

Risk Management

Related Materiality

- Thoroughly spreading risk management



Details can be found on our website.
<https://www.hodogaya.co.jp/english/company/governance/management/>



Basic approach

As for risks that harm the Hodogaya Chemical Group, including illegal conduct, poor quality, natural disasters, infectious diseases, and information leaks, the Group has created its own risk management system to minimize damages.

In order to maintain and increase corporate value, fulfill its social responsibilities as a company, and generate sustainable growth for the Group, efforts are made to raise the risk awareness of all officers and personnel and promote risk management by all personnel.

Risk Management Committee

The Hodogaya Chemical Group has a Risk Management Committee in place, in accordance with the Risk Management Committee Rules.

The Committee holds regular meetings to share risk awareness, develop measures to reduce risks, review the progress of such measures, and take initiatives to minimize damages based on the Crisis Management Regulations, across the Hodogaya Chemical Group as a whole.

The Committee provides and reports on the details of their discussions to the Board of Directors and the Management Committee.

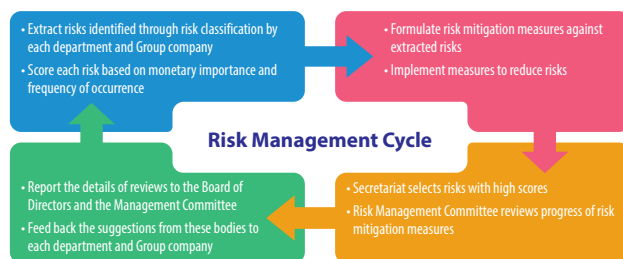
Risk management structure



Risk Classification

No.	Classification	No.	Classification
1	Sales risk	8	Compliance risk
2	Purchasing and procurement risk	9	Legal, regulatory, and system revision risk
3	Manufacturing risk	10	Operational risk
4	Research & Development and intellectual property risk	11	Information system and information leak risk
5	Environmental risk	12	Human risk
6	Strategic risk	13	Tangible asset risk
7	Financial risk	-	

Risk Evaluation Procedures



* In particular, risks that impede KGI/KPI are recognized as Key Risk Factors (KRFs)

Overall Risk Awareness for FY2023

For the current fiscal year, the Risk Management Committee recognizes the following as overall risks.

- [1] Concern over an economic slowdown under an inflationary environment
- [2] Financial tightening and interest rate hikes by national central banks, financial instability
- [3] Conflict between democracies and autocracies, economic decoupling
- [4] Changes in behavior due to COVID-19 (consumer, labor, and corporate)
- [5] Action on the global environment

Information Security

The Hodogaya Chemical Group recognizes that keeping company information classified and ensuring information security are the basics in business and one of our social responsibilities.

We have established Information Security Policy in which the appropriate acquisition, use, disclosure, and management of information, information protection activities, security measures, and compliance with applicable laws and regulations, including Unfair Competition Prevention Act and regulations on insider trading, are specified.

Also, we conduct training for all personnel to increase their awareness of information security.

VOICE

Toward Greater Legal Awareness at the Hodogaya Chemical Group

As a member of the Legal Department, I conduct internal awareness-raising activities regarding laws and other rules through internal training and publishing pamphlets. Yet I do not believe it is easy to attain a concrete image of the meaning and purpose of these rules. I therefore strive to convey the meaning and purpose of these rules to everyone in each department and Group company in an easy-to-understand manner. Specifically, as part of my awareness-raising activities, I use everyday examples as the subject matter, as well as suitable figures and tables, to minimize the volume of materials and to maintain simplicity. Moreover, I make improvements to ensure that everyone understands the importance of these rules as part of their regular business activities in a concrete manner, for example by encouraging personnel to go back to the basic meaning and purpose as they think about these rules when considering contracts and engaging in everyday work.

I will continue to promote these efforts with the goal of raising legal awareness at the Hodogaya Chemical Group.



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