

# Compliance

## Related Materiality

- Spreading compliance

## Basic approach

In addition to fully recognizing and consistently applying compliance's basic meaning of adhering to laws and regulations, the Hodogaya Chemical Group conducts corporate activities keeping in mind its meaning of ensuring behavior in line with what society demands of the Group.

As a result of earnestly implementing compliance and conducting fair, non-discriminatory business activities, there have been no personnel who have been fired and the Group has not had to pay fines or other penalties due to behavior that goes against the legitimate interests of the Group or behavior that undermines trust in and the reputation of the Group.

The Group will also meet the social demands and expectations by fulfilling its responsibility to properly pay taxes in countries and regions throughout the world.

## Promotion Structure

The Hodogaya Chemical Group formulates various rules and regulations based on the Basic Policy on Internal Control, and strives to achieve compliance through organized and cross-sectional initiatives led by the Internal Control Department.

The Internal Auditors Department audits the status of compliance and provides advice and guidance for improvements as required.

Over and above these activities, we have published the Hodogaya Chemical Group Compliance Handbook, which contains data that is closely aligned to the Group's operations. This Handbook is distributed to all officers and personnel in a bid to raise awareness toward compliance.

## Internal Reporting System

As for the internal reporting system, the Hodogaya Chemical Group has not only designated an outside attorney and the Internal Control Department as contact points but also created a system that clearly stipulates whistleblower protection and other elements so as to prevent and quickly detect violations of laws, regulations, rules, and corporate ethics, based on the Internal Reporting Rules.

In addition, the status of internal reporting, and other matters are reported to the Audit & Supervisory Committee.

## Compliance Education

In terms of cultivating and improving compliance awareness, the Hodogaya Chemical Group continuously offers all Group officers and personnel training and independent education using e-Learning as means to thoroughly ensure compliance.

In addition, officers and management personnel (including personnel one step prior to their appointment to management) of the Group are required to take the Examination of Compliance Proficiency for Practical Business (Primary Level) to gain knowledge and increase understanding of compliance. The percentage of qualified management personnel currently stands at 99.2% (as of March 31, 2023).



## Efforts Aimed at Eliminating Antisocial Forces

The Hodogaya Chemical Group has put in place specific guidelines to ensure that it avoids forming any kind of relationship with antisocial forces. The Group's approach toward antisocial forces is centralized in and managed by the General Affairs Department.

In addition, we have established a structure and systems to address the issue of antisocial forces. This includes closely collaborating and exchanging information with such outside professionals as the police and lawyers and to disseminate relevant information to each Group office and company.

Compliance Training Calendar (FY2022)

	July	August	December		February	
Training	General training (1)	Issue-based training (1)	General training (2)	Group company officer training	Issue-based training (2)	Officer training
Eligible participants	All officers and personnel	All officers and personnel	All officers and personnel	Group company officers	All officers and personnel	Directors (including Outside Directors) Executive officers
Content	<ul style="list-style-type: none"> <li>Compliance basics</li> <li>Familiarization with rules and regulations</li> <li>J-SOX</li> <li>Information security</li> <li>Respect for human rights</li> <li>Quality-related scandals</li> <li>Contract examination and review</li> </ul>	<ul style="list-style-type: none"> <li>Questions from the assigned materials and the Compliance Handbook</li> </ul>	<ul style="list-style-type: none"> <li>Compliance basics</li> <li>Familiarization with rules and regulations</li> <li>J-SOX</li> <li>Personal information management</li> <li>Harassment education</li> <li>Antisocial forces education</li> <li>Contract examination and review</li> </ul>	<ul style="list-style-type: none"> <li>CGS Guidelines (Published by Japan's Ministry of Economy, Trade and Industry)</li> </ul>	<ul style="list-style-type: none"> <li>Questions from assigned materials</li> </ul>	<ul style="list-style-type: none"> <li>Revision of Disclosure Office ordinances</li> <li>General Meeting of Shareholders-related training, etc.</li> </ul>

\* Compliance basics and J-SOX training include information on the prevention of insider trading and whistleblowing.



Details can be found on our website.

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

