

# Mid-term Management Plan SPEED 25/30 (FY2021–FY2030)

## VISION

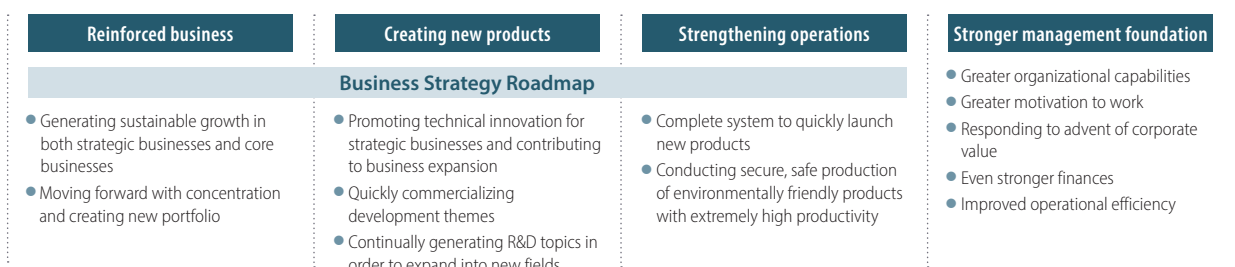
A corporation that contributes to establishing a sustainable society by means of our original portfolio and environmentally friendly manufacturing, with a focus on specialty products

### Message

The Hodogaya Chemical Group will speedily transform itself to our “target figure” in FY2025 and to our “ideal figure” in FY2030, by means of:

- S** Specialty products that construct a
- P** Portfolio built up with great originality;
- E** Engagement improvement that contributes to
- E** ESG management promotion;
- D** Digital transformation-led competitiveness enhancement

### Hodogaya Chemical Group’s “target figure to be achieved by FY2025”



Undertake strategic investments that contribute to growth, including business investments (M&A, etc.), IT, and infrastructure

Promote sustainability and DX

### Ideal figures in FY2030

Strengthening operations	A well-constructed business portfolio	Promoting DX
Expanding our sphere of activity	Continuing to create new products for the global market	
Higher efficiency	Achieving a high productivity	
Employees’ point of view	Improving job satisfaction	
Social point of view	Contributing to the achievement of SDGs and realizing environmental friendliness	
Shareholders’ point of view	Maintaining a stable dividend for a long term	

### Progress of the management targets

	FY2021 results	FY2022 results	FY2025 targets	
Financial targets	Net sales	41.8 billion JPY	43.3 billion JPY	50 billion JPY
	Operating profit	6.4 billion JPY	3.7 billion JPY	7.5 billion JPY
	Operating margin	15.3%	8.5%	15%
	ROE	8.1%	5.3%	9%
Non-financial targets	CO <sub>2</sub> emissions (CO <sub>2</sub> emission intensity)	49,247t-CO <sub>2</sub> (1.1759t-CO <sub>2</sub> /million JPY of net sales)	45,722t-CO <sub>2</sub> (1.055t-CO <sub>2</sub> /million JPY of net sales)	43,400t-CO <sub>2</sub> (0.868t-CO <sub>2</sub> /million JPY of net sales)
	Energy intensity (per million JPY of net sales)	0.698kl	0.636kl	0.606kl
	Industrial waste volumes	2,746 t	3,477t	Same level or less than previous FY
	ESG evaluation score (FTSE Russell score)	2.7	3.0	3.7
	Engagement score	-	-	Gradually raise score
	Percentage of female managers	11%	11%	13%

### Progress of SPEED 25/30 in FY2022

Although some signs of a recovery in economic activity were seen due to the relaxation of the movement restrictions that had been caused by the COVID-19 pandemic, there were many causes for concern in FY2022, the second year of the Mid-term Management Plan SPEED 25/30. Those causes for concern included the protracted Russia-Ukraine conflict, soaring raw material and fuel prices, rising commodity prices, and a weak yen, all of which led to business activities being conducted in the face of an uncertain future. In contrast, the Company made significant progress in projects such as the joint development of a new agricultural material with ASAHI AGRIA CO., LTD. and the construction of a new biotechnology building (for advancing into the field of nucleic acid medicine) at SFC CO., LTD. in South Korea.

#### FY2022 Progress in Business Terms

Segment	Subsegment	Reinforced business	Creating new products	Strengthening operations	Results	
					Sales by Segment	Operating Profit by Segment
Functional Colorants	OLED Materials Business	• Consideration given to the establishment of technical service bases (Strengthening relationships with customers, introduction of technologies)	• Promoting development of OLED • Promoting research of new ideas: – Organic cathode materials – Organic solar cell materials – Near-infrared absorption materials	• Installation of special equipment for trial production which contributes to new product development	41.6% (17.9 billion JPY)	70.3% (2.6 billion JPY)
	Colorants Materials Business	• Launch of environmentally friendly aluminum coloring dyes into the market	• Promoting development of environmentally friendly aluminum coloring dyes	• Establishing an increase in production of aluminum coloring dyes		
Specialty Polymers	Functional Polymers & Specialty Chemicals Business	• Market launch/sales expansion of new Bio-PTG into the market	• Development of special products (PTG)	• Expansion and promotion of phosgene derivative production facilities	26.7% (11.5 billion JPY)	23.3% (0.86 billion JPY)
	Construction Materials Business	• Sales expansion of next-generation waterproofing materials				
Basic Chemicals	Peroxide Business	• Expansion of uses of peracetic acid (food additive)		• Reinforce production capabilities for agricultural material products	16.5% (7.1 billion JPY)	-15.5% (-0.57 billion JPY)
Agro-Science	Agrochemical Business	• Expansion of the peroxide agricultural materials business			10.7% (4.6 billion JPY)	12.3% (0.45 billion JPY)
Logistics	Logistics Business				4.3% (1.8 billion JPY)	9.2% (0.34 billion JPY)

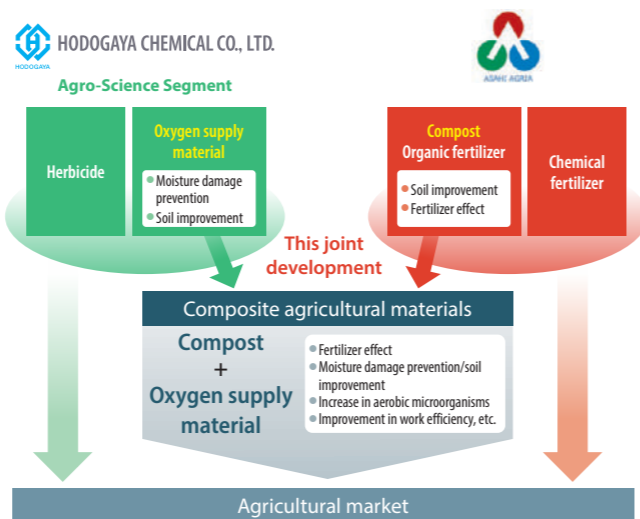
#### Progress of Major Measures in FY2022

Stronger management foundation	FY2022 results	FY2025 non-financial targets
<b>Strategic Investments</b> • SFC CO., LTD. in South Korea Construction of a new biotechnology building	• SFC CO., LTD. in South Korea Construction of a new biotechnology building begins	—
<b>Improve Engagement</b> • Promotion of health and productivity management • Utilization of diverse human resources	• Certified as a Health & Productivity Management Outstanding Organization for three consecutive years • Process to make telecommuting system permanent • Expansion and upgrading of diversity training sessions • Decision to introduce employee stock benefit plan	• Gradually raise engagement score • Percentage of female managers: 13%
<b>Promote sustainability</b> • Reduce CO <sub>2</sub> emissions • Reduce energy intensity • Reduce industrial waste volumes • Reduce power consumption • Promote ESG	• Reduce CO <sub>2</sub> emissions: 45,722t-CO <sub>2</sub> (1.055t-CO <sub>2</sub> /million JPY of net sales) • Reduction of energy intensity: 0.636kl • Reduction in industrial waste volumes: 3,477t • CO <sub>2</sub> -free power consumption (Yokohama Plant, Tsukuba Research Institute) • Adoption of ICP (Koriyama Plant)	• Reduce CO <sub>2</sub> emissions: 43,400t-CO <sub>2</sub> (0.868t-CO <sub>2</sub> /million JPY of net sales) • Reduction of energy intensity: 0.606kl • Reduce industrial waste volumes: Less than the amount generated in the previous FY • ESG evaluation score (FTSE Russell score): 3.7
<b>Promotion of DX/Improved Operational Efficiency</b> • Promoting business reforms and various considerations for renewal of core systems	• RPA personnel development • ERP system renewal plan formulation • Promotion of paperless operations • Building of remote work infrastructure facilities • Streamlining of expense settlement tasks • Streamlining of seal affixing operations	—

### Promotion of Jointly Developed New Composite Agricultural Materials

Hodogaya Chemical having signed a joint development agreement with ASAHI AGRIA CO., LTD. covering the R&D of new agricultural materials, the two companies decided to develop a new composite material—comprising an oxygen supply material and a compost, in which the focus is on commonality in areas such as soil preparation and soil improvement—and will work together toward its commercialization. A composite material that is expected to have the effect of a fertilizer in soil preparation and soil improvement, prevent moisture damage, increase aerobic microorganisms (biostimulant effect), and improve work efficiency, the two companies aim to make its use more widespread in the years to come. In the belief that this will contribute to the reduction of chemical pesticides and fertilizers under the Green Food System Strategy advocated by Japan's Ministry of Agriculture, Forestry and Fisheries, both companies will continue to work on developing materials that contribute to sustainable and environmentally friendly agricultural production and supplying them to the market.

#### Graphic Representation of Collaboration



### SPEED 25/30 Initiatives from FY2023 Onward

Effective April 1, 2023, Hodogaya Chemical reorganized its OLED Materials Business Department and Color & Imaging Materials Department as the **Organic & Optical Device Materials Division** and **Coloring Materials Division**, respectively. Accelerating the building of our new business portfolio, we will respond promptly to customer requests on such matters as quality, supply, and sustainability with more advanced knowledge and detailed responses. To flexibly and efficiently execute business strategies for the further growth of our OLED-centered business in South Korea, we also newly established a **Korea Business Strategy Department** on July 1, 2023. We will further promote global collaboration through our three-pronged (R&D, production, and sales) system.

Continuing to steadily implement initiatives to reduce our environmental impact, such as reducing greenhouse gas (GHG) emissions and creating environmentally friendly products through technological innovation, we aim for sustainable growth with a product lineup that is full of originality and environmentally friendly manufacturing.

#### Business Initiatives

Segment	Subsegment	Reinforced business	Creating new products	Strengthening operations
Functional Colorants	OLED Advanced Materials Business	• Optimization of global technical service bases (Introduction of technologies/strengthening of relationships with customers) • Development and securing of personnel that will contribute to global business • New developments in the bio business	• Response to next-generation technologies • Promoting development of OLED	• Installation of special equipment (ensuring a stable production base)
	Coloring Material Business	• Market launch/sales expansion of environmentally friendly aluminum coloring dyes • Developing uses (other than food) for natural dyes • Expanding sales of halal products	• Promoting research of new ideas – Lithium-ion battery materials (organic cathode materials) – Near-infrared absorption materials – Organic solar cell materials (perovskites)	• Planned equipment renewal • Installation of special equipment for trial production which contributes to new product development • Establishing an increase in production of aluminum coloring dyes • Establishment of a supply system for environmentally friendly aluminum coloring dyes
Specialty Polymers	Functional Polymers & Specialty Chemicals Business	• Market launch/sales expansion of new Bio-PTG • Strengthen global sales expansion of phosgene derivatives	• Development of special products (PTG)	• Installation of phosgene derivative trial production equipment • Expansion of phosgene derivative production facilities
	Construction Materials Business	• Expanding sales of next-generation waterproofing materials		
Basic Chemicals	Peroxide Business	• Expanding sales in the industrial chemicals field • Expanding sales of peracetic acid (disinfectant, food additive)	• Developing uses for agricultural and livestock materials	• Planned equipment renewal
Agro-Science	Agrochemical & Agricultural Material Business	• Business expansion through the introduction of new active ingredients • Expanding the peroxide agricultural materials business • Cultivate demand in new green space business • Strengthening relationships with customers in development and sales	• Development of the composite agricultural materials of compost and oxygen supply materials	• Increasing production capacity of oxygen supply materials
Logistics	Logistics Business	• Early expansion of the ISO tank container storage business		• Consider automation and operational efficiency through IT utilization

#### Major Measure Initiatives

Strengthen the Management Base	Content
<b>Strategic investments</b>	• Completion and operation of the new biotechnology building at SFC CO., LTD. in South Korea • Phosgene, agro-science (oxygen supply materials) production facility expansion
<b>Increase engagement</b>	• Implementation of various new measures, such as encouraging men to take childcare leave, office casual attire, Employee Stock Ownership Plan (J-ESOP), multi-assessment program, etc. • Promote health and productivity management • Utilization of diverse human resources • Strengthening of human capital investment
<b>Promote sustainability</b>	• Reduce CO <sub>2</sub> emissions • Reduce power consumption • Reduce industrial waste volumes • Promote ESG
<b>Promotion of DX/Improvement of Operational Efficiency</b>	• Utilization of data accumulated by the Hodogaya Chemical Group • Promotion of RPA, DX education, and leader development

### Toward Achieving the Mid-term Management Plan SPEED 25/30

FY2023 being the halfway point of SPEED 25/30 Phase 1, this will be an important year for achieving the management target of FY2025 and realizing our target figure to be achieved by FY2025. In addition to steadily implementing the abovementioned important measures and investing in R&D, which we have been focusing on until now, we will appropriately invest in personnel (human capital) that will support the Hodogaya Chemical Group. Despite the rapid changes in the environment, we will once again return to the FY2030 ideal figure adopted for SPEED 25/30 and work together as a Group to implement the various measures.