

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
<div>Global environment<ul style="list-style-type: none">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 strengthen resilience as part of our management strategy.<p>▶ Adoption of Paris Accord by COP21</p></div>	<ul style="list-style-type: none">Major impact on production activities due to severe natural disasters (human and facilities)Increase in conservation costsSupply chain having less trust in the Group due to lack of consideration for the environmentEconomic losses due to violations of regulations in Japan and abroadLess trust in the companyLoss of social trust or interruption in business due to decline in quality/safety, etc.Major impact of the spread of infectious diseases on the economy and business activitiesLoss of ability to continue business activities due to less trust from regions in which business is conductedUndermining of organizational performance due to a decline in the feeling of motivation to work and ease of work of officers and personnelNot promoting diversity management resulting in the stagnation of organizational capabilities and corporate valueNot promoting health and productivity management and workplace safety and health resulting in the stagnation of organizational capabilities and corporate valueGreater concern that a lack of interest in issues related to business and human rights will result in lawsuits, administrative disciplinary actions, deterioration in reputation, loss of personnel, and other problemsNot being able to quickly and flexibly respond to more sophisticated corporate governance and thus harming corporate value in the medium termSustaining major losses or undermining the survival of the Company as a result of legal violations, scandals, etc.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	<ul style="list-style-type: none">Conduct inspections of facilities and equipment and make repairsProvide education related to operation standards, etc.Conduct various types of training and make use of safety confirmation systemAchieve environmental targets for energy savings and reducing environmentally hazardous substancesPromote environment management, such as obtaining ISO 14001 certification throughout the companyCreate a regulation compliance systemRegularly check revisions to overseas regulationsStrengthen functions related to educating, thoroughly informing people of, and checking rules related to quality and safety performanceEstablish relationships with multiple suppliersThoroughly implement measures to prevent infectious diseasesContinue and strengthen activities that contribute to the sustainable development of regions where business is conductedDevelop and implement measures to increase engagement through engagement pulse surveysMake use of personnel in a manner that stresses capabilities and skillsCreate an environment in which it is possible for officers and personnel to contribute in a healthy and safe mannerAscertain issues related to business and human rights and appropriately respondImprove and expand governance as a company listed in the Tokyo Stock Exchange's Prime MarketThoroughly implement compliance to prevent legal violations, scandals, defects, etc.Implement appropriate measures to reduce risks through extensive but detailed risk awareness/evaluations
<div>Society<ul style="list-style-type: none">We recognize that responding to the advent of social value is an important issue for corporate management.<p>▶ Geopolitical risk</p><p>▶ Advent of AI and DX</p></div>		
<div>People (society and organization)<ul style="list-style-type: none">We recognize that appropriately responding to the massive changes in the environment that companies and personnel operate in and continually working to increase organization capabilities are important issues.<p>▶ Falling birth rates, graying of society, and shrinking working-age population in advanced countries</p><p>▶ Women playing a more active role in society and greater diversity</p><p>▶ Greater interest in health, including measures to combat infectious disease</p><p>▶ Continuing demands of workplace safety and health management system</p><p>▶ More diverse lifestyles</p><p>▶ Greater respect for human rights and fairer labor practices</p></div>		
<div>Governance<ul style="list-style-type: none">We recognize that continually working to reinforce the corporate governance, compliance, and risk management functions within the corporation is an important issue.<p>▶ Implementation of corporate governance reforms</p><p>▶ Continuing quality-related scandals and serious defects in internal controls at listed companies</p><p>▶ Changes in geopolitical perspective and energy composition and labor supply and demand</p></div>		

Opportunities	Response to opportunities	Materiality
<ul style="list-style-type: none">Expanding demand for climate change mitigation/adaptation productsExpanding demand for products that contribute to lighter environmental impactExpanding demand for products that conform to regulations in various countriesExpanding demand for products that offer the value of quality and safety performanceExpanding demand for products that help maintain healthIncrease corporate value by winning the trust of communities in which business is conducted and stabilizing businessIncrease the feeling of motivation to work and ease of work of officers and personnel as well as increase organizational performanceImprove organization capabilities and increase corporate value by appropriately conducting diversity managementImprove organization capabilities and increase corporate value by appropriately conducting health and productivity management and ensuring workplace safety and healthIncrease corporate value by appropriately responding to issues related to business and human rightsIncrease corporate value by continuing to promote corporate governance compatible with the monitoring modelIncrease corporate value by thoroughly implementing compliance, preventing legal violations, scandals, and defectsExpand business and profit opportunities by uncovering opportunities from related risks while minimizing losses in that risk field	<ul style="list-style-type: none">Develop and sell climate change mitigation/adaptation productsExpand businesses related to purifying water, etc.Promoting green chemistryDevelop and sell products that are compliant with regulations in various countriesDevelop and sell products that offer the value of quality and safety performanceDevelop and sell products that help maintain healthActively undertake exchanges with and contribute to communities in which business is conductedContinually implement measures to increase engagement and verify effectiveness through pulse surveyActively recruit and promote people with capabilities and skills regardless of sex, where they are from, or other attributes, and create an environment in which people can demonstrate their capabilities and skills to the greatest extent possibleImplement a wide range of measures to improve the health and vitality of officers and personnel, raise productivity, and invigorate the organizationAscertain 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.Further increase effectiveness through the appropriate division of duties related to supervision responsibilities of directors and the decision, implementation, and accountabilities of executive officersContinue to provide education to spread compliance and impose disciplinary measures in the case of compliance violationsDiscover business and profit opportunities through extensive but detailed risk awareness/evaluations and risk reduction measures	<ul style="list-style-type: none">Responding to climate changeMaintaining air, water, soil environmentsEnsuring the safety of products and chemical substancesImproving value and reliability of productsHelping maintain healthContributing to communitiesImproving job satisfactionPromoting diversityPromoting health and productivity management and workplace safety and healthRespecting human rightsExpanding corporate governanceSpreading complianceThoroughly spreading risk manage