

Hodogaya Chemical Group's Sustainability

Basic approach

The Hodogaya Chemical Group actively promotes sustainability activities based on the concept of balancing the pursuit of economic value and solutions to social issues and providing value to all stakeholders to fulfill its responsibility to realize a sustainable world and society in the medium- to long-term in line with the PURPOSE (Management Philosophy) and VISION (Target Corporate Image).

Sustainability policy

The Hodogaya Chemical Group has formulated the Sustainability Policy as a comprehensive policy on issues surrounding sustainability. This policy outlines our basic approach as well as related policies to each issue.

As a chemical company, we declared our commitment to engaging in responsible care (RC) in 1997 and have been actively and continuously working to protect and improve the global environment. At the same time, the Group has also been addressing with considerable resolve such issues as risk management for natural disasters, etc., the establishment of fair and proper supply chains, human resources management that enhances job satisfaction, and respect for human rights through the established policies and regulations.

Philosophy Structure

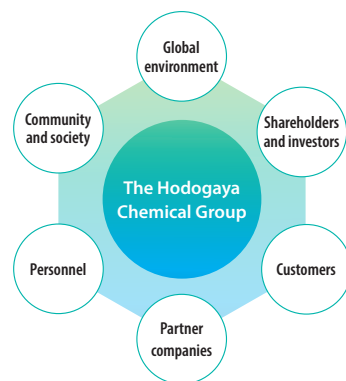


Sustainability Promotion Structure

As an organization working on sustainability-related issues, we view sustainability as an overarching concept that encompasses CSR, ESG, and the SDGs. Therefore, we established the Sustainability Development Committee. In addition to the RC & QM Subcommittee, which deliberates on such issues as the environment, safety, and quality assurance, the Sustainability Development Committee established the Global Environment Subcommittee and the TCFD Subcommittee to address specific issues. Details of Committee agenda items are regularly reported to and deliberated by the Board of Directors and the Management Committee for approval.

Collaborative Value Creation with Stakeholders

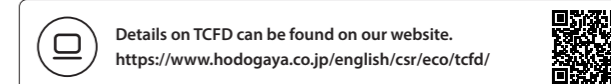
In addition to its shareholders, investors, customers, partner companies, personnel, local communities and society, the Hodogaya Chemical Group considers the global environment as one of its stakeholders. We are engaging in a variety of initiatives to promote collaborative creation of value with all stakeholders, which we recognize is indispensable for corporate activities based on our management philosophy as well as contributions to the resolution of social issues.



The Hodogaya Chemical Group's Stakeholders

Stakeholder	Basic approach
Global environment	We are committed to continuous improvement and regard it as an important responsibility of a chemical manufacturer to continuously reduce the amount of all chemical substances discharged into the earth and the amount of waste generated during our business activities.
Shareholders and investors	In order to maintain and improve the trust of all of our stakeholder groups in the future, we have positioned ourselves to ensure the soundness and legality of management, improving efficiency as one of the most important management issues. 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 providing new products and services that meet our customers' expectations for a safe, secure, comfortable, and prosperous life.
Partner companies	As a good partner 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.
Personnel	In order to achieve the Hodogaya Chemical Group PURPOSE (Management Philosophy) and VISION (Target Corporate Image) while also boosting corporate value, we aim to facilitate job satisfaction (feeling motivated and enjoying a comfortable work environment) for all officers and personnel.
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.

Disclosure of Information Related to Climate Change Based on TCFD



Basic approach

The Hodogaya Chemical Group will actively move forward based on the idea of balancing the pursuit of economic value and solutions to social issues and providing value to all stakeholders to fulfil its responsibilities related to creating a sustainable world/society as given in the VISION (Target Corporate Image) appearing in the Mid-term Management Plan SPEED 25/30, which started from FY2021.

As a chemical company, Hodogaya Chemical is resolutely confronting climate change in accordance with the guidance by the TCFD, while proactively striving for information disclosure.



Governance and Risk Management

The Sustainability Development Committee is a committee organization that actively promotes responsibility toward the realization of a sustainable earth and society in accordance with the Management Philosophy and Corporate Action Guidelines. We established the Global Environment Subcommittee, which promotes activities related to preservation and improvement of the global environment, and the TCFD Subcommittee, which promotes disclosure activities in response to guidance from the TCFD, in addition to the conventional RC/QM Subcommittee.

The Risk Management Committee discusses Companywide risk recognition, evaluation and mitigation measures. The Risk Management Committee also discuss environmental risks, such as

climate-related risks, opportunities and countermeasures recognized by the TCFD Subcommittee.

The content of discussions in each committee and subcommittee is submitted and reported to the Board of Directors and Management Committee.



Strategies and Risk Analysis

In pursuing the Mid-term Management Plan SPEED 25/30 business strategy of developing a new portfolio, we expect production volume 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.
	Technology	Strengthening environment management	○	Strengthen the internal structure by leveraging the knowledge gained thus far	Increased cost burden for maintenance and improvement of management system
	Market	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
	Reputation	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
Physical risk 4°C scenario	Chronic	Stakeholders making environment as important matters	○	Enhancing dialogue with local communities, personnel, and shareholders and securing a system	—
	Acute	Rise in average temperature	○	Labor saving and automation of manufacturing equipment	[Risks and Opportunities] Response to market changes, especially in the agrochemicals business
		Increase in earthquakes, typhoons, and floods	○	Promote multiple purchases, strengthen BCP	Shutting down of factories and inability to procure raw materials

Major business opportunities in transition

Segment	Opportunities
Functional Colorants Segment	• Aluminum coloring dyes Expand sales by developing eco-friendly products • Bio business Expansion from materials for PCR diagnostic kits to medical use
Specialty Polymers Segment	• PTG (urethane materials) Promoting green chemistry through biotechnology
Basic Chemicals Segment	• Hydrogen Expanding business opportunities due to the advent of the hydrogen society
Agro-Science Segment	• Hydrogen peroxide and derivatives Expanding applications to the field of agricultural materials

Targets and Indicators

The Hodogaya Chemical Group has set the following non-financial targets (climate change-related) in its Mid-term Management Plan SPEED 25/30.

- Reduction of CO₂ emissions
- Reduction of energy intensity
- Industrial waste volume reduction

These are examined by the Global Environment Subcommittee, discussed by the Sustainability Development Committee, and progress is confirmed by the Board of Directors and Management Committee.

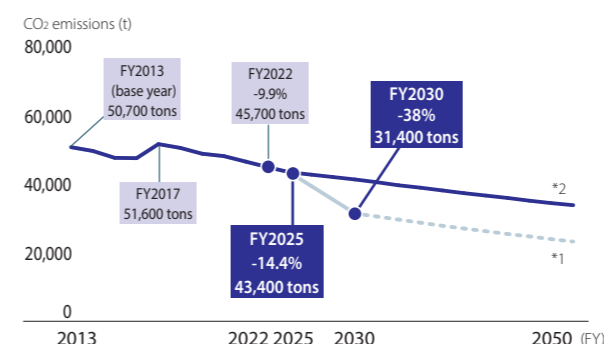
Non-financial Targets

	FY2021 results	FY2022 results	FY2025 management targets
CO ₂ emissions (CO ₂ emission intensity)	49,200 t-CO ₂ (1.176 tons/net sales million JPY)	45,700 t-CO ₂ (1.055 tons/net sales million JPY)	43,400 t-CO ₂ (0.868 tons/net sales million JPY)
Reduction of energy intensity	0.698 kl/net sales million JPY	0.636 kl/net sales million JPY	0.606 kl/net sales million JPY
Reduction of industrial waste volumes	2,746 t	3,477 t	Less than the amount generated in the previous year

Responding to Climate Change

Most of the greenhouse gases (GHG) emitted by Hodogaya Chemical are energy-derived CO₂. GHG emissions in FY2022 are approximately 46,000 t-CO₂ (Scope 1*¹ + Scope 2*²). As production is expected to increase in the future, we will address climate change from both mitigation and adaptation perspectives and from a long-term perspective looking toward FY2030.

CO₂ emissions trend



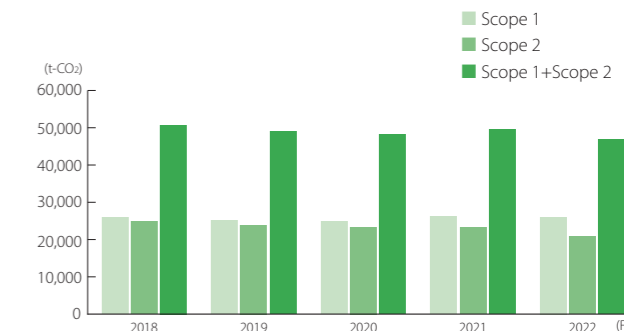
*1 The dotted line after FY2030 is an unconfirmed value.
*2 The solid line after FY2025 is the expected decrease of 1% from the previous year.

To promote CO₂ reduction, we began introducing Internal Carbon Pricing (ICP) in FY2021, which allows us to price our own carbon emission.

We have created a system that can support investment as a response to climate change toward a low-carbon society.

*1 Scope 1: Direct emissions
*2 Scope 2: Energy-originated indirect emissions

CO₂ emissions




Roadmap for Reducing CO₂ 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
	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	Electricity	• Efforts to create energy — Introduction of renewable energy • Efforts to save energy — Promotion of high efficiency • Gradual switch to CO ₂ -free power sources using renewable energy	
Utilizing the ICP system	—	• Promoting ICP system • Continue switching to LED lighting equipment • Continue to introduce top-runner equipment	
Daily improvement through energy saving	—	• Reduction of heat loss through appropriate management of heat insulating materials and traps • Efficient operation	

Related Materiality

- Responding to climate change
- Maintaining air, water, soil environments



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



Responsible Care Management

Responsible care (RC) is a voluntary management initiative intended for companies involved in the production and handling of chemical substances to implement and improve their environmental, safety and health measures across the product lifecycle, from development to disposal. The Hodogaya Chemical Group conducts its operation based on the principle that ensuring environmental conservation, safety and health, and product quality is fundamental to corporate management and the basis for all business activities.

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





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

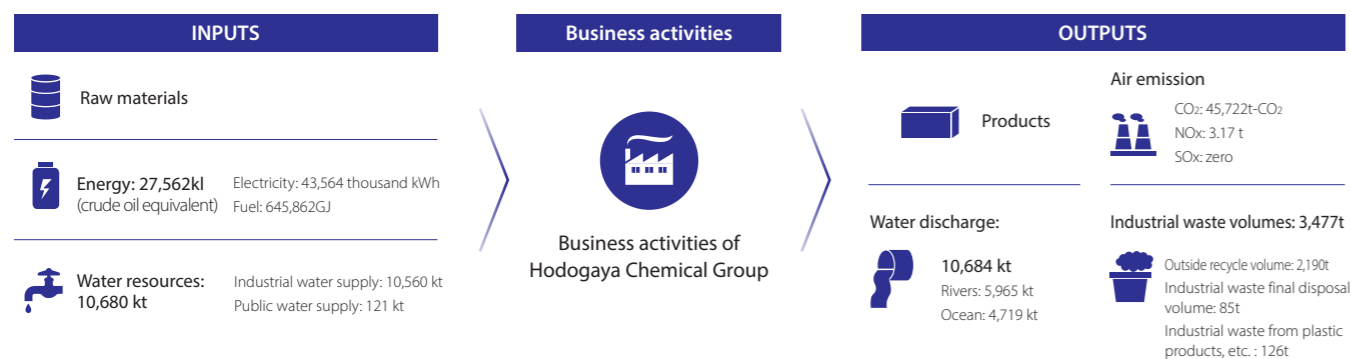
Certification body	Japan Chemical Quality Assurance
Registration no.	JCQA-E-0330
Compatible standards	JIS Q 14001:2015/ISO 14001:2015
Date of acquisition	December 25, 2001



Details of environmental data from the past 10 years can be found on our website.
https://www.hodogaya.co.jp/english/csr/eco/environmental_data/



Hodogaya Chemical Group material flow



Initiatives to Reduce Greenhouse Gas (GHG) Emissions

The Hodogaya Chemical Group considers responding to climate change to be a crucial management challenge. We have been actively promoting initiatives to reduce greenhouse gas (GHG) emissions, in order to fulfill our responsibilities toward the realization of a sustainable planet and society as set forth in the VISION of our Mid-term Management Plan.

Nearly all of GHG emitted by Hodogaya Chemical are CO₂ from energy-related sources. Total GHG (Scopes 1*1 and 2*2) emitted in FY2022 were approximately 45,722 t-CO₂.

In FY2022, we made investments utilizing Internal Carbon Pricing (ICP), which had been introduced in FY2021. Going

forward, we will continue our efforts to reduce emissions by adopting energy-saving equipment and switching to renewable energy sources through decarbonization investment from a long-term perspective to continuously improve energy intensity. With respect to Scope 3*3, we are currently at the stage of gathering information on the status of other companies' initiatives.

While ascertaining all Scope categories for GHG emissions and formulating reduction plans through analysis of the results, we will strive to reduce GHG emissions in accordance with the plans.

*1 Scope 1: direct emissions
 *2 Scope 2: energy-originated indirect emissions
 *3 Scope 3: other indirect emissions; separated into 15 categories

Initiatives to Lower Environmental Impacts

The water resources consumed, and the chemical substances released into the air, water, and soil during the course of business operations by the Hodogaya Chemical Group have the potential to impact the global environment. Taking into consideration the global environment and each of its stakeholders, the Hodogaya Chemical Group strives to lessen the environmental burden accompanying its business activities.

Prevention of air pollution

SO_x (sulfur oxides), NO_x (nitrogen oxides), and dust are discharged from our factories from the burning of fuel and other aspects of chemical manufacturing.

In FY2011, Hodogaya Chemical completed a switch to city gas for the raw fuel used in our plants, which has allowed us to continue to achieve zero emission of SO_x since FY2012. We are also achieving significant reduction of NO_x and dust emissions through measures such as adopting dust collectors and scrubbing towers, and using catalyzers. This has allowed us to mitigate discharge of these substances into the atmosphere.

Protection of water resources and prevention of water pollution

Hodogaya Chemical considers the securing of high-quality water resources and the prevention of water pollution from wastewater important for business continuity. 99% of the industrial water used by Hodogaya Chemical is procured from rivers and streams and only a small amount of public water (tap water) is used as drinking water. Furthermore, the Company does not use water from other sources, such as groundwater, which could cause land subsidence, or seawater.

Water released during the manufacturing process is treated in an advanced manner at the on-site wastewater treatment facility within the plant, and released into the public water bodies after the water quality clears regulatory values. Going forward, we will continue to thoroughly manage wastewater treatment facilities and work to reduce the environmental impact risks to oceans and rivers where wastewater is discharged.

Environmental accounting initiatives

Of the major expenditures related to environmental conservation in FY2022, the largest expense was resource circulation cost, which amounted to 189 million JPY.

Environmental accounting data 2023 P.61

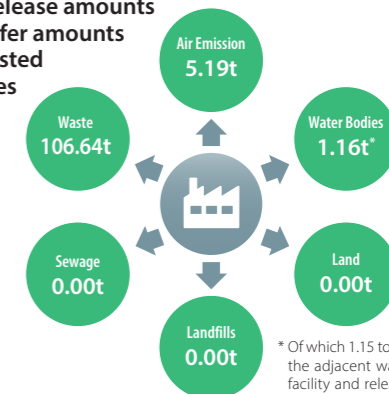
Industrial waste reduction

The Hodogaya Chemical Group promotes the 3R+Renewable initiative (reduce, reuse, recycle, renewable) and we have set a target to reduce the volume of industrial waste generated compared with the previous fiscal year, with initiatives underway. In FY2022, total emissions and final disposal volumes increased by 27% and 63%, respectively, compared with the previous year. Although there is also the impact of differences in the composition of production items and other factors, we take the facts of the increases seriously and will redouble our efforts as we strive 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.

FY2022 release amounts and transfer amounts of PRTR listed substances



*Of which 1.15 tons have been sent to the adjacent wastewater treatment facility and released into the public water bodies after being treated.

VOICE


Energy Conservation Efforts at Koriyama Plant

Energy forms an essential element in our lives. However, global warming brought about by energy consumption has become a serious problem, and energy conservation is now an important issue on a global scale. As an energy saving initiative at the Koriyama Plant, we installed an ICP system-based heat pump in December 2022 to make effective use of the waste hot water, which had not previously been used, after the heat exchange process. Using this waste water as a heat source and efficiently heating boiler feed water is expected to reduce emissions by 171t-CO₂/year and city gas consumption by 113,000Nm³/year. There are many other energy-saving initiatives we can usefully do ourselves, such as saving electricity and water, rather than by installing equipment. Aware of the need to mitigate the effects of global warming, each and every person working at the Koriyama Plant will continue to engage in energy-saving activities.



Related Materiality	
<ul style="list-style-type: none"> Improving value and reliability of products Ensuring the safety of products and chemical substances 	<ul style="list-style-type: none"> Promoting health and productivity management and workplace safety and health

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



Quality Assurance Basic approach

The Hodogaya Chemical Group's quality policy is commitment to quality-first, quality from our customer's perspective. The aim is to meet the demands of our customers and partner companies through our products, commercial goods, and OEM products, through which we contribute to society and business growth.

Initiatives for Quality Assurance

The Hodogaya Chemical Group is committed to; understanding facts, assessing the facts, and acting based on facts to maintain a quality-oriented principle and provide highly functional products and services with high added value to meet the trust and satisfaction of its customers.

To ensure customer satisfaction with respect to quality, the quality assurance activities relating to the products handled by the Hodogaya Chemical Group are divided into four systems by purpose at all stages, from planning and R&D to production and sales. We are working on quality assurance activities through the necessary screening, audit, and management systems required for each system, such as the creation of annual plans aimed at improving the level, and the reporting and discussion of results in RC/QM subcommittees. As a result, in FY2022 we achieved zero quality problems.

November of each year is Quality Month, and during the month we hold the All Company QC Presentation Meeting for the whole Hodogaya Chemical Group. We continue to manage and improve the quality of products, services, work, and other elements through QC circle activities. We tie the results of these circle activities to personal development, mutual development, and workplace vitalization by having reports and Q&A sessions at the All Company QC Presentation Meetings.

Four quality assurance activity system

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



FY2022 All Company QC Presentation Meeting

Quality Day

November has traditionally been Quality Improvement Month at Hodogaya Chemical, and the Company has generally designated the third Friday of November as Quality Day since 2020 so as to further improve quality management.

The Hodogaya Chemical Group takes to heart the idea that quality is the source of trust. From the perspective of clarifying related roles and responsibilities, in October 2018 the Company restructured the Environment and Safety & Quality Assurance Department into the Quality Assurance Department and Environment and Safety Department to strengthen quality management functions.


As part of these initiatives, Hodogaya Chemical established a Quality Day, and on that day, all group executives and personnel gather together to read aloud the Quality Pledge. By doing so, we will raise awareness of improving quality and provide satisfaction to customers.

Quality Management

Today, corporate quality management systems with international qualities and standards have come to be recognized as the norm. Each of the Hodogaya Chemical offices have acquired ISO 9001 certification, the international standard for quality management systems. Then in 2010, the Group integrated the individual management systems of each office and successfully achieved an integrated certification as the Hodogaya Chemical Group that expanded the scope of certification to include domestic affiliated companies. Furthermore, a Group company, SFC CO., LTD. in South Korea, also obtained ISO certification from the South Korean certification body. In 2019, when the Hodogaya Chemical Group's integrated certification was renewed, its scope was again expanded, and HODOGAYA CHEMICAL KOREA Co., LTD., an overseas research base, also obtained ISO certification.

Under a more stringent quality management system, the Hodogaya Chemical Group has united to undertake quality improvement activities.

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



Chemicals and Product Safety Basic approach

The Hodogaya Chemical Group sets forth a set of internal rules on the use of chemical substances and measures to control the content in products, etc. based on the Basic Philosophy of Responsible Care (RC) to ensure environmental conservation, safety and health, and product quality, which forms the basis for all business activities. The aim of these rules is to voluntarily manage chemical substances that are likely to injure human health or impact the global environment in each process, from development, manufacturing, transportation, and use to disposal.

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 in all phases, from development, raw materials procurement, manufacturing, and use to disposal.

To the controlled chemical substances designated under national laws and regulations have been added those requested under customers' RoHS and REACH directive as well as green procurement policies.

The substances are categorized into three groups: prohibited substances, the manufacture, import and use of which are prohibited in principle under domestic law; release-restricted substances, on which domestic laws require that restrictions be placed on their release into the environment or that their environmental impact be reduced; and controlled substances in products, those that customers have requested either not be present in products or that the amounts contained be controlled. Having been made into a database, this system provides integrated management of information on all products, raw materials, and chemical substances handled by the Hodogaya Chemical Group.

We also ensure that information is provided to our customers in a standardized format, including confirmation of legal compliances with national and foreign laws and regulations, the automated production of safety data sheets (SDSs) and product labels in multiple languages as well as the compiling of safety information on the chemicals contained in our products.

Risk Assessment of Chemicals

The Hodogaya Chemical Group formulates procedures for risk assessments to prevent accidents and disasters, and measures to reduce risks based on the assessment results. The Group also sets forth the Risk Assessment Guidelines to clearly identify risks and take precise measures, and implements them on a regular basis.

The substances to be subjected to risk assessments are divided into two categories—the risk assessment of operations and the risk assessment of handling chemical substances—to enable the clearer identification of risks and more precise measures to be taken.

Compliance with Global Laws and Regulations

In addition to the conventional regulations such as TSCA (USA) and REACH (Europe), Asian countries including China, South Korea and Taiwan are actively enforcing new laws and regulations.

With an eye on expanding its business globally, the Hodogaya Chemical Group not only works in close collaboration with foreign affiliate companies and representative offices, but also takes active part in various industry activities to keep track of the latest trends in chemical substance management policies and legislation of other countries to be prepared to respond in a timely manner.

We share this legislative information and responses from other countries with the entire Hodogaya Chemical Group.

VOICE My Duty to Protect: Hodogaya Brand

Quality inspection work covers a wide range of tasks, including inspections of raw materials and products based on prescribed test methods, the issuance of test reports, the maintenance and management of inspection equipment as well as the storage of records.

Of all these tasks, the one that I am particularly mindful of in my eighth year with the Company is always to conduct product inspections from the customer's point of view, so that they are able to purchase Hodogaya Chemical products with peace of mind. So that I am able to quickly notice any minor differences and changes in inspection values, I carefully check the product status and inspection values on a regular basis. Also, when a question comes up with regard to the maintenance and how to handle the inspection equipment, I always try to find the answer by doing my own research or by seeking advice from someone with a lot more experience.

To continue to protect the quality of the Hodogaya brand in the years to come, I would like to fulfill my role as the last bastion of quality management in a responsible manner.



Maika Yoshino
Nanyo Plant



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



Workplace Safety and Health, Security and Disaster Prevention Basic approach

The Hodogaya Chemical Group places 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 rules on safety and health management to prevent occupational disasters and health disorders of all personnel. The aim is to engage both personnel and employers to collaborate in ensuring the safety and health of all personnel in the workplace, and to promote creating a more comfortable work environment, while streamlining operations and contributing to improving productivity.

Furthermore, the Group has designated February 3 as the Group's annual Safety Day to prevent personnel forgetting the fire accident at the Yokohama Plant on February 3, 2012, and the lessons learned from it, to enhance the culture of safety, and to spread among all personnel of the Group the efforts in structurally establishing safety in the business operation.

In FY2022, as a result of continuing to strengthen initiatives for each measure, the Hodogaya Chemical Group and subcontracting companies achieved zero lost-time injuries.



Initiatives for Disaster Prevention

The Group conducts its activities in accordance with its basic principle to deliver security and safety, including environmental conservation to the 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. In addition to conducting disaster drills, fire extinguisher training, emergency lifesaving drills jointly with fire departments and other first responders, we are striving to instill an awareness of safety and disaster prevention among all personnel and enhance their ability to sense danger.

We are continuing the conventional KYT (*Kiken Yochi Training*, risk prediction training) and PYT (process error prediction training) activities, and conduct safety patrols, 3S (Sort, Set in Order, Shine) and inspection visits among offices. In internal audits of RC activities, the basis of activities was expanded to the five actuals (place, thing, fact, principle, rule) to implement safety measures and safety education that include mechanism and law principles, and rules such as routines and orders.

Personnel from plants are active participants in competitions in which teams pit their firefighting and disaster prevention skills against teams from other plants located in the same area.

Occurrence of Lost-time Injuries

FY occurred	Hodogaya Chemical Group			Subcontracting companies		
	2020	2021	2022	2020	2021	2022
Number of accidents / incidents	1	0	0	0	0	0
Number of work-related fatalities and injuries	1	0	0	0	0	0
Frequency rate	0.92	0.00	0.00	0.00	0.00	0.00
Severity rate	0.001	0.00	0.00	0.00	0.00	0.00

Frequency rate = Number of work-related fatalities and injuries / Total work hours x 1,000,000
 Severity rate = Total number of working days lost / Total work hours x 1,000

Initiatives for Logistic Safety

Hodogaya Chemical endorsed the spirit of the White Logistics Promotion Campaign* advocated by the Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Economy, Trade and Industry, and Ministry of Agriculture, Forestry and Fisheries in January 2021 and submitted a voluntary action declaration to the White Logistics Promotion Campaign Secretariat. In the voluntary action declaration, we reviewed the content of transportation, including greater logistics efficiency and modal shift, and listed our efforts to standardize contracts and ensure safety.

For the purpose of ensuring safety, we help maintain the safety and health of all local residents, including those involved in

logistics, and protect the local environment by following Logistic Safety Management Rules, which stipulate basic items concerning preventing accidents and disasters in logistics related to Group products and other items and measures in the case of an accident or disaster.

* White Logistics Promotion Campaign
 This is a campaign to realize not only greater productivity and more efficient logistics, particularly in truck transportation, but also a work environment welcoming to female and older drivers so as to ensure stable logistics, which are necessary for the lives of Japanese and industrial activities, in response to the shortage of drivers that is growing more serious and to contribute to economic growth.



Procurement Activities Basic approach

The Hodogaya Chemical Group specifies its commitment to the realization of a fair and appropriate supply chain in the Sustainability Policy, and implements the activities of procurement based on the Compliance Action Policy and the Procurement Policy. We have a fair deal with all partner companies in good faith when purchasing raw materials, products/consigned products, 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 having a fair deal in good faith, 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 having them comply with the terms of these guidelines, we work with our partner companies 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>



Details on Procurement Guidelines can be found on our website.
https://www.hodogaya.co.jp/english/wp/wp-content/uploads/2018/09/procurement_guidelines_20180918.pdf



VOICE To Create Safe and Secure Workplaces

In its meetings held monthly at the Yokohama Plant, the Health and Safety Committee deliberates on measures to prevent industrial accidents and health disorders, workplace inspections and advice on health promotion by industrial physicians, risk assessments, and near-miss incidents. The content of the meetings is shared with promoters at each workplace, and workplace health and safety meetings chaired by the promoters are held. During these meetings, we conduct health and safety-related education, discuss near misses and case studies of past incidents, find dangers lurking in the workplace, and notify other people of dangerous areas, all of which helps to raise safety awareness and to prevent occupational accidents. We will continue to work toward building safe and secure work environments and achieving zero accidents and injuries.



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



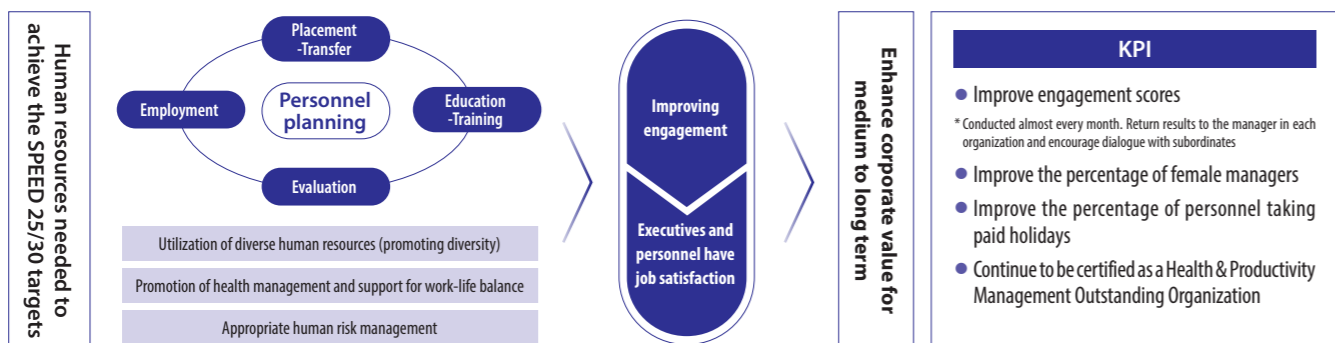
A Message from the HR Manager Shinichi Sato Managing Executive Officer

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



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 normed 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
<https://www.hodogaya.co.jp/english/company/governance/compliance/>



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. Complying with laws and regulations, highly ethical and normed 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 prohibition of forced labor, prohibition of inhumane treatment, prohibition of child labor, prohibition of discrimination, proper wages, and work hours as items to be complied with for the Human Rights and Labor Standards.

In line with these policies, we do not tolerate forced labor or child labor in the supply chain.



Procurement Guidelines
https://www.hodogaya.co.jp/english/wp/wp-content/uploads/2018/09/procurement_guidelines_20180918.pdf



Establishment of a System to Prevent All Forms of Harassment

The Hodogaya Chemical Group 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 created harassment prevention regulations and a manual in order to implement a range of measures, including establishing a consultation desk and establishing internal human rights due diligence. During Compliance Training, 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/



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 preventative 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.



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 corporate citizens 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 tangible and intangible objects that are useful for the rich lifestyles of people.

In addition, if a disaster is designated as a major disaster by the Cabinet Office, where one of our key bases is located, 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. Most recently, when the damage sustained by Koriyama City from Typhoon Hagibis was designated a major disaster in October 2019, we donated money to Fukushima Prefecture to support reconstruction.

Volunteer Weeding for Niida Honke Koriyama Plant Asuka Hara

Starting this year, Koriyama Plant personnel volunteered to take part in volunteer weeding for Niida Honke.

A sake (rice wine) brewery in Koriyama City, Fukushima Prefecture, Niida Honke brews and sells sake and fermented foods that include Niida Shizenshu, a 100% pure sake made from brewer's rice grown without the use of any pesticides or chemical fertilizers.

On the day of the volunteer event, 21 people from the Koriyama Plant took part and borrowed Nakano-type weeding implements to weed three rice fields.

A Niida Honke staff member taught us directly how to use the

weeding implements and provided us with details of how sake is made. It was very refreshing and fun to work in a rice field for the first time and talk directly with local people. Through this volunteer work, we were able to interact with local people. It was also a valuable opportunity to experience nature and Japanese culture. I would like to continue to actively participate in activities that are of benefit to the local community and to society as a whole.



Column

— Protecting forests with the power of chemistry — HODOGAYA AGROTECH Co., Ltd.'s role in smart forestry*

Accounting for two-thirds of Japan's land area, forests contribute greatly to people's lives, including by recharging sources of water, conserving the country's land, mitigating the effects of global warming, and supplying timber and forest products. Cyclic use is made of man-made forests in a cut, use, and plant sequence, but there is a serious shortage of forestry workers to take on this work, and securing a workforce is becoming a major problem. For several years after planting, it is a battle against weeds and trees that hinder the growth of the seedlings. Mechanization having not progressed that far, clearing weeds under the scorching sun in midsummer can be said to be the most difficult task.

Engaged in the manufacture and sale of agricultural chemicals, HODOGAYA AGROTECH Co., Ltd. has established a new technology that sprays herbicides developed for use in forests by drone. Devised to save labor, this development has led to an improvement in the working environment by freeing workers from a sweaty, physically draining task. Also protecting seedlings from wild animals by supplying repellents and seedling protection materials, we are working to support sustainable forestry with the power of chemistry.

*The term smart forestry refers to forestry that utilizes digital management and/or information and communication technologies (ICT) as well as to forestry by means of safer, more efficient automated machinery. (Forestry Agency)



— Collaborating and co-creating with local communities, connecting to the future — Contributing to regional revitalization through corporate hometown tax donations

With the aim of returning to society a portion of the profits earned by its OLED materials business, the Hodogaya Chemical Group has donated to a corporate hometown tax program. Manufacturing those OLED materials, our Koriyama Plant is located at the east exit of JR Koriyama Station in Fukushima Prefecture, and donating to the prefecture's corporate version of the hometown tax—named Project to create a sustainable local agricultural model in collaboration with Fukushima University—aids in its recovery. The decision was made for two other reasons: In the hope of countering the misinformation surrounding agricultural products and to thereby contribute to their promotion and, as stated under Hodogaya Chemical's management philosophy, to contribute to the creation of an environmentally conscious society.

To contribute to the regional revitalization of Fukushima Prefecture, to which we are indebted on a daily basis, the Hodogaya Chemical Group will continue to collaborate with all local residents while striving for sustainable regional development.

