

## Message from the President



**In the spirit of “Changing Together,” we will become a company that is essential to the realization of a sustainable society over the next 100 years.**

Yuto Matsumoto  
President and CEO

### Progress, Evaluation, and Pending Issues in the Second Year of the Mid-term Management Plan SPEED 25/30

Despite the increase in economic activity as the spread of COVID-19 began to subside, conditions throughout FY2022 were significantly impacted by the surge in energy prices owing to such factors as the prolonged conflict between Russia and Ukraine. In the fiscal year under review, net sales increased 3.5% year on year, to 43.3 billion JPY, due to higher sales in the Company's mainstay businesses and the effects of the weak yen. In contrast, operating profit decreased 42.4% year on year, to 3.7 billion JPY. In addition to the substantial decline in materials for PCR diagnostic kit demand, this downturn in profit was attributable to a variety of factors,

including the surge in raw material and fuel prices as well as the increase in research and development expenses.

Under its Mid-term Management Plan SPEED 25/30, the Hodogaya Chemical Group has set net sales of 50.0 billion JPY, operating profit of 7.5 billion JPY, and an operating margin of 15.0% as its management targets in FY2025. While achieving this operating margin target in FY2021, our operating margin fell below the target at 8.5% in FY2022 owing to the decline in PCR-related sales. **In order to achieve our targets for FY2025, we recognize the need to strengthen existing businesses while building a new business portfolio.**

### Building a New Business Portfolio

The Hodogaya Chemical Group restructured certain business divisions and established the Advanced Device Materials Department in April 2023. Reporting to the Organic & Optical Materials Device Division, the Advanced Device Materials Department is responsible for expanding sales of dyes for color filters and promptly commercializing new products, including near-infrared absorption materials and perovskite solar cells\*1.

Meanwhile, the Group's business in Korea is becoming increasingly important with each passing year. In addition to

South Korea's growth potential and importance as a market for the OLED material business, our subsidiary SFC CO., LTD. develops materials for PCR diagnostic kits as an extension of the OLED material business, which contributed significantly to earnings through to FY2021.

Looking ahead, we will apply proprietary technologies to the development of Oligonucleotide medicine, while considering entry into the biopharmaceutical field from diagnostic pharmaceuticals. In the fall of 2023, a Biotechnology

center under construction near SFC's headquarters will be completed. We anticipate this will contribute to the expansion of our bio business.

Furthermore, REXCEL CO., LTD. (Chungcheongbuk-do, South Korea), in which we have maintained an equity interest since 2018, will be included in the scope of the Company's consolidation as a subsidiary from FY2023. REXCEL, which has largely specialized in the refining of OLED materials, has decided to apply this expertise to engage in the ultra-high purity refining of cutting-edge semiconductor resist materials. The latest semiconductors require extremely levels of resist material purity to produce ultra-fine circuits. Recognizing this as an opportunity, REXCEL is currently working to expand its facilities.

In July 2023, we established the Korea Business Strategy

Department as an organization under the direct control of the President in order to flexibly and promptly consider and promote business strategies for further growth of our business in South Korea, where expectations of a significant leap forward are high.

In addition to the aforementioned, **we will take steps to build a new business portfolio by accelerating the development of products that are essential to the realization of a sustainable society** in the fields of the environment and energy as well as agriculture and food in our core and strategic businesses.

[Mid-term Management Plan](#) [P.22](#)

\*1 Perovskite solar cells: Solar cells made from perovskite, which has a crystal structure that converts light into electricity. Expectations of reduced costs through coating and printing technologies that enable mass production.

### Contribution to Help Realize a Sustainable Society through Our Business

The Group's vision is to contribute to a sustainable society through its business. The Hodogaya Chemical Group placed considerable emphasis on Responsible Care (RC) activities well before environmental issues became a major issue. We position sustainability management as an extension of these activities. Meanwhile, we established the Sustainability Development Committee in 2021 to fulfill functions and roles that differ from RC activities. Activities of this committee are conducted through an organization structure that includes the TCFD\*2 Subcommittee and the Global Environment Subcommittee.

In addition to our RC activities since 1997, our FTSE Russell\*3 score has improved each year on the back of our proactive information disclosure efforts under our sustainability promotion system. In FY2022, we were selected as a constituent of the FTSE Blossom Japan Sector Relative Index\*4 and received the Silver Medal presented by EcoVadis\*5. We see this as **proof that the Group's ESG management has received a certain**

**level of recognition.** Our environmentally friendly and other products that use environmentally friendly raw materials have attracted considerable attention. As an example, our soil improvement oxygen supply materials, bio-based urethane materials, and release agents have been included in the FTSE Green Revenues Data Model\*6. These products accounted for about 3% of Hodogaya Chemical's (non-consolidated) sales in FY2015. With this figure climbing to 12% in FY2022, we are becoming increasingly aware of the contributions that our businesses make to realizing a sustainable society.

[Hodogaya Chemical Group's Sustainability](#) [P.38](#)

\*2 TCFD: Task Force on Climate-related Financial Disclosures  
\*3 FTSE Russell: UK-based company that provides indexes.  
\*4 FTSE Blossom Japan Sector Relative Index: An index provided by FTSE Russell that reflect the performance of Japanese companies that excel in responding to environmental, social and governance (ESG) concerns in their respective sectors.  
\*5 EcoVadis: A platform for evaluating corporate social responsibility and sustainable procurement.  
\*6 Green Revenues Data Model: A model that identifies companies that derive revenue from green products and services and classifies the greenness of their products.

### Addressing Environmental Issues

The Hodogaya Chemical Group expressed its support for the TCFD recommendations in November 2022. We are now required to report the carbon footprint of individual products, including differences in raw materials, and will work to proactively disclose information, including our Scope 3 efforts going forward. We have already introduced CO<sub>2</sub>-free electricity at several plants and offices. In FY2022, we introduced Internal Carbon Pricing (ICP) as a method for estimating carbon price within the Group to promote low-carbon investments and measures as well as energy conservation.

The Group nevertheless continues to face some issues. For example, CO<sub>2</sub> is generated in the process of producing hydrogen

from natural gas, which is necessary for the manufacture of hydrogen peroxide and its derivatives, one of our core businesses. Should green hydrogen\*7 and blue hydrogen\*8 become readily available at a low cost in the near future, we are confident we will be able to reduce CO<sub>2</sub> emissions. Moreover, the use of our hydrogen infrastructure will significantly contribute to the hydrogen society advocated by the government.

[TCFD Disclosure](#) [P.39](#)

\*7 Green hydrogen: Hydrogen produced using renewable energy sources.  
\*8 Blue hydrogen: Hydrogen produced from such fossil resources as petroleum or natural gas that has been treated so that no CO<sub>2</sub> is emitted into the atmosphere during production.

## Human Capital Initiatives

I believe that our personnel are the most important resource, or capital, to achieve sustainable growth. Based on this understanding, I have placed considerable emphasis on promoting human capital management, since my appointment as President in 2016, in the belief that it will lead to the Company's growth. In my initial address as President, I stated that we have a legacy to carry forward as a company that has celebrated its 100th anniversary. Over and above such tangible capital as the Group's businesses, products, technologies, production bases, customers, and business partners, we are also charged with the responsibility of fine-tuning our legacy by incorporating the intangible and important contributions born from our personnel, including the joy of developing and selling products as a manufacturer, the vision set forth in our Mid-term Management Plan, and the gratitude we feel toward our customers and all other stakeholders. Recently, we have taken steps to put in place a flexible workstyle framework to provide all officers and personnel with a greater sense of fulfillment in their work. This framework includes further entrenching the Group's teleworking system, the Come-back Entry Program, a reemployment registration system, the ability to take annual paid holidays on an hourly basis, refreshment leave, and allowing personnel to dress more freely. As a result, Hodogaya Chemical has been certified as a Health & Productivity Management Outstanding Organization since FY2021. In order to improve personnel satisfaction, we have also endeavored

to gauge the level of engagement from both the qualitative and quantitative perspectives by regularly measuring engagement scores from FY2021.

With overseas sales accounting for half of the Group's total sales, we recognize that the development of global talent is a pressing issue. Hodogaya Chemical introduced an overseas trainee program in 1989 and has worked diligently to develop personnel on a continuous basis. As a member of the first batch of personnel to participate in this program, I was dispatched to the United States. On a personal note, this initiative helped highlight the importance of not only learning a new language, but also experiencing first hand local business practices and cultural differences. In addition to Europe and the U.S., we are currently expanding this dispatch program to Chinese- and Korean-speaking countries.

New initiatives are underway in the areas of personnel evaluation and remuneration. We began providing performance-linked bonuses from FY2019. We also introduced a multifaceted evaluation system for certain department general managers, including evaluations from peers and subordinates. More recently, we launched a personnel stock compensation plan for management personnel in April 2023 to realize the sustainable improvement and growth of both corporate value and personnel.

Human Resources  P.47

## Strengthening Corporate Governance

Hodogaya Chemical was quick to reform its corporate governance structure and systems. We transitioned to a Company with an Audit & Supervisory committee in 2015 and introduced a stock-based compensation plan for officers in 2016. A female Outside Director with expertise in personnel strategies was appointed in June 2023, increasing the diversity of the Board of Directors and broadening its skill set. Moving forward, we will look to appoint female Directors from within the Company as well to further increase the diversity of the Board of Directors.

Succession planning is another important issue. I believe that a person who understands Hodogaya Chemical's corporate culture and has a strong desire to manage the Company would be a suitable successor. In addition to conducting executive training for selected members, we also have General Managers of departments

attend Management Committee meetings where they can explain the operations of their own departments, learn about the kind of information management requires, and gain an understanding of the committee's deliberations. In addition, we provide opportunities for

dialogue with Outside Directors so that Board members can gain an insight into the next generation of candidates.

Corporate Governance  P.51

## Green Innovation to Realize a Sustainable Society

An issue that I believe the Group must definitively address over the long term is Green Transformation (GX).

In addition to the development and manufacture of battery materials, we are undertaking research on perovskite solar cells as part of our technological development activities to promote GX. Perovskite solar cells use organic compounds as an alternative to silicon, an area in which the Japanese government is also focusing its research efforts. Hodogaya Chemical is endeavoring to contribute to early commercialization by providing highly durable and highly efficient materials.

Moreover, we will focus on the promotion of digital transformation (DX), an important issue under SPEED 25/30, as we believe that the accelerated promotion of GX will help secure our competitiveness by promoting innovation through the use of digital technology.

Our goals are also to develop sustainable products that reduce the environmental impact, especially in the

agricultural and food fields as an extension of our technologies. Building on our collaboration with ASAHI AGRICULTURE CO., LTD. announced in February 2023, we will focus on the similarities between our soil preparation and soil improvement technologies to develop a composite material of compost and oxygen supply materials that is expected to generate fertilizer effects, prevent moisture damage, and improve efficiency. We believe this initiative will contribute to the efficiency and stability of crop cultivation. We also see this as a significant step toward the reduction of chemical pesticides and fertilizers. More than just a pipe dream, we strongly believe that this business will help address the global social issue of food shortages attributable to population growth as it gets off the ground and expands through Asia to the rest of the world.

Research & Development  P.29

## The Mission and Purpose of the Hodogaya Chemical Group

Guided by its PURPOSE – Management Philosophy -, the Hodogaya Chemical Group aims to contribute to a sustainable society by making chemical technology useful. Our catchphrase, Your Dream is Our Business, encapsulates not only the development of products that meet the needs of customers, but also the continuous development and provision of products and services that help realize a sustainable society from a social perspective. The value of any company is ultimately determined by its personnel. **In order to realize our management philosophy and ensure the Company's profitability, we are committed to maximizing the potential of our personnel and then channeling this potential toward the sustainable growth of our corporate value. At the same time, we will return profits to shareholders through improvements in PBR\*9 on the back of a higher ROE\*10 and efforts to lift DOE\*11.**

The role of the organization's leaders is to clarify the

Group's vision and targets and to then exert their influence to promote increased awareness in a bid to foster a corporate climate and culture in which all officers and personnel work passionately to achieve established goals. In the spirit of "Changing Together," we will become a company that is essential to the realization of a sustainable society over the next 100 years. Moving forward, we will ensure our harmonious coexistence with all stakeholders, including customers, investors, personnel, and local communities. I thank all stakeholders for their understanding and look forward to their support for the Hodogaya Chemical Group.

\*9 Price book-value ratio (PBR): An indicator that measures the number of times the stock price is equal to net assets per share (PBR = Stock price / Net assets per share).

\*10 Return on equity (ROE): An indicator that measures a company's ability to efficiently utilize its capital and generate profits (ROE = Earnings / Equity).

\*11 Dividend on equity ratio (DOE): An indicator that measures how much a company pays out in dividends to shareholders' equity (DOE = Total annual dividends / Shareholders' equity x 100%).



# Hodogaya Chemical Group Value Creation Process

The Hodogaya Chemical Group, based on changes in the internal and external environment as well as the demands of our stakeholders, has established a corporate image that we aspire to be: A corporation that contributes to establish a sustainable society by means of our original portfolio and environmentally friendly manufacturing, with a focus on specialty products. We will continue to solve social issues and contribute to the realization of a sustainable society through the value created by our business activities under the catchphrase Your Dream is Our Business.

## PURPOSE – Manage-

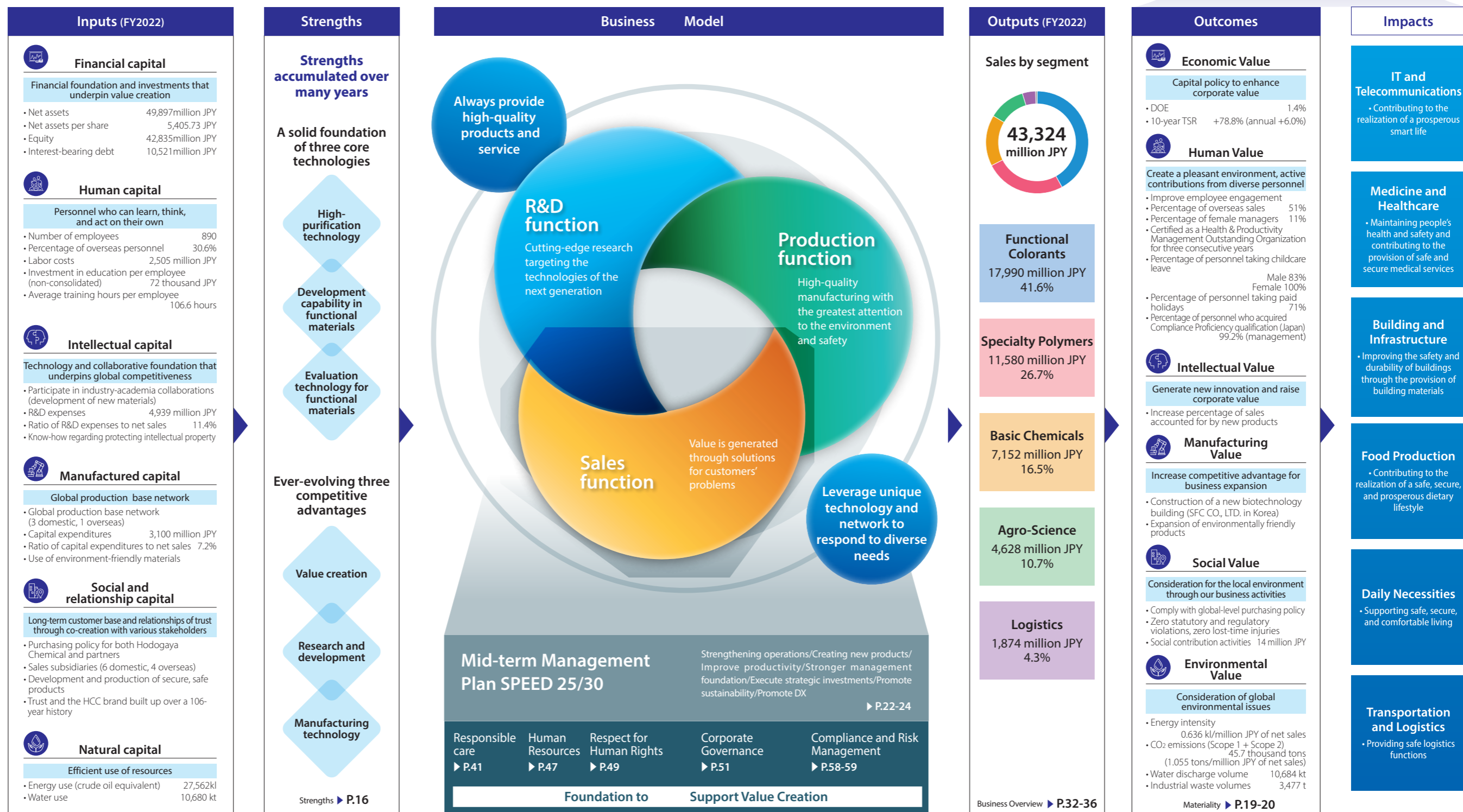
ment Philosophy –  
Through constant innovation of high-quality products and services creation of an environmentally

## ment Philosophy –

chemical technology, we will provide throughout the world and contribute to the conscious society.

## VISION – Target Corporate Image –

A corporation that contributes to establish a sustainable society by means of our original portfolio and environmentally friendly manufacturing, with a focus on specialty products.



# Explanation of Value Creation Process

## Business Model

The Hodogaya Chemical Group has built a three-pronged business model in which the R&D, production, and sales functions all collaborate to quickly ascertain the diversifying needs of society and respond quickly to the differing needs of its various customers. Utilizing the Company intranet, the R&D, production, and sales functions share information efficiently and quickly regardless of location, leading to product development. In addition to working to improve efficiency by holding monthly production and sales meetings, we share customer requests and needs obtained by sales departments with business divisions and production bases. We also have in place a system that allows us to quickly select the systems necessary for product improvement and new R&D themes.



## Strengths

### A Solid Foundation of **Three** Core Technologies

#### 1. High-purification technology



**Leveraging advanced refining technologies that achieve a higher level of purification**

Highly purified raw materials that can be used in new fields and are always in demand for constantly evolving applications. The Hodogaya Chemical Group's advanced refining technology solves the most stringent demands and meets customer expectations.

#### 2. Development capability in functional materials



**Developing materials with new functionality that leads to comfortable and abundant lifestyles**

The goal is to fulfill dreams – abundant lifestyles that are safe, secure, and comfortable. The Hodogaya Chemical Group will open up all kinds of fresh possibilities for its technology while offering new materials that feature a wide array of functions.

#### 3. Evaluation technology for functional materials



**Knowledge, experience, and skill. Evaluation technology that supports materials of the future**

The responses to the Hodogaya Chemical Group's products, which are finished with a high degree of sophistication, are reflected in the trust our customers place in us. We transform the results from evaluations into new designs and cutting-edge materials ahead of others.

### Ever-evolving **Three** Competitive Advantages

#### 1. Value creation



**Creating new value that leads to solutions for all of our customers' issues**

The Hodogaya Chemical Group accurately identifies the needs of society and its customers, and then responds with passion and innovation, creating products with high added-value underpinned by its technological expertise and know-how.

#### 2. Research and development



**Cutting-edge research targeting the technologies of the next generation**

Leveraging state-of-the-art research facilities and advanced research capabilities honed over its long history, the Hodogaya Chemical Group carries out cutting-edge research projects that lead to the creation of entirely new value.

#### 3. Manufacturing technology



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

Having built a reputation for dependably supplying high-quality products while ensuring excellent cost competitiveness, the Hodogaya Chemical Group has put in place a manufacturing system that is based on high standards for safety and the environment.

## Outcomes / Impacts

As a chemical manufacturer, the Hodogaya Chemical Group aims to be a company that can contribute to the creation of an environmentally conscious society by leveraging its high levels of specialty and originality. To be growing for the next 100 years, we believe that we must realize, in a variety of ways, the Hodogaya Chemical Group's corporate message: Your Dream Is Our Business. By rapidly responding to global social issues and meeting the expectations of all stakeholders, we aim to increase corporate value and achieve sustainable growth.

# Risks and Opportunities

Based on changes in the external environment, the Hodogaya Chemical Group has identified key social issues that will affect our medium- and long-term value creation, as well as the associated risks and opportunities. By clarifying these risks and opportunities, we

have identified material issues (materiality) that must be addressed. We will address social problems by responding appropriately to risks and taking advantage of opportunities, leading to the realization of further value creation.










External environment	Risks	Response to risks
 <p><b>Global environment</b></p> <ul style="list-style-type: none"> <li>• <b>Uncertainty regarding the global environment</b> has become a major business issue. We recognize that it is necessary to envision multiple scenarios regarding increases in temperatures and <b>strengthen resilience as part of our management strategy.</b></li> </ul> <p>▶ Adoption of Paris Accord by COP21</p>	<ul style="list-style-type: none"> <li>• Major impact on production activities due to severe natural disasters (human and facilities)</li> <li>• Increase in conservation costs</li> <li>• <b>Supply chain having less trust in the Group</b> due to lack of consideration for the environment</li> <li>• Economic losses due to violations of regulations in Japan and abroad</li> <li>• Less trust in the company</li> <li>• <b>Loss of social trust</b> or interruption in business <b>due to decline in quality/safety, etc.</b></li> <li>• Major impact of the spread of infectious diseases on the economy and business activities</li> <li>• Loss of ability to continue business activities due to less trust from regions in which business is conducted</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct inspections of facilities and equipment and make repairs</li> <li>• Provide education related to operation standards, etc.</li> <li>• Conduct various types of training and make use of safety confirmation system</li> <li>• <b>Achieve environmental targets</b> for energy savings and reducing environmentally hazardous substances</li> <li>• <b>Promote environment management</b>, such as obtaining ISO 14001 certification throughout the company</li> <li>• Create a regulation compliance system</li> <li>• Regularly check revisions to overseas regulations</li> <li>• Strengthen functions related to educating, thoroughly informing people of, and checking rules related to quality and safety performance</li> <li>• Establish relationships with multiple suppliers</li> <li>• Thoroughly implement measures to prevent infectious diseases</li> <li>• Continue and strengthen activities that contribute to the sustainable development of regions where business is conducted</li> </ul>
 <p><b>Society</b></p> <ul style="list-style-type: none"> <li>• We recognize that <b>responding to the advent of social value is</b> an important issue for corporate management.</li> </ul> <p>▶ <b>SDGs adopted by UN</b></p> <p>▶ PRI signed by GPIF</p> <p>▶ Japan Business Federation's Charter of Corporate Behavior revised</p>	<ul style="list-style-type: none"> <li>• <b>Undermining of organizational performance</b> due to a decline in the feeling of motivation by and ease of work for officers and personnel</li> <li>• Not promoting diversity management resulting in the stagnation of organizational capabilities and corporate value</li> <li>• Not promoting health and productivity management and workplace safety and health resulting in the stagnation of organizational capabilities and corporate value</li> <li>• Greater concern that a lack of interest in issues related to <b>business and human rights</b> will result in lawsuits, administrative disciplinary actions, deterioration in reputation, loss of personnel, and other problems</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Develop and implement measures to increase engagement</b> through engagement pulse surveys</li> <li>• Make use of personnel in a manner that <b>stresses capabilities and skills</b></li> <li>• Create an environment in which it is possible for officers and personnel to contribute in a <b>healthy and safe manner</b></li> <li>• Ascertain issues related to <b>business and human rights</b> and appropriately respond</li> </ul>
 <p><b>People (society and organization)</b></p> <ul style="list-style-type: none"> <li>• We recognize that appropriately responding to the massive changes in the environment that companies and personnel operate in and <b>continually working to increase organization</b> capabilities are important issues.</li> </ul> <p>▶ Falling birth rates, graying of society, and shrinking working-age population in advanced countries</p> <p>▶ Women playing a more active role in society and greater diversity</p> <p>▶ Greater interest in health, such as recent measures to combat COVID-19</p> <p>▶ Continuing demands of workplace safety and health management system</p> <p>▶ More diverse lifestyles</p> <p>▶ Greater respect for human rights and fairer labor practices</p>	<ul style="list-style-type: none"> <li>• Not being able to quickly and flexibly respond to <b>more sophisticated corporate governance</b> and thus harming corporate value in the medium term</li> <li>• Sustaining major losses or undermining the survival of the Company as a result of legal violations, scandals, etc.</li> <li>• Sustaining major losses or undermining the survival of the Company as a result of not implementing measures to properly reduce risks due to insufficient risk awareness and evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Improve and expand governance</b> as a company listed in the Tokyo Stock Exchange's Prime Market</li> <li>• Thoroughly <b>implement compliance</b> to prevent legal violations, scandals, defects, etc.</li> <li>• Implement <b>appropriate measures to reduce risks</b> through extensive but detailed risk awareness/evaluations</li> </ul>
 <p><b>Governance</b></p> <ul style="list-style-type: none"> <li>• We recognize that <b>continually working to reinforce the corporate governance, compliance, and risk management functions within the corporation</b> is an important issue.</li> </ul> <p>▶ 2021 revisions to Corporate Governance Code</p> <p>▶ Continuing quality-related scandals and serious defects in internal controls at listed companies</p> <p>▶ Risks of pandemic and disasters</p>		

Opportunities	Response to opportunities	Materiality
<ul style="list-style-type: none"> <li>• Expanding demand for <b>climate change mitigation/adaptation products</b></li> <li>• Expanding demand for products that contribute to <b>lighter environmental impact</b></li> <li>• Expanding demand for products that conform to regulations in various countries</li> <li>• Expanding demand for products that offer the value of <b>quality and safety performance</b></li> <li>• Expanding demand for products that help <b>maintain health</b></li> <li>• Increase corporate value by winning <b>the trust of communities in which business is conducted</b> and stabilizing business</li> </ul>	<ul style="list-style-type: none"> <li>• Develop and sell <b>climate change mitigation/adaptation products</b></li> <li>• Expand businesses related to purifying water, etc.</li> <li>• Promoting green chemistry</li> <li>• Develop and sell products that are compliant with regulations in various countries</li> <li>• Develop and sell products that offer the value of <b>quality and safety performance</b></li> <li>• Develop and sell products that help <b>maintain health</b></li> <li>• Actively undertake exchanges with and contribute to <b>communities in which business is conducted</b></li> <li>• Continually implement <b>measures to increase engagement</b> and verify effectiveness through pulse survey</li> <li>• Actively recruit and promote <b>people with capabilities and skills regardless of sex, where they are from, or other attributes</b>, and create an environment in which people can demonstrate their capabilities and skills to the greatest extent possible</li> <li>• Implement a wide range of <b>measures to improve the health and vitality</b> of officers and personnel, raise productivity, and invigorate the organization</li> <li>• Ascertain and evaluate human rights violation risks and establish processes for making improvements. Keep in mind the risk of human rights violations in the supply chain.</li> <li>• Further <b>increase effectiveness</b> through the appropriate division of duties related to supervision responsibilities of directors and the decision, implementation, and accountabilities of executive officers</li> <li>• Continue to provide education to <b>spread compliance</b> and impose disciplinary measures in the case of compliance violations</li> <li>• Discover <b>business and profit opportunities</b> through extensive but detailed risk awareness/evaluations and risk reduction measures</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Responding to climate change</b></li> <li>• <b>Maintaining air, water, soil environments</b></li> <li>• <b>Ensuring the safety of products and chemical substances</b></li> <li>• <b>Improving value and reliability of products</b></li> <li>• <b>Helping maintain health</b></li> <li>• <b>Contributing to communities</b></li> <li>• <b>Improving feeling of motivation to work</b></li> <li>• <b>Promoting diversity</b></li> <li>• <b>Promoting health and productivity management and workplace safety and health</b></li> <li>• <b>Respecting human rights</b></li> <li>• <b>Expanding corporate governance</b></li> <li>• <b>Spreading compliance</b></li> <li>• <b>Thoroughly spreading risk manage</b></li> </ul>
<ul style="list-style-type: none"> <li>• Increase the feeling of motivation and ease of work of officers and personnel as well as <b>increase organizational performance</b></li> <li>• <b>Improve organization capabilities</b> and increase corporate value <b>by appropriately conducting diversity management</b></li> <li>• Improve organization capabilities and increase corporate value by appropriately conducting <b>health and productivity management and ensuring workplace safety and health</b></li> <li>• Increase corporate value by appropriately responding to issues related to <b>business and human rights</b></li> <li>• Increase corporate value by continuing to promote <b>corporate governance compatible with the monitoring model</b></li> <li>• Increase corporate value by <b>thoroughly implementing compliance</b>, preventing legal violations, scandals, and defects</li> <li>• Expand business and profit opportunities by uncovering opportunities from related risks while minimizing <b>losses in that risk field</b></li> </ul>		

# Materiality

In the process of formulating SPEED 25/30, the Hodogaya Chemical Group identified issues of materiality from its management philosophy-based business activities and set concrete numerical targets. The materiality we have identified are the premise for the basic

strategy of SPEED 25/30. We are committed to addressing them as a medium- to long-term business issues on a company-wide basis, together with the FY2030 ideal figure formulated under SPEED 25/30.

	External environment	Materiality	FY2030 ideal figure	FY2025 KPIs	Initiatives	FY2022 results	SDGs contributed to	
<p><b>STEP 1.</b> Identify changes in the external environment that will have a major impact on society</p>	 Global environment	<ul style="list-style-type: none"> <li>• Responding to climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Contributing to greater agricultural productivity and soil improvement</li> </ul>	—	<ul style="list-style-type: none"> <li>• Expand into peroxide agricultural materials</li> </ul>	<ul style="list-style-type: none"> <li>• Developed a market for soil improvement agents (including joint development)</li> </ul>		
			<ul style="list-style-type: none"> <li>• Contributing to aquaculture as a way to combat the decline in marine resources</li> </ul>	—	<ul style="list-style-type: none"> <li>• Expand sales and dissemination of veterinary medicines</li> </ul>	<ul style="list-style-type: none"> <li>• Continue sales expansion and dissemination</li> </ul>		
			<ul style="list-style-type: none"> <li>• Promoting green chemistry</li> </ul>	—	<ul style="list-style-type: none"> <li>• Expand Bio-PTGs</li> </ul>	<ul style="list-style-type: none"> <li>• Sales expansion of Bio-PTGs</li> </ul>		
			<ul style="list-style-type: none"> <li>• Contributing to society by reducing water resources use and energy use in terms of intensity and total emissions</li> </ul>	<ul style="list-style-type: none"> <li>• Energy intensity: 0.606 kl/million JPY of net sales</li> <li>• CO<sub>2</sub> emissions: 43,400 tons or intensity: 0.868 tons/million JPY of net sales</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion of energy-saving and resource-saving</li> </ul>	<ul style="list-style-type: none"> <li>• Switched to CO<sub>2</sub>-free electric power</li> <li>• Internal Carbon Pricing (ICP): Secured investment results</li> </ul>	 	
			<ul style="list-style-type: none"> <li>• Winning high praise from society by reducing environmental impact (reduce CO<sub>2</sub> emission, limit chemical substance discharges, reduce waste, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• SO<sub>x</sub> emissions: zero continuing</li> <li>• Volume of industrial waste produced: less than previous year</li> </ul>	<ul style="list-style-type: none"> <li>• Promote reduction of environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>• SO<sub>x</sub> emissions: zero emissions on an ongoing basis → Achieved</li> <li>• Volume of industrial waste produced: Less than the previous fiscal year → Not achieved</li> </ul>	  	
			<ul style="list-style-type: none"> <li>• Contributing to insuring drinking water using treated inland waters</li> </ul>	—	<ul style="list-style-type: none"> <li>• Introduce new uses of hydrogen peroxide</li> </ul>	<ul style="list-style-type: none"> <li>• Examination of application development in new fields</li> </ul>		
		<ul style="list-style-type: none"> <li>• Maintaining air, water, soil environments</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring the safety of products and chemical substances</li> </ul>	<ul style="list-style-type: none"> <li>• Complying with laws and regulations on chemical substances, and appropriately managing chemical substances</li> </ul>	<ul style="list-style-type: none"> <li>• Zero regulation violations</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance the management of chemical substances</li> </ul>	<ul style="list-style-type: none"> <li>• Continue zero violations through legal and regulatory management</li> </ul>	
				<ul style="list-style-type: none"> <li>• Developing and propagating products that contribute to the environment and society, the Group is regarded by partner companies</li> </ul>	—	<ul style="list-style-type: none"> <li>• Develop new products and next-generation topics</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of next-generation core technologies and creation of new businesses</li> </ul>	
				<ul style="list-style-type: none"> <li>• Continuing to supply safe, high-quality products, the Group is regarded by partner companies</li> </ul>	<ul style="list-style-type: none"> <li>• Zero quality problems</li> </ul>	<ul style="list-style-type: none"> <li>• Supply safe, high-quality products</li> </ul>	<ul style="list-style-type: none"> <li>• Achieving zero quality problems</li> </ul>	
				<ul style="list-style-type: none"> <li>• Supporting DX and providing environment-friendly infrastructure material</li> </ul>	—	<ul style="list-style-type: none"> <li>• Expand electronic device materials and electronic device equipment materials</li> </ul>	<ul style="list-style-type: none"> <li>• Development of new materials</li> </ul>	
				<ul style="list-style-type: none"> <li>• Working with clients to conduct purchasing that promotes CSR activities in line with Procurement Guidelines</li> </ul>	—	<ul style="list-style-type: none"> <li>• Promote CSR in the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of the "Procurement Guidelines Implementation Status Survey"</li> </ul>	 
				<ul style="list-style-type: none"> <li>• Extensively using Group's products to respond to infectious diseases</li> </ul>	—	<ul style="list-style-type: none"> <li>• Introduce hydrogen peroxide derivatives, phosgene derivatives, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of beverage bottle cleaning and endoscope sterilization</li> </ul>	
<p><b>STEP 2.</b> Identify the impact of those changes in the external environment on business</p>	 Society	<ul style="list-style-type: none"> <li>• Helping maintain health</li> </ul>	<ul style="list-style-type: none"> <li>• Having promoted social contribution activities in the offices, the Group is acknowledged and regarded in the community</li> </ul>	<ul style="list-style-type: none"> <li>• Number of contribution activities: more than previous year</li> </ul>	<ul style="list-style-type: none"> <li>• Promote community contribution activities</li> </ul>	<ul style="list-style-type: none"> <li>• Resumption of visiting classes at nearby elementary schools, and resumption of environmental support activities</li> </ul>	  	
			<ul style="list-style-type: none"> <li>• Improving feeling of motivation to work</li> </ul>	<ul style="list-style-type: none"> <li>• All officers and personnel feeling job satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Increase engagement score</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to implement measures to increase engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of engagement surveys and return of results</li> </ul>	
			<ul style="list-style-type: none"> <li>• Promoting diversity</li> </ul>	<ul style="list-style-type: none"> <li>• Promoting diversity, fair, and just treatment of personnel to invigorate the workplace and foster a global workforce</li> </ul>	<ul style="list-style-type: none"> <li>• Percentage of female managers: 13%</li> </ul>	<ul style="list-style-type: none"> <li>• Promote human resource development and vitalization programs</li> </ul>	<ul style="list-style-type: none"> <li>• Conducted training for female personnel / Conducted training for department general managers</li> </ul>	 
		<ul style="list-style-type: none"> <li>• Promoting health and productivity management and workplace safety and health</li> </ul>	<ul style="list-style-type: none"> <li>• Respecting human rights</li> </ul>	<ul style="list-style-type: none"> <li>• Having promoted work-life balance, personnel are successfully combining work and daily living (including child-raising and nursing care)</li> </ul>	<ul style="list-style-type: none"> <li>• Health &amp; Productivity Management Outstanding Organization: certified</li> <li>• Increase percentage of personnel taking paid holidays</li> <li>• Increase percentage of personnel taking refreshment leave</li> </ul>	<ul style="list-style-type: none"> <li>• Promote health and productivity management</li> </ul>	<ul style="list-style-type: none"> <li>• Continued certification as a Health &amp; Productivity Management Outstanding Organization</li> </ul>	 
				<ul style="list-style-type: none"> <li>• Continuing to achieve accident-free, disaster-free operation, the Group is trusted by society</li> </ul>	<ul style="list-style-type: none"> <li>• Zero lost-time injuries</li> </ul>	<ul style="list-style-type: none"> <li>• Thoroughly implement workplace safety and health and disaster prevention</li> </ul>	<ul style="list-style-type: none"> <li>• Achieved zero lost-time injuries</li> </ul>	 
				<ul style="list-style-type: none"> <li>• Thorough awareness of human rights and respect, no incidents of harassment, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• FTSE Russell score (Human Rights &amp; Community: 4.0)</li> </ul>	<ul style="list-style-type: none"> <li>• Promote human rights enlightenment activities</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous implementation of human rights education</li> <li>• Received an FTSE Russell score (Human Rights &amp; Community: 3.0)</li> </ul>	 
		 Governance	<ul style="list-style-type: none"> <li>• Expanding corporate governance</li> <li>• Spreading compliance</li> <li>• Thoroughly spreading risk manage</li> </ul>	<ul style="list-style-type: none"> <li>• Sustained growth through "defensive governance" to avoid risks and "offensive governance" to capture upside opportunities</li> </ul>	—	<ul style="list-style-type: none"> <li>• Improve corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>• Public disclosure of Corporate Governance Report</li> </ul>	 
				<ul style="list-style-type: none"> <li>• Compliance awareness is widespread, and the Group is capable of responding to the changing social norms</li> </ul>	—	<ul style="list-style-type: none"> <li>• Spread compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing compliance training sessions (four times per year)</li> </ul>	 
				<ul style="list-style-type: none"> <li>• Discovering opportunities from related risks while minimizing losses in that area and tying that to business and profit opportunities</li> </ul>	—	<ul style="list-style-type: none"> <li>• Broadly recognize and evaluate detailed risks and implement appropriate risk reduction measures</li> </ul>	<ul style="list-style-type: none"> <li>• Discussions at Risk Management Committee meetings</li> </ul>	