-1 stock split of common shares, effective April 1, 2025. The figures for dividends per share prior to April 1, 2025, reflect the values adjusted for the stock split.

TSR



* Total Shareholder Return (TSR) represents the total investment yield combining capital gains and dividends.
* TSR for Hodogaya Chemical is calculated based on cumulative dividends and share price changes, while TOPIX is calculated using a total return index including dividends (prepared by Hodogaya Chemical using Bloomberg data and other sources).
* The graph indexes market value based on TSR, with the closing price as of March 31, 2016 set to 100 (holding period through March 31, 2026).

Human Resource Strategy

Related Materiality

- Advance human capital management
- Enhance organizational diversity
- Promote health and productivity management and workplace safety and health

For more details on human resources data, please refer to our website.
https://www.hodogaya.co.jp/english/csr/stakeholder/employee/

Message from the Executive Officer in Charge of Human Resources

The Hodogaya Chemical Group regards human resources as a source of corporate competitiveness and the driving force behind sustainable growth, and views investment in human capital as a key management priority for enhancing corporate value as it works to realize its Management Philosophy, PURPOSE, and VISION. Under the new Mid-term Management Plan CODE/CHORD 2030, which began in FY2026, we will promote investment in human capital with the strategic goal of enabling all officers and personnel to experience job satisfaction (motivation to work and ease of work) while enhancing organizational capabilities.

Shinichi Sato Director and Managing Executive Officer

Key Initiatives under the Mid-term Management Plan CODE/CHORD 2030

We are implementing the following initiatives to achieve "CODE/CHORD 2030."

- **Initiatives to enhance organizational capabilities through greater job satisfaction (motivation to work and ease of work)**

Introduced in FY2026

- Hybrid job-based personnel system combining the membership-based model with position-based compensation
- Expansion of J-ESOP eligibility to all employees, including those at domestic subsidiaries
- Student loan repayment support program
- Full implementation of the flextime system across all Head Office departments, with trials at plants

Priority initiatives going forward

- Review performance-linked bonuses
- Continue promoting women's advancement, promote advancement of senior employees
- Proactively recruit highly specialized and highly skilled human resources

Key human resources investments and initiatives through FY2025

FY2025

- Certification as a Health & Productivity Management Outstanding Organization (six consecutive years) (ease of work)
- Expansion of J-ESOP eligibility to managers and selected other employees, including those at domestic subsidiaries (motivation to work)
- Additional bonus payments to employees who cover for colleagues taking childcare leave (motivation to work, ease of work)

FY2024

- Trial expansion of the flex-time system (ease of work)
- Decision to introduce a "book summary service" (Human resource development)

FY2023

- Introduction of the employee stock benefit trust (J-ESOP) for managers (motivation to work)

FY2022

- Formulation of telework regulations (ease of work)
- Introduction of training for next-generation management personnel (Human resource development)
- Introduction of a multi-assessment system (multifaceted evaluation system) (Human resource development, motivation to work)

FY2021

- Measurement of engagement scores and implementation of training to improve engagement (motivation to work, ease of work)
- Start of career education for female employees (human resources development and job satisfaction)

Please see this page for progress toward achieving the numerical targets. Non-financial Highlights ▶P.48

Analyzing Engagement Scores and Making Improvements

The Hodogaya Chemical Group analyzes engagement scores and implements measures tailored to identified issues to improve engagement and achieve its strategic goals. Employees show strong alignment with the Company's philosophy and strategies and a high level of satisfaction with the working environment. At the same time, challenges remain in areas such as support from colleagues and recognition of employees' input and opinions. We aim to create a psychologically safe workplace where everyone feels comfortable speaking up.

Target Gradually improve the engagement score

Result Items showing improvement since measurement began (rate of improvement from FY2021 to FY2025)

Key driver: item	Initial score	Recent score	Rate of improvement
Organizational culture: embracing challenges	50	56	12.0%
Health: workload	53	58	9.4%
Environment: work-life balance	59	64	8.5%
Health: stress response	54	58	7.4%

* Trends include an emerging culture that recognizes and celebrates taking on challenges, as well as reduced workloads and stress resulting from improved work-life balance.

Future Challenges and Countermeasures

The Hodogaya Chemical Group has set the strategic goal of enabling all officers and personnel to experience job satisfaction (motivation to work and ease of work) while enhancing organizational capabilities. Since April 2026, we have introduced a hybrid job-based personnel system and a student loan repayment support program and expanded J-ESOP eligibility. Going forward, we will remain attuned to developments in human resource management and respond to a wide range of HR challenges and changing values.

R&D and Intellectual Property Strategy

Related Materiality

- Maintain technological superiority
- Build next-generation core technologies and create new businesses
- Preserve the global environment
- Improve product value and reliability

Message from the Executive Officer in Charge of R&D

Under the Mid-term Management Plan, we are pursuing new value creation with originality and co-creation as twin drivers, drawing on our pioneering DNA that drives us to lead the way. R&D has a major role to play in achieving this goal. In terms of co-creation, we will promote strategic patent filings and secure licenses, while building strategic partnerships with companies, universities, and other organizations. Through these efforts, we will pursue commercialization through multiple avenues and at an early stage. We will also advance the digital transformation (DX) of R&D to accelerate and streamline research and development even further. In terms of originality, we will actively pursue new businesses in areas such as nucleic acid medicines and semiconductor materials, drawing, for example, on our colorant technologies and those cultivated through the development of OLED materials. These initiatives will lead us into the two-year harvest phase and enable us to achieve discontinuous growth.

Norimasa Yokoyama
Director and Managing Executive Officer

Basic strategies under CODE/CHORD 2030

Promotion of co-creation: Accelerate execution of the "buying time" strategy through M&A and alliances, co-creation with external research institutions, patent strategies, and other initiatives
Expansion into new business domains through proprietary technologies: CDMO business for nucleic acid medicines, semiconductor materials business, and other new businesses
Further strengthening of integrated R&D, production, and sales activities: Accelerate value creation by strengthening collaboration among R&D, production, and sales

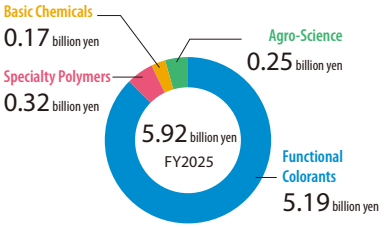
R&D and Intellectual Property Initiatives under the Mid-term Management Plan

R&D investment

The Hodogaya Chemical Group pursues cutting-edge R&D through a global R&D framework centered on the Tsukuba Research Laboratory in Japan, with the development departments at each plant working in collaboration with Group companies in South Korea. Toward 2030, drawing on the proprietary technologies and know-how we have developed primarily through our OLED materials business, we will make investments mainly in the Functional Colorants segment, particularly in high-performance colorants, oligonucleotides for nucleic acid medicines, and semiconductor materials.

In addition, we will pursue co-creation with the aim of generating new businesses and products in diverse fields that go beyond the development of our existing businesses and deliver discontinuous growth.

R&D investment amount (by segment)



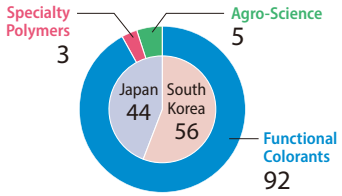
Please see this page for progress on the numerical targets.
Non-Financial Highlights ►P.48

Details can be found on our website.
https://www.hodogaya.co.jp/english/rd/rd-system/

Patent application status

By placing priority on building its development structure in South Korea, the Hodogaya Chemical Group has increased the share accounted for by its South Korean operations in both R&D investment and patent applications filed in Japan. In addition, as a result of our strategic and timely patent filings, particularly for OLED-related technologies, the Functional Colorants segment now accounts for a large share of our patent applications.

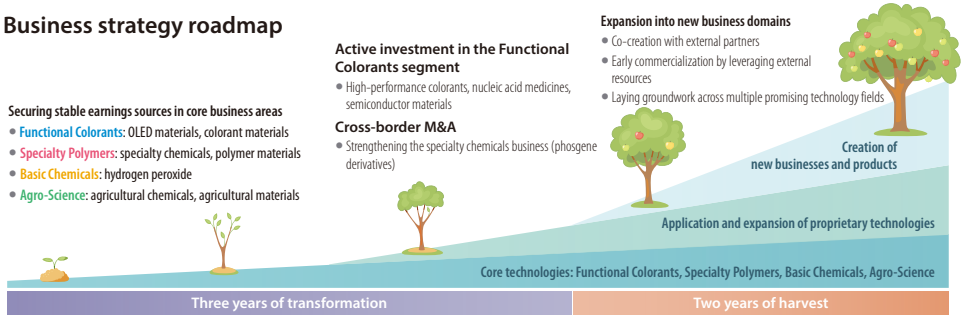
FY2023–FY2025 patent applications by country and segment (%)



Intellectual Property Strategy

Sharing with our researchers the principle that "it is important to conduct research and development with an eye toward securing rights," we are moving forward with promptly filing patent applications and securing intellectual property rights related to the results of our R&D, while keeping in mind our future business portfolio. We are also working to enhance the quality of our patents through information searches, patent analysis, intellectual property education, and other initiatives. In 2023 and 2025, our Company was included in Nikkei Business Publications' Intellectual Property Management Ranking of companies with high patent value growth. Going forward, we will also focus on strategic patent application filing, securing licenses, and DX initiatives to contribute to the creation of new businesses and products in diverse fields that can drive discontinuous growth.

Business strategy roadmap



Relevant Group company:
Hodogaya Contract Laboratory Co., Ltd.
Description of business: Contract based custom synthesis, analysis and development

Location: 45 Miyukigaoka Tsukuba City Ibaraki Pref. 305-0841 Japan
TEL: +81-29-858-6886 (Main switchboard)
Webpage: http://www.h-contractlabo.co.jp/index-e.html

DX

Related Materiality

- Maintain technological superiority
- Build next-generation core technologies and create new businesses
- Establish highly efficient production systems
- Improve product value and reliability

To further enhance corporate value and achieve discontinuous growth, the Hodogaya Chemical Group is steadily advancing initiatives across the Company, led by the Corporate Planning Department and IT Management Department in collaboration with relevant departments.

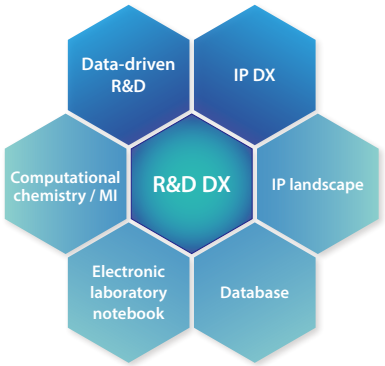
DX in R&D

We consider digital transformation (DX) in R&D essential to accelerating R&D processes and improving efficiency.

We are already leveraging computational chemistry for materials design and property prediction and have begun exploring development through materials informatics (MI). These efforts are being led primarily by younger researchers with support from external consultants.

We have also begun examining IP DX from multiple perspectives to further enhance the use of intellectual property information in formulating management and development strategies. Our aim is to build a framework that not only improves the efficiency of work performed by IP personnel but also effectively supports management and researchers.

Overview of initiatives



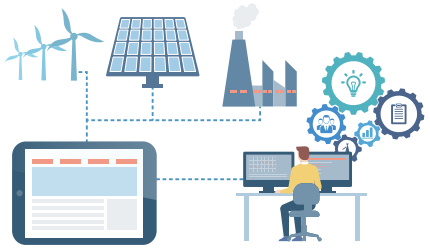
Going forward, we will also promote the development of databases and the use of AI to realize data-driven R&D.

Building a Digital Foundation for Smart Factories

With future manufacturing DX in mind, Hodogaya Chemical has initiated the construction of a digital foundation at its production sites.

With the goal of realizing smart factories by 2035, we are currently in the initial phase, focusing on accumulating data and increasing operational visibility. Specifically, we have started rolling out PIMS (Plant Information Management System) at certain continuous process plants at major sites in Japan and are testing the system in actual production environments. We have also installed sensors on specific rotating equipment and launched predictive maintenance trials. Through these proof-of-concept activities, we will develop the next generation of frontline personnel and foster a change in mindset, moving away from operations that rely on experience and intuition.

Going forward, we will apply the knowledge gained at continuous process plants across our batch plants. By ensuring stable equipment operation and consistent product quality, we will contribute to strengthening the "earnings power" targeted under the Mid-term Management Plan CODE/CHORD 2030.



Strengthening IT Infrastructure and Transforming Business Processes

To shift to data-driven management, we have been renewing our core business system (ERP) and have completed the initial phase. In addition to achieving stable system operation, we redesigned business processes through BPR and thoroughly standardized and streamlined operations based on a Fit to Standard approach, laying the groundwork for future updates. With a framework now in place for the effective use of data, we aim to foster a culture of data-driven decision-making.

We are also introducing a next-generation workplace environment to establish a digital foundation that enables more secure and faster communication. By creating an integrated digital foundation encompassing PCs, networks, and security to support day-to-day operations, we plan to improve operational productivity and strengthen cybersecurity measures.

Furthermore, based on accumulated information on business processes, we are using the ECRS* framework to streamline operations, eliminate duplication, and simplify processes. In parallel, to drive the transformation envisioned in the Mid-term Management Plan, we are utilizing generative AI to automate routine tasks and improve the efficiency and quality of document creation.

To disseminate and embed this knowledge across the Company in a secure environment, we regularly hold seminars and hands-on workshops, fostering a culture of sharing knowledge and co-creation while improving IT literacy.

Going forward, under the leadership of DX leaders assigned to each department, all officers and personnel will take ownership of validation for practical implementation and the expansion of use cases. By achieving sustained productivity improvements across the Company, we will accelerate DX throughout the organization and further enhance corporate value.

*ECRS: A framework for business process improvement based on the initials of Eliminate, Combine, Rearrange, and Simplify.

Functional Colorants Segment

https://www.hodogaya.co.jp/english/products/segment01/

Three Strengths

Ability to boldly challenge new business domains that support a prosperous future by constantly refining our organic synthesis and purification technologies

- Extension of our technologies as a comprehensive supplier of OLED materials to bio materials for next-generation pharmaceuticals
- Metal-free, environmentally friendly aluminum coloring dyes with leading global market shares
- Natural dyes that support food safety and the world's "Only One" hair dyes

Description of Business

- **OLED Materials**
Demand for OLED materials for smartphone displays is growing, and their use is expected to expand to IT devices such as tablets, notebook PCs, and monitors. Using proprietary bio materials developed through the application of OLED material technologies, we have expanded our offerings beyond oligonucleotide products for diagnostic kit materials to include oligonucleotide products for use as raw materials for nucleic acid medicines, a field of next-generation pharmaceuticals.

- **Imaging materials**
They are essential for copiers and printers to function, helping to enhance precision in the office automation environment.

- **Dyes and colors**
Our products, developed with unique technologies, are highly regarded as high-quality products in Japan and worldwide. (Mainly used for aluminum coloring, stationery ink, hair dyes, color filters, etc.)

- **Natural food dyes**
Play an important role in making food appear more appetizing by adding color to food products. As a pioneer in this field, the Hodogaya Chemical Group contributes to culinary performances that enhance the enjoyment and deliciousness of food. Natural food dyes are also used for coloring mainly home appliances, expanding its environmentally friendly applications.

Metal-free aluminum coloring dyes

Demand is growing for dyes to color aluminum, a lightweight, strong, and easily recycled metal. Leveraging its long history of organic composite technology, Hodogaya Chemical manufactures and sells metal-free aluminum coloring dyes. These meet the need for environment- and people-friendly aluminum coloring dyes that use no heavy metals, excel in light resistance and color affinity, and enable varied color expressions.

Basic Strategies and Initiatives under the Mid-term Management Plan

Under the previous Mid-term Management Plan, net sales in this segment grew, reflecting firm demand in the display field, particularly for smartphones in the OLED materials business, and increased sales driven by strong demand for aluminum coloring dyes in the colorant materials business.

Under the Mid-term Management Plan, this segment will continue to play a key role in driving the Group's growth.

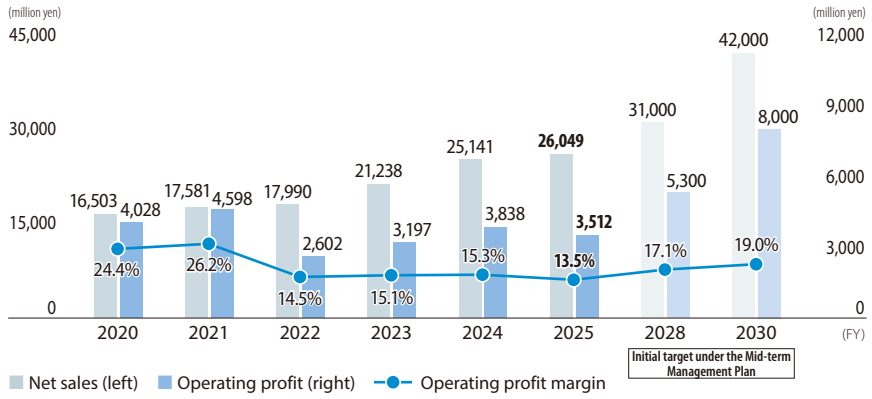
In the OLED materials business, we will drive sales growth by capturing renewed growth in panel demand in the smartphone market and demand arising from the increasing adoption of OLED displays in tablets, laptops, and other devices.

In the colorant materials business, we will pursue growth strategies centered on strengthening our supply structure and accelerating development through capital investment in aluminum coloring dyes and other measures.

We will also apply the oligonucleotide synthesis technologies we have accumulated and the refining technologies developed through our OLED materials business to expand into new fields, including the CDMO business for nucleic acid medicines and the semiconductor materials business.

By deepening existing businesses and creating new ones, through capital investment in Japan and abroad, we will further solidify this segment's role as a growth driver for the Group as a whole.

Net sales / Operating profit / Operating profit margin



Related Group company: **SFC CO., LTD.**
Description of business: Manufacturing and sales of OLED materials and bio materials

Location: 89, Gwahaksaneop 5-ro, Ochang-eup, Cheongwon-gu Cheongju-si, Chungcheongbuk-do, Korea 28122
Webpage: https://sfc-dye.com/

Specialty Polymers Segment

https://www.hodogaya.co.jp/english/products/segment02/

Three Strengths

Ability to deliver high value-added specialty products globally, achieving both prosperous lifestyles and environmental harmony, by establishing a Global Niche Top position centered on our phosgenation technology

- Environmentally friendly urethane materials that make full use of our world-leading organic composite technology
- Pharmaceutical intermediates utilizing our phosgenation technology through three-way integrated R&D activities, production, and sales
- Specified chemical substance-free waterproof materials that enable environmentally friendly, safe, and reliable construction work

Description of Business

• Polymer materials

Polymer materials consist mainly of a material called PTG, which is required to give urethane ductility and elasticity (characteristics like those of rubber). Urethane is used in many fields, including clothing, automotive parts and leisure products. In addition, we are focusing on Bio-PTG, whose main raw materials were switched from petroleum-derived to plant-derived, as a product that possesses a quality similar to that of the traditional PTG but is environmentally friendly

• Specialty chemicals

Specialty chemicals include intermediates and additives, fully using our organic composite technology and unique phosgenation technology accumulated over many years. We supply products tailored to customers' specific requests in various fields such as pharmaceuticals and cosmetics.

• Construction materials

The mainstay of construction materials is urethane waterproofing. Our urethane waterproofing materials are used widely to waterproof the roofs of office buildings, schools, and multi-story parking buildings of large-scale retail facilities.

ODI (Phosgene derivative)

Octadecyl isocyanate (ODI), a raw material for release agents, paints, and coating materials, is made from vegetable oil and fat, and meets the needs of customers from all over the world.

Because it is derived from vegetables, it helps control the occurrence of environmental CO_2, which is said to be a cause of climate change.

In addition, in April 2024, we obtained RSPO certification*.

*RSPO: Roundtable on Sustainable Palm Oil

Basic Strategies and Initiatives under the Mid-term Management Plan

Under the previous Mid-term Management Plan, the polymer materials business was significantly affected by sluggish market conditions and continued to record operating losses, making a fundamental improvement in profitability an urgent priority.

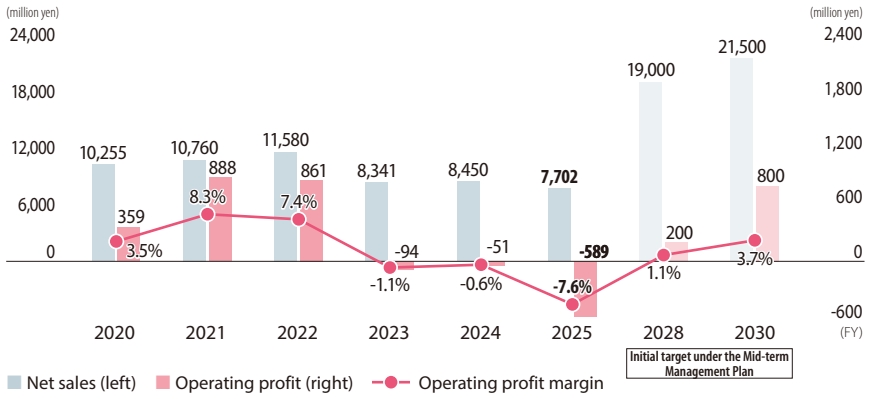
Against this backdrop, under the Mid-term Management Plan, we will work to rapidly move the business out of its loss-making position and secure stable returns on capital.

To strengthen and further expand the specialty chemicals business, we decided to acquire Hungary-based Framochem and make it a wholly owned subsidiary.

Leveraging the Group's proprietary phosgenation technologies, rigorous safety management, and advanced professional expertise, we will further strengthen the phosgene derivatives business. Through this cross-border M&A, we will accelerate our global expansion through a dual-hub structure spanning Japan and Europe and solidify our position as a global niche top player.

While keeping future business restructuring in view, the polymer materials and construction materials businesses will give top priority to improving profitability by expanding sales channels through a shift toward specialty products and ensuring appropriate price pass-through.

Net sales / Operating profit / Operating profit margin



Related Group company:
Hodogaya Construction Products Co., Ltd.
Description of business: Manufacturing and sales of construction products

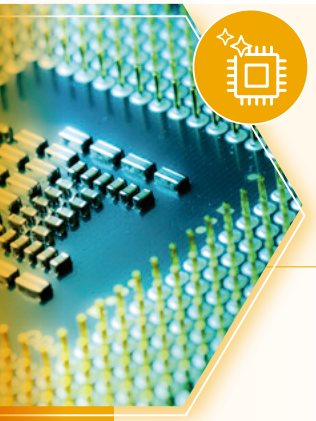
Location: 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021, Japan
TEL: +81-3-6852-0478 (Main switchboard)
Webpage: https://www.hodogaya-cp.com (Japanese only)

Related Group company: **Framochem Francia-Magyar Finomkemiai Kft.**
Description of business: Manufacturing and sales of APIs, intermediates, and fine chemical products, primarily using phosgene as a raw material.

Location: Szerviz utca 5, 3700 Kazincbarcika, Hungary
TEL +36-48-311-991
Webpage: https://framochem.com/

Basic Chemicals Segment

https://www.hodogaya.co.jp/english/products/segment03/



Three Strengths

Creativity to explore new applications demanded by the times—from clothing, food, and shelter to cutting-edge fields—drawing on our long-held hydrogen peroxide production technologies and a robust stable supply network

- Expansion into diverse fields spanning foods to semiconductors through hydrogen peroxide production technology grounded in experience and knowledge
- R&D capabilities that enable the extension of derivatives to wide-ranging fields including bleaches, cleaning agents, food sterilization, and veterinary medicines
- Creativity that leverages "clean" physical properties to explore new applications such as soil improvement and protect the global environment

Description of Business

- Hodogaya Chemical has been engaged in the development, manufacturing and sales of hydrogen peroxide and its derivatives for over 50 years.
- Hydrogen peroxide decomposes into water and oxygen, and this property supports our everyday lives as clean and environmentally friendly products for a variety of uses. Hydrogen peroxide has been used for paper pulp bleaching and industrial chemicals, but in recent years, we have aggressively expanded the sales into new fields such as veterinary medicines.
- Derivatives of hydrogen peroxide include sodium percarbonate and peracetic acid. Sodium percarbonate is used for bleaching agents and detergents. As for peracetic acid, we were the first in Japan to obtain approval for the production for use in food production applications, and we are working to accelerate its use.

Peracetic acid formulation

The peracetic acid formulation OXYATTACK (disinfectant agent for food products), a hydrogen peroxide derivative, was introduced into the market in 2017. While having powerful anti-bacterial effects on vegetables, fruit and meat, it is broken down into acetic acid and water after use, and does not generate chlorine either, making it an environmentally friendly product that has won the approval of customers.

Basic Strategies and Initiatives under the Mid-term Management Plan

Under the previous Mid-term Management Plan, the segment was affected by soaring raw material and fuel prices. However, prompt price pass-through and thorough cost reductions have enabled the business to recover, and it is currently maintaining a stable level of profit.

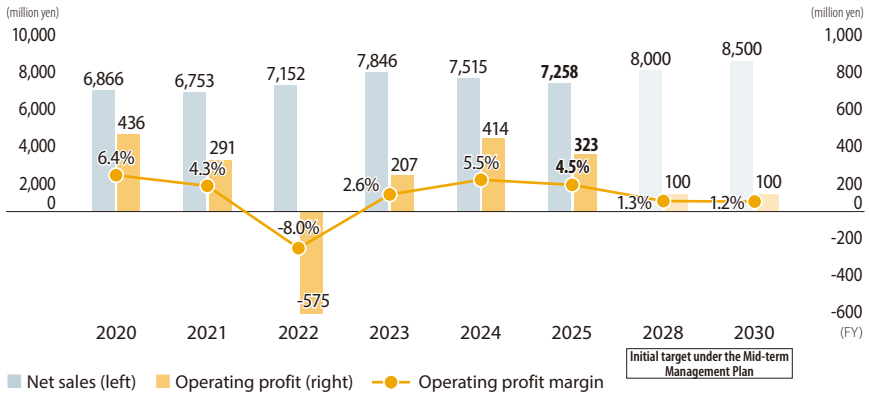
Although the paper pulp market is expected to continue shrinking, the hydrogen peroxide business is expected to remain firm, supported by growth in the semiconductor market.

Under the Mid-term Management Plan, we will build a robust and stable supply system, including through investment in new facilities at the Nanyo Plant, to reliably capture demand for high-purity hydrogen peroxide.

For hydrogen peroxide derivatives, we will maintain our share of business with existing customers while actively expanding sales in new applications.

Going forward, with market demand trends in mind, we will seek to maximize profit by pursuing thorough reductions in manufacturing costs and swiftly implementing appropriate price pass-through.

Net sales / Operating profit / Operating profit margin



Related Group company: **KATSURA SANGYO CO., LTD.**
Description of business: Sales and marketing of chemical products

Location: 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021, Japan
TEL: +81-3-6852-0490 (Main switchboard)
Webpage: https://www.katsura-ks.co.jp/ (Japanese only)

Agro-Science Segment

https://www.hodogaya.co.jp/english/products/segment04/

Three Strengths

Co-creating new, environmentally friendly markets through original product development based on our formulation technology.

- Home gardening herbicides with the leading market share in Japan through development of new products tailored to needs
- Creativity and proposal capabilities to create new products that support everyday living
- R&D capabilities that improve the agricultural environment through the development of oxygen supply materials, etc.

Description of Business

- The products offered by the Agro-Science segment are used in a wide range of fields, from controlling weeds to insect pest management and environmental conservation for cropland, living environments, railways, forests, and golf courses.
- Using a variety of intermediates, primarily those developed in-house, we have continued to develop new formulations that combine ease of use with safety and that are tailored to the needs of the location and the customer. In particular, we have a leading market share in herbicides used for home gardening and in green space management.
- In order to improve soil environments that have deteriorated as a result of weather conditions, and other factors, we are manufacturing oxygen supply materials for use as soil improvement agents that can lead to stable production of crops, and working on developing this market.

Oxygen Supply Materials (Agricultural Materials)

In recent years, extreme weather conditions, including torrential rains and typhoons, have become more frequent with each passing year. In addition to the direct damage that these events cause to farmland, crop yield is also affected due to moisture damage. As an application of hydrogen peroxide derivatives in the agricultural field, we provide customers with oxygen supply materials that promote healthy growth by supplying oxygen to soil harmed by bad weather and other factors, thereby improving the growing environment for crops as a countermeasure against moisture damage. These are also environmentally friendly products that do not contaminate farm land.

Basic Strategies and Initiatives under the Mid-term Management Plan

Under the previous Mid-term Management Plan, sales expansion in the agricultural materials field fell short of initial expectations, while costs associated with the re-evaluation of agrochemical registrations also weighed on earnings.

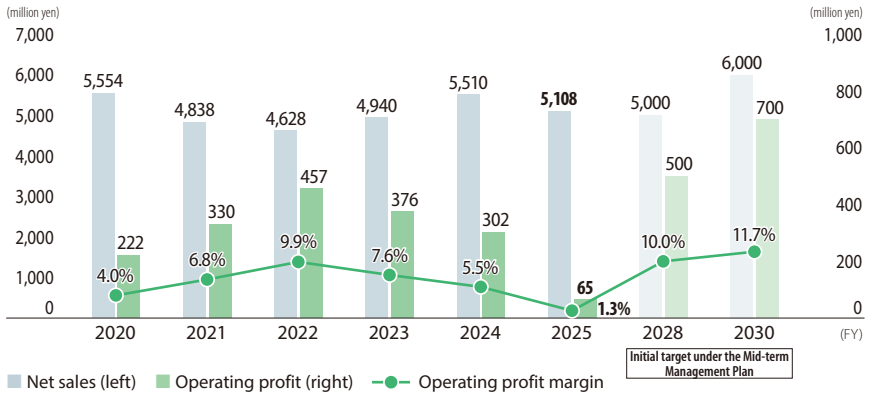
Under the Mid-term Management Plan, we will seek to increase our market share across five key application areas of home gardening, railways, forests, golf courses, and paddy field levees, while developing new markets, including public infrastructure facilities.

We will also highlight the new value offered by oxygen supply materials in improving the soil environment and work to further expand their applications and sales.

We will also pursue the development of new applications that leverage our proprietary hydrogen peroxide derivative technologies.

Going forward, to further expand business earnings, we will work to build a stable supply structure, develop new business channels, and introduce compelling products, including through collaboration with other companies.

Net sales / Operating profit / Operating profit margin



Related Group company: **HODOGAYA UPL Co., Ltd.**
Description of business: Manufacturing and sales of agricultural chemicals
Location: 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021, Japan
TEL: +81-3-6852-0500 (Main switchboard)
Webpage: http://www.hodogaya-upl.com/ (Japanese only)

Related group company: **HODOGAYA AGROTECH Co., Ltd.**
Description of business: Manufacturing and sales of agricultural chemicals
Location: 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021, Japan
TEL: +81-3-6852-0510 (Main switchboard)
Webpage: http://www.hodogaya-agrotech.co.jp/ (Japanese only)

Logistics Segment

https://www.hodogaya.co.jp/english/products/segment05/

Three Strengths

Shaping next-generation safety and security by integrating advanced technologies with our know-how in handling hazardous materials and chemicals.

- Expansion into wide-ranging areas of logistics business through our expertise in handling chemicals, pharmaceuticals, and other hazardous substances
- Largest-in-class regional storage services and land, sea, and air transport services that draw on our locational advantages in Yokohama, Koriyama, and Nanyo
- Provision of intermodal international transport utilizing the Nanyo Branch's ISO tank container depot

Description of Business

- The logistics business of the Hodogaya Chemical Group has been handling hazardous substances and chemicals for over a century. Drawing on this extensive expertise, it offers services highly regarded by customers in various fields beyond the chemical industry.
- We have large-scale facilities in Yokohama, Koriyama and Nanyo. In particular, the Yokohama Branch is conveniently located close to Japan's leading port of Yokohama and is used by many customers as a base for imports and exports. Our Koriyama and Nanyo distribution sites also offer storage and transportation services optimized for chemical products, heavy cargo, machinery and plants.
- In October 2021, the Nanyo Branch launched a business involving the storage and heating business handling ISO tank containers for hazardous and toxic materials, which is unique in Japan.

Response to Amendments to Two Logistics Laws

The Hodogaya Chemical Group is promoting logistics efficiency in its roles as both consignor and consignee as part of its efforts to build a sustainable supply chain. By reducing truck waiting and cargo handling times and improving load factors, we will help improve working conditions for our carrier partners and reduce GHG emissions, thereby fulfilling our social responsibilities.
The entire Group will continue working together to improve logistics efficiency and establish an appropriate transportation system.

Basic Strategies and Initiatives under the Mid-term Management Plan

Under the previous Mid-term Management Plan, we consistently secured operating profit through growth in the ISO tank container storage business and appropriate price pass-through.

Under the Mid-term Management Plan, as a warehousing business specializing in the handling of hazardous substances and poisonous and deleterious substances, we will implement priority measures at each branch to secure stable demand and build a solid earnings base.

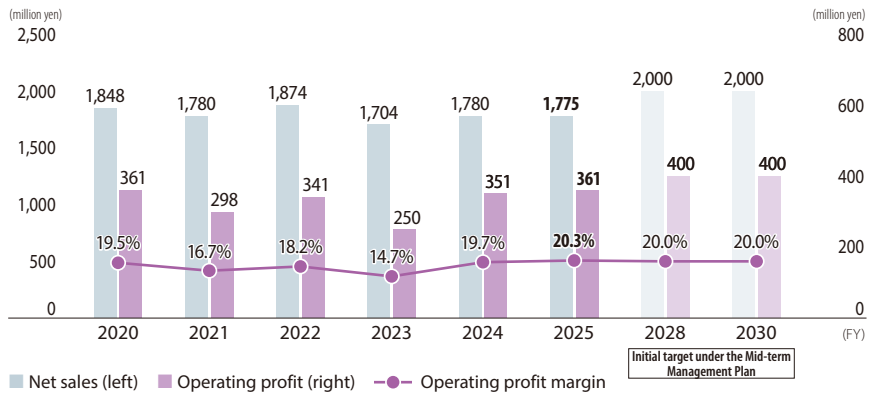
At the Koriyama Branch, we will expand temperature-controlled warehouse capacity for hazardous substances to win new business.

At the Yokohama Branch, we will seek to further improve profitability by making new capital investments and increasing the volume of import and export business that leverages its favorable location.

At the Nanyo Branch, we will strengthen efforts to win new business and expand operations in preparation for the full-scale operation of the ISO tank container storage business.

Going forward, as the logistics arm of a chemical manufacturing group, we will leverage our expertise in handling hazardous substances and poisonous and deleterious substances to expand our business and acquire additional customers.

Net sales / Operating profit / Operating profit margin



Related Group company: **Hodogaya Logistics Co., Ltd.**
Description of business: Warehousing and logistics

Location: 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021, Japan
TEL: +81-3-6852-0520 (Main switchboard)
Webpage: https://www.hodogaya.co.jp/hlc/ (Japanese only)

Hodogaya Chemical Group's Sustainability

Basic approach

The Hodogaya Chemical Group takes its Management Philosophy, PURPOSE, and VISION as the foundation of its day-to-day activities and seeks to realize a sustainable planet and society. Based on the principle of balancing the pursuit of economic value with solutions to social issues and providing value to all stakeholders, the Group actively promotes sustainability initiatives.

Sustainability policy

The Hodogaya Chemical Group aims to address social issues within its business areas while ensuring economic rationality. By promoting sustainability management in a manner suited to its scale and advancing it in a sustainable way, the Group seeks to enhance corporate value over the medium- to long-term and achieve sustainable growth.

As a comprehensive policy, we have established our Sustainability Policy, which sets forth our basic approach and related policies for addressing sustainability-related challenges from five perspectives, guiding us in pursuing initiatives with clear intent.

To advance these efforts, we have established the Sustainability Development Committee, chaired by the Executive Officer overseeing the Corporate Planning Department. Matters discussed by the Committee are regularly submitted to or reported to the Board of Directors and Management Committee for deliberation or reporting.

Corporate Philosophy System

Sustainability Promotion Structure

Details on sustainability can be found on our website.
https://www.hodogaya.co.jp/english/csr/csr_management/

Disclosure of Information Related to Climate Change Based on TCFD

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Basic approach

Under the Mid-term Management Plan CODE/CHORD 2030, which began in FY2026, the Hodogaya Chemical Group aims to provide value by balancing the pursuit of economic value with solutions to social issues. As a chemical company, Hodogaya Chemical takes climate change seriously and, based on the TCFD recommendations, for which it declared its support in November 2022, will continue to advance its initiatives and proactively disclose information.

Governance and Risk Management

The Sustainability Development Committee is responsible for promoting initiatives toward the realization of a sustainable planet and society in accordance with the Management Philosophy. Under the Committee, we have established the Global Environment Subcommittee, which promotes activities related to the preservation of the global environment, and the TCFD Subcommittee, which addresses the TCFD recommendations, in addition to the RC/QM Subcommittee, which promotes Responsible Care activities. The Risk Management Committee, which discusses Companywide risk recognition and evaluation as well as risk mitigation measures, also discusses, as environmental risks, the climate-related risks and opportunities identified by the TCFD Subcommittee. The matters discussed by each committee and subcommittee are submitted to the Board of Directors and Management Committee for deliberation or reporting, with management working together to address them.

Strategies and Risk Analysis

As we advance the business strategies under the Mid-term Management Plan CODE/CHORD 2030, production volumes are expected to increase. We have classified the risks projected from a long-term perspective, looking ahead to 2030, into TCFD risk categories, are proceeding with climate scenario analysis, and from the results of our analysis, we are promoting new initiatives and opportunities for transition risks and physical risks.

Scenario Analysis

Risks and Opportunities			Risks	Opportunities	Measures	Impact on business
Transitional risk 1.5°C scenario	Policy/ Regulation	• Strengthening energy-related laws and regulations • CO_2 reduction	○		• Promoting energy saving • Use of renewable energy • Review of manufacturing process	Increase in energy costs and raw material procurement costs due to the introduction of a carbon tax, etc.
		Strengthening environment management	○		Strengthen the internal structure by leveraging the knowledge gained thus far	Increased cost burden for maintenance and improvement of management system
	Technology	Creation of new technologies for environmental friendliness	○	○	• Strengthen R&D to meet demands • Strengthen production technology capabilities by reviewing manufacturing processes, etc.	**[Risk]** Increase in R&D and manufacturing costs **[Opportunity]** Maintain and expand market share by providing products and services that meet demand
	Market	Eco-friendly market formation	○	○	• Revise and strengthen business strategies by deepening market and customer needs, and improve R&D and manufacturing technology capabilities corresponding to them	**[Risk]** Increase in R&D and manufacturing costs **[Opportunity]** Maintain and expand market share by providing products and services that meet demand
	Reputation	Stakeholders placing higher priority on environmental considerations	○	○	• Enhancing dialogue with local communities, officers and personnel and shareholders, and securing a system	—
Physical risk 4°C scenario	Chronic	Rise in average temperature	○	○	• Labor saving and automation of manufacturing equipment	**[Risks and Opportunities]** Response to market changes, especially in the agrochemicals business
	Acute	Increase in earthquakes, typhoons, and floods	○		• Promote multiple purchases, strengthen BCP	Shutting down of factories and inability to procure raw materials

Disclosure of Information Related to Climate Change Based on TCFD

Details on TCFD can be found on our website.
https://www.hodogaya.co.jp/english/csr/eco/tcfd/

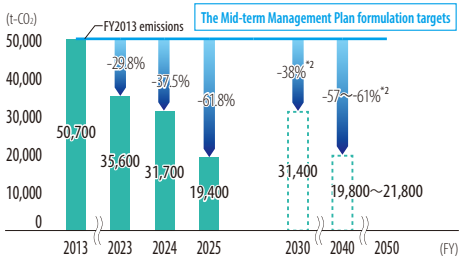
Targets and Indicators

The Hodogaya Chemical Group has set the following non-financial target (climate change-related) in its Mid-term Management Plan CODE/CHORD 2030: a 38% reduction in energy-related CO_2 emissions from the FY2013 level (non-consolidated). This target is reviewed by the Global Environment Subcommittee, discussed by the Sustainability Development Committee, and progress is confirmed by the Board of Directors and Management Committee.

Responding to Climate Change

Most of the greenhouse gases (GHG) emitted by Hodogaya Chemical are carbon dioxide. Energy-related GHG emissions for FY2025 were 19,400 t-CO_2*1. In anticipation of increased production volumes as our business expands, we will work to reduce energy-related CO_2 emissions with a view toward FY2030 and FY2040. We have also implemented Internal Carbon Pricing (ICP), which assigns a price to carbon emissions, since FY2022.

CO_2 emissions trend*1



*1 Non-energy-originated CO_2 emissions are not included.
FY2025 non-energy-related GHG emissions were 16,300 t-CO_2.
*2 Reduction targets for FY2030 and FY2040 are based on government-announced reduction targets by industry.

Roadmap for Reducing CO_2 Emissions

		2030 Toward achieving future goals		2050 Development of hydrogen society and challenge to carbon neutrality	
Promotion of technological innovation	Process	• Efforts to save energy — Promotion of high efficiency through process improvement — Promotion of waste heat recovery (heat pump)		• Study of hydrogen plant CO_2 recovery and use	• External procurement of green hydrogen
Emissions from own production activities (Scope 1)	Steam boiler	• Efforts to save energy — Active use of waste heat	• Improvement of electrification rate of heat source		• External procurement of green hydrogen • Fuel conversion (LNG → hydrogen) — Hydrogen-fired boilers introduced at all plants • Introduction of cogeneration (hydrogen mixture → hydrogen-only combustion)
Expansion of use of renewable energy Externally purchased energy (Scope 2)	Electricity	• Efforts to create energy — Introduction of renewable energy • Efforts to save energy — Promotion of high efficiency • Gradual switch to carbon-free power sources using renewable energy			
Utilizing the ICP system Daily improvement through energy saving	–	• Promoting ICP system • Continue switching to LED lighting equipment • Continue to introduce top-runner equipment • Reduction of heat loss through appropriate management of heat insulating materials and traps • Efficient operation			

* 1 Scope 1: Direct emissions * 2 Scope 2: Indirect emissions

Responsible Care (RC)

Related Materiality
• Preserve the global environment

Environment Basic approach

In protecting the environment, the Hodogaya Chemical Group continuously reduces the emission volumes of all chemical substances released into the air, water, and soil, and the volume of waste discharged in the course of its business operations. As its implementation structure, under the Basic Philosophy of Responsible Care (RC) the Group obtained integrated certification for the ISO 14001 environmental management system covering all Hodogaya Chemical offices and Group company offices located in Japan.

ISO 14001: 2015 Environmental management systems
Certification body
Japan Chemical Quality Assurance
Registration No. JCQA-E-0330
Compatible standards
JIS Q 14001:2015/ISO 14001:2015
Date of acquisition December 25, 1996

Initiatives to Reduce Greenhouse Gas (GHG) Emissions

The Hodogaya Chemical Group considers responding to climate change to be a crucial management challenge. We have actively promoting initiatives to reduce greenhouse gas (GHG) emissions, in order to fulfill our responsibilities toward realizing an environmentally conscious society as set forth in our Management Philosophy.

Most of the GHG emitted by Hodogaya Chemical is CO_2. The energy-related GHG emissions for FY2025 are 19,400 t-CO_2*1.

We will continue to work on reducing emissions through the introduction of energy-saving equipment and switching to renewable energy sources based on long-term decarbonization investments to reduce energy intensity. Regarding Scope 3, we are currently at the stage of gathering information on other companies' initiatives.

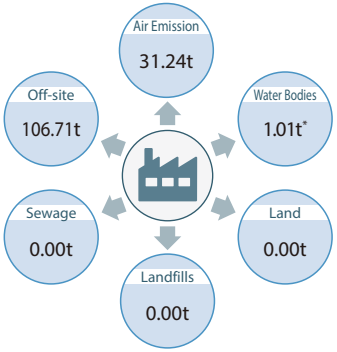
Details on Responsible Care can be found on our website.
https://www.hodogaya.co.jp/english/csr/eco/safety_responsible/

Responsible Care (RC)

Initiatives to Lower Environmental Impacts

- **Prevention of air pollution**: Hodogaya Chemical is committed to reducing emissions of SOx (sulfur oxides), NOx (nitrogen oxides), and dust associated with chemical production at its plants. Following the switch to city gas as fuel, which was completed in FY2011, the Company has maintained zero SOx emissions since FY2012. In addition, the introduction of dust collectors, scrubbing towers, and the use of catalyzers has resulted in a significant reduction in the emissions of NOx and dust.
- **Protection of water resources and prevention of water pollution**: In FY2025, Hodogaya Chemical used 9,992 kilotons of water at its plants, 99% of which was drawn from rivers. The use of potable tap water was minimal, and no water was drawn from other sources. According to an assessment of plant locations using AQUEDUCT, the World Resources Institute's water risk evaluation tool, none of the Company's water intake sites were located in areas classified as having high water risk.

  Wastewater from manufacturing processes is treated at on-site facilities using advanced methods before being discharged into public water bodies, in compliance with regulatory standards for water pollutants. In FY2025, there were no violations related to water usage or water quality, and we will continue to maintain thorough management of our wastewater treatment facilities to reduce environmental risks to oceans and rivers.
- **Industrial waste reduction**: The Hodogaya Chemical Group promotes the 3R+Renewable initiative (reduce, reuse, recycle, renewable). For FY2025, the industrial waste reduction target was set at no more than the volume generated in the previous fiscal year. In FY2025, both total emissions and final disposal volume decreased year on year. We will continue striving to reduce industrial waste.
- **PRTR**: Based on the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (PRTR Act), which is the legal regulation of chemical substances, Hodogaya Chemical manages the release and transfer of PRTR-listed substances that are manufactured or used and reports them to the national authorities. From the perspective of environmental conservation, we will ascertain the actual status of chemical substance emissions and transfers as waste, while continuing to strive to work to reduce the amounts of such substances released and transferred.



* Of which 1.00 tons have been sent to the adjacent wastewater treatment facility and released into the public water bodies after being treated.

Details on PRTR can be found on our website.
https://www.hodogaya.co.jp/english/csr/eco/environmental_data/#a21

Workplace Safety and Health, Security and Disaster Prevention — Basic approach

The Hodogaya Chemical Group places the highest priority on ensuring workplace safety and health as the basis of its production activities, and ensures thorough compliance with laws and regulations related to safety and health, to achieve disaster-free operation. In order to promote workplace safety and health, and security and disaster prevention, we spell out the basic rules on actions to be taken by the Hodogaya Chemical Group based on relevant laws and regulations in the Safety and Health Management Rules, the Disaster Prevention Rules, and the Logistic Safety Management Rules.

Initiatives for Workplace Safety and Health

The Safety and Health Management Rules set forth the basic requirements for safety and health management to prevent occupational accidents and health problems among all personnel. Through cooperation between labor and management, we seek to create a more comfortable work environment, facilitate smooth operations, and improve productivity.

Furthermore, the Group has designated February 3 as its annual Safety Day to ensure that the lessons learned from the fire at the Yokohama Plant on February 3, 2012 are never forgotten, to strengthen its safety culture, and to foster a shared commitment among all Group personnel to building a safe operational framework.

In FY2025, a lost-time injury occurred at a Group company for the first time since FY2020. We take this incident seriously and will continue to strengthen the implementation of each measure.

Initiatives for Disaster Prevention

The Group conducts its activities in accordance with its basic principle to deliver security and safety, including environmental conservation, to local communities and society. The Disaster Prevention Rules stipulate that education and training be carried out on a regular basis in preparation for an accident or other emergency.

Through near-miss activities, KYT (Kiken Yochi Training, risk prediction training), PYT (process error prediction training), and various patrols at business sites, we strive to instill an awareness of safety and disaster prevention among all personnel and enhance their ability to sense danger.

The effectiveness of safety and environmental conservation initiatives at each business site is also verified based on the "5-Gen" (5-Actuals) principle (actual place, actual thing, actual situation, principles, and rules) during internal RC audits conducted by members of the RC/QM Subcommittee.

For more information on workplace safety and health and security and disaster prevention, please visit our website
https://www.hodogaya.co.jp/english/csr/eco/safety_health_logistics/

Responsible Care (RC)

Related Materiality

- Ensure product and chemical safety
- Improve product value and reliability

For more information on chemical and product safety, please visit our website
https://www.hodogaya.co.jp/english/csr/eco/chemical_product_safety/

Chemicals and Product Safety　Basic approach

Based on the Basic Philosophy of Responsible Care (RC), which calls for environmental conservation and the assurance of safety, health, and quality as a foundation of management, the Hodogaya Chemical Group has established internal rules for chemical substance management.

These rules are intended to voluntarily manage chemical substances that may affect human health or the global environment throughout all processes from development to disposal, thereby reducing associated risks.

Chemical Substance Management

From the perspectives of environmental conservation, security and disaster prevention, workplace safety and health, and product safety, the Hodogaya Chemical Group manages chemical substances at every stage, from development and raw material procurement to manufacturing, use, and disposal.

The chemical substances subject to management include those regulated under Japanese laws and regulations, as well as substances that customers require us to manage under the RoHS Directive, REACH, green procurement policies, and other requirements.

The substances are classified into three categories: prohibited substances, the manufacture, import, and use of which are prohibited in principle under Japanese law; release-restricted substances, for which limits on releases into the environment or reductions in environmental impact are required; and controlled substances in products, which customers require to be excluded from products or managed for content levels. Information on all products, raw materials, and chemical substances handled by the Hodogaya Chemical Group is centrally managed in a database.

We also promote confirmation of compliance with laws and regulations in Japan and overseas, automation of multilingual safety data sheets (SDSs) and product labels, and preparation of safety information on chemical substances contained in products. Through these initiatives, we provide customers with information promptly and reliably in standardized formats.

Compliance with Global Laws and Regulations

In recent years, in addition to TSCA in the United States and REACH in Europe, Asian countries and regions including South Korea, China, and Taiwan have been actively introducing and enforcing chemical substance regulations.

As the Hodogaya Chemical Group expands its business globally, it works closely with overseas subsidiaries and representative offices and actively participates in industry activities to quickly identify the latest regulatory developments in each country and region.

This enables us to respond to global regulations in a timely manner. We also ensure that regulatory information and response measures obtained from each country and region are shared throughout the Group, strengthening our global chemical substance management framework and ensuring rigorous compliance.

Risk Assessment of Chemicals

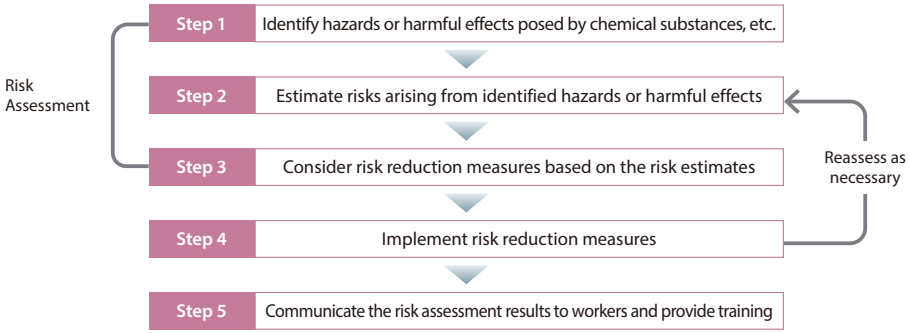
The Hodogaya Chemical Group has established Risk Assessment Procedures to prevent accidents and disasters and is implementing appropriate measures.

Assessment targets are divided into two categories: general operations and operations involving chemical substances, to clarify the risks involved.

In addition, in response to revisions to the Industrial Safety and Health Act, we are working to prevent occupational accidents by strengthening our autonomous chemical substance management framework, enhancing the communication of information, and thoroughly conducting risk assessments.

As part of our chemical risk assessment initiatives, we have opened an SDS download page on our website to strengthen the provision of information to customers.

We will continue to contribute to safe and reliable chemical substance management and to safety throughout the supply chain through appropriate information disclosure and risk reduction measures.



Hygiene Management Incorporating HACCP Principles for Certain Products

HACCP is an international standard for food hygiene management.

In addition to consistently implementing general hygiene management, a hygiene management plan must be prepared based on the raw materials used and manufacturing methods. The plan identifies hazards such as contamination by foodborne bacteria and foreign matter and eliminates or reduces them to levels that do not pose food hygiene concerns.

At the Koriyama Plant, hydrogen peroxide and peracetic acid for use as food additives are manufactured under a hygiene management system that complies with HACCP requirements. The plant obtained certification in FY2021.

We will further enhance the reliability of our hygiene management, increase the added value of our product lineup, and meet customer needs.

Responsible Care (RC)

Related Materiality

- Ensure product and chemical safety
- Improve product value and reliability

For more information on quality assurance, please visit our website
https://www.hodogaya.co.jp/english/csr/eco/quality_assurance/

Quality Assurance Basic approach

In accordance with the "RC Basic Philosophy" and the "RC Basic Policy," the Hodogaya Chemical Group practices quality assurance activities with a commitment to "customer-oriented quality."
Across all products and services, we practice quality control based on the quality management system (QMS) with a high level of expertise and responsibility to meet customer expectations. The Hodogaya Chemical Group in Japan and HODOGAYA CHEMICAL KOREA have obtained certification to ISO 9001, the international standard for quality management systems, while SFC has obtained certification independently.
We will continue to promote continuous improvement and enhance customer satisfaction, thereby strengthening reliability and brand value and increasing corporate value.

ISO 9001: 2015 Quality management systems
Certification body
Japan Chemical Quality Assurance
Registration No. JCQA-0184
Compatible standards
JIS Q 9001:2015/ISO 9001:2015
Date of acquisition December 25, 1996

Initiatives for Quality Assurance

We will continue to promote company-wide quality assurance activities with a focus on preventing complaints and defective products. To ensure that all employees involved in our products and services maintain a high awareness of quality, we foster an environment where both experienced and younger staff can learn from daily operations and drive improvement. This is achieved through sharing lessons learned from quality-related incidents at other sites and conducting quality near-miss activities, and exchanging information in the Quality Management Committee and QM representative meetings. At the same time, challenges remain in our efforts to eliminate customer complaints. By returning to the fundamentals, reinforcing feedback loops with each workplace, and providing education to raise quality awareness, we aim to identify quality issues at an early stage and establish effective countermeasures. Guided by our commitment to "customer-oriented quality," we will continue to provide high-performance, high-value-added products and services that earn our customers' trust and satisfaction.

Four quality assurance activity systems

1. Quality assurance activity system from the planning stage to stable production of products
2. Quality assurance activity system for the steady production operation of products
3. Quality assurance activity system for commercial goods and OEM products
4. Activity system to review the quality assurance activities

Quality Assurance Targets

Materiality	Indicator	Results		
		FY2023	FY2024	FY2025
Improving product value and reliability	Zero major quality complaints	1	0	0

Initiatives during Quality Month

The Hodogaya Chemical Group conducts initiatives to raise awareness of quality management in November, which is designated as Quality Month. Since 2020, we have designated the third Friday of November as Quality Day, when all officers and employees gather at each site and a representative from each site recites the Quality Pledge. In addition, through a company-wide QC circle presentation meeting, employees work with colleagues to develop and implement measures to resolve issues in their workplaces. These initiatives provide an opportunity to share our commitment to maintaining and enhancing quality, as well as to reinforce the importance of compliance. They also raise each employee's awareness of preventing quality complaints, thereby contributing to greater customer satisfaction.

Improving Supplier Quality

With the cooperation of our suppliers, the Hodogaya Chemical Group conducts regular surveys and audits, helping us provide high-performance, high-value-added products that earn our customers' trust and satisfaction.

When issues are identified through document reviews or on-site audits, we propose improvement measures tailored to actual operating conditions and provide technical follow-up as necessary. We believe that building relationships in which we work with suppliers as partners to improve quality together, rather than simply managing them, is essential to improving quality throughout the supply chain, including ensuring stable supply. In recent years, we have also established a shared understanding with suppliers of the need to meet social expectations, including reducing environmental impacts and respecting human rights, in addition to ensuring quality. Going forward, based on strong partnerships with our suppliers, we will continue to improve quality, ensure the stable delivery of safe and reliable products, and contribute to the development of a sustainable society.

Responsible Care (RC)

Related Materiality

- Improve product value and reliability
- Put the philosophy of respect for human rights into practice

Procurement Activities Basic approach

The Hodogaya Chemical Group implements the activities of procurement based on the Compliance Action Policy and the Procurement Policy. We conduct fair, equitable, and good-faith transactions with all partner companies when purchasing raw materials, and facilities/equipment. We regard them as our good business partners in jointly addressing social issues.

Procurement Policies

The Hodogaya Chemical Group has established the Procurement Policy and Procurement Guidelines. In addition to committing to fair and equitable transactions, the concept of sustainable procurement, that is, giving consideration to the environment while deepening mutual communication was incorporated into the Procurement Policy. The Hodogaya Chemical Group conducts procurement in line with this policy.

In the basic purchasing contract concluded when doing business with the Hodogaya Chemical Group, there is a clause that covers compliance with the Procurement Guidelines. By encouraging adherence to these guidelines, we collaborate with our partner companies to meet environmental, social, and governance (ESG) requirements to conform with environmental, social, and governance needs, such as reducing the environmental impacts from raw material quality and the management and manufacture of chemical substances as well as respecting human rights throughout the supply chain, health and safety management, and ethics. Thus, the Hodogaya Chemical Group promotes compliance together with its partner companies.

Procurement Policy

1. Compliance with Laws and Regulations and Social Norms
2. Implementation of Environmentally Conscious Procurement Activities
3. Provision of Fair Transaction Opportunities
4. Deepening of Communications with Supply Chain

Details on the Procurement Policy can be found on our website.
https://www.hodogaya.co.jp/english/company/philosophy/#a8

Promotion of Sustainable Procurement

When procuring raw materials, facilities and equipment as well as other items, we endeavor to establish robust supply chains. From a global perspective, we search for financially sound partner companies that are capable of maintaining ongoing business relationships, including those that respect human rights and meet social expectations regarding environmental, social, and governance matters. In particular, amid uncertainty in the international environment and geopolitical risks, we are working to strengthen supply chain resilience by securing multiple suppliers for each raw material and diversifying the countries from which we procure.

For those business partner companies whose purchasing transactions exceed a certain amount, we regularly use a Procurement Guidelines Implementation Status Survey Sheet to confirm whether the compliance items listed in the Procurement Guidelines are being properly implemented. In parallel with confirmation by means of the survey sheet, we also conduct visiting audits of business partner companies based on document reviews, and work to deepen mutual understanding and establish relationships of trust with them while conducting improvement activities.

The personnel of the Purchasing Department are provided with the training necessary to put sustainable procurement activities into practice.

In April 2024, we obtained RSPO certification.

Details on Procurement Guidelines can be found on our website.
https://www.hodogaya.co.jp/english/wp/wp-content/uploads/2024/09/Procurement-Guidelines_ENG_20241001.pdf

Declaration on Partnership Building

Hodogaya Chemical is committed to promoting collaboration and mutual prosperity with our supply chain partners and other stakeholders involved in value creation, as well as implementing initiatives focused on building new partnerships.

Aiming to establish a sustainable supply chain, we will advance business activities that consider environmental and social aspects, based on constructive dialogue with our partners.

Details on the Declaration on Partnership Building can be found on our website. (Japanese only)
https://www.hodogaya.co.jp/wp/wp-content/uploads/2024/01/partnership2024.pdf

Responsible Mineral Resource Procurement

The Hodogaya Chemical Group promotes responsible mineral resource procurement and has established provisions for addressing conflict minerals in its Procurement Guidelines. We do not procure conflict minerals such as tin, tantalum, gold, and tungsten from conflict-affected areas. If the use of conflict minerals is identified, we will request corrective action from the relevant business partner and suspend the use of the raw material concerned until the corrective action has been completed.

Respect for Human Rights

Related Materiality

- Put the philosophy of respect for human rights into practice

Details can be found on our website.
https://www.hodogaya.co.jp/english/csr/stakeholder/humanrights/

Basic approach

The Hodogaya Chemical Group believes that respect for human rights as stipulated in the Constitution of Japan is a fundamental matter in carrying out its business activities. Identifying respect for human rights in our Sustainability Policy, we comply with laws and regulations as well as highly ethical and sensible behavior, respect the diversity, personality, and individuality of everyone working at the Hodogaya Chemical Group, and ensure a sound and pleasant working environment free of discrimination and harassment, while also paying close attention to respect for human rights regarding partner companies in accordance with the Corporate Action Guidelines and the Compliance Action Policy, which include items described in the United Nations "Guiding Principles on Business and Human Rights.

Corporate Action Guidelines
https://www.hodogaya.co.jp/english/company/philosophy/#a7

Compliance Action Policy (Japanese only)
https://www.hodogaya.co.jp/company/governance/action/

Human Rights Policy

The Hodogaya Chemical Group formulated the Human Rights Policy as part of its Sustainability Policy.

The Hodogaya Chemical Group regards respect for human rights as the basis of its business activities and ensures the following listed items in accordance with the Corporate Action Guidelines, Compliance Action Policy, and Procurement Policy, while also paying close attention to respect for human rights regarding partner companies.

1. Compliance with laws and regulations, and execution of highly ethical and sensible behavior
2. Respect for diversity, personality, and individuality of everyone working at the Hodogaya Chemical Group
3. Creation of a sound and pleasant working environment free of discrimination and harassment

Procurement Policy
https://www.hodogaya.co.jp/english/company/philosophy/#a8

Initiatives to Tackle Human Rights Issues in the Supply Chain

The Hodogaya Chemical Group has formulated the Procurement Policy and the Procurement Guidelines and has included clauses on compliance with the Procurement Guidelines in basic contracts with partner companies. In addition to understanding the content of these clauses, we also ask partner companies to undertake initiatives to tackle human rights issues that are similar to those of the Group. The Procurement Guidelines spell out the prohibitions against forced labor, child labor, inhumane treatment, and discrimination, proper wages, and work hours as items to be complied with for the Human Rights and Labor Standards.

Through these initiatives, no instances of forced labor or child labor have been identified across our supply chain.

Procurement Guidelines
https://www.hodogaya.co.jp/english/wp/wp-content/uploads/2024/09/Procurement-Guidelines_ENG_20241001.pdf

Human Rights Due Diligence Initiatives

The Hodogaya Chemical Group identifies human rights risks that may arise through its operations.

We are conducting education and training, upgrading workplace environments and systems, and engaging in supply chain management to address human rights risks and as preventive measures against identified risks.

We also closely monitor these activities to ascertain the effectiveness of preventive measures and to promote improvements on a continuous basis. We regularly conduct surveys of partner companies using the Procurement Guidelines Implementation Status Survey Sheet as part of efforts to monitor the supply chain and to confirm whether compliance items are properly implemented. In addition, we work to improve activities to deepen mutual understanding while building mutual trust with our partner companies.

A grievance mechanism is in place to detect and address risks related to human rights.

Establishment of a System to Prevent All Forms of Harassment

The Hodogaya Chemical Group has established a system to comprehensively prevent all forms of harassment that could be considered as violations of human rights. This includes workplace bullying, sexual harassment, pregnancy-related harassment, or harassment related to leave taken for childcare or other long-term nursing care. After clearly stipulating in our business policies and Work Rules that harassment is prohibited, we have created harassment prevention regulations and a manual in order to implement a range of measures, including establishing a consultation desk and implementing internal human rights due diligence.

During Compliance Training, officers and personnel are regularly educated on the prevention of various types of harassment and about consultation desks, and by continuing to do so, we will ensure a work environment that respects human rights.

Inquiries from partner companies
https://www.hodogaya.co.jp/english/eng_cntct/othr_i/

Grievance System

The Hodogaya Chemical Group has established an Internal Reporting Contact Point within the Group based on its Internal Reporting System.

The Internal Reporting System is communicated to officers and personnel through compliance training conducted several times each fiscal year. In addition, the status of internal reporting and other related matters is reported to the Audit & Supervisory Committee.

Business partners and customers are requested to use the Other Inquiries form on our website.

	FY2023	FY2024	FY2025
Number of internal reports	0	1	0

Community and Society

Related materiality
- Contribute to communities

Details can be found on our website.
https://www.hodogaya.co.jp/english/csr/stakeholder/community

Basic Approach

The Hodogaya Chemical Group believes that, as a corporate citizen, contributing to the sustainable development of the community is an important activity in carrying out its business. We are engaged in various community contributions including the nurturing of children through chemistry, environmental conservation activities in the regions where the Group's plants are located, and the provision of value in both tangible and intangible forms that enrich people's lives. In addition, if a disaster affecting an area where one of our key bases is located is designated as a major disaster by the Cabinet Office, and the damage to the area around the base is severe, we donate a certain percentage of the previous fiscal year's earnings to the impacted prefecture.

Social Contribution Activities

In FY2025, total expenditures on social contribution activities amounted to 14.27 million yen. Of this amount, 10.17 million yen was spent on events and other activities in communities where our plants are located, while 4.10 million yen was spent on environmental improvement and other activities.

Community contribution initiatives

- Support for local infrastructure (e.g., vehicle evacuation drills for Fukushima Kotsu buses)
- Cleanup and weeding activities (e.g., the Clean Koriyama Campaign and weeding rice fields for a nearby sake brewery)
- Biodiversity initiatives (e.g., cleanup activities in surrounding bodies of water such as lakes and rivers, tree-planting activities, the Shunan City Blue Carbon Project, and Nagano Prefecture's Biodiversity Conservation Partnership Agreement)
- Educational support (e.g., the Summer Vacation Children's Chemistry Experiment Show, outreach classes, and internship programs)
- Dialogue with local communities (e.g., plant tours)
- Participation in local events (e.g., the Uneme Festival, Koriyama Industrial Expo, and Sun Festa Shinnanyo)
- Sign language classes
- Donations to children's cafeterias, food pantries, and other organizations
- Financial support for local high schools participating in national competitions

Social contribution expenditures

(million yen)

	FY2023	FY2024	FY2025
Social contribution expenditures	14.17	10.33	**14.27**
Community events, etc.	10.27	10.33	**10.17**
Environmental improvement, etc.	3.90	0	**4.10**

Support for Local Infrastructure and Disaster Response Cooperation

The Hodogaya Chemical Group works together with local governments and members of local communities as a responsible member of society, striving to contribute to safe and secure communities.

As part of these efforts, we provide portions of our plant grounds free of charge for public use. At the Koriyama Plant, the land is used for public infrastructure including an east-west passage at Koriyama Station, a municipal bicycle parking facility, and a taxi waiting area. At the Nanyo Plant, it is used for facilities including the Shin-Nanyo Baseball Stadium.

In the area of disaster preparedness, the Koriyama Plant, Koriyama City, and the Koriyama Branch of Fukushima Kotsu have entered into an agreement on the evacuation of bus vehicles in the event of a disaster. When Typhoon No. 19 struck in 2019, part of the plant grounds was promptly made available as an evacuation site, helping to reduce damage to public transportation vehicles. We will continue to actively cooperate in initiatives that help protect the safety of local communities.

Award at the Yamaguchi Prefecture Hazardous Materials Safety Convention

At the awards ceremony held during the Yamaguchi Prefecture Hazardous Materials Safety Convention on June 19, 2025, the Nanyo Branch of Hodogaya Logistics Co., Ltd. received an award in the Outstanding Business Establishment category, together with 13 other organizations in Yamaguchi Prefecture. The award was presented following a recommendation by the Shunan City Fire Department, which highly evaluated the branch's longstanding efforts to ensure the safe management of hazardous materials facilities and appropriately prevent accidents and disasters. Encouraged by this recognition, we will continue to ensure rigorous safety management of hazardous materials facilities and thorough accident and disaster prevention, while actively cooperating with and contributing to local safety activities, including those of the Shunan City Hazardous Materials Safety Association.

Community and Society

Educational Support Through Chemistry

The Hodogaya Chemical Group actively promotes educational support activities, including participation in hands-on experiment events and outreach classes at elementary schools. Through these activities, we aim to convey the fun and wonder of chemistry to children who will lead the next generation, while helping to advance science and technology and foster environmental awareness. In August 2025, we participated in the Summer Vacation Children's Chemistry Experiment Show held at the Science Museum. In a hands-on experiment titled "Making an Ocean Bottle" using its natural dyes, children enjoyed hands-on learning about the properties that cause water and oil to separate. The event proved extremely popular, with all reservation slots quickly filling each day. We also conduct outreach classes at our business sites in cooperation with local communities. In October 2025, employees from the Nanyo Plant visited two nearby elementary schools, where they conducted experiments separating ink through capillary action and "creating flags with liquids" using differences in density. Through familiar phenomena, the activities encouraged children to take an interest in chemistry. In February 2026, the Koriyama Plant held a class on the theme of "water" for fourth-grade students at a nearby elementary school. The class included an experiment filtering muddy water using a filter made from a plastic bottle and a liquid nitrogen demonstration. Employees also introduced the Koriyama Plant's environmentally conscious initiative of treating water drawn from a nearby river before returning it to the environment, providing an opportunity for deeper learning linked to the SDGs and the science curriculum.

WFP Walk the World

The Hodogaya Chemical Group joined "WFP Walk the World for Africa 2025 Yokohama," a charity event organized by the United Nations World Food Programme (WFP), as part of its CSR activities. Supporting SDG 2, "Zero Hunger," the event donates a portion of entry fees to provide school meals for children in Africa. On May 11, 2025, a total of 10 officers and employees from the Head Office and Yokohama Plant took part in the 5 km course, with all participants completing the walk. The event attracted 4,741 walkers in total and raised enough funds to provide school meals for approximately 155,000 children.

The Hodogaya Chemical Group will continue to contribute to a sustainable society through the proactive actions of each of its officers and employees.

Biodiversity Conservation Initiative: Lake Inawashiro Clean Action

The Hodogaya Chemical Group actively works to conserve biodiversity.

On April 26, 2025, we participated in the "Lake Inawashiro Clean Action," a cleanup activity along the shores of Lake Inawashiro. Carrying out cleanup activities amid the area's rich and beautiful natural surroundings gave participants a firsthand appreciation of the importance of environmental conservation. It also provided a valuable opportunity to build connections through warm interactions with local residents and fellow officers and personnel. Every member, including new hires, takes an active role in social contribution activities. We will continue to promote community-based environmental conservation activities toward the realization of a sustainable planet and society.

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

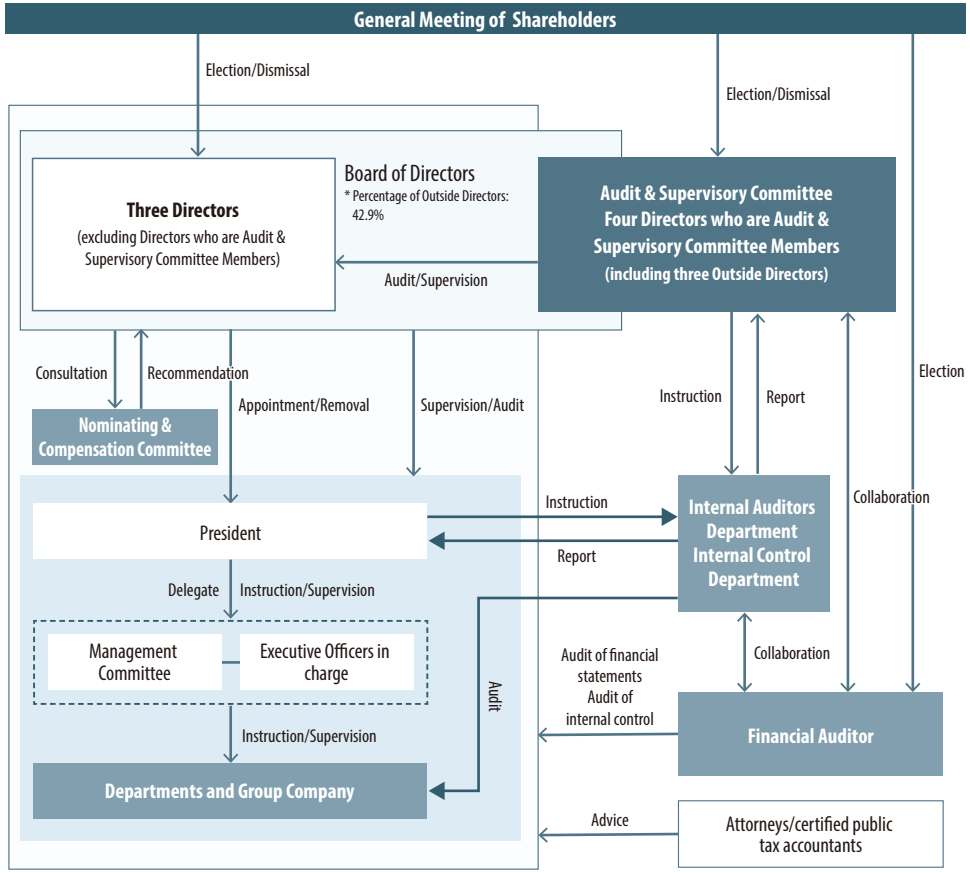
*1 As of July 1, 2026
*2 To increase the speed and agility of corporate management, the Board of Directors entrusts the decision-making on business operations to the Representative Director and President, excluding matters statutorily prescribed to be exclusively deliberated by the Board of Directors.

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/

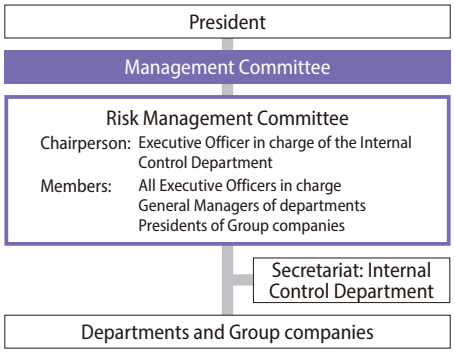
Basic Approach

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.

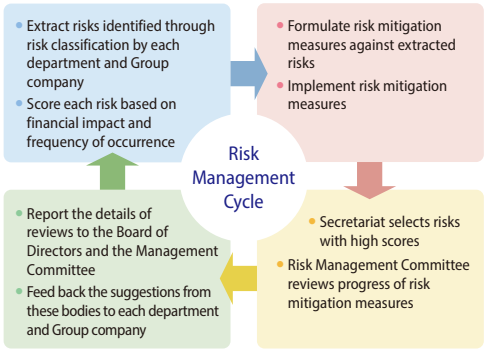
Risk Management Committee

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

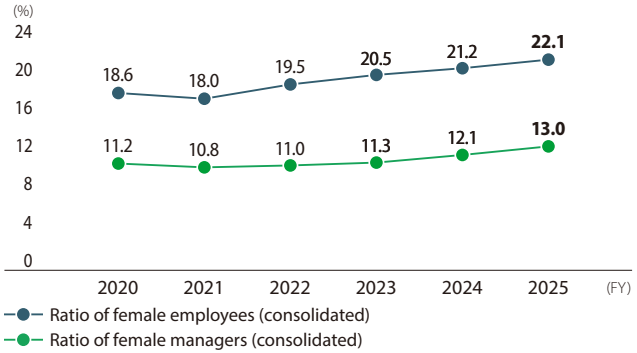
Based on the risk management cycle depicted in the figure to the left, deliberations by the Risk Management Committee in FY2025 focused primarily on sales, manufacturing, and procurement risks.

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.

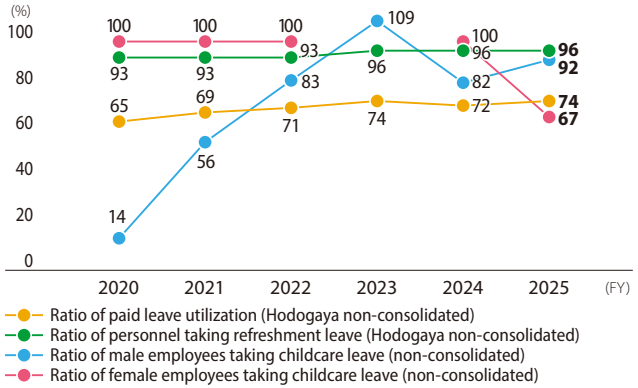
Non-Financial Highlights

Ratio of female employees, Ratio of female managers



The Hodogaya Chemical Group promotes the active participation of women. The ratio of female managers has remained at 10% or higher since FY2018 and reached 13% (consolidated) in FY2025. Under the Mid-term Management Plan CODE/CHORD 2030, we have set a target of 15% (consolidated) for the ratio of female managers and will work to foster an organizational culture in which diverse human resources can fully demonstrate their capabilities.

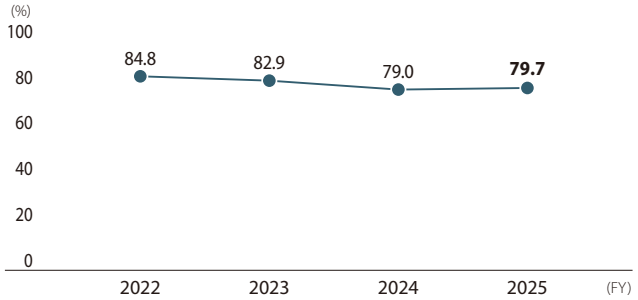
Ratio of paid leave utilization, refreshment leave, and childcare leave



Hodogaya Chemical's annual paid leave utilization rate (non-consolidated) has remained at 70% or higher for the past four years. With regard to childcare leave, we are working to create an environment in which employees can take leave more easily, including by providing allowances to employees who provide a certain level of support for colleagues taking childcare leave. The ratio of male employees taking childcare leave (non-consolidated) was 92% in FY2025. We will continue to support flexible work styles and work to enhance engagement and organizational capabilities.

* Ratio of female employees taking childcare leave had no eligible employees in FY2023. In FY2025, the rate was effectively 100% due to a timing shift in when leave was taken.
* In FY2023, the ratio of male employees taking childcare leave exceeded 100% due to a timing shift in when leave was taken.

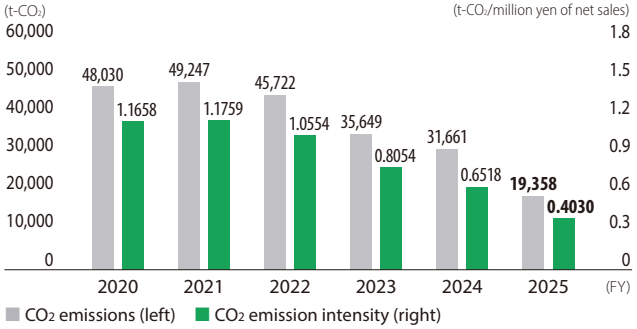
Gender wage gap



The gender pay gap (non-consolidated) reflects differences in employee composition by grade and the fact that men account for 100% of employees engaged in shift work in manufacturing departments, who are eligible for late-night work allowances and other payments. There are no gender-based differences in the Company's compensation system. We will continue to provide career support to all employees and create an environment in which they are treated fairly in line with the capabilities they demonstrate.

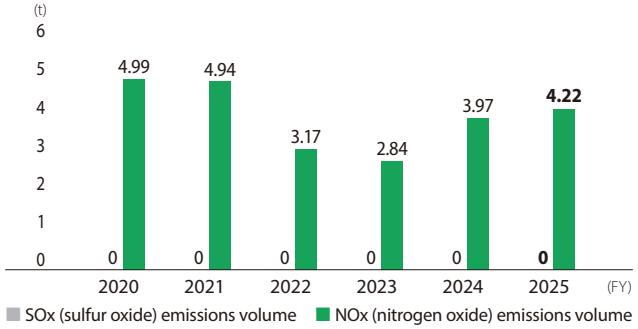
* Data collection began in FY2022.

CO_2 emissions, CO_2 emission intensity (Japan)



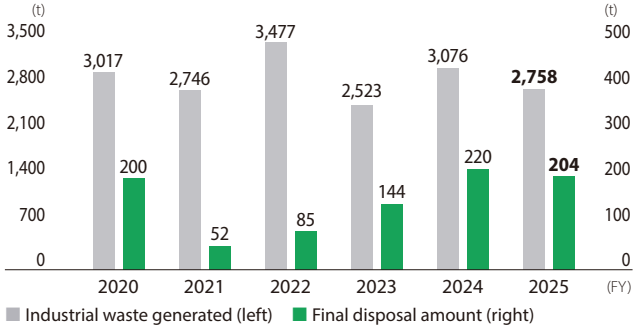
Most of the greenhouse gases (GHG) emitted by Hodogaya Chemical are CO_2. In FY2025, CO_2 emissions from energy sources decreased from FY2024 due to the expansion of sites that have introduced carbon-free electricity.

SOx emissions, NOx emissions (Japan)



The Hodogaya Chemical Group has promoted the use of city gas as a fuel source for the Group's factories. The Group has continued to maintain zero SOx emissions since FY2012, having completed the switchover in FY2011. We also implement measures to limit NOx emissions into the atmosphere.

Industrial waste generated, Final disposal amount (Japan)



Hodogaya Chemical set its FY2025 management target for target for industrial waste at no more than the previous year's volume, actively working to reduce overall emissions. In FY2025, both total generation volume and final disposal volume were lower than in FY2024, and the target was achieved. We will continue striving to reduce industrial waste.

Primary ESG Data

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
FTSE Russell score (published in June of each year)	2.4	2.7	3.0	3.6	3.5	3.8
E						
Energy consumption (kl)	27,312	29,215	27,562	21,920	22,623	21,931
Energy intensity (kl/million yen of net sales)	0.6629	0.6976	0.6362	0.4952	0.4657	0.4565
Greenhouse gas emissions						
Direct greenhouse gas emissions Energy sources (1) ($t\text{-}CO_2$)	24,729	26,093	25,064	18,365	19,235	17,879
Direct greenhouse gas emissions Non-energy sources (2) ($t\text{-}CO_2$)	(Not covered by this report)				17,124	16,329
Indirect greenhouse gas emissions (3) ($t\text{-}CO_2$)	23,301	23,154	20,658	17,284	12,426	1,479
Total (1) + (3) ($t\text{-}CO_2$)	48,030	49,247	45,722	35,649	31,661	19,358
Total (1) + (2) + (3) ($t\text{-}CO_2$)					48,785	35,687
Greenhouse gas emission intensity ($t\text{-}CO_2$/million yen in sales)	1.1658	1.1759	1.0554	0.8054	0.6518	0.4030
Prevention of air pollution						
SOx (sulfur oxide) emissions (t)	0	0	0	0	0	0
NOx (nitrogen oxide) emissions (t)	4.99	4.94	3.17	2.84	3.97	4.22
Dust emissions (t)	0.03	0.02	0.00	0.00	0.00	0.02
Prevention of water pollution						
Water usage (kt)	10,552	10,781	10,680	9,853	9,894	9,992
Water discharge volume (kt)	10,130	10,643	10,684	9,873	9,652	9,756
COD (chemical oxygen demand) emissions (t)	54.4	50.8	64.2	54.6	53.1	49.8
Industrial waste						
Industrial waste volumes (t)	3,017	2,746	3,477	2,523	3,076	2,758
Industrial waste from plastic products (t)	Started calculating from FY2022		126	110	134	126
Industrial waste recycle volume (t)	1,736	1,615	2,190	1,503	1,741	1,786
Industrial waste final disposal volume (t)	200	52	85	144	220	204
S						
Employees (persons)	789	834	890	922	942	946
Ratio of female managers (consolidated)	11.2	10.8	11.0	11.3	12.1	13.0
Ratio of female employees (consolidated)	18.6	18.0	19.5	20.5	21.2	22.1
Ratio of non-Japanese employees (consolidated)	23	26	31	32	35	36
Ratio of mid-career hires (non-consolidated) (%)	33	34	35	35	35	36
Ratio of disability employment (non-consolidated) (%)	2.3	2.5	2.6	2.6	3.2	2.9
Female employees taking childcare leave (non-consolidated) (persons)	1	6	1	-	3	2
Ratio of female employees taking childcare leave (non-consolidated) (%)	100	100	100	-	100	67*2

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Male employees taking childcare leave (non-consolidated) (persons)	1	9	10	12	9	11
Ratio of male employees taking childcare leave (non-consolidated) (%)	14	56	83	109*1	82	92
Employees taking nursing-care leave (non-consolidated) (persons)	0	0	0	0	0	0
Gender wage gap (non-consolidated) (%)	Started calculating from FY2022		84.8	82.9	79.0	79.7
Average monthly overtime per employee (non-consolidated) (hours)	10.3	11.6	11.3	10.0	12.0	11.3
Ratio of personnel taking paid holidays (non-consolidated) (%)	65	69	71	74	72	74
Ratio of personnel taking refreshment leave (non-consolidated) (%)	93	93	93	96	96	96
Average annual training hours per employee (non-consolidated) (hours)	Started calculating from FY2021	109.0	106.6	96.2	81.1	81.8
Voluntary turnover rate (non-consolidated) (%)	1.1	2.9	1.4	1.7	2.6	3.5
G						
Ratio of Outside Directors (%)	42.9	42.9	42.9	42.9	42.9	42.9
Number of Board of Directors meetings	16	16	12	13	10	16
Number of Nominating & Compensation Committee meetings	10	12	14	14	11	12
Number of anticorruption violations	0	0	0	0	0	0
Total amount of political donations (yen)	0	0	0	0	0	0

*1 Due to a timing shift in when leave was taken, the rate exceeded 100%.
*2 Due to a timing shift in when leave was taken, the rate was effectively 100%.

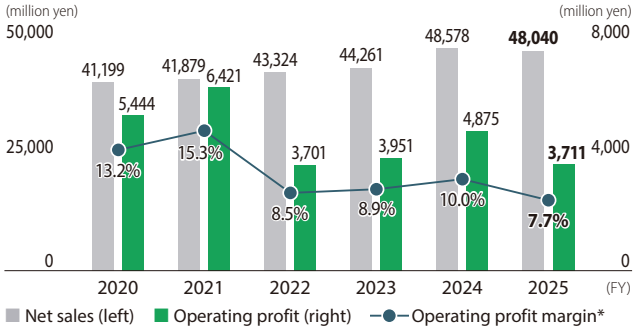
Environmental Accounting Data* (Unit: million yen)

	FY2022		FY2023		FY2024		FY2025	
	Investment	Expense	Investment	Expense	Investment	Expense	Investment	Expense
Business area cost	125	230	59	185	414	208	343	219
1) Pollution prevention cost	38	30	14	40	359	50	199	81
2) Global environmental conservation cost	87	11	45	7	55	8	144	25
3) Resource circulation cost	-	189	-	138	-	150	-	113
Upstream/downstream costs	-	9	-	7	-	12	-	26
Administration cost	-	4	-	5	-	3	-	5
R&D cost	-	46	-	22	-	40	-	93
Social activity cost	4	15	7	13	1	13	4	13
Environmental remediation cost	-	-	-	-	-	-	-	-
Other costs	-	-	-	-	-	203	-	3
Total	**129**	**304**	**66**	**232**	**415**	**479**	**347**	**359**

* Based on the "Environmental Accounting Guidelines 2005" of the Ministry of the Environment

Financial Highlights (Consolidated)

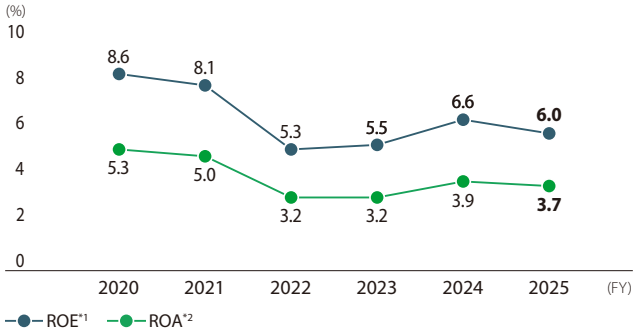
Net sales, Operating profit, Operating profit margin



* Operating profit ÷ net sales (single year)

In FY2025, net sales decreased by 537 million yen (1.1%) year on year to 48,040 million yen, as higher sales in Functional Colorants were more than offset by lower sales in Specialty Polymers, Basic Chemicals, Agro-Science, and Logistics. Operating profit decreased by 1,164 million yen (23.9%) to 3,711 million yen.

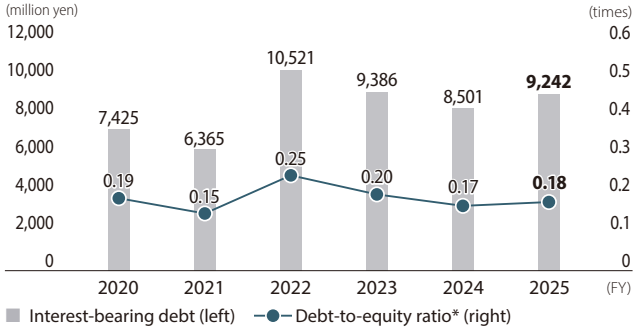
ROE, ROA



*1 Profit ÷ equity *2 Profit ÷ total assets

In FY2025, both ROE and ROA declined due to lower profits. Looking ahead, we will continue working to expand profits while improving asset efficiency.

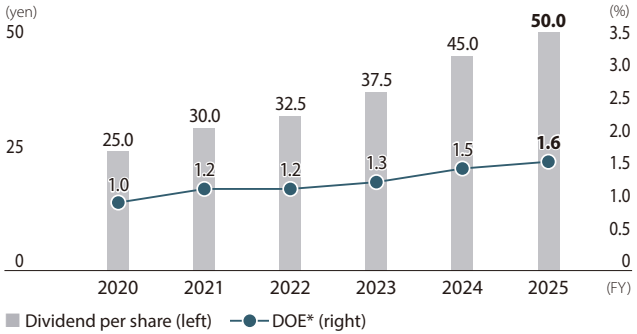
Interest-bearing debt, Debt-to-equity ratio



* Interest bearing debt ÷ equity

In FY2025, interest-bearing debt increased due to capital expenditures and other factors, but the D/E ratio remained low at 0.18 times as equity increased. We will continue to invest for future growth while maintaining financial soundness.

Dividend per Share, DOE

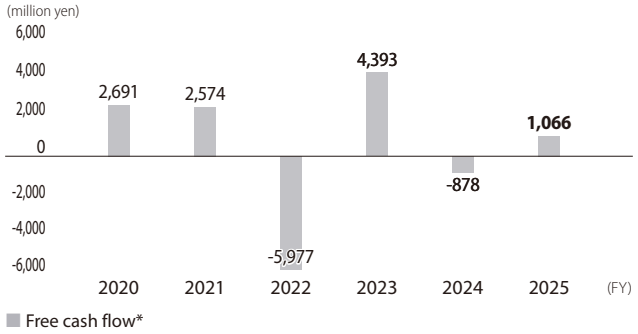


* Total dividends ÷ shareholders' equity (consolidated)

We increased dividends for the fifth consecutive fiscal year while maintaining financial soundness. To strike an optimal balance between growth investments and shareholder returns and achieve both capital efficiency and growth, we will provide shareholder returns with a DOE of 3.0% or higher in FY2030 (fiscal year ending March 31, 2031).

* Dividends per share are presented based on the number of shares after the stock split.

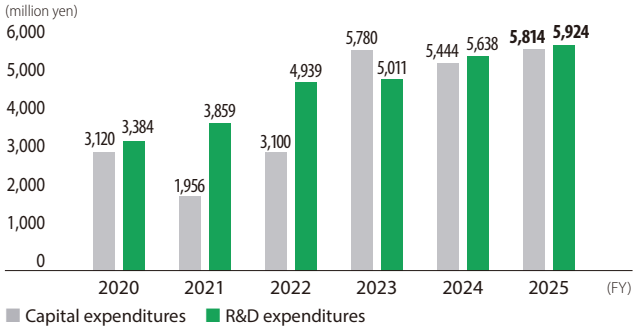
Free cash flow



* Cash flows from operating activities + cash flows from investing activities

In FY2025, cash flows from operating activities increased, and free cash flow turned positive due in part to a decrease in payments into time deposits. We will continue to maintain stable cash generation while pursuing growth investments.

Capital expenditures, R&D expenditures



Our focus is primarily on capital expenditure and R&D in the Functional Colorants segment, which is the Hodogaya Chemical Group's growth driver. We will continue investments and undertake activities that contribute to future growth.

6-Year Financial Summary / Statement of Authenticity

(million yen)

		FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Net sales		41,199	41,879	43,324	44,261	48,578	48,040
Functional Colorants		16,503	17,581	17,990	21,238	25,141	26,049
Specialty Polymers		10,255	10,760	11,580	8,341	8,450	7,702
Basic Chemicals		6,866	6,753	7,152	7,846	7,515	7,258
Agro-Science		5,554	4,838	4,628	4,940	5,510	5,108
Logistics		1,848	1,780	1,874	1,704	1,780	1,775
Operating profit		5,444	6,421	3,701	3,951	4,875	3,711
Functional Colorants		4,028	4,598	2,602	3,197	3,838	3,512
Specialty Polymers		359	888	861	(94)	(51)	(589)
Basic Chemicals		436	291	(575)	207	414	323
Agro-Science		222	330	457	376	302	65
Logistics		361	298	341	250	351	361
Ordinary profit		5,841	6,914	4,211	4,711	4,770	4,228
Profit attributable to owners of parent		3,119	3,251	2,223	2,480	3,178	3,054
Total assets		62,609	66,448	72,051	81,157	79,858	86,413
Net assets		43,654	47,912	49,897	57,443	58,530	63,613
Net assets per share*1	(yen)	2,442.86	2,615.40	2,702.86	3,007.36	3,057.98	3,305.72
Earnings per share*1	(yen)	197.13	205.35	140.32	156.32	200.04	192.07
Equity ratio	(%)	61.8	62.3	59.5	58.8	60.9	60.8
ROE	(%)	8.6	8.1	5.3	5.5	6.6	6.0
Cash flows from operating activities		5,380	6,143	1,058	8,343	5,669	6,092
Cash flows from investing activities		(2,689)	(3,569)	(7,036)	(3,950)	(6,548)	(5,026)
Cash flows from financing activities		(424)	(1,848)	2,288	(2,067)	(1,882)	(694)
Dividends per share*2	(yen)	25.0	30.0	32.5	37.5	45.0	50.0
DOE	(%)	1.0	1.2	1.2	1.3	1.5	1.6
Dividend payout ratio	(%)	12.6	14.6	23.1	24.0	22.5	26.0
PBR	(times)	0.99	0.84	0.56	0.61	0.51	0.75

*1 The Company carried out a 2-for-1 stock split of common shares, effective April 1, 2025. Accordingly, both earnings per share and net assets per share have been calculated as though this stock split had taken place on April 1, 2020.
*2 Dividends per share are presented based on the number of shares after the stock split.

Statement of Authenticity

The Hodogaya Chemical Group has been publishing an integrated report since FY2017. This tenth edition of the report is centered on the Group's Mid-term Management Plan, CODE/CHORD 2030, and integrates business activities, financial, and non-financial information. Its purpose is to provide stakeholders with a fair and accurate account of our Group's value creation process and our contributions toward a sustainable society.

The content of this report has been prepared through appropriate internal control processes to ensure accuracy and reliability. In its preparation, international reporting standards such as the Integrated Reporting Framework and GRI Standards were referenced, and information has been organized and disclosed with a focus on the Hodogaya Chemical Group's Materiality. Through this approach, we aim to present our Group's mid- to long-term growth strategy and initiatives addressing social challenges in a clear and understandable manner.

As the officer charged with overall responsibility for the production of this report, I hereby declare that the production process is legitimate, and the information contained herein is accurate.

We regard it as a key responsibility to pursue transparent management in order to contribute to a sustainable society and to build and maintain trusting relationships with our stakeholders.

Yasuo Murakami Managing Executive Officer

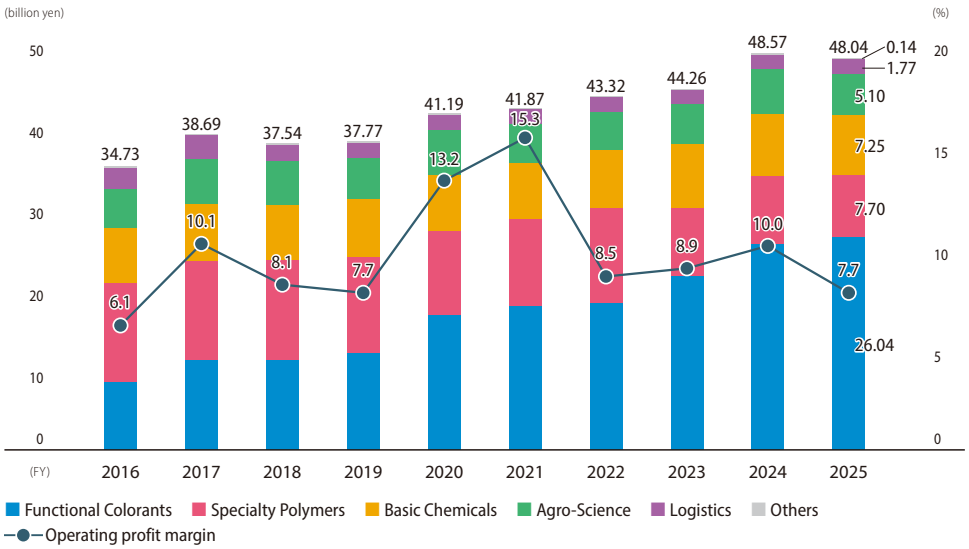
MD&A

FY2025 Performance Summary

Net sales	Operating profit	Operating profit margin	Profit attributable to owners of parent	ROE
48.04 billion yen	3.71 billion yen	7.7%	3.05 billion yen	6.0%

The Group's consolidated results for FY2025 were net sales of 48.04 billion yen, operating profit of 3.71 billion yen, an operating profit margin of 7.7%, profit attributable to owners of parent of 3.05 billion yen, and ROE of 6.0%. Net sales decreased 1.1% year on year. In the Functional Colorants Segment, sales of aluminum coloring dyes and other products in the Colorant Materials Business increased, while Specialty Polymers, Basic Chemicals, Agro-Science, and other segments were affected by customer inventory adjustments and lower demand. On the profit front, operating profit decreased 23.9% year on year due to lower sales volumes and higher selling, general and administrative expenses, among other factors.

Trends in net sales and operating profit margin



Segment Overview

In FY2025, net sales in the Functional Colorants Segment increased 3.6% year on year, supporting overall Group sales. In the OLED Materials Business, demand for Bio materials for PCR diagnostic kits and health functional foods remained steady in addition to smartphone-related demand, while the Colorant Materials Business grew on increased demand for aluminum coloring dyes and other products. In Specialty Polymers, urethane materials, construction materials, and specialty chemicals were affected by lower demand and inventory adjustments. In Basic Chemicals, demand for semiconductor applications increased, while sales to the pulp and paper industry and sales of sodium percarbonate declined. Agro-Science was affected by inventory adjustments at customers, while Logistics was impacted by sluggish cargo movements for exports and imports.

Segment	FY2025 net sales	Year on Year	FY2025 results	Future direction
Functional Colorants	26.04 billion yen	+3.6%	Sales of Imaging Materials decreased due to inventory adjustments by some customers. Meanwhile, demand for OLED materials for smartphones and Bio materials remained steady, while sales of Colorant Materials, including aluminum coloring dyes, increased.	For OLED materials, we will reduce costs and strengthen the R&D structure in response to intensifying development competition. In the Colorant Materials Business, we will expand sales and promote the development and market launch of environmentally friendly products.
Specialty Polymers	7.70 billion yen	-8.8%	Although there was demand for new products, sales declined as urethane materials, construction materials, and specialty chemicals were affected by lower demand and inventory adjustments.	In the Polymer Materials Business, we will expand sales by resuming sales of specialty-grade products and taking other measures. In the Specialty Chemicals Business, we will strengthen the business through production systems in Japan and overseas for phosgene derivatives.
Basic Chemicals	7.25 billion yen	-3.4%	Hydrogen peroxide sales remained at the previous-year level, supported by increased demand from the semiconductor industry. Sodium percarbonate sales declined due to inventory adjustments at customers.	For hydrogen peroxide and sodium percarbonate, we will pursue appropriate price pass-through and cost reductions. We will also expand sales of hydrogen peroxide to the semiconductor market.
Agro-Science	5.10 billion yen	-7.3%	Herbicide sales declined due to inventory adjustments by customers for golf course and home gardening applications.	For herbicides, in addition to existing markets for home gardening, railways, forestry, and golf courses, we will develop new markets such as public infrastructure facilities.
Logistics	1.77 billion yen	-0.2%	Although cargo movements for exports and imports were sluggish, increased handling of ISO tank containers enabled sales to remain at the previous-year level.	In the warehousing business specializing in hazardous substances and poisonous and deleterious substances, we will capture stable demand and maintain and strengthen profitability. Leveraging our expertise in handling hazardous substances, we will develop new customers and expand the business.

Cash Flow Status

Cash and cash equivalents at the end of FY2025 totaled 8.12 billion yen, an increase of 0.52 billion yen from the end of the previous fiscal year. Net cash provided by operating activities was 6.09 billion yen, reflecting profit before income taxes of 4.59 billion yen and depreciation of 3.40 billion yen, among other factors. Net cash used in investing activities was 5.02 billion yen, mainly due to 6.32 billion yen in purchases of property, plant and equipment and intangible assets, as well as payments into and withdrawals from time deposits. Net cash used in financing activities was 0.69 billion yen. Although there were proceeds from long-term borrowings, cash outflows included repayments of borrowings, dividend payments, and purchases of treasury shares by a subsidiary.

Financial Position

At the end of FY2025, total assets were 86.41 billion yen, up 6.55 billion yen from the end of the previous fiscal year. The main increases were in property, plant and equipment, investment securities, deferred tax assets, and accounts receivable - trade. Total liabilities were 22.79 billion yen, up 1.47 billion yen, primarily due to increases in short- and long-term borrowings and accounts payable - trade. Net assets were 63.61 billion yen, up 5.08 billion yen, due to increases in retained earnings, non-controlling interests, valuation difference on available-for-sale securities, and foreign currency translation adjustment, among other factors. The equity ratio was 60.8%, remaining nearly unchanged from 60.9% at the end of the previous fiscal year.

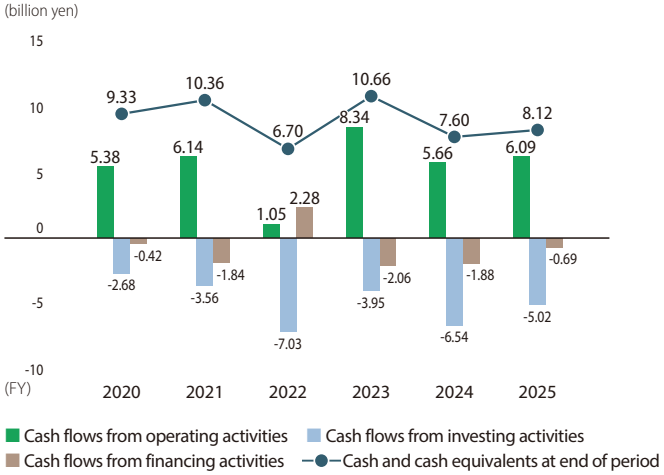
R&D Expenses

R&D expenses in FY2025 totaled 5.92 billion yen. The Group has developed R&D strategies from a long-term perspective around the themes of Agricultural & Food, Environment & Energy, Electronics & Information, Life Sciences, and Mobility. In particular, in the Functional Colorants Segment, we are advancing the development of OLED materials, perovskite solar cell materials, semiconductor resist materials, Bio materials, and other products. Under the Mid-term Management Plan CODE/CHORD 2030, we will accelerate the creation of new businesses by promoting open innovation and introducing DX into R&D.

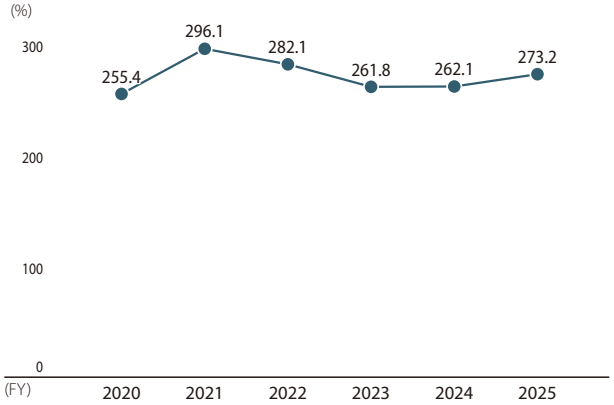
FY2026 Outlook

For FY2026, the outlook is expected to remain uncertain amid surging raw material and fuel prices, disruptions to logistics networks, concerns over an economic slowdown, and other factors stemming from heightened tensions in the Middle East. Assuming that the situation persists, our forecast incorporates these risks as well as a certain degree of progress in price optimization initiatives. We forecast net sales of 52.0 billion yen, operating profit of 3.4 billion yen, ordinary profit of 3.3 billion yen, and profit attributable to owners of parent of 1.3 billion yen. Net sales are expected to increase due to the contribution from the consolidation of Framochem, while profit is expected to reflect one-time expenses associated with the acquisition and risks arising from the external environment. As FY2026 is the first year of the Mid-term Management Plan CODE/CHORD 2030, we will work to enhance corporate value over the medium to long term through agile responses while closely monitoring changes in the external environment.

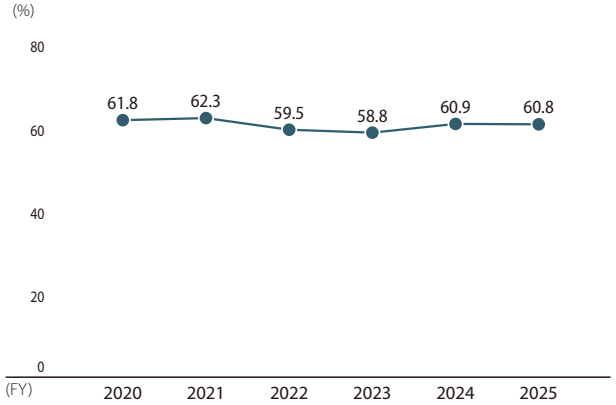
Trends in cash flows



Trends in the Current Ratio



Trends in the Equity Ratio



Company Information / Stock Information

Corporate data (As of March 31, 2026)

Company Name Hodogaya Chemical Co., Ltd.

Head Office 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021, Japan
TEL +81-3-6852-0300 (Main Switchboard)

Foundation December 11, 1916

Paid-in Capital 11,196 million yen

Employees 946 (Consolidated),
477 (Hodogaya non-consolidated)

Description of business

Primarily producing and selling organic industrial chemicals and conducting various related businesses, including logistics and commissioned research and development.

Offices

Head Office (Minato-ku, Tokyo), Osaka Branch Office (Osaka City, Osaka Prefecture), Koriyama Plant (Koriyama City, Fukushima Prefecture), Yokohama Plant (Yokohama City, Kanagawa Prefecture), Nanyo Plant/Nanyo Branch Plant (Shunan City, Yamaguchi Prefecture), Tsukuba Research Laboratory (Tsukuba City, Ibaraki Prefecture), Taipei Office (Taipei, Taiwan)

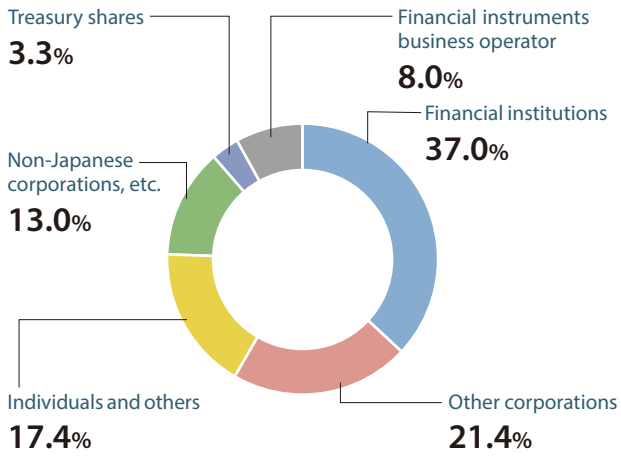
Stock information (as of March 31, 2026)

(1) Total number of authorized shares 40,000,000

(2) Total number of shares issued 16,827,452
(including 551,730 treasury shares)

(3) Number of shareholders 6,939 (-1,110 year over year)

Distribution of shares by shareholder



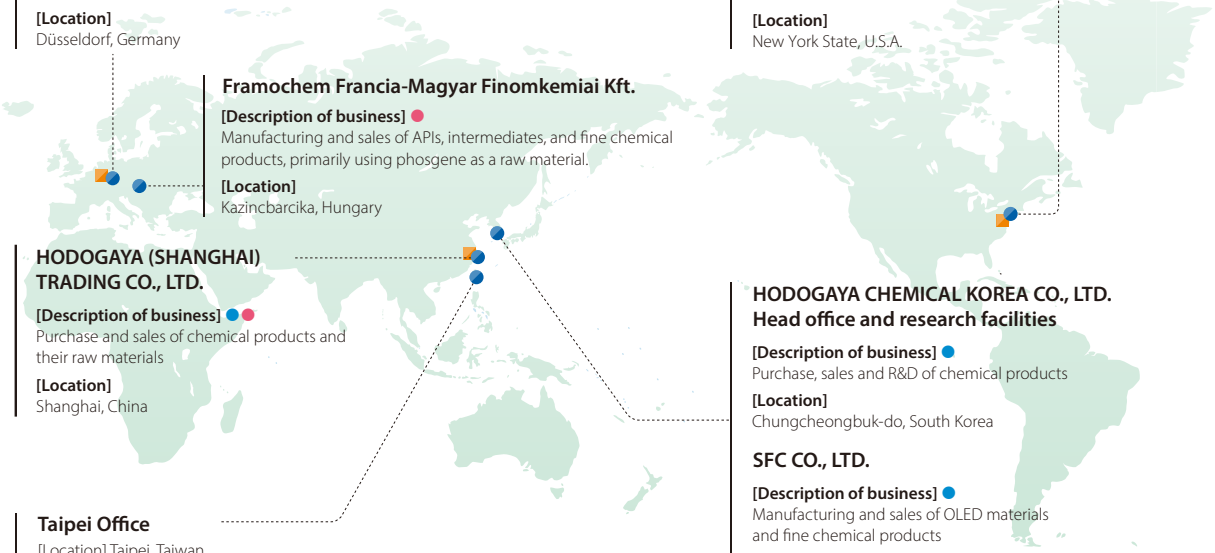
Major shareholders (Top 10)

Name of shareholder	Number of shares held	Percentage of shares held
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,580,700	9.71
Tosoh Corporation	1,400,000	8.60
Matsui Securities Co., Ltd.	895,200	5.50
Japan Securities Finance Co., Ltd.	711,314	4.37
Mizuho Bank, Ltd.	597,408	3.67
The Norinchukin Bank	454,860	2.79
Custody Bank of Japan, Ltd. (Trust Account E)	369,606	2.27
Custody Bank of Japan, Ltd. (Trust Account)	349,100	2.14
Meiji Yasuda Life Insurance Company	329,070	2.02
The Toho Bank, Ltd.	296,798	1.82

* The Company holds treasury shares (551,730 shares), which are excluded from the major shareholders mentioned above. Treasury shares (551,730 shares) do not include shares held in trust under Board Benefit Trust (BBT) and the Japanese Employee Stock Ownership Plan (J-ESOP) (369,606 shares).
* The shareholding ratio is calculated by excluding the number of treasury shares.

Global Network

Overseas Network



HODOGAYA CHEMICAL EUROPE GmbH

[Description of business] ●●●
Purchase and sales of chemical products and their raw materials

[Location]
Düsseldorf, Germany

Framochem Francia-Magyar Finomkemiai Kft.

[Description of business] ●
Manufacturing and sales of APIs, intermediates, and fine chemical products, primarily using phosgene as a raw material.

[Location]
Kazincbarcika, Hungary

HODOGAYA (SHANGHAI) TRADING CO., LTD.

[Description of business] ●●
Purchase and sales of chemical products and their raw materials

[Location]
Shanghai, China

Taipei Office

[Location] Taipei, Taiwan

HODOGAYA CHEMICAL (U.S.A.), INC.

[Description of business] ●●●
Purchase and sales of chemical products and their raw materials

[Location]
New York State, U.S.A.

HODOGAYA CHEMICAL KOREA CO., LTD. Head office and research facilities

[Description of business] ●
Purchase, sales and R&D of chemical products

[Location]
Chungcheongbuk-do, South Korea

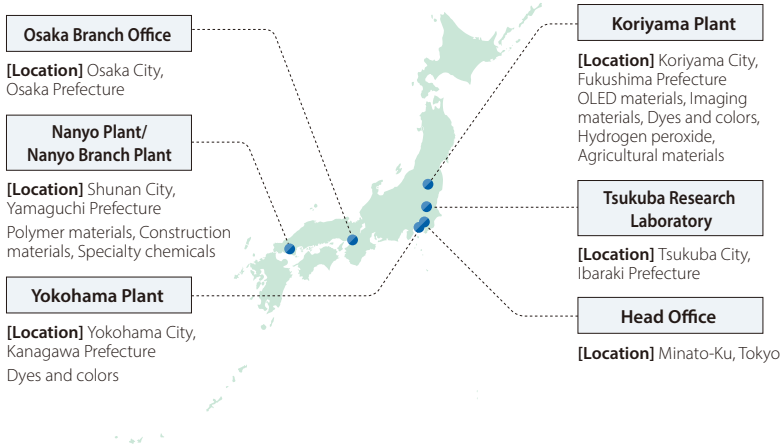
SFC CO., LTD.

[Description of business] ●
Manufacturing and sales of OLED materials and fine chemical products

[Location]
Chungcheongbuk-do, South Korea

■ Distribution Centers (Antwerp, Shanghai, New Jersey)
● Functional Colorants ● Specialty Polymers ● Agro-Science

Domestic Network



Osaka Branch Office

[Location] Osaka City, Osaka Prefecture

Nanyo Plant/ Nanyo Branch Plant

[Location] Shunan City, Yamaguchi Prefecture
Polymer materials, Construction materials, Specialty chemicals

Yokohama Plant

[Location] Yokohama City, Kanagawa Prefecture
Dyes and colors

Koriyama Plant

[Location] Koriyama City, Fukushima Prefecture
OLED materials, Imaging materials, Dyes and colors, Hydrogen peroxide, Agricultural materials

Tsukuba Research Laboratory

[Location] Tsukuba City, Ibaraki Prefecture

Head Office

[Location] Minato-Ku, Tokyo

Major Domestic Group Companies

- **KATSURA SANGYO CO., LTD.**
  Purchase and sales of chemical products
- **Hodogaya Construction Products Co., Ltd.**
  Manufacturing and sales of construction products
- **Hodogaya Contract Laboratory Co., Ltd.**
  Contract-based analysis and development of chemical products
- **Hodogaya Logistics Co., Ltd.**
  Warehousing and logistics
- **HODOGAYA UPL Co., Ltd.**
  Manufacturing and sales of agricultural chemicals
- **HODOGAYA AGROTECH Co., Ltd.**
  Manufacturing and sales of agricultural chemicals

* As of September 1, 2026

HODOGAYA

HODOGAYA CHEMICAL CO., LTD.

1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021, Japan
TEL +81-3-6852-0300 (Main Switchboard)
https://www.hodogaya.co.jp/english/