

Financial Strategy



We will practice value creation management with the goal of realizing highly efficient operations that can achieve a high ROE.

Kenji Tsujitsugu Director and Managing Executive Officer

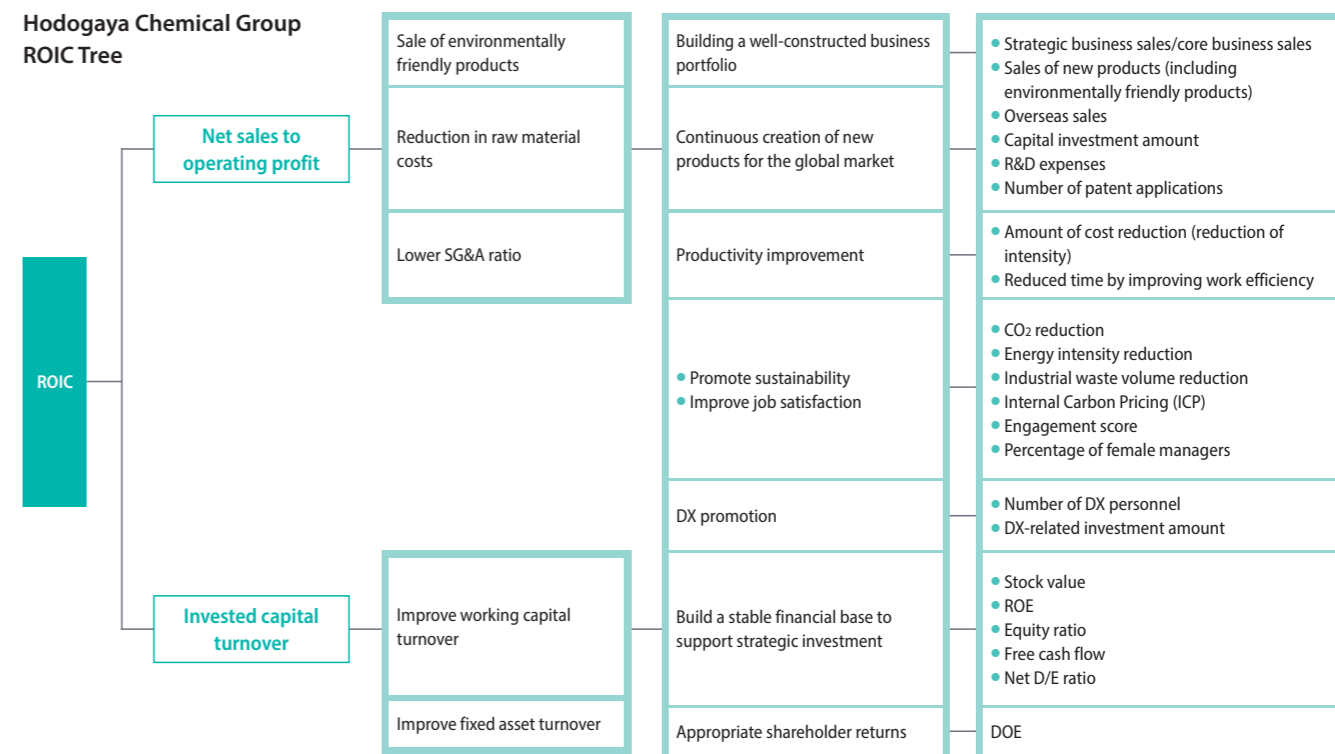
Toward Greater Corporate Value –Initiatives to Improve PBR–

The Hodogaya Chemical Group aims to achieve a high ROE, a management target under the Group's Mid-term Management Plan SPEED 25/30, with an emphasis on growth investments, interest-bearing debt control, and shareholder returns. At the same time, we will practice value creation management in line with highly strategic balance sheet management.

Taking into consideration the Group's net interest-bearing debt, shareholders' equity, and shareholders' equity ratio in FY2022, Hodogaya Chemical's financial health and security currently stands at a high level. We will therefore pursue efforts to further bolster profitability, as well as those to enhance the ability to generate cash that coincides with greater profitability. We will create new value by selecting investment areas with our sights set on the coming future, engaging in the required degree of risk-taking, and executing appropriate resource allocations in a timely manner. Similarly, we aim to connect the outcomes of these efforts to greater corporate value in the future.

In addition, we remain conscious of our shareholders' equity as a risk buffer that allows us to invest in future growth while simultaneously promoting the policy of upgrading and expanding shareholder returns. As far as the return of profits to shareholders is concerned, we will work to provide shareholder returns in a stable, continuous manner, while reducing short-term performance volatility. Similarly, we will execute returns with an awareness of the Dividend on Equity Ratio (DOE). Our goal is to firmly maintain a balance between the three aspects of growth investments, interest-bearing debt control, and shareholder returns as part of our efforts to engage in highly efficient operations in a bid to realize a high ROE. In order to achieve this goal, we also recognize the importance of implementing financial and capital strategies in an ongoing manner that enable consistent growth in earnings per share (EPS).

Hodogaya Chemical Group ROIC Tree



Capital Policy and Shareholder Return Policy

The Hodogaya Chemical Group builds a sound and stable management foundation and continuously improves corporate value through appropriate cooperation with various stakeholders such as shareholders, investors, customers, business partners, local communities, society, and personnel. Regarding profits earned, we will strive to maintain an appropriate balance between, our basic policy, which is to use internal reserves for investment and other activities that will

lead to the growth of the Hodogaya Chemical Group, and returning profits to shareholders. Moreover, in our Mid-term Management Plan SPEED 25/30, we have set a goal of achieving stable dividends over the long term as part of our ideal figure in FY2030. Regarding shareholder returns, we will pay dividends to shareholders, while keeping DOE in mind and premised on improving profitability by promoting various measures set out in SPEED 25/30.

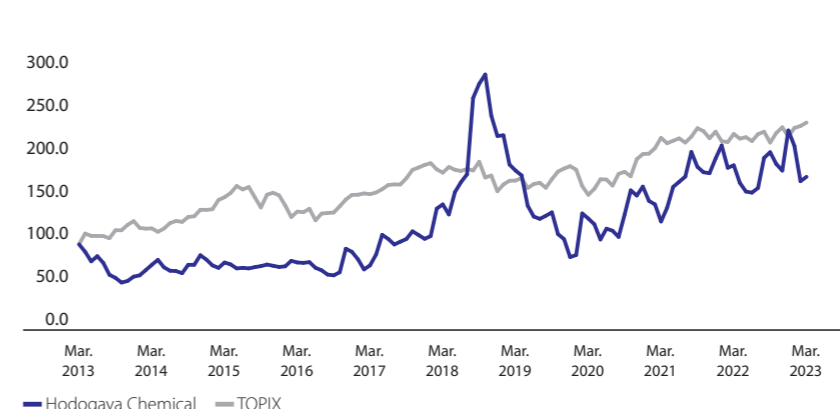
Growth Investments and Financial Strategies under the Mid-term Management Plan

We will undertake the various types of investments outlined in our ideal figure for FY2030 as part of the Group's Mid-term Management Plan SPEED 25/30 in an appropriate manner. At the same time, we will grasp and manage the KGLs and KPIs set for these investments by the Company. In specific terms, we will invest in existing businesses to build a well-constructed business portfolio, intellectual property, including R&D to develop new products for the global market, other areas to improve efficiency in various ways to achieve high productivity, and human capital to enrich our personnel. Regarding funds necessary for investment, we ensure the liquidity of funds through cash flows from operating activities and financing through borrowing from financial institutions. In principle, consolidated subsidiaries do not procure funds from outside sources, and centralize funding within the parent company to

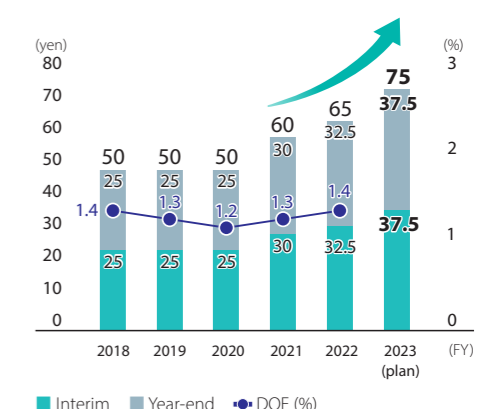
improve the efficiency of funding for the entire group.

Moreover, Hodogaya Chemical Group's Mid-term Management Plan SPEED 25/30 includes even stronger finances in target figure through FY2025, we have also set targets for ROE, in addition to net sales, operating profit and operating margin. While aiming to improve sales and profits by promoting business strategies, we also aim to achieve our targets by promoting even stronger finances by improving capital efficiency and maintaining a sound financial position. Regarding the improvement of capital efficiency, we calculate the weighted average cost of capital (WACC). We have also set targets related to earnings plans and capital policies based on the interest-bearing debt costs and cost of capital (using the capital asset pricing model: CAPM), and we will steadily allocate management resources to achieve these targets.

TSR



Dividends per share



* Total Shareholder Return (TSR): Total return on investment combining capital gains and dividends
 * TSR is calculated based on cumulative dividends and stock price fluctuations for Hodogaya Chemical, and TOPIX based on stock price index including dividends (prepared by Hodogaya Chemical based on Bloomberg data, etc.)
 * The graph value is the market price index by TSR with the closing price data as of the end of March 2013 as 100 (the holding period is until the end of March 2023)