

Message from the President



Through bold investments
and entry into new
domains, we will enhance
our corporate value.



Yuto Matsumoto
President and CEO

Holding to our Long-term Vision and PURPOSE as We Aim for Dramatic Growth

2025 marks the final year of Phase 1 of our SPEED 25/30 Mid-term Management Plan. Nine years have passed since I assumed the office of president of the Company. Having overcome constraints including those imposed by the COVID-19 pandemic, I believe that we are again ready to roll up our sleeves and make our VISION for 2030 a reality.

We created our current Mid-term Management Plan in anticipation of social megatrends, including changes in the international order, industrial structure, and social structure in 2050. Using the method of backcasting, we then set our “ideal figure” for the Company in FY2030 and our “target figure” in FY2025. During Phase 2 beginning in FY2026, I am committed to work toward significant growth by boosting employees’ involvement in our “ideal figure” for FY2030. I am now steadily fostering awareness among employees to meet this challenge.

Although the business environment underwent changes during Phase 1, we will hold steadfastly to our philosophy of providing high-quality products and services through the innovation in chemical technologies stated in our PURPOSE and VISION, while contributing to the realization of a sustainable society in harmony with the environment. At the same time, considering the rapid changes taking place in the business environment and societal demands, I am convinced that the strategies and initiatives in the Mid-term Management Plan must respond flexibly to these changes. Accordingly, during Phase 2 we will aim to achieve dynamic growth by going beyond our existing business to tackle new possibilities. My role in senior management is to depict a grand concept for our future and, simultaneously, to present a path that aligns all employees in advancing toward shared goals and to lead them to concrete results.

Mid-term Management Plan→P.22

Reflecting on Phase 1 to Envision the Future

During Phase 1 of our plan, from FY2021 to FY2024, we focused our investments on South Korea. Business performance improved in OLED materials, PCR diagnostic kit materials under the COVID-19 pandemic, and other high-value-added products. Our business in South Korea has led to the acquisition of new customers for our semiconductor-related materials, and the country currently accounts for the bulk of our sales in the Functional Colorants Segment. Through such successful investments, we expect to achieve our initial sales target of 50.0 billion JPY in FY2025.

At the same time, a number of issues have become apparent. We expect an operating margin of about 10%, falling short of our initial target of 15%. Geopolitical risks and inflationary cost increases are major causes of this. The depreciation of the yen, soaring prices of raw materials, increasing labor costs, and other changes in the external environment are placing pressure on profit. While price pass-through is mitigating effects to an extent, unexpectedly intense competition in some high-value-added products is driving profit margin down from our initial forecast. Some businesses have also been affected by declining market conditions and structural factors in the Chinese market, as seen in the second consecutive deficit recorded in the Polymer Materials Segment. We continue working to address these negative factors.

Mid-term Management Plan→P.22
Global Expansion of the Hodogaya Chemical Group→P.35

Phase 2 as a Turning Point in Expanding Investment Domestically

The policy’s greatest focus is on semiconductor resist material, an essential component in semiconductor circuit pattern fabrication. Japan-based chemical manufacturers command about 80% of the global share for this material. However, the latest semiconductors require resist materials refined to a level of extreme purity to fabricate ultra-fine circuits. We plan to identify opportunities in this area and to make investments aimed at bringing our ultra-high-purity refining technologies developed in South Korea to the Japanese market. Although we are a latecomer in this area, we are confident that solidly capturing such niche demand and overcoming issues through our technologies will allow us to pioneer new markets in the semiconductor industry, which is expected to reliably grow.

We will also focus on the next-generation pharmaceutical field of nucleic acid medicine. Based on the technology cultivated by SFC, our group company in South Korea, through the development of diagnostic oligo products, we plan to expand into the Japanese market. We plan to act as a bridge to customers in Japan, which is home to numerous drug discovery companies, as we aim for growth in this field.

As an important measure in strengthening our business, in February 2025 we announced an expansion of our domestic manufacturing facilities for aluminum coloring dyes. These environmentally friendly, metal-free color anodized dyes were co-developed with strategic partners. We will expand our production capacity in Japan to boost our competitiveness and to meet expected growth in demand.

We will also continue focusing on existing businesses that exhibit strong performance. In the Agro-Science Segment, I take particular note of biostimulants that show promise in stimulating crop growth. Oxygen-releasing agents, which are primarily derivatives of hydrogen peroxide, are being developed while gathering data on their effectiveness on the material. We hope to advance to the phase of expanding production through capital investment. We are also working to develop another derivative, peracetic acid, as a fungicide.

Through these initiatives, we aim to actively accelerate innovation and highlight Hodogaya Chemical’s presence and technological prowess in the market.

R&D and Intellectual Property Strategy→P.31

Message from the President

Decisive Measures Aimed at Sustainable Growth

In order to further develop the strengths established by our group company in South Korea, such as ultra-high-purity purification technology and bio-related technologies, bold capital investment in facilities is essential in Japan. The required amount of investment is considerable, but I am prepared to take responsibility as senior management and advance the initiative from the top. In a first for our Company, we have a task force studying the in-house recruitment of wide-ranging human resources to launch a project. Through this initiative, we want to incorporate the diverse ideas of motivated people and lead the project to success.

Our Company has continued to operate virtually debt-free. To accelerate growth investment, however, we will adopt a strategy of earning significant returns through measured use of leverage. We will actively pursue all methods of financing to responsibly secure needed funds, including financial institution lending and the use of subsidies and grants through industry-academia-government cooperation.

We will also emphasize an ROIC (return on invested capital) perspective in our investing. Rather than simply constraining investment to shore up ROIC in appearance, we will achieve true growth by actively investing and powerfully increasing profit, the numerator in ROIC.

We will also boldly tackle acquisitions. We do not currently expect to divest ourselves of any existing businesses, but we are looking at large-scale changes to our business portfolio in response to changes in the business environment. By doing so, we will ensure sustainable growth in a changing market environment.

Financial Strategy →P.25

Human Capital Management and Organizational Reform that Support Innovation

In formulating Phase 2 of our plan, I seek to provide young employees with forums to freely talk about their dreams and what they hope to be doing at Hodogaya Chemical 10 or 20 years down the road. By not only talking about those dreams

but also considering ways to realize them and exploring “Your Dream is Our Business” from a management perspective, these forums should serve as valuable learning opportunities for employees.

Human resources who support innovation will be more important than ever in expanding our business. As securing human resources becomes increasingly difficult in Japan, our Group is making efforts to boost employee engagement. To secure talented and motivated human resources, we are taking action with a particular focus on the balance among four components of engagement: psychological safety, resonance with our VISION, opportunities for growth, and fair evaluation and compensation.

Recruiting people from outside is also important. To recruit outstanding students, we will explore programs to support repayment of scholarship funds as well as increases in starting salaries. In addition to mid-career hiring, we are conducting “alumni hiring,” or the re-hiring of employees who had resigned from the Company.

We will further work to create pleasant working environments and increase the percentage of female managers, as well as actively promote young employees to higher positions and provide motivation to work. We have also launched a review of compensation plans. We intend to make a break from conventional seniority-based plans and, in the case of mid-career hiring, make flexible use of means such as an annual salary plan separate from the Group’s salary plan. We are also studying a change in compensation structure from job function-based salary to hybrid job-based salary that adds position-based salary to job-based salary. We are setting position-based salary for management positions and clarifying compensation in line with roles and responsibilities. The structure also allows for compensation for specialists who do not have subordinates, based on their level of expertise.

We plan to expand eligibility for participation in the Japan Employee Stock Ownership Plan (J-ESOP) to all employees. We believe that this will instill in all employees a shareholder mindset and allow everyone in the Company to work as one to enhance our business performance and corporate value.

We have also introduced 360-degree evaluations for managerial personnel and are conducting qualitative evaluations. By using these evaluations in personnel placement decisions, we achieve smooth and highly effective management.

Our aim in these initiatives is to motivate all officers and employees into acting as a driving force that leads Hodogaya Chemical to its next stage.

Human Resource Strategy →P.29 Corporate Governance →P.51

Contributing to the Realization of a Sustainable Society through Environmentally Friendly Manufacturing

As a chemical manufacturer, we include the words “environmentally friendly manufacturing” in our VISION. This expresses our wish to be a company that pursues sustainability, not growth and profit margin alone, and contributes to a sustainable society.

Among our decarbonization-related initiatives, hydrogen is of particular interest to me. Our Basic Chemicals Segment includes a hydrogen-related business that forms as a foundation for the manufacture of hydrogen peroxide and its derivatives. Through this, we want to actively contribute to the realization of a hydrogen society.

As a specific initiative, we plan to install a hydrogen station on the grounds of our Koriyama Plant. This will support Fukushima Prefecture’s goal of realizing a hydrogen society while contributing to regional decarbonization and industrial development. While issues related to profitability currently remain, we want to work with government bodies and consumers to build a sustainable business model that achieves both future growth and regional contribution.

Looking at the environment, we are undertaking reduction efforts in practical and steady ways. We see our mission as advancing technological innovations that improve manufacturing process efficiency and reduce environmental impacts, and thereby contribute solutions to social issues. I am confident that these individual initiatives will ultimately lead to trust in our Company and to a sustainable society.

Hodogaya Chemical Group’s Sustainability →P.41

Solving Social Issues through the Power of Chemistry to Reach New Heights for Stakeholders

Our Company places importance on the return of profits to shareholders. We have achieved dividend increases for four consecutive fiscal years and anticipate further increases in dividends for FY2025. However, our PBR is currently less than 1.0 and enhancement of our corporate value is a pressing issue.



While we intend to continue raising our dividend, we will also pursue sustainable growth by actively and appropriately allocating profit to capital investments. At the same time, our Company is studying an expansion of our stock-based compensation plan for employees, as noted earlier. This is aimed at instilling a shareholder mindset in employees and uniting the Company in enhancing its corporate value.

I compare management not to a mountain to climb but to a “slope that goes ever upward.” In climbing a mountain, the summit exists as a point to be attained. Management, however, has no such goal but rather always aims for a new height. I believe that it is my role to show employees concrete targets and paths and to draw out their motivation. I am committed to create an environment in which all employees can take pride in their work and together embark on the uphill climb of enhancing our corporate value. My ultimate goal is to make Hodogaya Chemical a company that all employees are glad to have chosen.

Along with our shareholders, investors, customers, business partners, local communities, society, and personnel, students heading out into the working world are also important stakeholders of ours. To remain a company needed by all of these people, we will strive to create value through our business.

Through our chemical technologies, the Hodogaya Chemical Group will continue contributing to the creation of an environmentally conscious society for another hundred years. Our vision of “A corporation that contributes to establishing a sustainable society by means of environmentally friendly manufacturing” will never waver. As a company that believes “Your Dream is Our Business,” we will continue our endeavors and pioneer the future. As we do so, I sincerely ask all of our stakeholders for their continued support for our Group.



Products of Hodogaya Chemical Group Around You

Materials produced using technologies of the Hodogaya Chemical Group are used in many products in your day-to-day lives. Let's look at some of the products around you that you may not have noticed.

■ Functional Colorants Segment ■ Specialty Polymers Segment ■ Basic Chemicals Segment ■ Agro-Science Segment ■ Logistics Segment

LCD TV

Our dyes are used in color filters for display.

Ice cream

Our natural food dyes are used for coloring.



Smartphones, tablets

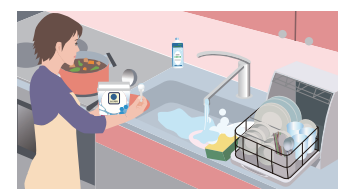
Our OLED materials are used in OLED displays. Our dyes are used in the aluminum bodies.

Railway

Our herbicides are used to remove weeds from rail tracks.

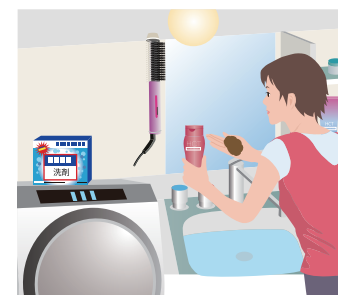
Golf courses, athletic fields, parks

Our herbicides are used for lawn weed removal.



Dishwashing detergents

Our cleaning agents are used in powder detergents for dishwashers.



Laundry detergents

Our bleaching agents are used in laundry detergents.



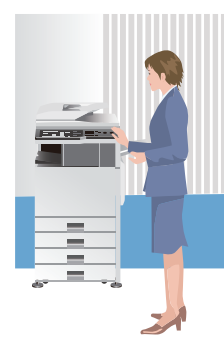
Hair coloring products

Our dyes are used in hair coloring products.



Hair dryers

Our urethane materials are used in hair dryer brushes.



Copiers and laser printers

Our imaging materials are used in an additive of toners.



Copy paper

Hydrogen peroxide is used to bleach paper pulp.



Ballpoint pens

Dyes are used to produce ink for ballpoint pens.



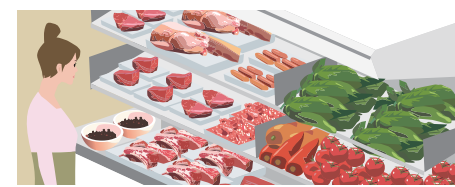
Inner/outer wear

Our urethane materials are used in spandex.



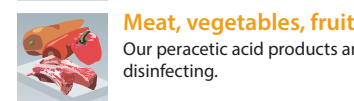
Adhesive tape

Our release agents are used on the back of tape for easy release.



Processed foods

Our natural food dyes are used in various food products.



Meat, vegetables, fruit

Our peracetic acid products are used for disinfecting.

Agricultural Land and Facilities

Our oxygen supply materials for agriculture are used to improve soil fertility and prevent moisture damage.



Watches

Our urethane materials are used in wristbands.



Sportswear

Our urethane materials are used in spandex.



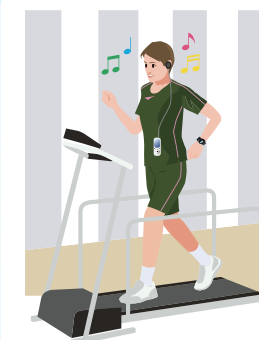
Audio players

Our dyes are used in the aluminum bodies.



Plastic bottles

Our disinfectant agents are used for cleaning bottles.



Mega solar power plants

Our herbicides are used to remove weeds from mega solar sites.



Pharmaceuticals

Our specialty chemicals are used for production of pharmaceutical products.



Endoscopes

Our disinfectant agents are used for cleaning.



Materials for PCR diagnostic kits

Materials that bond to synthetic DNA are used in the virus detection process.



Aquafarms

Our veterinary medicines are used for fish parasite removal.



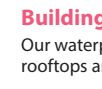
Automobile tires

Our adhesives are used in tires.



Automotive parts

Our urethane materials are used for various parts of automobiles.



Buildings

Our waterproofing materials are used for rooftops and balconies.



Warehouses

Our Logistics Segment has been providing storage and transportation services for hazardous substances and chemicals.

The Hodogaya Chemical Group's History of Innovation

Hodogaya Chemical was founded in 1916 as the first company in Japan to manufacture caustic soda using an electrolysis method.

Since its foundation 110 years ago, Hodogaya Chemical has responded to the needs of the times by applying technologies developed over the long years, and through continuous innovation, created a wide range of products from dyes and agricultural chemicals to pharmaceutical intermediates, polyurethane materials and OLED materials, which support people's lifestyles and society.

All members of the Hodogaya Chemical Group are committed to launching SPEED 25/30 as a corporate group that contributes to the development of society through the creation of products and services that benefit people for the next 100 years.

1915
Hodogaya Soda Works founded in present-day Hodogaya Ward, Yokohama City, Kanagawa.

1916
Toyo Soda Co., Ltd. (present-day Koriyama Plant) opened.

1939
Tsurumi Plant (current Yokohama Plant) was established. Name changed to Hodogaya Chemical Co., Ltd.

1967
New York Office opened. (incorporated in 1986)

1971
Nanyo Plant opened.

1978
Hodogaya Vandex Construction Products Co., Ltd. established. (changed its name to Hodogaya Construction Products Co., Ltd. in 2017).

1991
Tsukuba Research Laboratory was established.

1993
Hodogaya Contract Laboratory Co., Ltd. founded.

1994
HODOGAYA AGROS Co., Ltd. founded. (Changed its trade name to HODOGAYA AGROTECH Co., Ltd. in 2011.)

1997
Hodogaya Logistics Co., Ltd. founded. Shanghai Office opened. (Incorporated in 2014)

2006
Some of the shares of Nippon Polyurethane Industry Co., Ltd. sold. (all shares sold off in 2012.)

2008
Office in South Korea opened (incorporated in 2011). HODOGAYA UPL Co., Ltd. established.

2010
Düsseldorf Office opened. (incorporated in 2018) Taipei Office opened. Shares of SFC Co. Ltd. (South Korea) acquired.

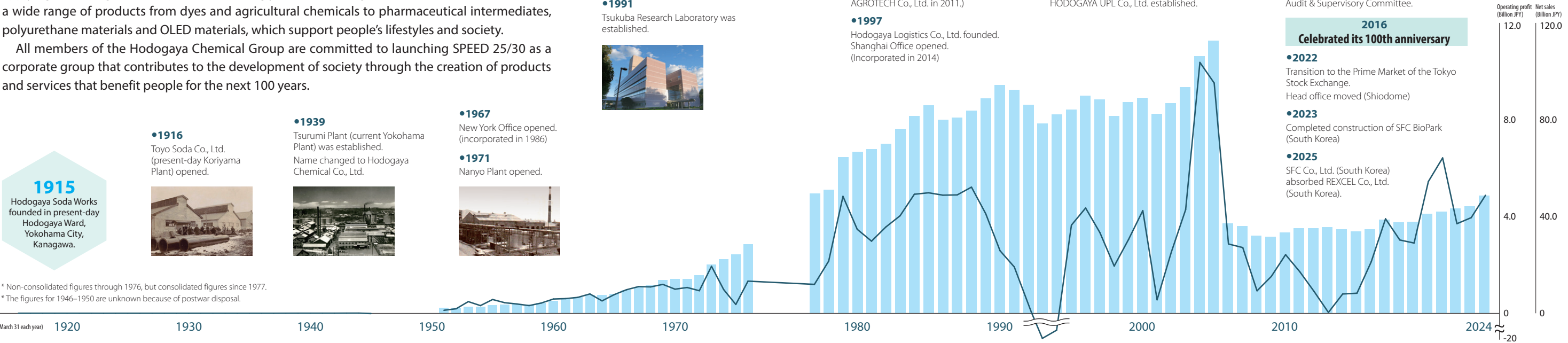
2015
Company transitioned to one with Audit & Supervisory Committee.

2016
Celebrated its 100th anniversary

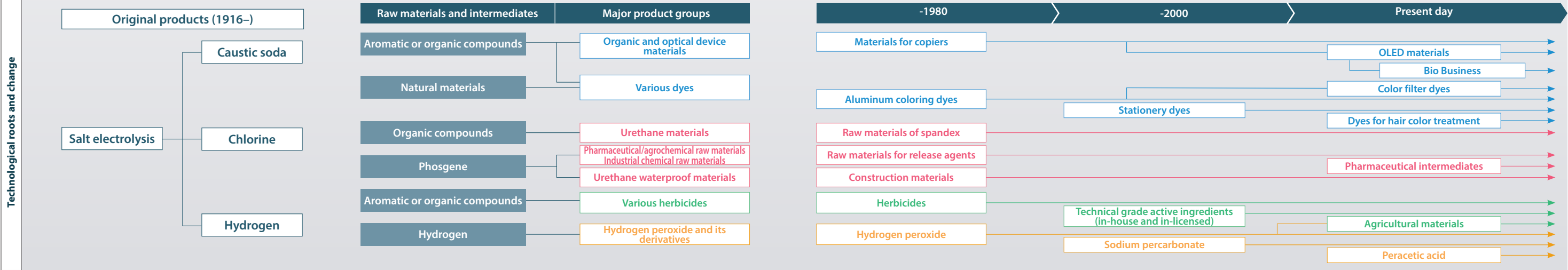
2022
Transition to the Prime Market of the Tokyo Stock Exchange. Head office moved (Shiodome)

2023
Completed construction of SFC BioPark (South Korea)

2025
SFC Co., Ltd. (South Korea) absorbed REXCEL Co., Ltd. (South Korea).



	1920	1930	1940	1950	1960	1970	1980	1990	2000	2010	2020	
Products developed	1915 Production of caustic soda using an electrolysis method launched (first for Japan)	1926 Production of phosgene started. 1927 Dye production launched.		1950 Production of agrochemicals started.	1963 Production of urethane materials (PTG) launched. 1966 Hydrogen peroxide production started. 1967 Production of urethane waterproof materials started (first in Japan).		1978 Production of charge control agents (CCA) for toners launched.	1984 Charge transport materials (CTM) production launched.	2001 Production of OLED materials and hole transport materials (HTM) launched. 2004 OLED materials and electron transport materials (ETM) developed.	2017 Production of OXYATTACK (disinfectant agent for food products), a peracetic acid formulation, started. Urethane waterproof material Sugomaku production launched.	2020 Mass production of materials for PCR diagnostic kits launched. 2021 Began production of metal-free dyes for aluminum coloring. 2024 Started production of PTG-SOFTENA.	
Needs of society	1914 World War I	1923 The Great Kanto Earthquake		1939 World War II	1950 Postwar rebuilding	1960 Rapid economic growth	1973 Oil crises	1985 Plaza Accord	1991 Economic bubble burst	2008 The collapse of Lehman Brothers	2011 Great East Japan Earthquake	2020 Novel coronavirus disease (COVID-19)
	Broke free of chemical industry's reliance on imports Founder Otosuke Isomura		Became an integrated chemicals manufacturer as society industrialized and modernized		Developed various products that supported post-war recovery			Expanded business fields to electronic materials with an eye toward the emergence of an electronics era		Creating an environmentally conscious society through new materials and products with low environmental impact		





Hodogaya Chemical Group Value Creation Process

The Hodogaya Chemical Group, based on changes in the internal and external environment as well as the demands of our stakeholders, has established a corporate image that we aspire to be: A corporation that contributes to establish a sustainable society by means of our original portfolio and environmentally friendly manufacturing, with a focus on specialty products. We will continue to solve social issues and contribute to the realization of a sustainable society through the value created by our business activities under the catchphrase Your Dream is Our Business.

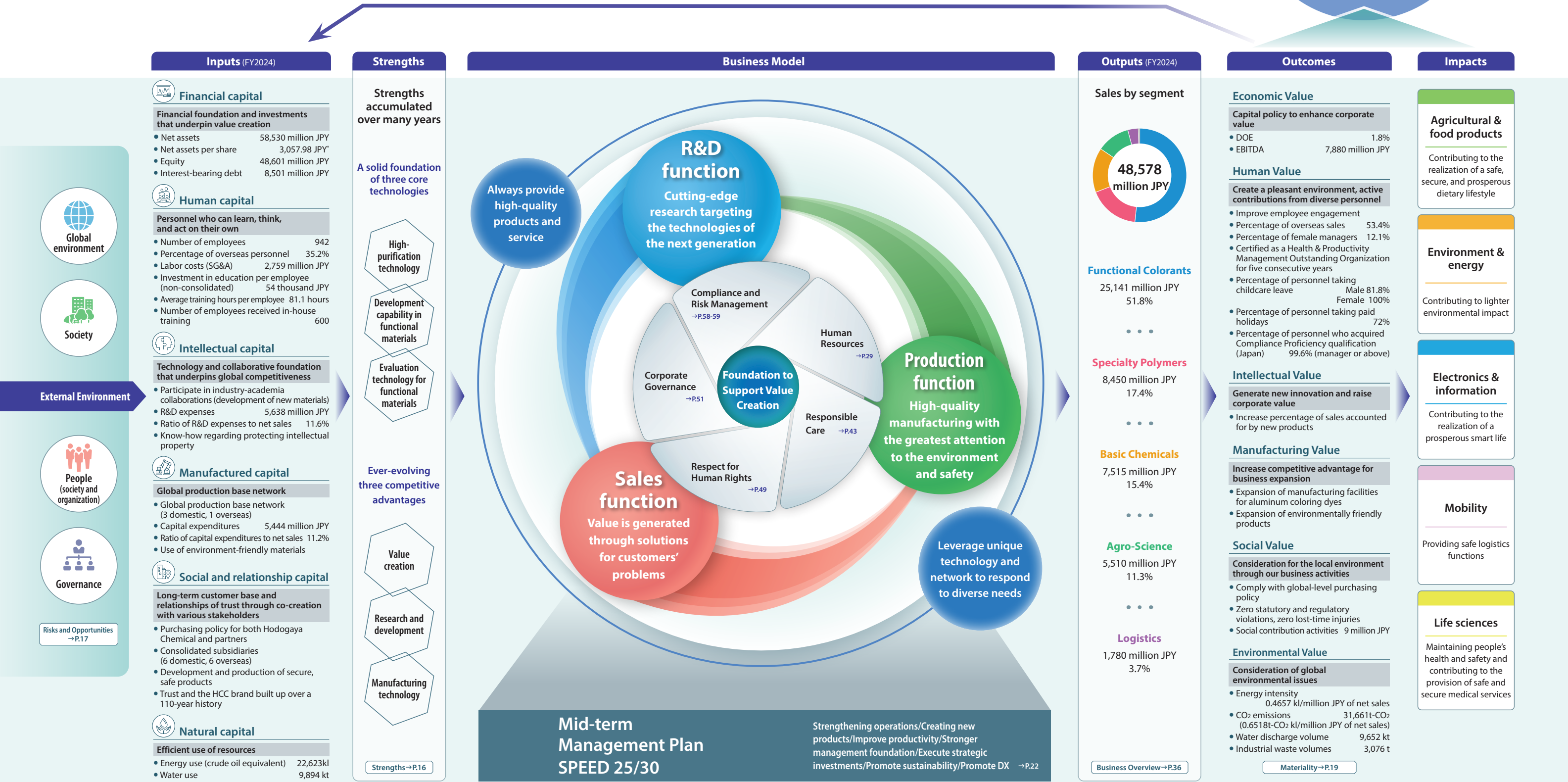
PURPOSE – Management Philosophy –

Through constant innovation of chemical technology, we will provide high-quality products and services throughout the world and contribute to the creation of an environmentally conscious society.

VISION

– Target Corporate Image –

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

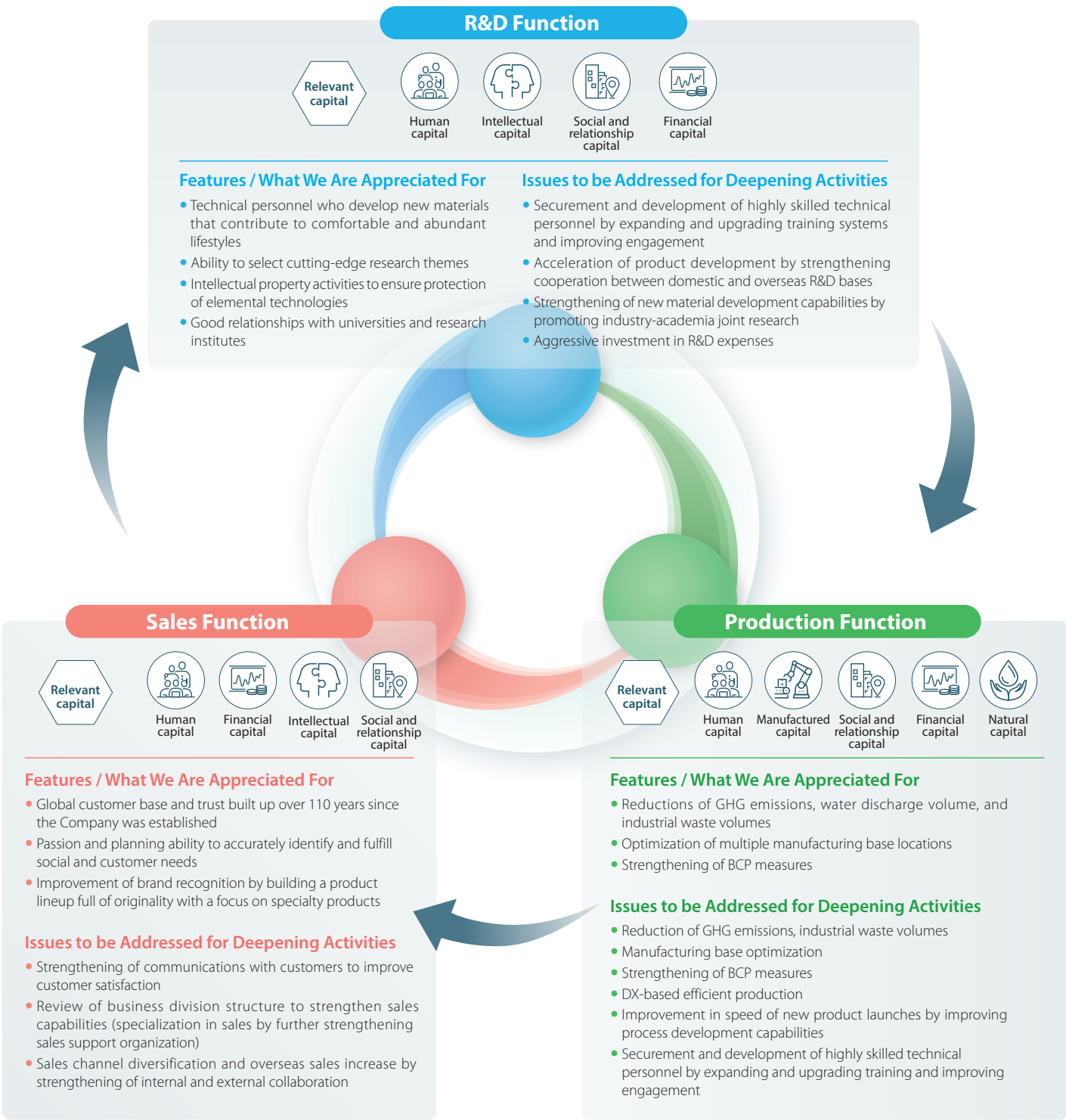


*1 The Company carried out a 2-for-1 stock split of common shares, effective April 1, 2025. The figures for net assets per share prior to April 1, 2025, reflect the values adjusted for the stock split.

Explanation of Value Creation Process

Business Model

The Hodogaya Chemical Group has built a three-pronged business model in which the R&D, production, and sales functions all collaborate to quickly ascertain the diversifying needs of society and respond quickly to the differing needs of its various customers. Through collaboration across the Company, the R&D, production, and sales functions share information efficiently and quickly regardless of location, leading to product development. In addition to working to improve efficiency by holding monthly production and sales meetings, we share customer requests and needs obtained by sales departments with business divisions and production bases. We also have in place a system that allows us to quickly select the systems necessary for product improvement and new R&D themes.



Strengths

A Solid Foundation of Three Core Technologies



1. High-purification technology

Leveraging advanced refining technologies that achieve a higher level of purification
Highly purified raw materials that can be used in new fields and are always in demand for constantly evolving applications. The Hodogaya Chemical Group's advanced refining technology solves the most stringent demands and meets customer expectations.



2. Development capability in functional materials

Developing materials with new functionality that leads to comfortable and abundant lifestyles
The goal is to fulfill dreams – abundant lifestyles that are safe, secure, and comfortable. The Hodogaya Chemical Group will open up all kinds of fresh possibilities for its technology while offering new materials that feature a wide array of functions.



3. Evaluation technology for functional materials

Knowledge, experience, and skill. Evaluation technology that supports materials of the future
The responses to the Hodogaya Chemical Group's products, which are finished with a high degree of sophistication, are reflected in the trust our customers place in us. We transform the results from evaluations into new designs and cutting-edge materials ahead of others.

Ever-evolving Three Competitive Advantages



1. Value creation

Creating new value that leads to solutions for all of our customers' issues
The Hodogaya Chemical Group accurately identifies the needs of society and its customers, and then responds with passion and innovation, creating products with high added value underpinned by its technological expertise and know-how.



2. Research and development

Cutting-edge research targeting the technologies of the next generation
Leveraging state-of-the-art research facilities and advanced research capabilities honed over its long history, the Hodogaya Chemical Group carries out cutting-edge research projects that lead to the creation of entirely new value.



3. Manufacturing technology

High-quality manufacturing with the greatest attention given to the environment and safety
Having built a reputation for dependably supplying high-quality products while ensuring excellent cost competitiveness, the Hodogaya Chemical Group has put in place a manufacturing system that is based on high standards for safety and the environment.

Outcomes / Impacts

As a chemical manufacturer, the Hodogaya Chemical Group aims to be a company that can contribute to the creation of an environmentally conscious society by leveraging its high levels of specialty and originality. To be growing for the next 100 years, we believe that we must realize, in a variety of ways, the Hodogaya Chemical Group's catchphrase: Your Dream Is Our Business. By rapidly responding to global social issues and meeting the expectations of all stakeholders, we aim to increase corporate value and achieve sustainable growth.