

Human Resources

Related Materiality	
<ul style="list-style-type: none"> Improving feeling of motivation to work Promoting diversity 	<ul style="list-style-type: none"> Promoting the health and productivity management and workplace safety and health



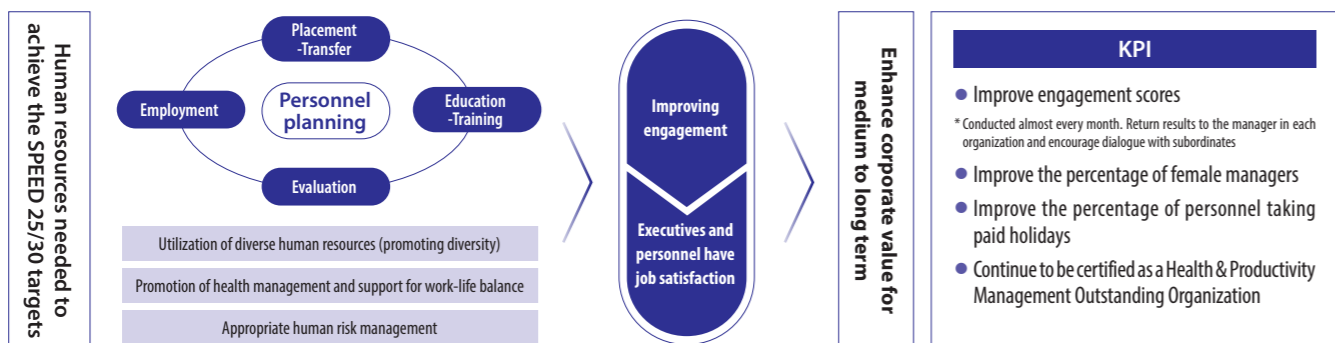
A Message from the HR Manager **Shinichi Sato** Managing Executive Officer

Labor market conditions led by work styles are changing significantly amid major structural changes worldwide, including the first inflation seen in almost 40 years, instability in the international political order, and changes in people's behavior following COVID-19. Against this backdrop, human capital management is in the spotlight as it regards human resources as capital for creating corporate value. Traditionally, the Hodogaya Chemical Group has been deeply aware that human resources are indeed the driving force behind value creation. We will work to achieve the Mid-term Management Plan SPEED 25/30 by engaging in human resources investment and initiatives.

Mid-term Management Plan SPEED 25/30 HR Strategy

From the standpoint of maximizing the use of human resources, who are the driving forces behind value creation, we believe it is important to enhance human capital in order to increase corporate value over the medium to long term. Specifically, the Hodogaya Chemical Group is steadily implementing the personnel planning

linked to enhancement of corporate value as shown in the following diagram to promote the hiring and development of personnel who can learn, think and act on their own with a desire to grow, take on challenges, and innovate. We have set the goal of improving engagement, also shown in the diagram that follows. Our strategic goal in the SPEED 25/30 is to ensure that all officers and personnel are provided with a greater sense of fulfillment in their work.



Main Policies in the Mid-term Management Plan SPEED 25/30

Improving engagement set out in SPEED 25/30 → To provide all executives and personnel with a greater sense of fulfillment in their work, we will undertake the following initiatives.

Utilizing Diverse Personnel (Diversity Promotion)

The Hodogaya Chemical Group recognizes that the purpose of promoting diversity is to enhance corporate value by promoting innovation in a highly competitive environment, flexibly reconfiguring businesses, and strengthening the ability to respond to change. In particular, we are working to promote women, non-Japanese people, and mid-career hires to management positions as described in (1) and (2) as follows. (1) This report discloses targets and results for the promotion of female managers. (2) We will maintain at least the current percentage of non-Japanese people and mid-career hires, which is disclosed in this report, while promoting Japanese and non-Japanese people as well as

new graduates and mid-career hires based on a comprehensive assessment of their experience, abilities, and skills, without making any distinction between them. At the same time, we are working to create an environment in which personnel can maximize their individual talents and skills. The appointment of a female Outside Director was approved at the Annual General Meeting of Shareholders in June 2023. In addition, promoting diversity will increase the number of personnel with diverse personalities and values to help expand the diversity of the organization; hence, it is important to unify the organization and personnel. We believe that the Hodogaya Chemical Group's PURPOSE (Management Philosophy) and VISION (Target Corporate Image) can fully unify the organization and personnel.

Details can be found on our website.
<https://www.hodogaya.co.jp/english/csr/stakeholder/employee/#a41>

Promoting Health and Productivity Management

The Hodogaya Chemical Group considers the physical and mental health of its executives and personnel a top priority. We promote health as a management issue and strategically implement health management. The President is the person responsible for personnel health management and works with the Hodogaya Chemical Health Insurance Society to actively support and promote personnel health. We have achieved 100% consultation rates for health checkups and a participation rate in mental stress checkups of 99% or higher. We strive to improve health conditions, or prevent deterioration, by having our industrial physicians share the health conditions of personnel with the Company. The Group further conducts health enhancement training for all personnel with the aim to deepen their understanding of health management. These activities have received recognition and in FY2022 we were certified as a Health & Productivity Management Outstanding Organization for a third consecutive year. Going forward, one of our targets is to continue improving our evaluation in this area.

Work-life Balance Initiatives

The Hodogaya Chemical Group is proactively implementing such work-life balance initiatives as increasing the percentage of personnel taking paid holidays, increasing the rate of male personnel taking childcare leave (both rates are disclosed in this report), establishing

a five-day consecutive refreshment leave system separate from annual paid leave, and establishing telework regulations that make working from home a permanent feature of the Group's operations. These measures promote health and productivity management mentioned earlier, and we will continue our efforts to enable all personnel to demonstrate their capabilities and skills to the greatest extent possible by achieving harmony between their work and private lives.



Details on the system can be found on our website.
<https://www.hodogaya.co.jp/english/csr/stakeholder/employee/#a9>

Human Risk Management

To preserve the corporate value of the Hodogaya Chemical Group, the occurrence of human risks (violation of labor laws, harassment, outflow of personnel, individual troubles, etc.) is a serious obstacle to the continued and stable growth of the Hodogaya Chemical Group. Recognizing that there is a risk, we strive to appropriately and adequately manage human risk, prevent, avoid, and mitigate future losses.

Key Human Resources Investments and Initiatives through FY2022

<ul style="list-style-type: none"> Revision of personnel evaluation system (restructuring of behavior and ability assessment) Transition to performance-linked bonuses (introduction of a transparent reward method) Establishment of a new education system for managers (improvement of management literacy) Revision of retirement benefit system (full transition to 	<ul style="list-style-type: none"> defined contribution (DC) pension plan) Introduction of a new personnel front system (utilization of HR technology) Introduction of the Come-back entry System (Reemployment Applicants Registration) Implementation of engagement score measurement (conducted almost monthly) 	<ul style="list-style-type: none"> Formulation of telework regulations (compatible with diverse work styles) Introduction of training for next-generation management personnel Introduction of a multi-assessment system (multifaceted evaluation system) Introduction of employee stock benefit trust (J-ESOP)
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Future Challenges and Countermeasures

As mentioned above, the Hodogaya Chemical Group has set enhancement of engagement that: all executives and personnel can feel job satisfaction as a strategic goal and are planning measures to tackle it. Amid major global structural changes, however, it is possible that values regarding human resources will change. By keeping our antennas high to collect information, we can grasp changes in human resource management trends in a timely manner, and respond to changes based on the Hodogaya Chemical Group's PURPOSE

(Management Philosophy) and VISION (Target Corporate Image).

The Human Resources department is the driving force behind these measures. They carefully grasp the operational issues of each department and company of the Hodogaya Chemical Group, the characteristics of the organization, and the engagement status of officers and personnel. We recognize that it is necessary to provide solutions and support for solving problems in the field. As the Human Resources department, we will work together with each department and company to meet these expectations.

VOICE Creating Workplaces and Work Styles Where Everyone Can Play Active Roles

Using the head office relocation in 2022 as an opportunity, Hodogaya Chemical is implementing various measures to improve the feeling of motivation and ease of work. Among a host of initiatives, we consolidated all departments (including officers) to a single floor, introduced an office system where employees are free to change desks at all work stations, eliminated fixed-line phones, and made telework a regular practice. This approach to workplaces and work styles directly enables those in their child-rearing years and female employees to play an active role. With this in mind, we believe a bright and open atmosphere is also very important. The new head office features minimal walls and pillars, large open spaces and a lounge area, and a system that allows personnel to connect with anyone at any time. However, there are still many issues to consider, such as better communication and the appropriate scale for each area.

I want to continue helping to improve engagement from a woman's perspective.



Kazumi Omae
General Affairs Department