

# Risks and Opportunities

Based on changes in the external environment, the Hodogaya Chemical Group has identified key social issues that will affect our medium- and long-term value creation, as well as the associated risks and opportunities. By clarifying these risks and opportunities,

we have identified material issues that must be addressed. We will address social problems by responding appropriately to risks and taking advantage of opportunities, leading to the realization of further value creation.

External environment	Risks	Response to risks	Opportunities	Response to opportunities	Materiality
<div><b>Global environment</b><ul style="list-style-type: none"><li>Uncertainty regarding the global environment has become a major business issue. We recognize that it is necessary to envision multiple scenarios regarding increases in temperatures and <b>strengthen resilience as part of our management strategy.</b></li></ul><p>▶ Adoption of Paris Accord by COP21</p></div>	<ul style="list-style-type: none"><li>Major impact on production activities due to severe natural disasters (human and facilities)</li><li>Increase in conservation costs</li><li><b>Supply chain having less trust in the Group</b> due to lack of consideration for the environment</li><li>Economic losses due to violations of regulations in Japan and abroad</li><li>Less trust in the company</li><li><b>Loss of social trust</b> or interruption in business <b>due to decline in quality/safety, etc.</b></li><li>Major impact of the spread of infectious diseases on the economy and business activities</li><li>Loss of ability to continue business activities due to less trust from regions in which business is conducted</li><li><b>Undermining of organizational performance</b> due to a decline in the feeling of motivation to work and ease of work of officers and personnel</li><li>Not promoting diversity management resulting in the stagnation of organizational capabilities and corporate value</li><li>Not promoting health and productivity management and workplace safety and health resulting in the stagnation of organizational capabilities and corporate value</li><li>Greater concern that a lack of interest in issues related to <b>business and human rights</b> will result in lawsuits, administrative disciplinary actions, deterioration in reputation, loss of personnel, and other problems</li><li>Not being able to quickly and flexibly respond to <b>more sophisticated corporate governance</b> and thus harming corporate value in the medium term</li><li>Sustaining major losses or undermining the survival of the Company as a result of legal violations, scandals, etc.</li><li>Sustaining major losses or undermining the survival of the Company as a result of not implementing measures to properly reduce risks due to insufficient risk awareness and evaluation</li></ul>	<ul style="list-style-type: none"><li>Conduct inspections of facilities and equipment and make repairs</li><li>Provide education related to operation standards, etc.</li><li>Conduct various types of training and make use of safety confirmation system</li><li><b>Achieve environmental targets</b> for energy savings and reducing environmentally hazardous substances</li><li><b>Promote environment management</b>, such as obtaining ISO 14001 certification throughout the company</li><li>Create a regulation compliance system</li><li>Regularly check revisions to overseas regulations</li><li>Strengthen functions related to educating, thoroughly informing people of, and checking rules related to quality and safety performance</li><li>Establish relationships with multiple suppliers</li><li>Thoroughly implement measures to prevent infectious diseases</li><li>Continue and strengthen activities that contribute to the sustainable development of regions where business is conducted</li><li><b>Develop and implement measures to increase engagement</b> through engagement pulse surveys</li><li>Make use of personnel in a manner that <b>stresses capabilities and skills</b></li><li>Create an environment in which it is possible for officers and personnel to contribute in a <b>healthy and safe manner</b></li><li>Ascertain issues related to <b>business and human rights</b> and appropriately respond</li><li><b>Improve and expand governance</b> as a company listed in the Tokyo Stock Exchange's Prime Market</li><li>Thoroughly <b>implement compliance</b> to prevent legal violations, scandals, defects, etc.</li><li>Implement <b>appropriate measures to reduce risks</b> through extensive but detailed risk awareness/evaluations</li></ul>	<ul style="list-style-type: none"><li>Expanding demand for <b>climate change mitigation/adaptation products</b></li><li>Expanding demand for products that contribute to <b>lighter environmental impact</b></li><li>Expanding demand for products that conform to regulations in various countries</li><li>Expanding demand for products that offer the value of <b>quality and safety performance</b></li><li>Expanding demand for products that help <b>maintain health</b></li><li>Increase corporate value by winning <b>the trust of communities in which business is conducted</b> and stabilizing business</li><li>Increase the feeling of motivation to work and ease of work of officers and personnel as well as <b>increase organizational performance</b></li><li><b>Improve organization capabilities</b> and increase corporate value <b>by appropriately conducting diversity management</b></li><li>Improve organization capabilities and increase corporate value by appropriately conducting <b>health and productivity management and ensuring workplace safety and health</b></li><li>Increase corporate value by appropriately responding to issues related to <b>business and human rights</b></li><li>Increase corporate value by continuing to promote <b>corporate governance compatible with the monitoring model</b></li><li>Increase corporate value by <b>thoroughly implementing compliance</b>, preventing legal violations, scandals, and defects</li><li>Expand business and profit opportunities by uncovering opportunities from related risks while minimizing <b>losses in that risk field</b></li></ul>	<ul style="list-style-type: none"><li>Develop and sell <b>climate change mitigation/adaptation products</b></li><li>Expand businesses related to purifying water, etc.</li><li>Promoting green chemistry</li><li>Develop and sell products that are compliant with regulations in various countries</li><li>Develop and sell products that offer the value of <b>quality and safety performance</b></li><li>Develop and sell products that help <b>maintain health</b></li><li>Actively undertake exchanges with and contribute to <b>communities in which business is conducted</b></li><li>Continually implement <b>measures to increase engagement</b> and verify effectiveness through pulse survey</li><li>Actively recruit and promote <b>people with capabilities and skills regardless of sex, where they are from, or other attributes</b>, and create an environment in which people can demonstrate their capabilities and skills to the greatest extent possible</li><li>Implement a wide range of <b>measures to improve the health and vitality</b> of officers and personnel, raise productivity, and invigorate the organization</li><li>Ascertain and evaluate human rights violation risks and establish processes for making improvements. Keep in mind the risk of human rights violations in the supply chain.</li><li>Further <b>increase effectiveness</b> through the appropriate division of duties related to supervision responsibilities of directors and the decision, implementation, and accountabilities of executive officers</li><li>Continue to provide education to <b>spread compliance</b> and impose disciplinary measures in the case of compliance violations</li><li>Discover <b>business and profit opportunities</b> through extensive but detailed risk awareness/evaluations and risk reduction measures</li></ul>	<ul style="list-style-type: none"><li>Responding to climate change</li><li>Maintaining air, water, soil environments</li><li>Ensuring the safety of products and chemical substances</li><li>Improving value and reliability of products</li><li>Helping maintain health</li><li>Contributing to communities</li><li>Improving job satisfaction</li><li>Promoting diversity</li><li>Promoting health and productivity management and workplace safety and health</li><li>Respecting human rights</li><li>Expanding corporate governance</li><li>Spreading compliance</li><li>Thoroughly spreading risk manage</li></ul>





Materiality

In the process of formulating SPEED 25/30, the Hodogaya Chemical Group identified material issues from its management philosophy-based business activities and set concrete numerical targets. The material issues we have identified are the premise for



































STEP 1.  
Identify changes in the external environment that will have a major impact on society

STEP 2.  
Identify the impact of those changes in the external environment on business

STEP 3.  
Identify issues that Hodogaya Chemical should give priority to solving

External environment	Materiality	FY2030 ideal figure	
 Global environment	• Responding to climate change	• Contributing to greater agricultural productivity and soil improvement	
		• Contributing to aquaculture as a way to combat the decline in marine resources	
		• Promoting green chemistry	
	• Maintaining air, water, soil environments	• Contributing to society by reducing water resources use and energy use in terms of intensity and total emissions	
		• Winning high praise from society by reducing environmental impact (reduce CO2 emission, limit chemical substance discharges, reduce waste, etc.)	
		• Contributing to insuring drinking water using treatment of inland waters	
 Society	• Improving value and reliability of products	• Complying with laws and regulations on chemical substances, and appropriately managing chemical substances	
		• Developing and propagating products that contribute to the environment and society, the Group is regarded by partner companies	
		• Continuing to supply safe, high-quality products, the Group is regarded by partner companies	
	• Helping maintain health	• Supporting DX and providing environment-friendly infrastructure material	
		• Working with clients to conduct purchasing that promotes CSR activities in line with Procurement Guidelines	
		• Extensively using Group's products to respond to infectious diseases	
 People (society and organization)	• Contributing to communities	• Having promoted social contribution activities in the offices, the Group is acknowledged and regarded in the community	
		• Improving job satisfaction	• All officers and personnel feeling job satisfaction
		• Promoting diversity	• Promoting diversity, fair, and just treatment of personnel to invigorate the workplace and foster a global workforce
	• Promoting health and productivity management and workplace safety and health	• Having promoted work-life balance, personnel are successfully combining work and daily living (including child-raising and nursing care)	
		• Continuing to achieve accident-free, disaster-free operation, the Group is trusted by society	
		• Respecting human rights	• Thorough awareness of human rights and respect, no incidents of harassment, etc.
 Governance	• Expanding corporate governance	• Sustained growth through "defensive governance" to avoid risks and "offensive governance" to capture upside opportunities	
	• Spreading compliance	• Compliance awareness is widespread, and the Group is capable of responding to the changing social norms	
	• Thoroughly spreading risk manage	• Discovering opportunities from related risks while minimizing losses in that area and tying that to business and profit opportunities	

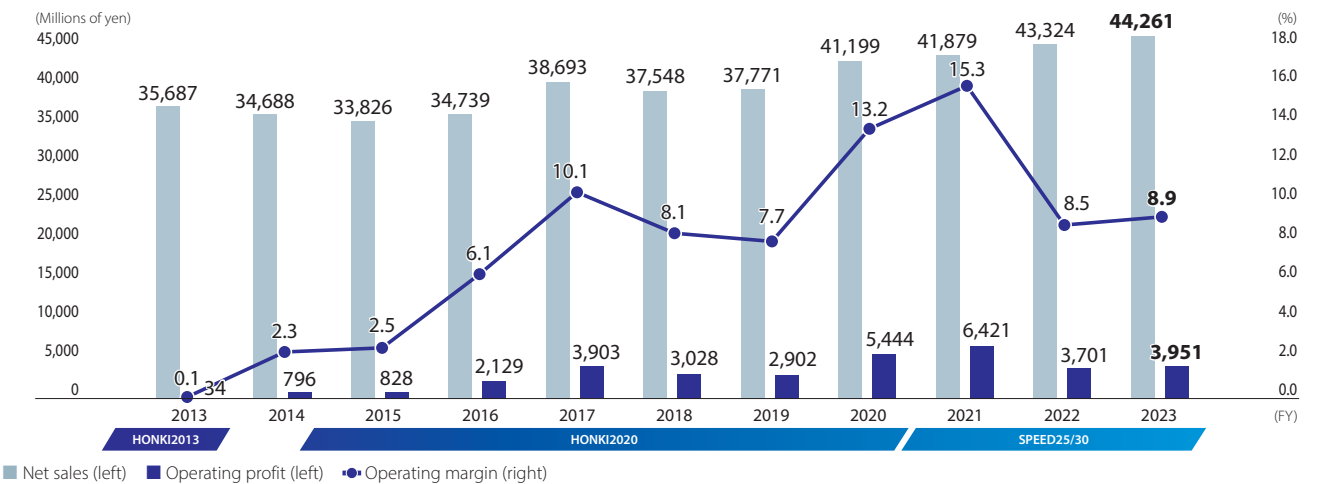
the basic strategy of SPEED 25/30. We are committed to addressing them as a medium- to long-term business issues on a company-wide basis, together with the FY2030 ideal figure formulated under SPEED 25/30.

FY2025 KPIs	Initiatives	FY2022 results	SDGs contributed to
—	• Expand into peroxide agricultural materials	• Developed a market for soil improvement agents (including joint development)	
—	• Expand sales and dissemination of veterinary medicines	• Continue sales expansion and dissemination	
—	• Expand Bio-PTGs	• Promoted BIO-PTG sales	
• Energy intensity: 0.606 kJ/million JPY of net sales • CO <sub>2</sub> emissions: 43,400 tons or intensity: 0.868 tons/million JPY of net sales	• Promotion of energy-saving and resource-saving	• Examined expanding the scope of introducing CO <sub>2</sub> free electricity • Leveraged ICP	 
• SOx emissions: zero continuing • Volume of industrial waste produced: less than previous year	• Promote reduction of environmental impact	• SOx emissions: zero emissions on an ongoing basis → Achieved • Volume of waste generated: Year-on-year decline → Achieved	  
—	• Introduce new uses of hydrogen peroxide	• Examination of application development in new fields	
• Zero regulation violations	• Enhance the management of chemical substances	• Continue zero violations through legal and regulatory management	
—	• Develop new products and next-generation topics	• Establishment of next-generation core technologies and creation of new businesses	
• Zero quality problems	• Supply safe, high-quality products	• Zero quality problems → Unachieved	
—	• Expand electronic device materials and electronic device equipment materials	• Development of new materials	
—	• Promote CSR in the supply chain	• Implementation of the "Procurement Guidelines Implementation Status Survey"	 
—	• Introduce hydrogen peroxide derivatives, phosgene derivatives, etc.	• Expansion of beverage bottle cleaning and endoscope sterilization	
• Number of contribution activities: more than previous year	• Promote community contribution activities	• Offering plant tours for neighboring high schools and conduct environmental support activities: Achieved greater than previous year	  
• Increase engagement score	• Continue to implement measures to increase engagement	• Implementation of engagement surveys and return of results	
• Percentage of female managers: 13%	• Promote human resource development and vitalization programs	• Conducted training for female personnel / Conducted training for department general managers	 
• Health & Productivity Management Outstanding Organization: certified • Increase percentage of personnel taking paid holidays • Increase percentage of personnel taking refreshment leave	• Promote health and productivity management	• Continued certification as a Health & Productivity Management Outstanding Organization	 
• Zero lost-time injuries	• Thoroughly implement workplace safety and health and disaster prevention	• Zero-lost time injuries → Achieved	 
• FTSE Russell score (Human Rights & Community: 4.0)	• Promote human rights enlightenment activities	• Continuous implementation of human rights education • Received an FTSE Russell score (Human Rights & Community: 3.0)	 
—	• Improve corporate governance	• Noted response to implement management conscious of cost of capital and share price in Corporate Governance Report	 
—	• Spread compliance	• Ongoing compliance training sessions (four times per year)	 
—	• Broadly recognize and evaluate detailed risks and implement appropriate risk reduction measures	• Discussions at Risk Management Committee meetings	 

Looking back at Mid-term Management Plans

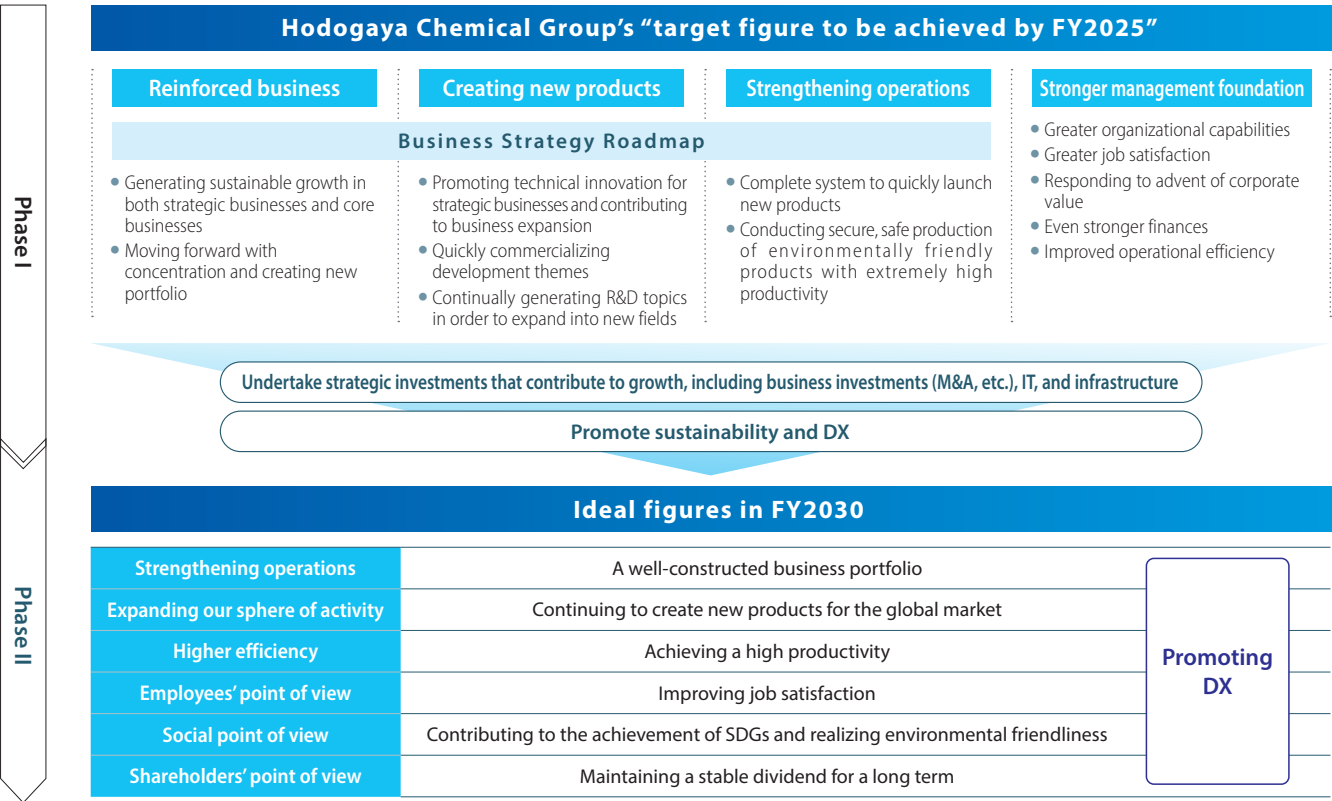
	HONKI 2013 (FY2011 - FY2013) Year of Reconstruction (FY2014)	HONKI 2020 (FY2015 - FY2020)
Vision and positioning	We aim to become a corporation that steadily supplies “Only One and Number One” materials in the global and niche markets in 2016 (Year of 100th anniversary) and to achieve this, we will prepare ourselves for future growth by FY2013. FY2013 targets: Consolidated net sales of 50 billion JPY; Consolidated operating profit of 5 billion JPY; Operating margin of 10.0%	We aim to become a corporation that steadily creates “Only One and Number One” specialty products in the global and niche markets in FY2020, and to achieve this, we will prepare ourselves for future growth. FY2020 targets: Consolidated net sales of 50 billion JPY; Consolidated operating profit of 5 billion JPY; Operating margin of 10.0%
Project outline	<b>Outline</b> <ul style="list-style-type: none"><li>Each business is classified into one of the four stages of growth, and we focus on strengthening core businesses while enhancing and cultivating the businesses of the future.</li></ul> <b>Measures</b> <ul style="list-style-type: none"><li>Strengthening of core businesses that support the Company</li><li>Business expansion for future growth/promotion of new business creation</li><li>Further reinforcing the global operating system</li><li>Reinforcement of Corporate Social Responsibility (CSR) initiatives</li></ul>	<b>Outline</b> <ul style="list-style-type: none"><li>Each business is classified into one of the four stages of growth, and we focus on strengthening core businesses while enhancing and cultivating the businesses of the future.</li></ul> <b>Measures</b> <ul style="list-style-type: none"><li>Regaining competitiveness and securing a stable revenue base – core businesses</li><li>Establishing the Pillars of the Next Generation – growth businesses</li><li>Expanding business areas by creating new added value – cultivation businesses, creation of new products</li><li>Further reinforcing the global operating system and developing human resources</li><li>Strengthening CSR initiatives</li></ul>
Looking back	<ul style="list-style-type: none"><li><b>Core businesses</b> Nippon Peroxide Co., Ltd. merged with the Company to strengthen hydrogen peroxide and related products, and promoted cost reduction at the Koriyama Plant.</li><li><b>Growth businesses</b> We strengthened the production system of SFC CO., LTD. (Korea) to further develop the OLED material business.</li><li><b>Cultivation businesses</b> Developed CCA for color, toner peripheral materials, and new polyol through the project as a business development utilizing the knowledge gained from existing products.</li><li><b>New product development</b> Launched the New Product Exploration Project and while exchanging information with industry, government and academia, we worked on a variety of research themes based on the keywords: environment and energy.</li><li><b>Major capital investment</b> Made capital investment of approx. 10 billion JPY, mainly in the OLED field.</li><li><b>Reinforcement of the global operating system</b> In May 2012, the Group consolidated its head office functions to promote integrated Group operations. The Group has enhanced its sales capabilities through the establishment of local subsidiaries in Shanghai and Korea.</li></ul>	<ul style="list-style-type: none"><li><b>Core Businesses</b> Progress was made in preparations for future expansion of aluminum coloring dyes and phosgene derivatives, including creating new facilities.</li><li><b>Cultivation Businesses</b> Cultivation for next-generation pillars continued, including dyes for color filters. Sales of peroxide agricultural materials grew due to extreme weather.</li><li><b>Growth Businesses</b> OLED materials grew into a top business as a result of higher sales and profit.</li><li><b>New product development</b> New products sales reached 3.4 billion JPY in FY2020, mainly in OLED materials and agro-science businesses (excluding those at SFC).</li><li><b>Major capital investments</b><ul style="list-style-type: none"><li>Made Company-wide 10.1 billion JPY of capital investment</li><li>Opened new aluminum coloring dye facilities</li><li>Enhanced production and research facilities for OLEDs (at SFC), etc.</li></ul></li><li><b>Further reinforced the global operating system</b><ul style="list-style-type: none"><li>Newly established development bases and manufacturing bases in South Korea, a leading OLED market, advanced our globalization in terms of R&amp;D and production</li><li>Established a local subsidiary in Düsseldorf, Germany, to strengthen our sales activities in Europe</li><li>Promoted the global procurement of raw materials; strengthened efforts to address such issues as China risk</li></ul></li><li><b>Reinforcement of CSR initiatives</b><ul style="list-style-type: none"><li>Committed to CSR by taking into account support for ESG management and contribution to achieving SDGs. External evaluation also improved</li></ul></li></ul>
Achievements	<ul style="list-style-type: none"><li>Expanded business for future growth and planted seeds for new product creation</li><li>Changing business environment, a sharp rise in raw material and fuel costs, declining sales volume and unit prices, etc., caused severe problems for the Hodogaya Chemical Group's core businesses and its earnings base deteriorated significantly. In FY2012 and FY2013, in particular, the Company posted two consecutive fiscal years of consolidated net losses, and the situation became critical.</li><li>FY2014 was positioned as a Year of Reconstruction, with the goal of achieving profitability in all profit categories, which was achieved as a result of the concerted efforts of all personnel.</li></ul>	<ul style="list-style-type: none"><li><b>Consolidated net sales</b> Although annual growth rate was 4% during the period due to expansion of OLED business and other factors, the target of 50 billion JPY was not achieved.</li><li><b>Consolidated operating profit</b> Profit increased due to special demand for materials for PCR diagnostic kits, and the target was achieved.</li><li><b>Consolidated operating margin</b> Target achieved with contributions from OLED business and materials for PCR diagnostic kits</li></ul>
Issues	<ul style="list-style-type: none"><li>Expand sales, reduce costs, and launch products that meet customer needs to secure a stable revenue base</li><li>Expand business and reap the benefits of new product creation</li><li>Further utilization and expansion of overseas business bases</li></ul>	<ul style="list-style-type: none"><li>Searching for and quickly cultivating new growth drivers following the OLED materials business</li><li>Building a business portfolio that will be able to accommodate the changes that take place in a future environment</li></ul> <div>The Hodogaya Chemical Group's History of Innovation→P.11</div> <ul style="list-style-type: none"><li>Further strengthening the combined three functions of R&amp;D, production, and sales</li></ul>

Performance trends



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: <ul style="list-style-type: none"><li>S Specialty products that construct a</li><li>P Portfolio built up with great originality;</li><li>E Engagement improvement that contributes to</li><li>E ESG management promotion;</li><li>D Digital transformation-led competitiveness enhancement</li></ul>



Progress of the management targets

	FY2021 results	FY2022 results	FY2023 results	FY2025 targets
Financial targets				
Net sales	41.8 billion JPY	43.3 billion JPY	44.2 billion JPY	50 billion JPY
Operating profit	6.4 billion JPY	3.7 billion JPY	3.9 billion JPY	7.5 billion JPY
Operating margin	15.3%	8.5%	8.9%	15%
ROE	8.1%	5.3%	5.5%	9%
Non-financial targets				
CO2 emissions (CO2 emission intensity)	49,247t-CO2 (1.1759t-CO2/million JPY of net sales)	45,722t-CO2 (1.055t-CO2/million JPY of net sales)	35,649t-CO2 (0.805t-CO2/million JPY of net sales)	43,400t-CO2 (0.868t-CO2/million JPY of net sales)
Energy intensity (per million JPY of net sales)	0.698kl	0.636kl	0.495kl	0.606kl
Industrial waste volumes	2,746 t	3,477t	2,523t	Same level or less than previous FY
ESG evaluation score (FTSE Russell score)	2.7	3.0	3.6	3.7
Engagement score	-	-	-	Gradually raise score
Percentage of female managers	11%	11%	11.3%	13%



Progress of SPEED 25/30 in FY2023

In FY2023, the third year of the Mid-term Management Plan SPEED 25/30, there were signs of recovery in economic activity, resulting in a gradual upward trend in business. However, we undertook business activities under uncertain conditions about the future, including rising energy prices due to continuing unstable international conditions, protracted yen weakness, and higher prices because of that. In this environment, we made strategic investments in order to further increase sales and enhance the manufacturing system for mass production, both of which targeted Korea-based REXCEL, which is responsible for part of the manufacturing of OLED materials and was included in the scope of consolidation starting in April 2023.

FY2023 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	<ul style="list-style-type: none"> <li>Strengthening of relationship with customers and introduction of new technology</li> <li>Expansion of new material use</li> <li>Operation of new biotechnology center (BioPark)</li> <li>Strengthening of domestic evaluation base</li> </ul>	<ul style="list-style-type: none"> <li>Promoting development of OLED</li> <li>Promoting research of new ideas:                             <ul style="list-style-type: none"> <li>–Lithium-ion battery material (organic cathode materials)</li> <li>–Organic solar cell materials (perovskites)</li> <li>–Near-infrared absorption materials</li> </ul> </li> <li>Installing special equipment for trial production which contributes to new product development</li> </ul>	Cost-cutting to reduce intensity	48.0% (21.23 billion JPY)	80.9% (3.19 billion JPY)
	Colorants Materials Business	<ul style="list-style-type: none"> <li>Launch of environmentally friendly aluminum coloring dyes into the market</li> </ul>	<ul style="list-style-type: none"> <li>Promoting development of environmentally friendly aluminum coloring dyes</li> </ul>	<ul style="list-style-type: none"> <li>Establishing an increase in production of aluminum coloring dyes</li> </ul>		
Specialty Polymers	Functional Polymers & Specialty Chemicals Business	<ul style="list-style-type: none"> <li>Market launch/sales expansion of new Bio-PTG into the market</li> </ul>	<ul style="list-style-type: none"> <li>Developing special grades</li> <li>Installing bench-scale phosgene derivative equipment</li> </ul>	<ul style="list-style-type: none"> <li>Expansion and promotion of phosgene derivative production facilities</li> </ul>	18.8% (8.34 billion JPY)	-2.4% (-0.09 billion JPY)
	Construction Materials Business	<ul style="list-style-type: none"> <li>Sales expansion of next-generation waterproofing materials</li> </ul>				
Basic Chemicals	Peroxide Business	<ul style="list-style-type: none"> <li>Expansion of uses of peracetic acid (food additive)</li> </ul>		<ul style="list-style-type: none"> <li>Reinforce production capabilities for agricultural material products</li> </ul>	17.7% (7.84 billion JPY)	5.2% (0.2 billion JPY)
Agro-Science	Agrochemical Business	<ul style="list-style-type: none"> <li>Expansion of the peroxide agricultural materials business</li> </ul>			11.2% (4.94 billion JPY)	9.5% (0.37 billion JPY)
Logistics	Logistics Business				3.9% (1.7 billion JPY)	6.3% (0.25 billion JPY)

Progress of Major Measures in FY2023

Stronger management foundation		FY2023 results	FY2025 non-financial targets
Strategic Investments		<ul style="list-style-type: none"> <li>Launch of operations at new Korea SFC biotechnology center (BioPark)</li> <li>Launch of construction of Korea-based REXCEL No. 2 Plant at Chungju Campus and new plant at Eumseong Campus</li> </ul>	–
Improve Engagement	<ul style="list-style-type: none"> <li>Promotion of health and productivity management</li> <li>Utilization of diverse human resources</li> </ul>	<ul style="list-style-type: none"> <li>Certification as Health &amp; Productivity Management Outstanding Organization for the 4th consecutive year</li> <li>Expansion of diversity training</li> <li>Expansion of application of flextime (decided to introduce on trial basis)</li> <li>Introduction of employee stock benefit plan</li> <li>Expansion of multifaced assessments</li> </ul>	<ul style="list-style-type: none"> <li>Gradually raise engagement score</li> <li>Percentage of female managers: 13%</li> </ul>
Promote sustainability	<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions</li> <li>Reduce energy intensity</li> <li>Reduce industrial waste volumes</li> <li>Reduce power consumption</li> <li>Promote ESG</li> </ul>	<ul style="list-style-type: none"> <li>Reduction in CO<sub>2</sub> emissions: 35,649 t-CO<sub>2</sub> (0.805 t-CO<sub>2</sub>/million JPY of net sales)</li> <li>Reduction of energy intensity: 0.4952 kl/million JPY of net sales</li> <li>Reduction in industrial waste emissions: 2,523 t</li> <li>Use of CO<sub>2</sub>-free electricity (Yokohama Plant and Tsukuba Research Laboratory)</li> <li>Use of ICP</li> <li>ESG assessment score (FTSE Russell evaluation): 3.6</li> </ul>	<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions: 43,400t-CO<sub>2</sub> (0.868t-CO<sub>2</sub>/million JPY of net sales)</li> <li>Reduction of energy intensity: 0.606kl/million JPY of net sales</li> <li>Reduce industrial waste volumes: Less than the amount generated in the previous FY</li> <li>ESG evaluation score (FTSE Russell score): 3.7</li> </ul>
Promotion of DX/Improved Operational Efficiency	<ul style="list-style-type: none"> <li>Promoting business reforms and various considerations for renewal of core systems</li> </ul>	<ul style="list-style-type: none"> <li>RPA personnel development</li> <li>Promotion of changes to ERP system</li> <li>Streamlining of seal affixing operations</li> </ul>	–

Strategic investment and construction of new business portfolio

Functional colorants segment: REXCEL (Korea)

We are strengthening equipment and enhancing the manufacturing system for mass production in order to address further sales growth.

In addition to constructing the No. 2 Plant at the Chungju Campus, we completed construction of a new plant at the Eumseong Campus in August and launched operation of the plant in September.

Through these two strategic investments, we will not only double production capacity for some OLED materials processes but also move forward with introducing semiconductor materials that make use of our proprietary purification technology and similar activities.



Top: Chungju Campus    Bottom: Eumseong Campus

SPEED 25/30 Initiatives from FY2024 Onward

As for strengthening operations, one element of target figure in FY2025, we restructured the organization in April and July of last year in order to furthermore promote global partnerships and achieve sustainable growth for both strategic businesses and core businesses. In addition, since April 2024, we further reinforced strategic business evaluation bases (OLED etc.) in Japan and will catch up with customer demands through more advanced knowledge and meticulous response.

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.

Major Initiatives

Segment	Subsegment	Reinforced business	Creating new products	Strengthening operations
Functional Colorants	OLED Advanced Materials Business	<ul style="list-style-type: none"> <li>Optimization of global technical service bases (Introduction of technologies/strengthening of relationships with customers)</li> <li>Development and securing of personnel that will contribute to global business</li> <li>New developments in the bio business</li> </ul>	<ul style="list-style-type: none"> <li>Response to next-generation technologies</li> <li>Promoting development of OLED</li> <li>Promoting research of new ideas                             <ul style="list-style-type: none"> <li>– Lithium-ion battery materials (organic cathode materials)</li> <li>– Organic solar cell materials (perovskites)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Installation of special equipment (ensuring a stable production base)</li> </ul>
	Coloring Material Business	<ul style="list-style-type: none"> <li>Market launch/sales expansion of environmentally friendly aluminum coloring dyes</li> <li>Developing uses (other than food) for natural dyes</li> <li>Expanding sales of halal products</li> </ul>	<ul style="list-style-type: none"> <li>Promoting research of new ideas                             <ul style="list-style-type: none"> <li>– Near-infrared materials</li> </ul> </li> <li>Installation of special equipment for trial production which contributes to new product development</li> </ul>	<ul style="list-style-type: none"> <li>Establishing an increase in production of aluminum coloring dyes</li> <li>Establishment of a supply system for environmentally friendly aluminum coloring dyes</li> </ul>
Specialty Polymers	Functional Polymers & Specialty Chemicals Business	<ul style="list-style-type: none"> <li>Market launch/sales expansion of new Bio-PTG</li> <li>Strengthen global sales expansion of phosgene derivatives</li> </ul>	<ul style="list-style-type: none"> <li>Developing special grade products</li> <li>Promoting new urethane development</li> <li>Installation of phosgene derivative trial production equipment</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of phosgene derivative production facilities</li> </ul>
	Construction Materials Business	<ul style="list-style-type: none"> <li>Expanding sales of next-generation waterproofing materials</li> </ul>		
Basic Chemicals	Peroxide Business	<ul style="list-style-type: none"> <li>Expanding sales in the industrial chemicals field</li> <li>Expanding sales of peracetic acid (disinfectant, food additive)</li> </ul>	<ul style="list-style-type: none"> <li>Developing uses for agricultural and livestock materials</li> </ul>	<ul style="list-style-type: none"> <li>Planned equipment renewal</li> </ul>
Agro-Science	Agrochemical & Agricultural Material Business	<ul style="list-style-type: none"> <li>Business expansion through the introduction of new active ingredients</li> <li>Expanding the peroxide agricultural materials business</li> <li>Cultivate demand in new green space business</li> <li>Strengthening relationships with customers in development and sales</li> </ul>	<ul style="list-style-type: none"> <li>Developing new agricultural products, such as compost and oxygen supply material</li> </ul>	<ul style="list-style-type: none"> <li>Increasing production capacity of oxygen supply materials</li> </ul>
Logistics	Logistics Business	<ul style="list-style-type: none"> <li>Expansion of ISO tank container storage business</li> </ul>		<ul style="list-style-type: none"> <li>Consider automation and operational efficiency through IT utilization</li> </ul>

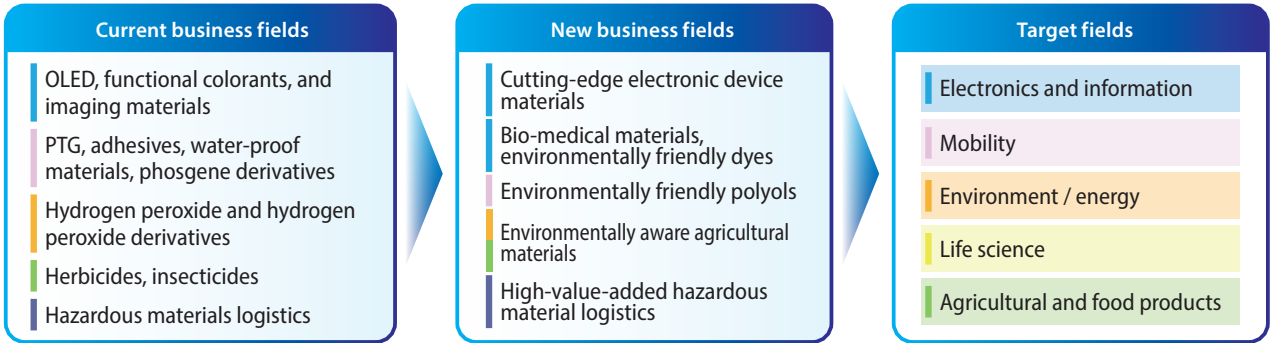
Major Initiatives

Strengthen the Management Base	Content
Strategic investments	<ul style="list-style-type: none"> <li>Completion and launch of operations at the Korea-based REXCEL's No. 2 Plant at Chungju Campus and the new plant at Eumseong Campus</li> <li>Production facility expansion for phosgene derivatives and oxygen supply materials</li> </ul>
Improving employee engagement	<ul style="list-style-type: none"> <li>Implementation of various new measures, such as expanding flextime system (trial introduction) and introduction of book summary service.</li> <li>Promote health and productivity management</li> <li>Utilization of diverse human resources</li> <li>Strengthening of human capital investment</li> </ul>
Sustainability initiatives	<ul style="list-style-type: none"> <li>Promote ESG</li> <li>Reduce CO<sub>2</sub> emissions</li> <li>Reduce power consumption</li> <li>Reduce industrial waste volumes</li> </ul>
Promotion of DX/Improvement of Operational Efficiency	<ul style="list-style-type: none"> <li>Utilization of data accumulated by the Hodogaya Chemical Group</li> <li>Promotion of RPA, DX education, and leader development</li> <li>Promotion of greater operational efficiency (Operation Efficiency Promotion Project)</li> </ul>

Development of a new business portfolio

Aim to implement key policies by FY2025 and expand new business fields and accelerate expansion into target fields given in the Business Strategy Roadmap.

The Hodogaya Chemical Group's History of Innovation→P.11    Business Strategy Roadmap→P.29



Financial Strategy



### Implementing financial and capital policy with an eye toward SPEED 25/30 goals

Yasuo Murakami    Managing Executive Officer

We are currently implementing the Mid-term Management Plan SPEED 25/30 and are approaching the end of phase 1 at the close of FY2025 (March 2026), the halfway point of the plan. Since the start of SPEED 25/30 in FY2021, we have worked to implement various measures with an eye toward achieving a high ROE in the future while balancing growth investments, interest-bearing debt controls, and shareholder return.

Over the past three years, we have generated about 15.5 billion JPY in cash flows from operating activities and have directed about 14.5 billion JPY of that into business investments, mainly the functional colorants segment, the Group's engine of growth. At the same time, we have maintained a D/E ratio of around 0.2 times, ensuring the financial soundness and stability of the Company. In addition, during that time we increased the dividend per share from 50 JPY to 75 JPY (150%) based on our dividend policy that is conscious of improving dividend-on-equity ratio (DOE), our traditional guideline. Research and development is indispensable for the Group's future growth, and the R&D expense ratio (compared to sales) exceeds 10%. We are making steady progress in building a new business portfolio, the most important contribution to growth in SPEED 25/30.

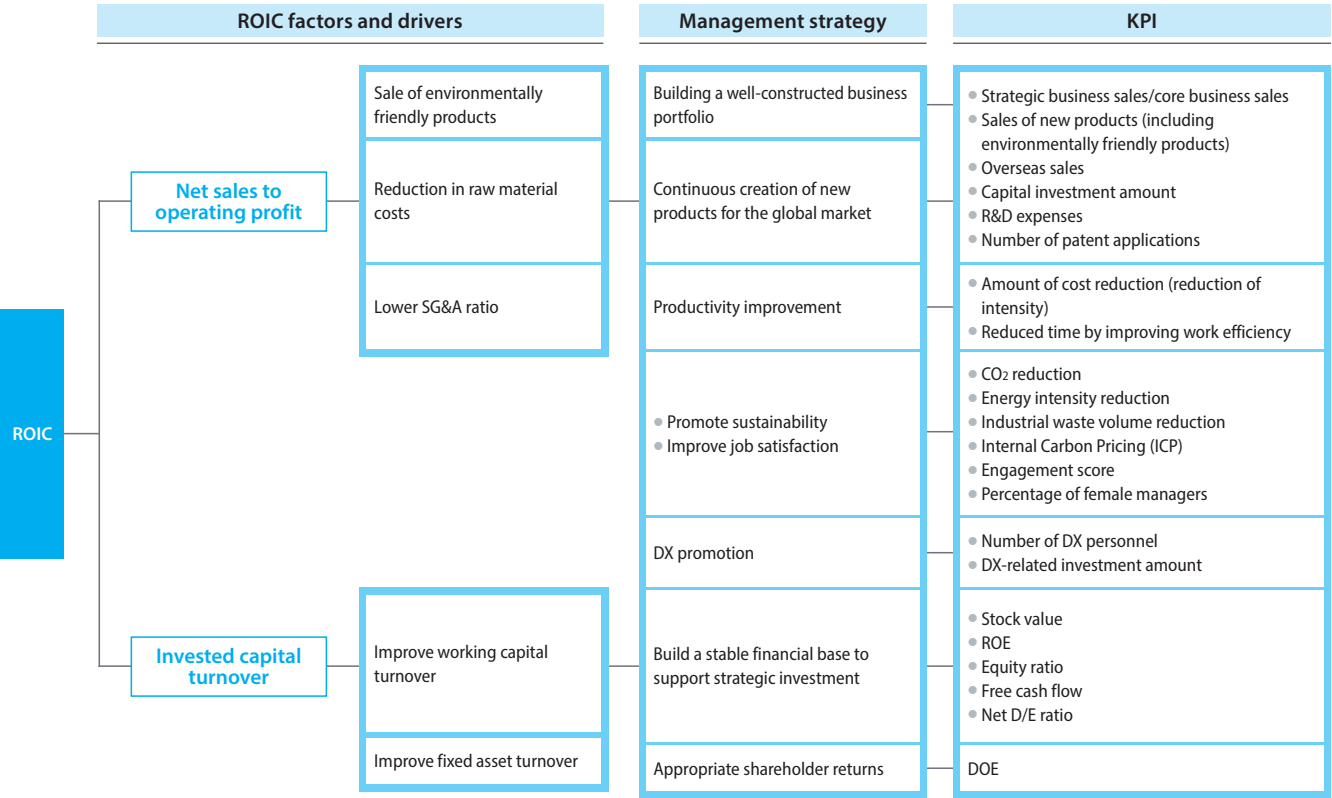
With an eye toward FY2025 (end of phase 1), the midway point for SPEED 25/30, we are aware that in order to achieve our management targets, generate further growth after that, and improve our PBR through these initiatives, we must not only reap the fruit of the various measures executed through FY2023 but also implement new measures. In addition to enhancing shareholder returns, we are committed to creating new value and driving future corporate value growth. To achieve this, we will implement financial and capital strategies aimed at accelerating the sustained growth of our Group. These strategies include more effectively utilizing our current resources, such as interest-bearing debt and shareholders' equity, all while maintaining a certain level of financial stability.

Financial strategy to achieve Mid-term Management Plan targets (management resource allocation)

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. At the same time, we will ascertain and manage the KGIs 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 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. In particular, we are moving forward with measures to achieve key KGIs and KPIs in SPEED 25/30 by broadly sharing progress and issues with not only the responsible department but also related departments. Aware that the KGIs and KPIs for each department and Group company are tied to growth of the whole Group as depicted in the ROIC tree, we conduct both an annual qualitative and quantitative evaluation of each KPI, decide on the allocation of

management resources for each related measure, and implement those measures. For example, between FY2021 and FY2023, we focused management resources on the functional colorants segment, which is centered on existing and new businesses at the Korean base. Through these investments, we will accelerate the building of a well constructed business portfolio, and key elements of that are the KPIs strategic business sales, sales of new products, and overseas sales, which appear in the Group's ROIC tree. In addition, the non-financial KPIs amount of cost reduction (reduction of intensity), CO<sub>2</sub> reduction, and number of DX personnel are important factors that will lead to future growth for the Company. We will appropriately allocate management resources to those. SPEED 25/30 is the mid-term management plan through FY2030, and we will accelerate achieving targets in the plan by appropriately evaluating and verifying KGIs and KPIs each year.

Hodogaya Chemical Group ROIC Tree

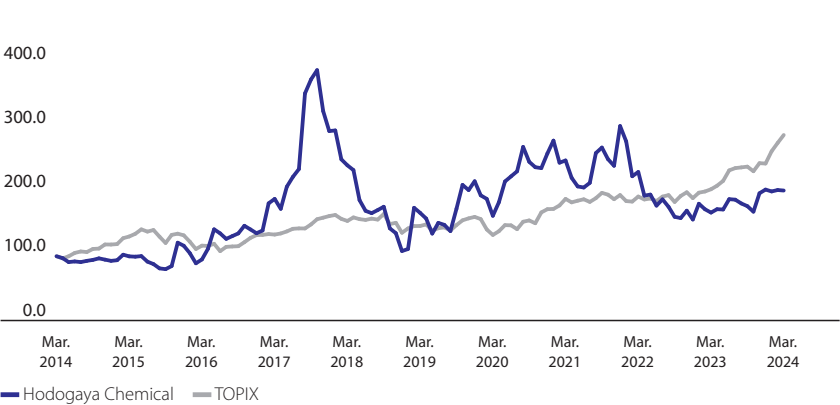


Capital Policy and Shareholder Return Policy

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

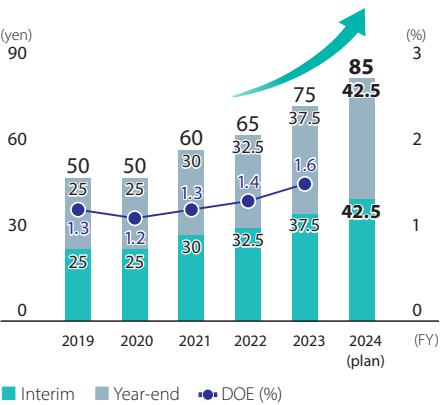
lead to the growth of the Hodogaya Chemical Group, and returning profits to shareholders. Moreover, in our Mid-term Management Plan SPEED 25/30, we have set a goal of achieving stable dividends over the long term as part of our ideal figure in FY2030. Regarding shareholder returns, we will pay dividends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

TSR



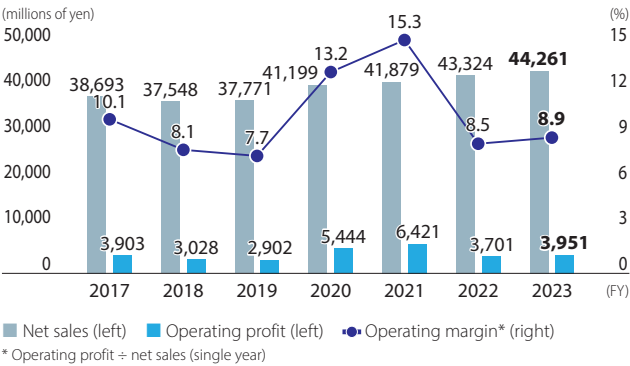
\* Total Shareholder Return (TSR): Total return on investment combining capital gains and dividends  
\* TSR is calculated based on cumulative dividends and stock price fluctuations for Hodogaya Chemical, and TOPIX based on stock price index including dividends (prepared by Hodogaya Chemical based on Bloomberg data, etc.)  
\* The graph value is the market price index by TSR with the closing price data as of the end of March 2014 as 100 (the holding period is until the end of March 2024)

Dividends per share



Financial and Non-Financial Highlights (Consolidated)

Net sales, Operating profit, Operating margin



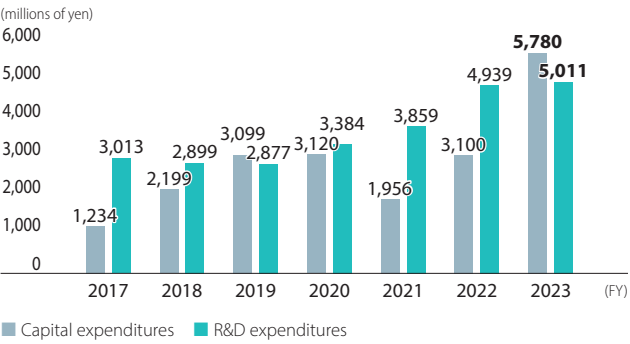
In FY2023, sales rose 937 million JPY (+2.2%) to 44,261 million JPY and operating profit increased 250 million JPY (+6.8%) to 3,951 million JPY as a result of a greater demand for OLED materials and increased sales due to the impact of foreign exchange rates.

ROE, ROA



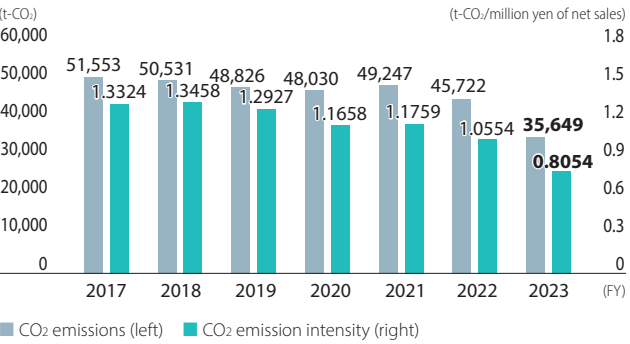
In FY2023, ROE rose as a result of greater profit, but ROA was little changed from the previous fiscal year because of an increase in total assets. We will continue to improve asset efficiency while aiming to the grow profit.

Capital expenditures, R&D expenditures



Our focus is primarily on capital expenditure and R&D in the Functional Colorants segment, which is the Hodogaya Chemical Group's growth driver. We will continue investments and undertake activities that contribute to future growth.

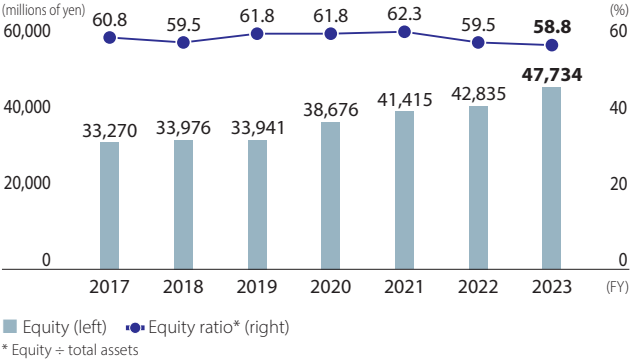
CO<sub>2</sub> emissions, CO<sub>2</sub> emission intensity (Japan)



Most of the greenhouse gases (GHG) emitted by Hodogaya Chemical are energy-derived CO<sub>2</sub>. In FY2023, CO<sub>2</sub> emissions were less than in FY2022 as a result of the decrease in energy consumption accompanying less production and introduction of CO<sub>2</sub> free electricity.

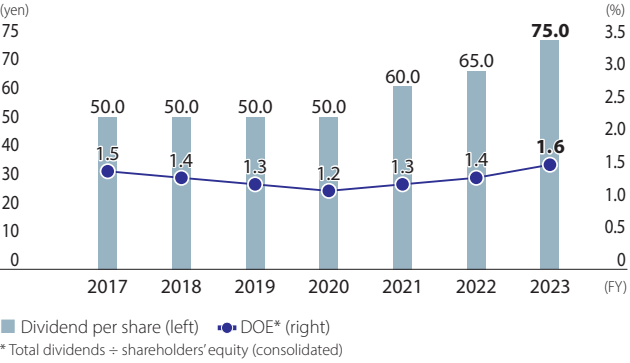
\* This does not include CO<sub>2</sub> emissions from non-energy sources.

Equity, Equity ratio



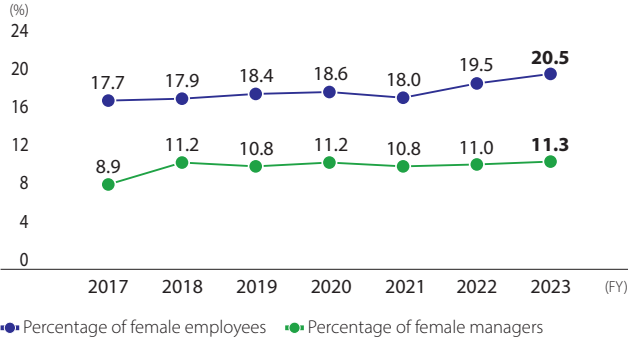
The equity ratio has remained stable at around 60% in recent years. We will continue to increase equity, mainly from profits generated from our businesses, and further stabilize the Group's management foundation.

Dividend per Share, DOE



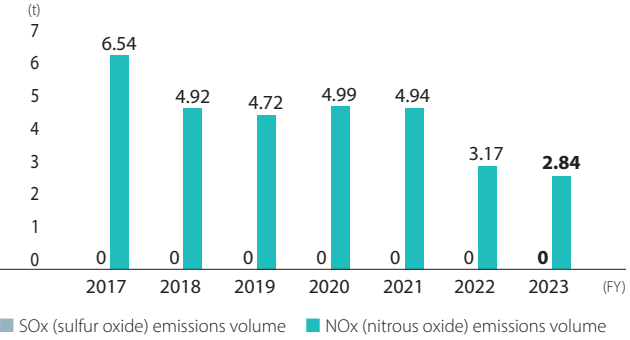
We will consider earnings trends, future business expansion, unforeseen risks and other factors and pay a stable, sustainable and appropriate return to shareholders while being particularly aware of the Dividend on Equity Ratio (DOE).

Percentage of female employees, Percentage of female managers



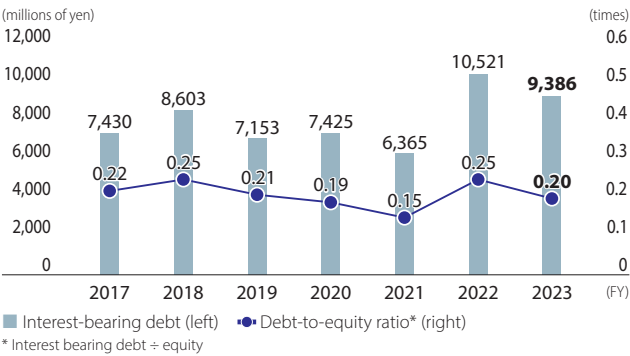
The Hodogaya Chemical Group promotes the active participation of women as one of the Group's key measures. We have achieved the target of 10% or more for female managers since FY2018, and we aim to increase this to 13% or more by FY2025. We are implementing various measures to increase the percentage of female managers.

SO<sub>x</sub> emissions, NO<sub>x</sub> emissions (Japan)



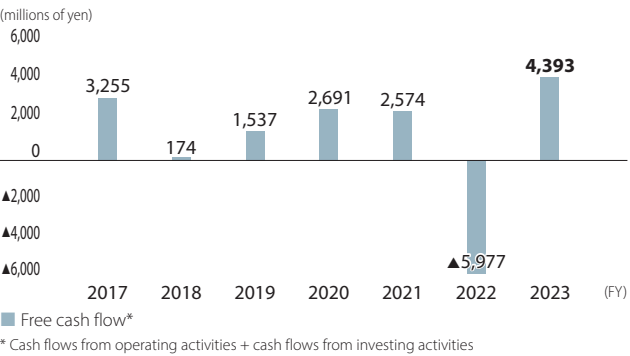
The Hodogaya Chemical Group has promoted the use of city gas as a fuel source for the Group's factories. The Group has continued to maintain zero SO<sub>x</sub> emissions since FY2012, having completed the switchover in FY2011. We also implement measures to limit NO<sub>x</sub> emissions into the atmosphere.

Interest-bearing Debt, Debt-to-equity ratio



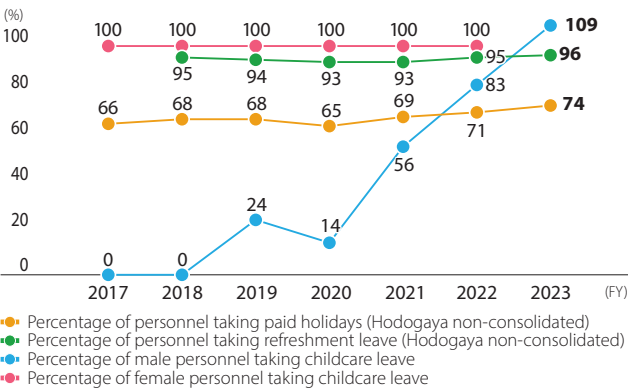
In FY2023, the D/E ratio was 0.20 times. We will maintain our financial health while balancing that with investments for growth.

Free cash flow



Since FY2022, we have invested in strategic businesses, and there was an increase in FY2023 free cash flow. We will continue to conduct operating and investing activities in a balanced manner and prepare for future growth.

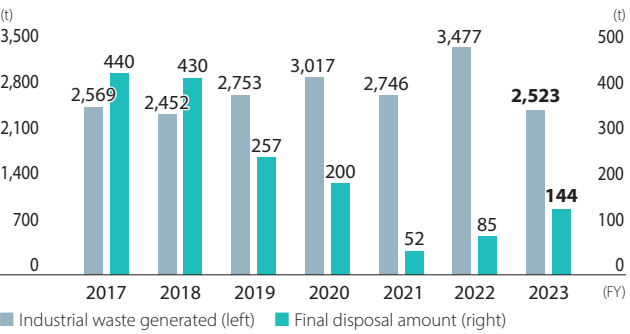
Percentage of personnel taking paid holidays, refreshment leave, and childcare leave



In addition to maintaining a percentage of personnel taking paid holidays in excess of 60% for the past six years, the Hodogaya Chemical Group has put in place a system of refreshment leave, which can be taken for five consecutive business days, since FY2018, so that personnel can physically and psychologically refresh themselves. Moreover, we have conducted internal awareness-raising activities to increase the percentage of male personnel taking childcare leave. The percentage of male personnel taking childcare leave was 109% in FY2023.

\* Percentage of personnel taking childcare leave (women) does not include those eligible in FY2023

Industrial waste generated, Final disposal amount (Japan)



The Hodogaya Chemical Group has set a target of generating less industrial waste than the previous fiscal year as a KPI in its Mid-term Management Plan. The total amount of waste generated fell 27% but final disposal rose 69% in FY2023, compared to the previous fiscal year. Notwithstanding the impact of certain factors, including differences in the composition of items produced, we take this increase in final disposal very seriously and will strengthen efforts to reduce industrial waste.



# R&D and Intellectual Property Strategy

## Message from executive officer in charge of R&D



We will develop new products for the following five fields targeted in the business strategy roadmap: Electronics & Information, Mobility, Environment & Energy, Life Science, and Agricultural & Food. Through the Mid-term Management Plan SPEED 25/30, we will move forward with research and development with flexible thinking while envisioning society in 2050 and ascertaining what 2030 will be like as we move toward 2050. The concrete business fields that we will focus on are advanced organic solar cell material for cutting-edge electronic device materials, organic solar cell materials, near-infrared absorption colorants, environmentally friendly dyes and polyols, bio-medical materials, and environmentally aware agricultural materials.

Norimasa Yokoyama Managing Executive Officer

## R&D Strategy Basic Policy

We have formulated the 10-year scenario ideal figure FY2030 and target figure FY2025, the mid-point for that. Through FY2025, the midpoint of the plan, we will implement key measures related to such items as OLEDs and maintain or expand our current business fields. In addition, we will move forward with our search in applied fields. To achieve that, we will quickly identify social needs that are growing extremely diverse and promote research and development that can immediately meet the different needs of various customers.

The Hodogaya Chemical Group gives form to the skills and know-how from the technology we have cultivated over our long history to develop products and production technology with all-new functions. We also engage in research and development to become a corporation that contributes to establish a sustainable society by means of our original portfolio and environmentally friendly manufacturing, with a

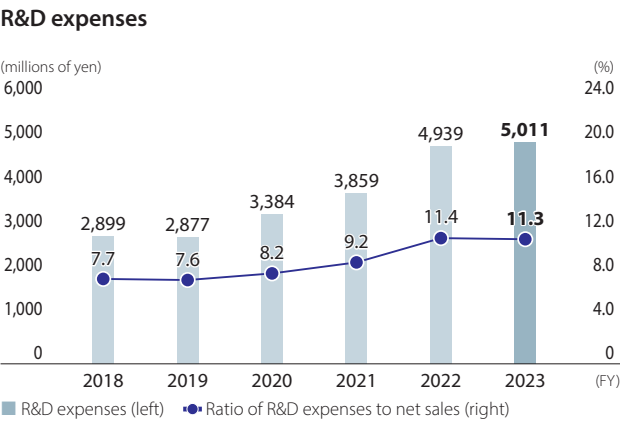
Related Materiality

• Responding to climate change

• Ensuring the safety of products and chemical substances

• Improving value and reliability of products

focus on specialty products. We will encourage innovation by creating specialty products to help achieve SDG goal 9 (Industry, Innovation and Infrastructure).



Basic Strategies in SPEED 25/30

Further development of strategic products while fostering new ideas

Strengthen our R&D structure

• New business creation and growth for functional colorants

• Take new research projects into—and beyond—the development stage

• Expand our sustainable creation of new research projects

• Establish an organizational structure able to swiftly move from research to mass production

## Further Development of Strategic Products while Fostering New Ideas

By applying the technology we have accumulated over the past 100 years, we aim to continue expanding and developing our strategic products under our Mid-term Management Plan SPEED 25/30.

In the fields of Electronics & Information, Mobility, Environment & Energy, Life Sciences, and Agricultural & Food, centered on the New Product Exploration Project, we will also conduct research and investigations to establish R&D strategies based on a long-term perspective. The goal is to create new businesses for the next generation, put in place a system in which R&D, production, and sales functions make a three-pronged effort to respond speedily to the needs of customers. In addition to reinforcing research on OLEDs and their application in the field of Electronics and Information, we also

aim to expand the biotechnology field, primarily through the Korean group company SFC in Life Sciences.

We are also actively promoting joint frameworks with industry, government, and academia and working to build next-generation basic technologies and create new businesses.



## Strengthen Our R&D Structure

The Hodogaya Chemical Group promotes cutting-edge R&D for the future with a global R&D system that extends from Japan to overseas.

The Development Department of each plant and the Korea-based Group companies SFC and HODOGAYA CHEMICAL KOREA are working together to promote research and development and to quickly respond to customer desires through activities more closely tied to customers, and these activities are centered on the Tsukuba Research Laboratory (Japan).

## Initiatives Related to Perovskite Solar Cells

An example of our initiatives related to building next-generation basic technologies and creating new businesses is our research and development of perovskite solar cells.

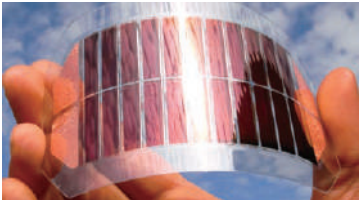
Unlike traditional inorganic silicon solar cells, perovskite solar cells, which use organic compounds, are light, flexible, and inexpensive, and are expected to meet strong social demand as a way to promote a green transformation (GX).

The development of higher performance materials is

necessary for the use of perovskite solar cells to spread. Applying not only advanced organic synthesis technology obtained through many years of R&D related to colorants but also technology and know-how accumulated with imaging materials and OLED materials, we research and develop solar cell materials to meet those needs.

We are also integrating and reinforcing knowledge and technology through not only our own work but also joint research with Toin University of Yokohama Professor Tsutomu Miyasaka, a leading researcher in the field of perovskite solar cells.

Through this R&D, we aim to achieve the envisioned 2050 society and become a corporation that contributes to establishing a sustainable society.



## Intellectual Property Strategy Promoting an Intellectual Property Strategy

Keeping in mind our future business portfolio, we are moving forward with quickly filing patents and securing intellectual property rights related to the results of our research and development. Having focused on improving the quality of our patents through the use of patent map and IP education based on information searches and patent analysis, we were ranked 30th for patent value growth in the Nikkei Business's 2023

Intellectual Property Management Ranking. In particular, for IP education, we hold courses for all frontline researchers using the Company's own experiences as case studies based on the principle that it is important to conduct research and development with an eye toward securing rights. We continue to aim to secure firm intellectual property rights both in Japan and overseas in order to respond to our global business expansion.

VOICE

Searching for the bud of new businesses

With New Product Exploration Projects, we conduct research to find the buds of next-generation research themes that can become one of our new businesses in the future. We are also moving forward with research in various fields by periodically confirming the position of search themes being worked on in terms of business and technical feasibility, etc., and replacing those themes when appropriate.

Starting this fiscal year, perovskite solar cell material was selected as a research theme, and we have moved to the fundamental research and development stage. I am extremely happy that the research I am responsible for has been selected as a theme and feel satisfaction that I can contribute to the research that will lead to new business for the Company.

With this New Product Exploration Project, the focus is on research of near-infrared absorption colorants, and I hope that we all unite to tackle the issue so that it leads to a business as quickly as possible.

(Y. S., New Product Exploration Project)

Relevant Group company: **Hodogaya Contract Laboratory Co., Ltd.**  
Description of business: Contract based custom synthesis, analysis and development

Location: 45 Miyukigaoka Tsukuba City Ibaraki Pref. 305-0841 Japan  
TEL: +81-29-858-6886 (Main switchboard)  
Webpage: <http://www.h-contractlabo.co.jp/index-e.html>



# Global Expansion of the Hodogaya Chemical Group

## Message from executive officer in charge of business



I consider the combination of our strengths, systems, and partners, whether in Japan or overseas, in response to needs as a single element to expand the business, and particularly for global expansion, an important point is creating business models and capturing partners locally.

Through our in-house and external global network, we will move forward with implementing the Mid-Term Management Plan SPEED 25/30 by creating attractive business models and capturing promising partners for each region's needs after taking into full consideration such factors as marketability, future possibility, and profitability.

Takeshi Nakano Managing Executive Officer

## State of initiatives

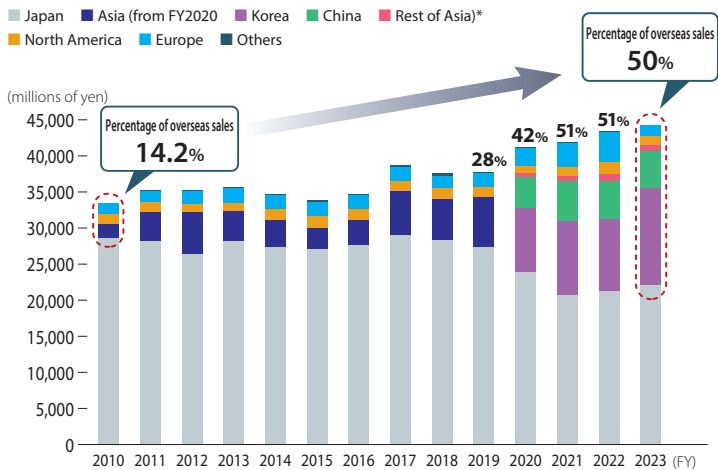
Hodogaya Chemical Group is enhancing its overseas presence to meet the diverse needs of our global customers. We have established local subsidiaries in our key markets, including North America, Europe, and China. Additionally, with the expanding applications of OLED materials, our group company in South Korea is experiencing growth in business scale, resulting in an overseas sales ratio of 50% for the Hodogaya Chemical Group.

As a result of growing exports from Japan and working on expanding our overseas network, our overseas sales of imaging materials, such as charge control agents for toners, aluminum coloring dyes for mobile devices, and OLED materials for displays have increased steadily. Also, sales of materials for PCR diagnostic kits, developed independently by Korea-based SFC as an application technology for OLED materials, have grown

dramatically since FY2020 because of the COVID-19 pandemic. In November 2023, we constructed the new BioPark, which boasts both R&D and production facilities, in Korea in order to further expand the bio business. In these ways we are working to manufacture products in the field of nucleic acid medicine, next generation pharmaceuticals, in addition to diagnostic oligo products. For the specialty polymers business, we are also moving forward with a partnership with a large European chemical company to expand sales of urethane materials and phosgene derivatives based on plant-derived raw materials out of consideration of the environment.

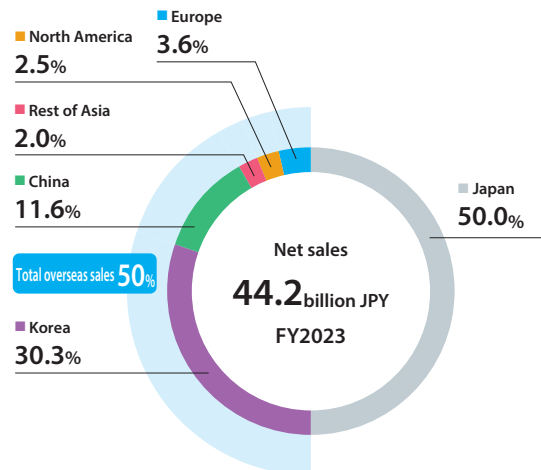
The Group will meet customer needs in Japan and overseas by constantly providing high-quality products and services, taking advantage of its unique technological capabilities and global networks in all fields.

## Trends in the Hodogaya Chemical Group's net sales by region



\* Sales in Korea and China, which were included in Asia until FY2019, are now listed independently as these markets have increased in importance.

## Net sales composition by region of the Hodogaya Chemical Group



Related Group company: **REXCEL CO., LTD.**  
Description of business: Manufacturing and sales of OLED materials and electronic materials

Location: 51 Megapolliseu-ro, Daesowon-myeon, Chungju-si, Chungcheongbuk-do, Korea 27461  
Webpage: <https://www.hodogaya.co.jp/english/company/group/#grp13>



# Business Overview of the Hodogaya Chemical Group



## Functional Colorants Segment

<https://www.hodogaya.co.jp/english/products/segment01/>



## Three Strengths

Ability to embody the needs of customers in the global arena by making full use of the DNA of the Group including our organic composite technology

Lineup that makes it possible for total solutions via all the various types of OLED materials

Aluminum coloring dyes leading global market share

The world's "Only One" hair dyes

## Description of Business

### • OLED Materials

Demand for OLED materials is growing because of their use in displays for smartphones, tablets and smartwatches, and they are also expected to be introduced for TVs and automotive applications. The materials for PCR diagnostic kits have been rated highly, including reporter, quencher dyes, and probes. The materials were developed independently by the Hodogaya Chemical Group as an application of OLED material technology, and the Group is expanding into new fields.

### • Imaging materials

They are essential for copiers and printers to function, helping to enhance precision in the office automation environment.

### • Dyes and colors

Our products, developed with unique technologies, are highly regarded as high-quality products in Japan and worldwide. (Mainly used for aluminum coloring, stationery ink, hair dyes, color filters, etc.)

### • Natural food dyes

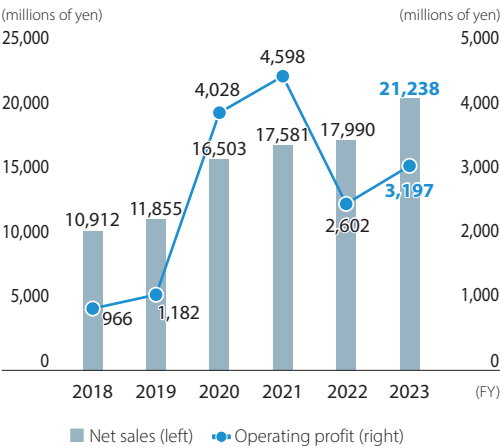
Play an important role in making food appear more appetizing by adding color to food products. As a pioneer in this field, the Hodogaya Chemical Group contributes to culinary performances that enhance the enjoyment and deliciousness of food. Natural dyes are also used for coloring mainly home appliances, expanding its environmentally friendly applications.

## Progress of the Mid-term Management Plan

For the OLED materials business, sales are growing for various reasons, including broader use of OLED displays and the adoption of our materials in new display models. Further growth in this field is expected due to their broader use, such as for tablets, and we will continue to strengthen research and development because of demands for high performance and low costs as development-related competition with rival companies grows fiercer.

In the colorants materials business, there is both firm overseas demand for textile dyes and strong demand for aluminum coloring dyes. We aim to grow sales through various initiatives, including developing environment-friendly products.

## Net sales / Operating profit



Related Group company: **SFC CO., LTD.**  
Description of business: Manufacturing and sales of OLED materials and bio materials

Location: 89, Gwahaksaneop 5-ro, Ochang-eup, Cheongwon-gu Cheongju-si, Chungcheongbuk-do, Korea 28122  
Webpage: [https://sfc-dye.com/?page\\_id=18997](https://sfc-dye.com/?page_id=18997)





Business Overview of the Hodogaya Chemical Group



Specialty Polymers Segment

<https://www.hodogaya.co.jp/english/products/segment02/>



Three Strengths

Ability to deliver specialty products to global markets by making full use of our phosgenation technology, etc.

Urethane materials that make full use of world-leading organic composite technology

Environmentally friendly waterproofing materials free of specified chemical substances

Polymer materials, pharmaceutical intermediates and specialty fiber materials leading global market share

Description of Business

• Polymer materials

Polymer materials consist mainly of a material called PTG, which is required to give urethane ductility and elasticity (characteristics like those of rubber). Urethane is used in many fields, including clothing, automotive parts and leisure products. In addition, we are focusing on Bio-PTG, whose main raw materials were switched from petroleum-derived to plant-derived, as a product that possesses a quality similar that of the traditional PTG but is environmentally friendly.

• Construction materials

The mainstay of construction materials is urethane waterproofing. Our urethane waterproofing materials are used widely to waterproof the roofs of office buildings, schools, and multi-story parking buildings of large-scale retail facilities.

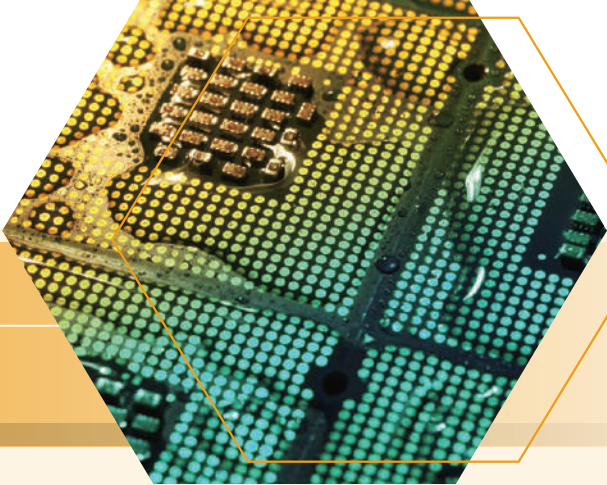
• Specialty chemicals

Specialty chemicals include intermediates and additives, fully using our organic composite technology and unique phosgenation technology accumulated over many years. We supply products tailored to customers' specific requests in various fields such as pharmaceuticals and cosmetics.



Basic Chemicals Segment

<https://www.hodogaya.co.jp/english/products/segment03/>



Three Strengths

Creativity to explore new applications based on the hydrogen peroxide production technology accumulated over many years

Experience and knowledge on hydrogen peroxide production accumulated over 50 years

R&D expertise to produce peracetic acid, veterinary medicines, and various derivatives

Creativity to explore new applications such as soil improvement to protect the global environment

Description of Business

• Hodogaya Chemical has been engaged in the development, manufacturing and sales of hydrogen peroxide and its derivatives for over 50 years.

• Hydrogen peroxide decomposes into water and oxygen, and this property supports our everyday lives as clean and environmentally friendly products for a variety of uses. Hydrogen peroxide has been used for paper pulp bleaching and industrial chemicals, but in recent years, we have aggressively expanded the sales into new fields such as veterinary medicines.

• Derivatives of hydrogen peroxide include sodium percarbonate and peracetic acid. Sodium percarbonate is used for bleaching agents and detergents. As for peracetic acid, we were the first in Japan to obtain approval for the production for use in food production applications, and we are working to accelerate its use.

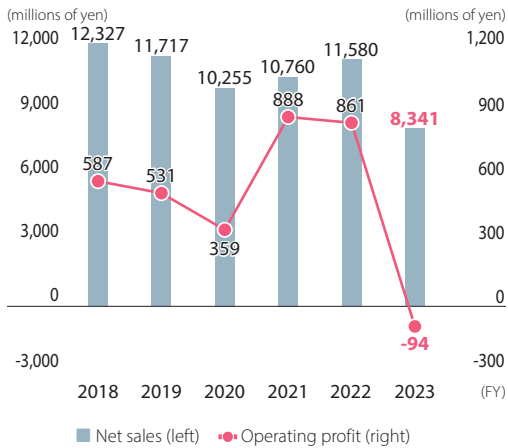
Progress of the Mid-term Management Plan

For the functional polymers business, sales declined as a result of the discontinuation of some products, urethane material inventory adjustments by overseas customers, and similar developments, but we aim to increase sales of bio-based products and similar products.

The specialty chemicals business saw continuing weak demand related to products for both pharmaceuticals and release agents, but we aim to grow sales by reinforcing some facilities and newly installing prototype manufacturing equipment.

Turning to the construction material business, overall sales, particularly of materials, are firm, and we aim to increase sales of such products as next-generation waterproofing materials.

Net sales / Operating profit



Related Group company: **Hodogaya Construction Products Co., Ltd**  
Description of business: Manufacturing and sales of construction products

Location: 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021 Japan  
TEL: +81-3-6852-0478 (Main switchboard)  
Webpage: <http://www.hodogaya-cp.com> (Japanese only)

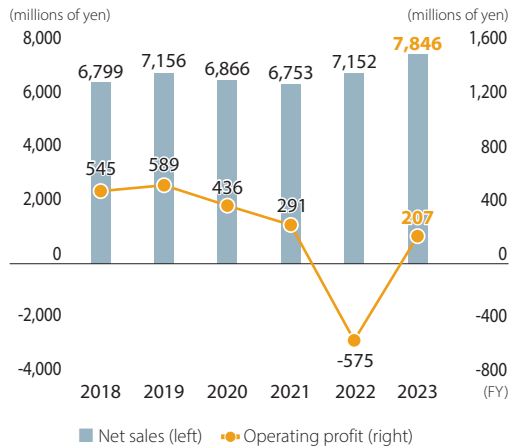


Progress of the Mid-term Management Plan

Sales of hydrogen peroxide were little changed from the previous fiscal year because we passed on cost increases even though demand for some products fell. For sodium percarbonate, sales rose dramatically as a result of not only price pass through but also a recovery in demand and new customers.

Although the impact of higher raw material and fuel prices will likely persist, we aim to improve business earnings by promoting various cost cuts and to capture customers for and expand sales of peracetic acid for food additives, which is expected to be a new market for the products.

Net sales / Operating profit



Related Group company: **KATSURA SANGYO CO., LTD.**  
Description of business: Sales and marketing of chemical products

Location: 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021 Japan  
TEL: +81-3-6852-0490 (Main switchboard)  
Webpage: <http://www.katsura-ks.co.jp/> (Japanese only)



Business Overview of the Hodogaya Chemical Group

### Agro-Science Segment

<https://www.hodogaya.co.jp/english/products/segment04/>



### Three Strengths

#### Ability to develop attractive products based on our formulation techniques

Herbicides for home gardening leading market share in Japan

Strength to constantly propose new products to the market

R&D expertise to develop areas other than herbicides such as agricultural oxidizers

#### Description of Business

- The products offered by the Agro-Science segment are used in a wide range of fields, from controlling weeds to insect pest management and environmental conservation for cropland, living environments, railways, forests, and golf courses.
- Using a variety of intermediates, primarily those developed in-house, we have continued to develop new formulations that combine ease of use with safety and that are tailored to the needs of the location and the customer. In particular, we have a world-leading market share in herbicides used for home gardening and in green space management.
- In order to improve soil environments that have deteriorated as a result of weather conditions, and other factors, we are manufacturing oxidizers for use as soil improvement agents that can lead to stable production of crops, and working on developing this market.

### Logistics Segment

<https://www.hodogaya.co.jp/english/products/segment05/>



### Three Strengths

#### Ability to transport security and safety based on its expertise on handling hazardous substances and chemicals

Hazardous substance handling know-how accumulated as Japan's first manufacturer of caustic soda

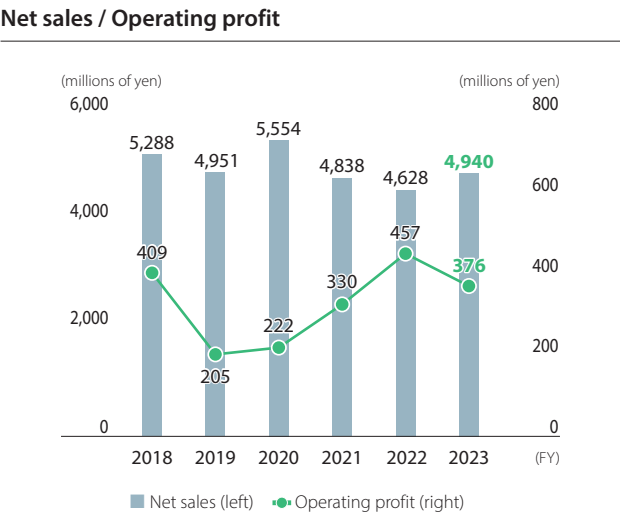
Storing and transporting services that draw on the locational advantages of Yokohama, Koriyama, and Nanyo

Provide door-to-door services tailored to our customers' needs

#### Description of Business

- The logistics business of the Hodogaya Chemical Group has been handling hazardous substances and chemicals for over a century. Drawing on this extensive expertise, it offers services highly regarded by customers in various fields beyond the chemical industry.
- We have large-scale facilities in Yokohama, Koriyama and Nanyo. In particular, the Yokohama Branch is conveniently located close to Japan's leading port of Yokohama and is used by many customers as a base for imports and exports. Our Koriyama and Nanyo distribution sites also offer storage and transportation services optimized for chemical products, heavy cargo, machinery and plants.
- In October 2021, the Nanyo Branch launched a business involving the storage and heating business handling ISO tank containers for hazardous and toxic materials, which is unique in Japan.

**Progress of the Mid-term Management Plan**  
Demand for herbicides for home gardening and herbicides for golf course were firm.  
In the field spanning the Basic Chemicals and Agro-Science segment, we will jointly develop new composite agricultural materials that incorporate oxygen supply materials that use hydrogen peroxide from Hodogaya Chemical and compost from Asahi Agria Co., Ltd., and will be looking into commercialization going forward as an important measure for new business areas: environmentally friendly agricultural materials.  
To maintain or increase business earnings, we will work to introduce attractive products such as peroxide agricultural materials, which could entail partnering with other companies.



Related Group company: **HODOGAYA UPL Co., Ltd.**  
Description of business: Manufacturing and sales of agricultural chemicals  
Location: 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021 Japan  
TEL: +81-3-6852-0500 (Main switchboard)  
Webpage: <http://www.hodogaya-upl.com/> (Japanese only)



Related group company: **HODOGAYA AGROTECH Co., Ltd.**  
Description of business: Manufacturing and sales of agricultural chemicals  
Location: 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021 Japan  
TEL: +82-3-6852-0510 (Main switchboard)  
Webpage: <http://www.hodogaya-agrotech.co.jp/> (Japanese only)

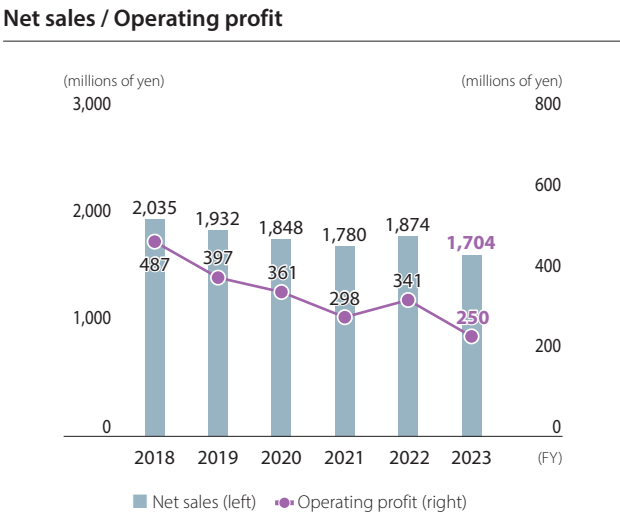


**Progress of the Mid-term Management Plan**  
Sales declined due to stagnant exports as a result of weakening economies overseas, including China.  
As a logistics business for chemical manufacturers, we started operating an ISO tank container storage business in October 2021, utilizing our expertise in handling hazardous and toxic materials. We are also working to acquire more customers.



Warehouse

Related Group company: **Hodogaya Logistics Co., Ltd.**  
Description of business: Warehousing and logistics



Location: 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021 Japan  
TEL: +81 3-6852-0520 (Main switchboard)  
Webpage: <http://www.hodogaya.co.jp/hlc/> (Japanese only)

