

Mid-term Management Plan SPEED 25/30 (FY2021–FY2030)

VISION

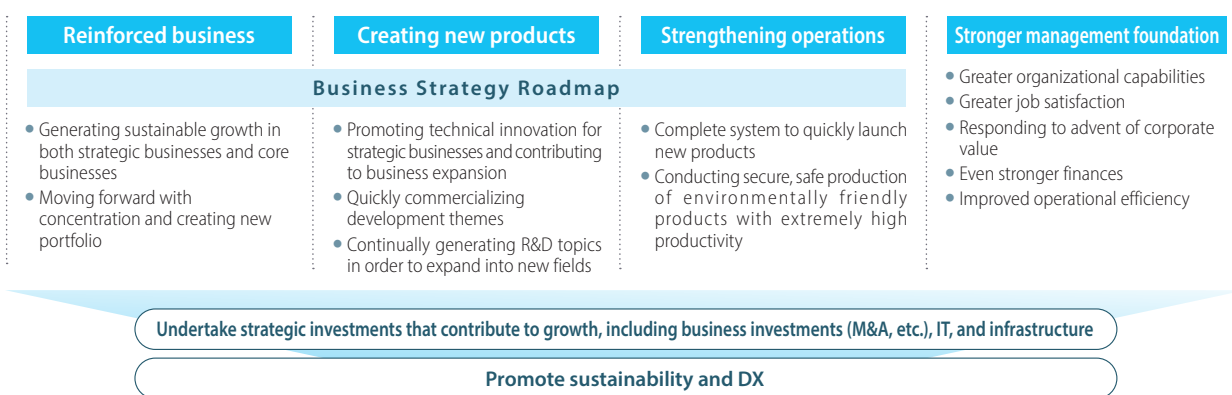
A corporation that contributes to establishing a sustainable society by means of our original portfolio and environmentally friendly manufacturing, with a focus on specialty products

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:

- S** Specialty products that construct a
- P** Portfolio built up with great originality;
- E** Engagement improvement that contributes to
- E** ESG management promotion;
- D** Digital transformation-led competitiveness enhancement

Hodogaya Chemical Group’s “target figure to be achieved by FY2025”



Ideal figures in FY2030

Strengthening operations	A well-constructed business portfolio	Promoting DX
Expanding our sphere of activity	Continuing to create new products for the global market	
Higher efficiency	Achieving a high productivity	
Employees’ point of view	Improving job satisfaction	
Social point of view	Contributing to the achievement of SDGs and realizing environmental friendliness	
Shareholders’ point of view	Maintaining a stable dividend for a long term	

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	CO ₂ emissions (CO ₂ emission intensity)	49,247t-CO ₂ (1.1759t-CO ₂ /million JPY of net sales)	45,722t-CO ₂ (1.055t-CO ₂ /million JPY of net sales)	35,649t-CO ₂ (0.805t-CO ₂ /million JPY of net sales)	43,400t-CO ₂ (0.868t-CO ₂ /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"> Strengthening of relationship with customers and introduction of new technology Expansion of new material use Operation of new biotechnology center (BioPark) Strengthening of domestic evaluation base 	<ul style="list-style-type: none"> Promoting development of OLED Promoting research of new ideas: <ul style="list-style-type: none"> –Lithium-ion battery material (organic cathode materials) –Organic solar cell materials (perovskites) –Near-infrared absorption materials Installing special equipment for trial production which contributes to new product development 	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"> Launch of environmentally friendly aluminum coloring dyes into the market 	<ul style="list-style-type: none"> Promoting development of environmentally friendly aluminum coloring dyes 			
Specialty Polymers	Functional Polymers & Specialty Chemicals Business	<ul style="list-style-type: none"> Market launch/sales expansion of new Bio-PTG into the market 	<ul style="list-style-type: none"> Developing special grades Installing bench-scale phosgene derivative equipment 	<ul style="list-style-type: none"> Establishing an increase in production of aluminum coloring dyes 	18.8% (8.34 billion JPY)	-2.4% (-0.09 billion JPY)
	Construction Materials Business	<ul style="list-style-type: none"> Sales expansion of next-generation waterproofing materials 				
Basic Chemicals	Peroxide Business	<ul style="list-style-type: none"> Expansion of uses of peracetic acid (food additive) 		<ul style="list-style-type: none"> Reinforce production capabilities for agricultural material products 	17.7% (7.84 billion JPY)	5.2% (0.2 billion JPY)
Agro-Science	Agrochemical Business	<ul style="list-style-type: none"> Expansion of the peroxide agricultural materials business 			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"> Launch of operations at new Korea SFC biotechnology center (BioPark) Launch of construction of Korea-based REXCEL No. 2 Plant at Chungju Campus and new plant at Eumseong Campus 	–
Improve Engagement	<ul style="list-style-type: none"> Promotion of health and productivity management Utilization of diverse human resources 	<ul style="list-style-type: none"> Certification as Health & Productivity Management Outstanding Organization for the 4th consecutive year Expansion of diversity training Expansion of application of flextime (decided to introduce on trial basis) Introduction of employee stock benefit plan Expansion of multifaced assessments 	<ul style="list-style-type: none"> Gradually raise engagement score Percentage of female managers: 13%
Promote sustainability	<ul style="list-style-type: none"> Reduce CO₂ emissions Reduce energy intensity Reduce industrial waste volumes Reduce power consumption Promote ESG 	<ul style="list-style-type: none"> Reduction in CO₂ emissions: 35,649 t-CO₂ (0.805 t-CO₂/million JPY of net sales) Reduction of energy intensity: 0.4952 kl/million JPY of net sales Reduction in industrial waste emissions: 2,523 t Use of CO₂-free electricity (Yokohama Plant and Tsukuba Research Laboratory) Use of ICP ESG assessment score (FTSE Russell evaluation): 3.6 	<ul style="list-style-type: none"> Reduce CO₂ emissions: 43,400t-CO₂ (0.868t-CO₂/million JPY of net sales) Reduction of energy intensity: 0.606kl/million JPY of net sales Reduce industrial waste volumes: Less than the amount generated in the previous FY ESG evaluation score (FTSE Russell score): 3.7
Promotion of DX/Improved Operational Efficiency	<ul style="list-style-type: none"> Promoting business reforms and various considerations for renewal of core systems 	<ul style="list-style-type: none"> RPA personnel development Promotion of changes to ERP system Streamlining of seal affixing operations 	–

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

Major Initiatives

Strengthen the Management Base	Content
Strategic investments	<ul style="list-style-type: none"> Completion and launch of operations at the Korea-based REXCEL's No. 2 Plant at Chungju Campus and the new plant at Eumseong Campus Production facility expansion for phosgene derivatives and oxygen supply materials
Improving employee engagement	<ul style="list-style-type: none"> Implementation of various new measures, such as expanding flextime system (trial introduction) and introduction of book summary service. Promote health and productivity management Utilization of diverse human resources Strengthening of human capital investment
Sustainability initiatives	<ul style="list-style-type: none"> Promote ESG Reduce CO₂ emissions Reduce power consumption Reduce industrial waste volumes
Promotion of DX/Improvement of Operational Efficiency	<ul style="list-style-type: none"> Utilization of data accumulated by the Hodogaya Chemical Group Promotion of RPA, DX education, and leader development Promotion of greater operational efficiency (Operation Efficiency Promotion Project)

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

