

# Looking back at Mid-term Management Plans

	HONKI 2013 (FY2011 - FY2013) Year of Reconstruction (FY2014)	HONKI 2020 (FY2015 - FY2020)
<b>Vision and positioning</b>	<b>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.</b> FY2013 targets: Consolidated net sales of 50 billion JPY; Consolidated operating profit of 5 billion JPY; Operating margin of 10.0%	<b>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.</b> FY2020 targets: Consolidated net sales of 50 billion JPY; Consolidated operating profit of 5 billion JPY; Operating margin of 10.0%
<b>Project outline</b>	<b>Outline</b> • 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. <b>Measures</b> • Strengthening of core businesses that support the Company • Business expansion for future growth/promotion of new business creation • Further reinforcing the global operating system • Reinforcement of Corporate Social Responsibility (CSR) initiatives	<b>Outline</b> • 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. <b>Measures</b> • Regaining competitiveness and securing a stable revenue base – core businesses • Establishing the Pillars of the Next Generation – growth businesses • Expanding business areas by creating new added value – cultivation businesses, creation of new products • Further reinforcing the global operating system and developing human resources • Strengthening CSR initiatives
<b>Looking back</b>	<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>
<b>Achievements</b>	<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>
<b>Issues</b>	<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> <p><b>The Hodogaya Chemical Group's History of Innovation→P.11</b></p> <ul style="list-style-type: none"> <li>Further strengthening the combined three functions of R&amp;D, production, and sales</li> </ul>

## Performance trends

