





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><p>Global environment</p><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><li>Initiatives for achieving the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP) targets</li></ul></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>Supply chain having less trust in the Group 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>Loss of social trust or interruption in business due to decline in quality/safety, etc.</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></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>Achieve environmental targets for energy savings and reducing environmentally hazardous substances</li><li>Promote environment management, 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></ul>	<ul style="list-style-type: none"><li>Expanding demand for climate change mitigation/adaptation products</li><li>Expanding demand for products that contribute to lighter environmental impact</li><li>Expanding demand for products that conform to regulations in various countries</li><li>Expanding demand for products that offer the value of quality and safety performance</li><li>Expanding demand for products that help maintain health</li><li>Increase corporate value by winning the trust of communities in which business is conducted and stabilizing business</li><li>Increase motivation to work and ease of work of officers and personnel as well as increase organizational performance</li><li>Improve organization capabilities and increase corporate value by appropriately conducting diversity management</li><li>Improve organization capabilities and increase corporate value by appropriately conducting health and productivity management and ensuring workplace safety and health</li><li>Increase corporate value by appropriately responding to issues related to business and human rights</li></ul>	<ul style="list-style-type: none"><li>Develop and sell climate change mitigation/adaptation products</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 quality and safety performance</li><li>Develop and sell products that help maintain health</li><li>Actively undertake exchanges with and contribute to communities in which business is conducted</li><li>Continually implement measures to increase engagement and verify effectiveness through pulse survey</li><li>Actively 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 possible</li><li>Implement a wide range of measures to improve the health and vitality 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></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 management</li></ul>
<div><p>Society</p><ul style="list-style-type: none"><li>We recognize that responding to the advent of social value is an important issue for corporate management.</li><li>Geopolitical risk</li><li>Advent of AI and DX</li></ul></div>	<ul style="list-style-type: none"><li>Undermining of organizational performance due to a decline in 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 business and human rights will result in lawsuits, administrative disciplinary actions, deterioration in reputation, loss of personnel, and other problems</li></ul>	<ul style="list-style-type: none"><li>Develop and implement measures to increase engagement through engagement pulse surveys</li><li>Make use of personnel in a manner that stresses capabilities and skills</li><li>Create an environment in which it is possible for officers and personnel to contribute in a healthy and safe manner</li><li>Ascertain issues related to business and human rights and appropriately respond</li></ul>	<ul style="list-style-type: none"><li>Increase corporate value by continuing to promote corporate governance compatible with the monitoring model</li><li>Increase corporate value by thoroughly implementing compliance, preventing legal violations, scandals, and defects</li><li>Expand business and profit opportunities by uncovering opportunities from related risks while minimizing losses in that risk field</li></ul>	<ul style="list-style-type: none"><li>Further increase effectiveness 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 spread compliance and impose disciplinary measures in the case of compliance violations</li><li>Discover business and profit opportunities through extensive but detailed risk awareness/evaluations and risk reduction measures</li></ul>	
<div><p>People (society and organization)</p><ul style="list-style-type: none"><li>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.</li><li>Falling birth rates, graying of society, and shrinking working-age population in advanced countries</li><li>Women playing a more active role in society and greater diversity</li><li>Greater interest in health, including measures to combat infectious disease</li><li>Continuing demands of workplace safety and health management system</li><li>More diverse lifestyles</li><li>Greater respect for human rights and fairer labor practices</li></ul></div>	<ul style="list-style-type: none"><li>Not being able to quickly and flexibly respond to more sophisticated corporate governance and thus harming corporate value in the medium term</li><li>Sustaining major losses or undermining the continuity of the Company as a result of legal violations, scandals, etc.</li><li>Sustaining major losses or undermining the continuity 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>Improve and expand governance as a company listed in the Tokyo Stock Exchange's Prime Market</li><li>Thoroughly implement compliance to prevent legal violations, scandals, defects, etc.</li><li>Implement appropriate measures to reduce risks through extensive but detailed risk awareness/evaluation</li></ul>			
<div><p>Governance</p><ul style="list-style-type: none"><li>We recognize that continually working to reinforce the corporate governance, compliance, and risk management functions within the corporation is an important issue.</li><li>Implementation of corporate governance reforms</li><li>Continuing quality-related scandals and serious defects in internal controls at listed companies</li><li>Changes in geopolitical perspective and energy composition and labor supply and demand</li></ul></div>					

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

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
 Society	• Improving value and reliability of products	• Winning high praise from society by reducing environmental impact (reduce CO2 emission, limit chemical substance discharges, reduce waste, etc.)
		• Contributing to ensuring drinking water through the treatment of inland waters
		• Complying with laws and regulations on chemical substances, and appropriately managing chemical substances
	• Ensuring the safety of products and chemical substances	• Developing and propagating products that contribute to the environment and society, the Group is regarded by partner companies
 People (society and organization)	• Improving value and reliability of products	• Continuing to supply safe, high-quality products, the Group is regarded by partner companies
		• Supporting DX and providing environment-friendly infrastructure material
		• Working with clients to conduct purchasing that promotes CSR activities in line with Procurement Guidelines
	• Helping maintain health	• Extensively using Group's products to respond to infectious diseases
 Governance	• Promoting health and productivity management and workplace safety and health	• Having promoted social contribution activities in the offices, the Group is acknowledged and regarded in the community
		• All officers and personnel feeling job satisfaction
		• Promoting diversity, fair, and just treatment of personnel to invigorate the workplace and foster a global workforce
	• Respecting human rights	• Having promoted work-life balance, personnel are successfully combining work and daily living (including child-raising and nursing care)
 Governance	• Expanding corporate governance	• Continuing to achieve accident-free, disaster-free operation, the Group is trusted by society
		• Thorough awareness of human rights and respect, no incidents of harassment, etc.
		• 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
 Governance	• Thoroughly spreading risk management	• Discovering opportunities from related risks while minimizing losses in that area and tying that to business and profit opportunities

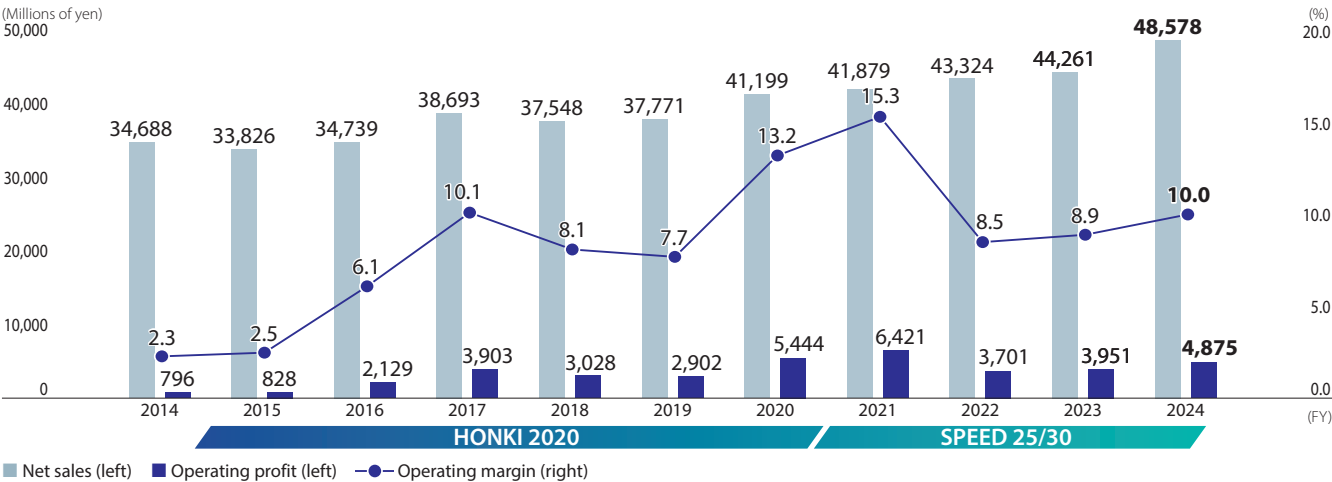
premise for the basic strategy of SPEED 25/30. We are committed to addressing them as medium- to long-term business issues on a company-wide basis, together with the FY2030 ideal figure formulated under SPEED 25/30.

FY2025 KPIs	Initiatives	FY2024 results	SDGs contributed to
—	• Expand into peroxide agricultural materials	• Pesticide registration application in progress for disinfecting paddy rice seeds	
—	• Expand sales and dissemination of veterinary medicines	• Continue sales expansion and dissemination	
—	• Expand Bio-PTGs	• Promoted Bio-PTG sales	
• Energy intensity: 0.606 kl/million JPY of net sales • CO2 emissions: 43,400 t-CO2 or intensity: 0.868 t-CO2/million JPY of net sales	• Promotion of energy-saving and resource-saving	• Introduced CO2-free electricity at Yokohama Plant, Nanyo Plant, and Tsukuba Research Laboratory	 
• 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→Unachieved	  
—	• 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 next-generation topics and new products	• Establishment of next-generation core technologies and creation of new businesses	
• Zero quality problems	• Supply safe, high-quality products	• Zero quality problems→Achieved	
—	• 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	• Replaced long-term Financial Auditor • Executed stock split with individual shareholders in mind	 
—	• Spread compliance	• Ongoing compliance training sessions (for all officers and employees: 4 times/year, for Group company officers: 1 time/year, for directors and executive officers: 1 time/year)	  
—	• Broadly recognize and evaluate detailed risks and implement appropriate risk reduction measures	• Shared risk awareness and considered risk mitigation measures at Risk Management Committee meetings	

Looking back at Mid-term Management Plans

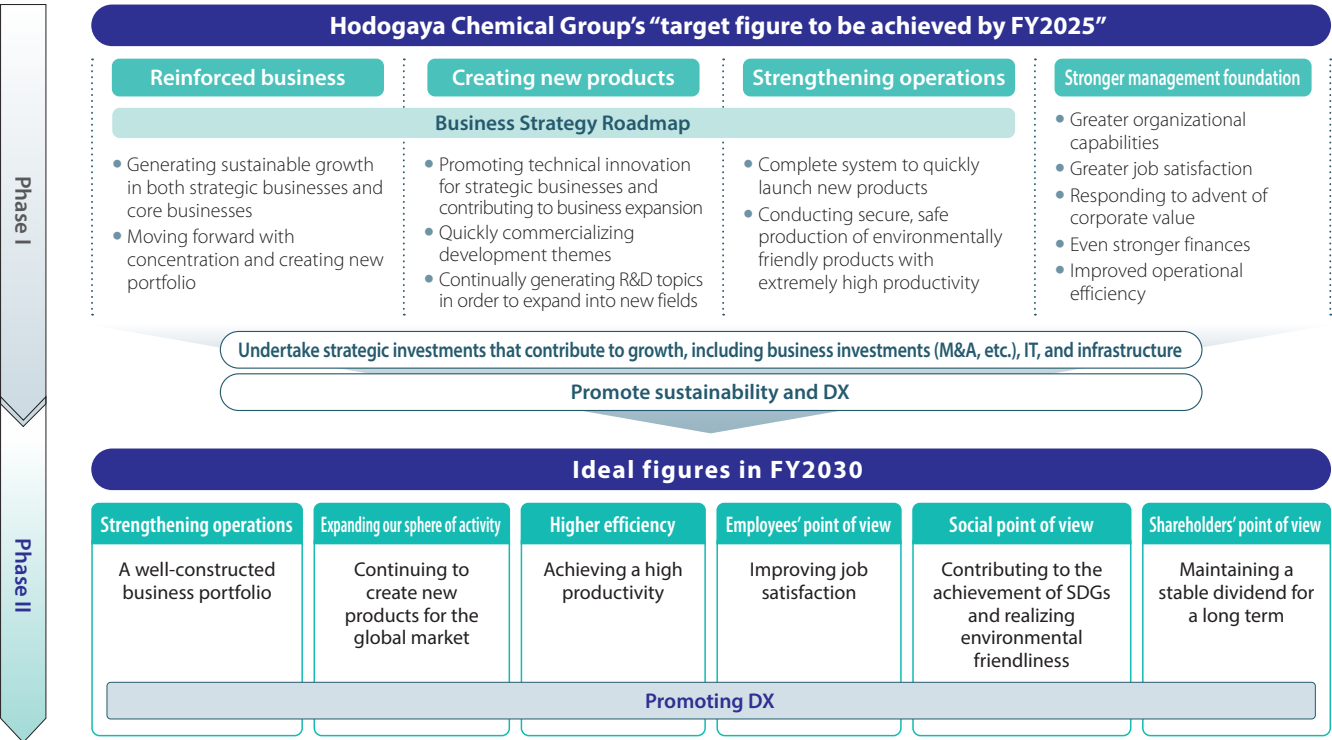
	HONKI 2013 (FY2011 - FY2013) Year of Reconstruction (FY2014)	HONKI 2020 (FY2015 - FY2020)
Vision and positioning	We aim to become a corporation that steadily supplies “Only One and Number One” materials in the global and niche markets in 2016 (Year of 100th anniversary) and to achieve this, we will prepare 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	FY2024 results	FY2025 targets
Financial targets					
Net sales	41.8 billion JPY	43.3 billion JPY	44.2 billion JPY	48.5 billion JPY	50 billion JPY
Operating profit	6.4 billion JPY	3.7 billion JPY	3.9 billion JPY	4.8 billion JPY	7.5 billion JPY
Operating margin	15.3%	8.5%	8.9%	10.0%	15%
ROE	8.1%	5.3%	5.5%	6.6%	9%
Non-financial targets					
CO <sub>2</sub> emissions (CO <sub>2</sub> emission intensity)	49,247t-CO <sub>2</sub> (1.1759t-CO <sub>2</sub> /million JPY of net sales)	45,722t-CO <sub>2</sub> (1.055t-CO <sub>2</sub> /million JPY of net sales)	35,649t-CO <sub>2</sub> (0.805t-CO <sub>2</sub> /million JPY of net sales)	31,661t-CO <sub>2</sub> (0.652t-CO <sub>2</sub> /million JPY of net sales)	43,400t-CO <sub>2</sub> (0.868t-CO <sub>2</sub> /million JPY of net sales)
Energy intensity (per million JPY of net sales)	0.698kl	0.636kl	0.495kl	0.466kl	0.606kl
Industrial waste volumes	2,746 t	3,477t	2,523t	3,076t	Same level or less than previous FY
ESG evaluation score (FTSE Russell score)	2.7	3.0	3.6	3.5	3.7
Engagement score	—	—	—	—	Gradually raise score
Percentage of female managers	10.8%	11.0%	11.3%	12.1%	13%



Mid-term Management Plan SPEED 25/30 (FY2021-2030)

Progress of SPEED 25/30 in FY2024

In FY2024, the fourth year of Mid-term Management Plan SPEED 25/30, we saw a gradual recovery trend, underpinned by personal consumption bouncing back owing to improvements in the employment and income environment and increased inbound tourism demand. However, companies’ cost structures were affected by the elevated prices of resources resulting from instability in the international situation, the continued depreciation of the yen in the foreign exchange market, and rising prices due to the progression of inflation.

Given this, Hodogaya Chemical decided to expand its manufacturing facilities at its domestic manufacturing bases in order to strengthen its supply system in response to growing demand for environmentally and people-friendly aluminum coloring dyes.

FY2024 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>Strengthening of domestic evaluation base</li><li>Operation of new biotechnology center (BioPark)</li><li>Establishment and operation of two new plants in South Korea</li></ul>	<ul style="list-style-type: none"><li>Promoting development of OLED</li><li>Promoting research of new ideas: – Lithium-ion battery material (organic cathode materials)</li><li>Organic solar cell materials (perovskites)</li><li>Near-infrared absorption materials</li><li>Installing special equipment for trial production which contributes to new product development</li></ul>	Cost-cutting to reduce intensity	51.8% (25.14 billion JPY)	79.0% (3.83 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>Began construction to expand production of 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 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>	17.4% (8.45 billion JPY)	-1.1% (-0.05 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>			15.4% (7.51 billion JPY)	8.5% (0.41 billion JPY)
Agro-Science	Agrochemical Business	<ul style="list-style-type: none"><li>Expansion of the peroxide agricultural materials business</li></ul>		<ul style="list-style-type: none"><li>Bolstered production capacity of oxygen supply materials</li></ul>	11.3% (5.51 billion JPY)	6.2% (0.3 billion JPY)
Logistics	Logistics Business				3.7% (1.78 billion JPY)	7.2% (0.35 billion JPY)

Progress of Major Measures in FY2024

Stronger management foundation		FY2024 results	FY2025 non-financial targets
Strategic Investments		<ul style="list-style-type: none"><li>Launched operations of South 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 five consecutive years</li><li>Expansion of application of flextime (introduce on trial basis)</li><li>Introduction of book summary service</li><li>Decided to expanding the scope of employee stock compensation plan</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: 31,661 t-CO<sub>2</sub> (0.652 t-CO<sub>2</sub>/million JPY of net sales)</li><li>Reduction of energy intensity: 0.466 kJ/million JPY of net sales</li><li>Reduction in industrial waste emissions: 3,076t</li><li>Use of CO<sub>2</sub>-free electricity (Yokohama Plant, Nanyo Plant and Tsukuba Research Laboratory)</li><li>Use of ICP</li><li>ESG assessment score (FTSE Russell evaluation): 3.5</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: 0.606kJ/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>Changes to ERP system</li><li>Reduced working hours through improved work efficiency</li><li>RPA personnel development</li><li>Streamlining of seal affixing operations</li></ul>	—

Strategic investment and construction of new business portfolio

Functional Colorants Segment: Started expanding manufacturing facilities for aluminum coloring dyes

We began examining a plan to bolster our supply system for the aluminum coloring dye jointly developed with Okuno Chemical Industries Co., Ltd., in light of future demand growth.

Aluminum is lightweight, corrosion-resistant, strong, and easily recyclable, and is widely used in smartphones and other electronic devices, leading to growing demand for its color anodizing dyes. In addition, there is a growing need for metal-free dyes, which are environmentally and people-friendly and have excellent dyeing properties without using heavy metals. Hodogaya Chemical will therefore proceed with expanding its manufacturing equipment at its domestic production bases.



Aluminum coloring dyes

SPEED 25/30 Initiatives from FY2025 Onward

Having reached the midway point of Mid-term Management Plan SPEED 25/30, we are moving forward with initiatives in the final year of Phase I, which outlines our Target Figure through FY2025.

Regarding our management targets for FY2025, we are currently experiencing a deviation from the profit targets. The continued rise in resource prices due to the destabilization of the international situation is having a major impact on the cost structure of companies. As we are unable to keep up with passing on costs to product prices in some areas, it is becoming more difficult than initially expected to secure profits.

Moving forward, we will work towards Phase II, which outlines our FY2030 Ideal Figure, by restructuring our business portfolio, launching newly developed products, further improving operational efficiency, and promoting digital transformation (DX) to improve profitability. Through these efforts, the entire Company will work together to improve corporate value and achieve sustainable growth.

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>Promotion of expansion into semiconductor materials</li><li>Expansion of color filter material sales</li><li>Expansion into new functional colorants</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 – Lithium-ion battery materials (organic cathode materials)</li><li>Organic solar cell materials (perovskites)</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>Cultivation of new markets overseas for halal-compliant and natural colorings</li></ul>	<ul style="list-style-type: none"><li>Promoting research of new ideas – Installation of special equipment for trial production which contributes to Near-infrared materials and new product development</li><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><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></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>Equipment renewal in planned manner</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>Development of new agricultural materials using oxygen supply materials</li><li>Study on the application of peroxides to pesticides</li></ul>	
		<ul style="list-style-type: none"><li>Expansion of ISO tank container storage business</li><li>Promotion of logistics efficiency through the introduction of DX items</li></ul>		<ul style="list-style-type: none"><li>Consider automation and operational efficiency through IT utilization</li></ul>
Logistics	Logistics Business			

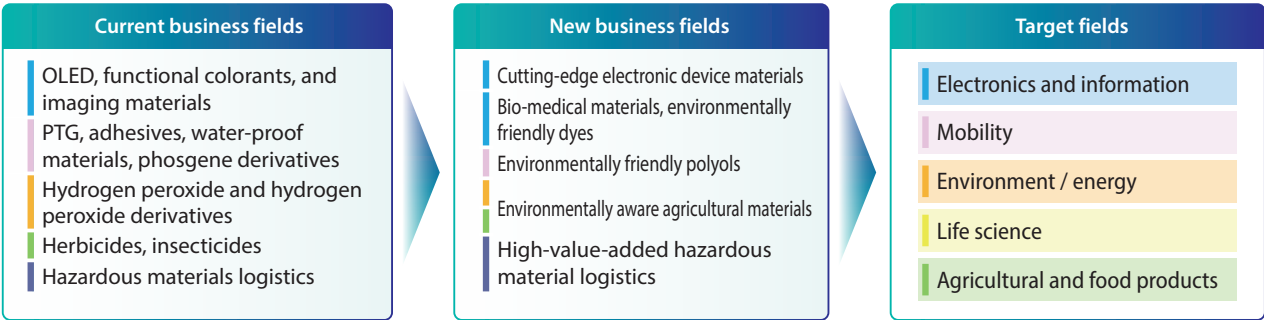
Major Initiatives

Strengthen the Management Base	Content
Strategic investments	<ul style="list-style-type: none"><li>Expansion of phosgene production facilities</li><li>Construction of a clean room building and additional deposition equipment at the Tsukuba Research Laboratory</li><li>Expansion of facilities for aluminum coloring dyes and environmentally friendly aluminum coloring dyes</li><li>Expansion of facilities at the Chungju Campus 2nd Plant and the Eumseong Campus New Plant in South Korea</li></ul>
Improving employee engagement	<ul style="list-style-type: none"><li>Expanding the scope of employee stock compensation plan, considering the introduction of a mixed-job system, and increasing investment in human capital through the implementation of various new measures</li><li>Expanding flextime system</li><li>Book summary service</li><li>Promote health and productivity management</li><li>Utilization of diverse human resources</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><li>Initiatives to ensure stable operation by implementing IoT in production equipment</li><li>Utilization of materials informatics in research and development</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.32



Financial Strategy

Message from the Executive Officer in Charge of Corporate Planning



Increasing ROE and Shareholder Returns by Strengthening our Earning Power

Yasuo Murakami Managing Executive Officer

Under the Mid-term Management Plan SPEED 25/30, the Hodogaya Chemical Group aims to achieve return on equity (ROE) of 9% and the plan will reach the end of Phase 1, its midway point, at the close of FY2025 (March 2026). While using cash flow from operating activities obtained over the past four years (21.2 billion JPY) to invest (21.1 billion JPY) in the growth of businesses, primarily the Functional Colorants segment, which is the growth driver of the Group, we have kept the D/E ratio in the 0.2 times range, which demonstrates the Company’s high level of financial soundness and safety. During this period, based on our dividend policy that focuses on increasing dividend on equity (DOE), we have raised our annual dividend per share from 25 JPY in FY2020 to 45 JPY in FY2024. Furthermore, we aim to raise our dividend for the fifth consecutive year by offering an annual dividend of 50 JPY in the fiscal year ending March 31, 2026.

For FY2025, the final year of Phase 1, our forecast for net sales is at the same level as our initial target, but we expect a significant deviation in operating profit. In light of this situation, we will review Phase 1, identify issues, and reflect these in the formulation of our Phase 2 plan. Specifically, we will reinforce our management foundation through further allocating resources to growth areas, improving productivity through digital transformation, and stepping up environmental friendliness, with the aim of further strengthening our earning power and increasing ROE.

Going forward, we will continue to aim for highly efficient management that can achieve a high ROE while firmly maintaining a balance between growth investments, shareholder returns, and interest-bearing debt controls. Toward this end, in addition to increasing shareholder returns, we will create new value and accelerate the sustainable growth of the Group by implementing financial and capital strategies, such as making more effective use of net interest-bearing debt, shareholders’ equity, and shareholders’ equity ratio, which currently sit at a certain level of safety, in order to create new value and increase future corporate value.

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

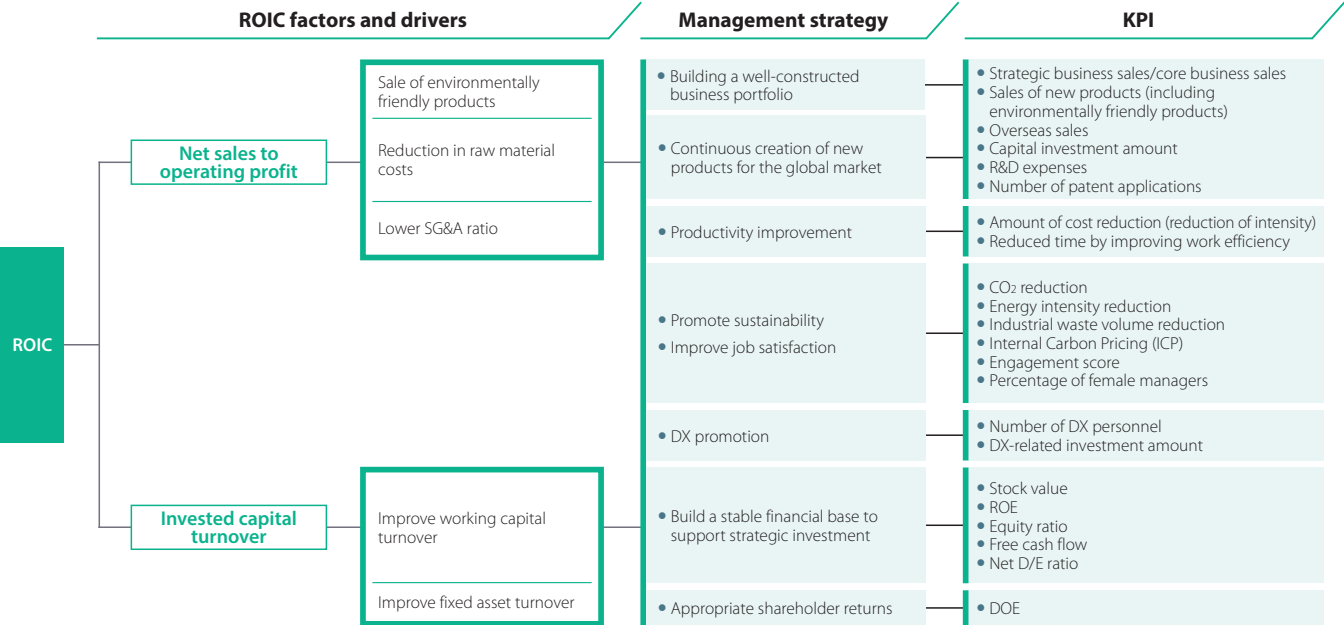
Financial Strategy to Achieve Mid-term Management Plan Targets (Management Resource Allocation)

We identify and manage internally set key goal indicators (KGIs) and key performance indicators (KPIs) for investments in existing businesses for building a well-constructed business portfolio as set out in the Ideal Figure in FY2030 in our Mid-term Management Plan SPEED 25/30, investments in intellectual property that contributes for developing new products for global markets, investments aimed at improving efficiency in all areas for achieving high productivity, and investments in human capital to expand our human resources. In addition, we recognize through the ROIC tree that the KGIs and KPIs of each department and Group company are linked to the growth of the entire Group. For each KPI, we conduct quantitative and qualitative evaluations every year, decide on the allocation of management resources to each measure, and then implement

them. Until now, we have focused on allocating management resources to the functional colorants segment, which mainly consists of existing and new businesses at our base in South Korea.

Looking ahead, we will actively invest in growth, primarily in Japan, and accelerate our efforts for building a well-constructed business portfolio. In addition, non-financial KPIs such as cost reduction amount (reduction in intensity), CO2 reduction amount, and number of DX personnel are also important factors that will lead to our future growth, and we are allocating management resources appropriately. SPEED25/30 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.

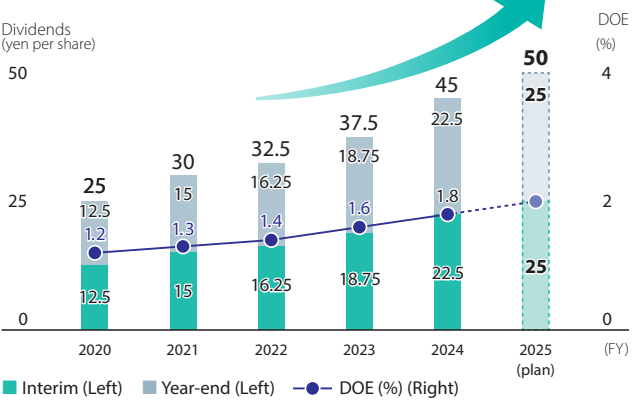
Hodogaya Chemical Group ROIC tree



Capital Policy and Shareholder Return Policy

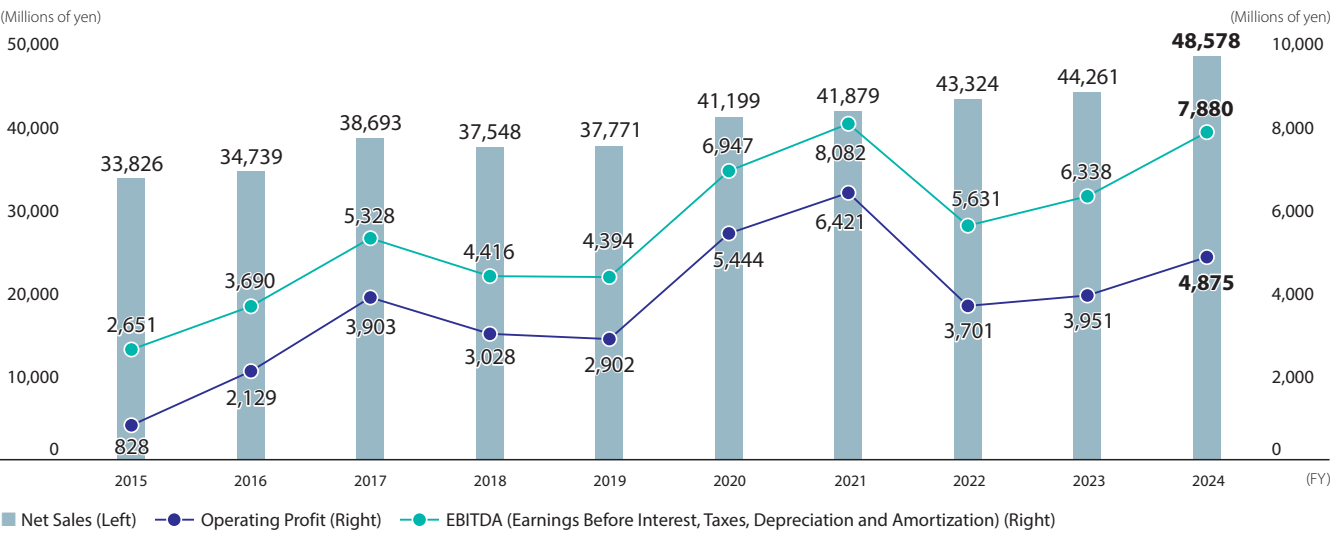
In our capital policy, we prioritize the balance between growth investments, shareholder returns, and retained earnings, aiming to maximize capital efficiency that contributes to enhancing corporate value. Specifically, we continue to provide stable dividends with a focus on the Dividend on Equity (DOE), while also working on capital optimization with an awareness of the Price-to-Book Ratio (PBR) and the cost of capital. Regarding treasury shares, we are flexible in considering holding and acquiring them, with an eye toward future compensation systems as well as potential cancellation and disposal. By fulfilling a clear accountability for our financial strategy, we aim to strengthen our relationship of trust with shareholders and investors and promote a return policy aimed at maximizing corporate value in the medium to long term.

Dividends per share



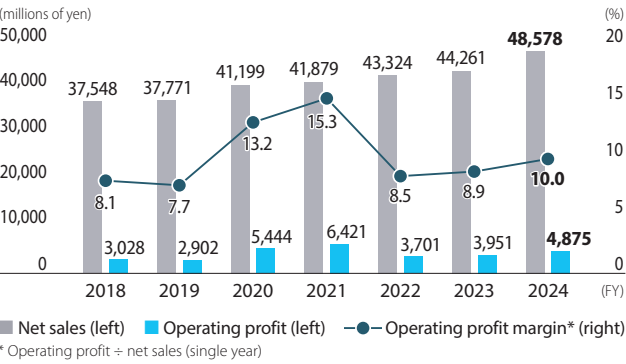
\* The Company carried out a 2-for-1 stock split of common shares, effective April 1, 2025. The figures for dividend per share prior to April 1, 2025, reflect the values adjusted for the stock split.

Net sales / operating profit / EBITDA (earnings before interest, taxes, depreciation and amortization)



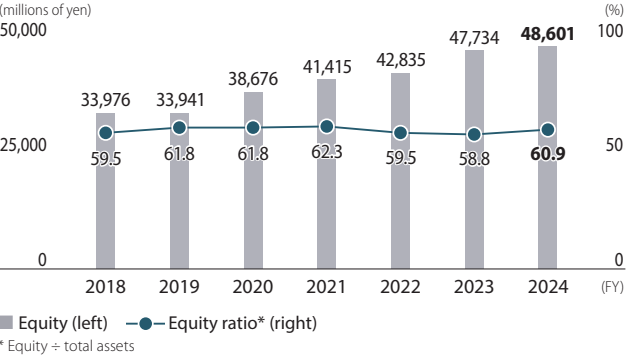
# Financial and Non-Financial Highlights (Consolidated)

## Net sales, Operating profit, Operating profit margin



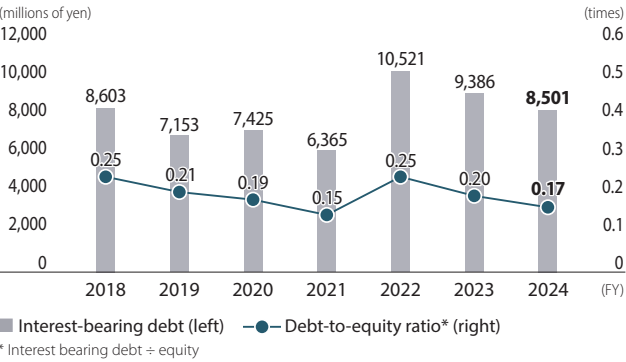
In FY2024, although sales in Basic Chemicals declined, increases in Functional Colorants, Specialty Polymers, Agro-Science, and Logistics, as well as the effects of the weaker yen, resulted in net sales increasing by 4,316 million JPY (9.8%) year on year to 48,578 million JPY, and operating profit increasing by 924 million JPY (23.4%) to 4,875 million JPY.

## Equity, Equity ratio



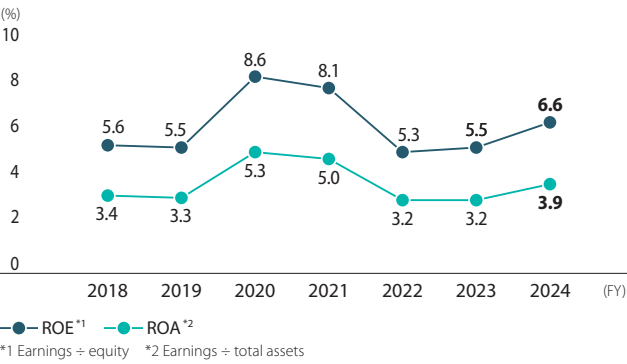
The equity ratio has remained stable at around 60%. We will continue to increase equity, mainly from profits generated from our businesses, and further stabilize the Group's management foundation.

## Interest-bearing debt, Debt-to-equity ratio



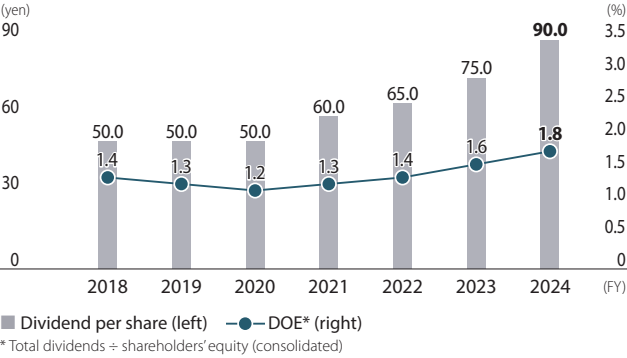
Interest-bearing debt is decreasing due to scheduled repayments, and the D/E ratio in FY2024 fell to 0.17 times. We will maintain financial soundness while striking a balance with capital investments that contribute to growth.

## ROE, ROA



In FY2024, both ROE and ROA improved amid higher profits. Looking ahead, we will continue working to unlock greater profit growth while improving asset efficiency.

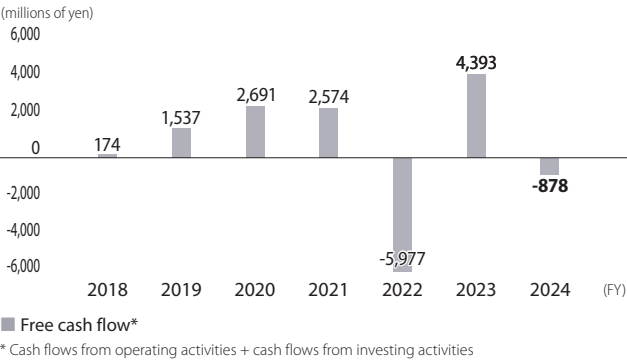
## Dividend per Share, DOE



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).

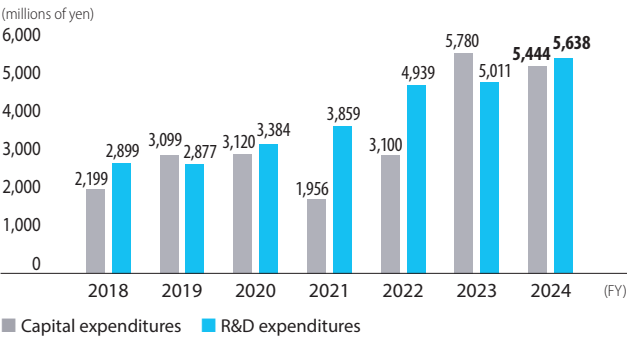
\*2 Dividends per share are presented based on the number of shares before the stock split on April 1, 2025.

## Free cash flow



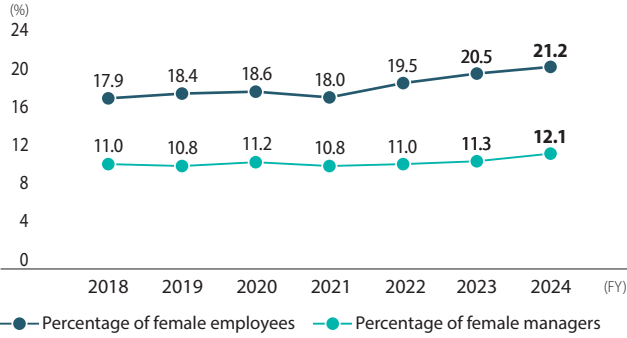
In FY2024, free cash flow turned downward, declining due to continued capital investments and an increase in time deposits aimed at the effective use of funds. We will continue to balance both sales and investment activities in preparation for future growth.

## Capital expenditures, R&D expenditures



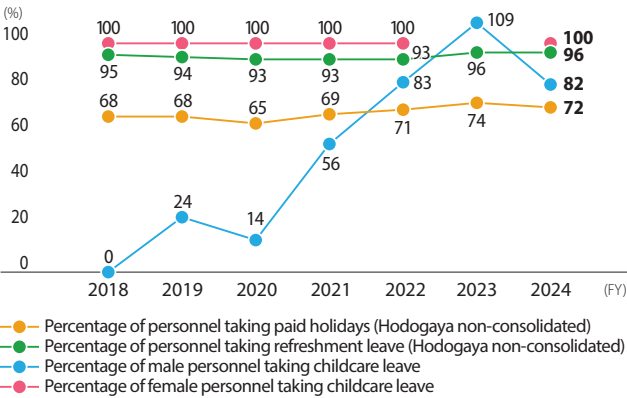
Our focus is primarily on capital expenditure and R&D in the Functional Colorants segment, which is the Hodogaya Chemical Group's growth driver. We will continue investments and undertake activities that contribute to future growth.

## 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.

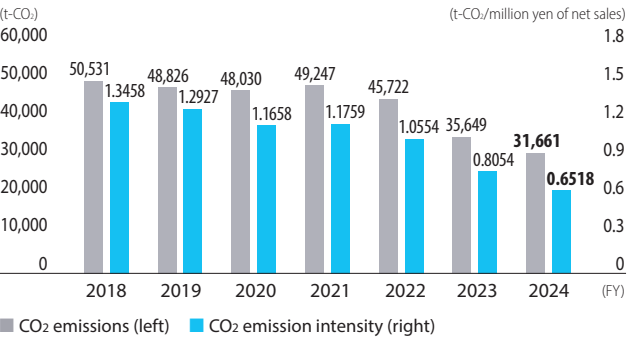
## Percentage of personnel taking paid holidays, refreshment leave, and childcare leave



In addition to maintaining a percentage of personnel taking paid holidays in excess of 70% for the past three 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 82% in FY2024.

\* Percentage of personnel taking childcare leave (women) had no eligible employees in FY2023.

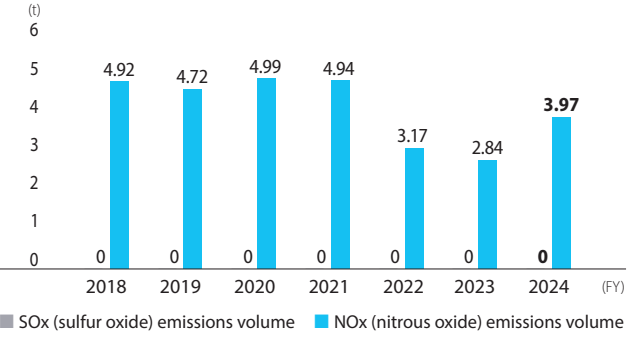
## CO<sub>2</sub> emissions, CO<sub>2</sub> emission intensity (Japan)



Most of the greenhouse gases (GHG) emitted by Hodogaya Chemical are CO<sub>2</sub>. Although CO<sub>2</sub> emissions in FY2024 increased due to higher energy consumption as a result of increased facility operations, emissions declined compared to FY2023 because of the increase in the number of business sites that use CO<sub>2</sub>-free electricity.

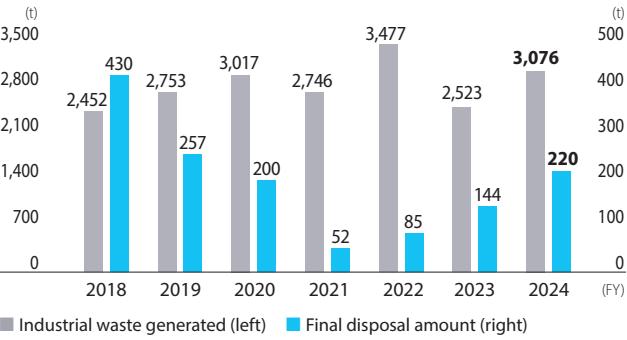
\* This does not include CO<sub>2</sub> emissions from non-energy sources.

## 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.

## 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, but the total amount of waste generated and final disposal rose 22% and 53% in FY2024, compared to the previous fiscal year. Notwithstanding the impact of certain factors, including increased production activities and differences in the composition of items produced, we take this increase very seriously and will strengthen efforts to reduce industrial waste.



# Human Resource Strategy

Related Materiality

- Improving job satisfaction
- Promoting diversity

- Promoting the health and productivity management and workplace safety and health

## Message from the Executive Officer in charge of the HR Department



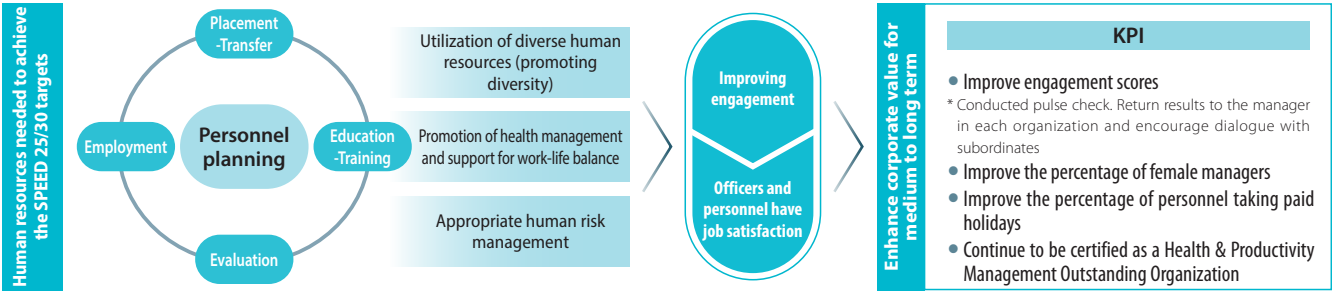
As the global order undergoes transformation, the ways of thinking among workers and the labor market are changing drastically. While human capital management is gaining traction as human resources are considered assets in creating corporate value, the Hodogaya Chemical Group has always regarded human resources as the driving force behind value creation. By promoting investments and initiatives for our people that foster a process of transforming individual awareness and behavior → enhancing interpersonal relationships → driving organizational growth,"we aim to achieve our medium-term management plan SPEED 25/30 and realize sustainable growth together with the enhancement of corporate value over the medium to long term.

Shinichi Sato   Director and Managing Executive Officer

## Mid-term Management Plan SPEED 25/30 HR Strategy

In order to enhance its medium to long term corporate value, it is essential for the Hodogaya Chemical Group to expand its human capital. To this end, in aiming to promote the recruitment and development of human resources capable of independent

learning, thinking and action, the Group has set forth the strategic goal of enabling all officers and personnel to feel job satisfaction through enhancement of engagement by implementing the following human resources cycle.



## Main Policies in the Mid-term Management Plan SPEED 25/30

We are implementing the following initiatives to achieve "SPEED 25/30."

### Improving motivation to work – Utilizing diverse human resources (promoting diversity)

The Hodogaya Chemical Group promotes diversity as a means of enhancing corporate value by fostering innovation in a highly competitive environment, enabling flexible business portfolio shifts, and strengthening its ability to adapt to change. In particular, in promoting the active participation of women in the workplace, we conduct training for all employees regardless of gender to promote mindset change while striving to develop an organizational culture where both genders can play active roles. In addition, we make no distinction between mid-career hires and new graduate hires when it comes to job assignment. Each person is appointed based on a comprehensive assessment of experience, abilities, and skills, as we strive to create an environment in which personnel can maximize their individual talents and skills. The election of a female Outside Director was approved at the Annual General Meeting of Shareholders in June 2023, and in June 2024, we promoted a female as Officers from within the Company.

In addition, promoting diversity will increase the number of personnel with diverse personalities and values to help expand the diversity of the organization; hence, it is important to unify the organization and personnel. We believe that the Hodogaya Chemical Group's PURPOSE (Management Philosophy) and VISION (Target Corporate Image) can fully unify the organization and personnel.

Details can be found on our website.  
<https://www.hodogaya.co.jp/english/csr/stakeholder/employee/>

### Improving motivation to work - Initiatives for self-growth

The Hodogaya Chemical Group has established an education system to promote human resource development and support the self-growth of officers and personnel in striving to foster a culture of continuous learning in the organization as well as enhance the intellectual capabilities of officers and personnel.

## Human Resources Data 2024→P.61

### Improving ease of work - Promoting health and productivity management, initiatives for work-life balance

The Hodogaya Chemical Group strategically practices health and productivity management, including guidance and education for health promotion, and collaboration with the Hodogaya Chemical Health Insurance Society and industrial physicians. We were certified as a Health & Productivity Management Outstanding Organization 2025 (for the fifth consecutive year).

For more details on human resources data, please refer to our website.  
<https://www.hodogaya.co.jp/english/csr/stakeholder/employee/>

In addition, we are actively working on work-life balance initiatives, such as increasing the percentage of personnel taking paid holidays and the percentage of male personnel taking childcare leave. We continue to strive for a balance between work and life with the mental and physical well-being of all officers and personnel as the top priority to ensure everyone can feel job satisfaction, comfort and fulfillment at work.



## Key human resources investments and initiatives through FY2024

FY2024

- Trial expansion of the flex-time system (ease of work)
- Decision to introduce a "book summary service" (Human resource development)

FY2023

- Introduction of employee stock benefit trust (J-ESOP) (expanded target in FY2024) (motivation to work)

FY2022

- Formulation of telework regulations (ease of work)
- Introduction of training for next-generation management personnel (Human resource development)
- Introduction of a multi-assessment system (multifaceted evaluation system) (Human resource development, motivation to work)

FY2021

- Measurement of engagement scores and implementation of training to improve engagement (motivation to work, ease of work)
- Start of career education for female employees (human resources development and job satisfaction)

Before FY2020

- Introduction of a new personnel front system (DX)
- Transition to performance-linked bonuses (motivation to work)
- Revision of retirement benefit system (full transition to defined contribution (DC) pension plan) (motivation to work)
- Establishment of a new education system for managers (Human resource development)
- Revision of personnel evaluation system (Human resource development (motivation to work)
- Introduction of the Come-back entry System (Reemployment Applicants Registration) (ease of work)

## Analyzing Engagement Scores and Making Improvements

The Hodogaya Chemical Group has set as a goal enhancement of engagement such that all officers and personnel can feel job satisfaction. In order to gauge employees' perception of job satisfaction, the Group is conducting assessment and analysis of engagement scores, as well as developing and implementing policies to address issues (including personnel dispatched overseas). The results revealed that there is a strong resonance with the Company's philosophy and strategies among employees, while there are still challenges in terms of getting help from one's surroundings and receiving acknowledgment for one's comments and opinions. It is our goal to create a psychologically safe workplace where everyone feels comfortable speaking up.

Target   Gradually raise engagement score

Result   Items showing improvement since assessment (rate of improvement from FY2021 to FY2024)

Key driver: item	Initial score	Recent score	Rate of improvement
Health: workload	53	59	11.3%
Organizational culture: embracing challenges	50	55	10.0%
Health: stress response	54	59	9.3%
Environment: work-life balance	59	64	8.5%

\* We observe a trend toward improved work-life balance, contributing to lower workloads and stress levels, coupled with a cultural shift that praises taking on new challenges.

## Future Challenges and Countermeasures

We have set the enhancement of employee engagement—enabling all officers and personnel to experience job satisfaction—as a strategic goal, and are implementing initiatives to achieve it. In addition, as a new initiative, we are considering the introduction of a hybrid job-based personnel system that combines the membership-based model with

position-based compensation. However, issues related to HR may be broad while values regarding this topic can also change. By constantly being on the lookout for information, we can grasp changes in HR management trends in a timely manner, and respond to changes based on our PURPOSE (Management Philosophy) and VISION (Target Corporate Image).

VOICE

HR Department

N. K.

### Creating learning opportunities that integrate job satisfaction and growth, thereby enhancing employee engagement

Employee training not only serves to develop skills and support the growth of every employee, but it also plays a pivotal role in enhancing job satisfaction and performance across the whole organization. We believe that creating an environment where employees can continue to learn independently while feeling fulfillment is one of the important roles of the Human Resources Department in achieving SPEED 25/30.

Going forward, we will further focus on developing the next generation of leaders to ensure the organization's sustainable development while maintaining and enhancing its competitiveness. Simultaneously, the Human Resources Department aims to create an environment that balances job satisfaction with organizational growth and leads to improved engagement by focusing on motivating employees and establishing systems to encourage learning.

# R&D and Intellectual Property Strategy

Related Materiality

- Responding to climate change
- Improving value and reliability of products
- Ensuring the safety of products and chemical substances

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



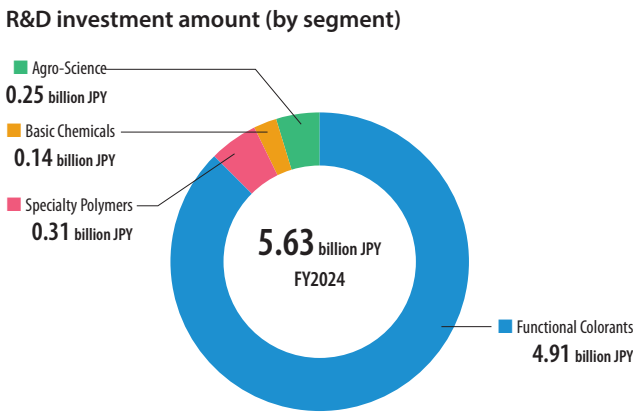
Norimasa Yokoyama Managing Executive Officer

We plan to develop new products in five fields targeted in our business strategy roadmap. Our SPEED 25/30 Mid-term Management Plan sets the five domains of cutting-edge electronic device materials, environmentally friendly dyes, polyols, bio-medical materials, and environmentally aware agricultural materials as concrete business fields in which we will employ flexible ideas to conduct R&D on technologies matched to market needs. We will also accelerate initiatives in new fields derived from those technologies, and will connect these to the enhancement of the corporate value.

## R&D Strategy

The Hodogaya Chemical Group has formulated the 10-year scenario “ideal figure” for the Company in FY2030 and “target figure” in FY2025, the midpoint for that. 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. In particular, we give 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 focus on specialty products.

Also, 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

- New business creation and growth for functional colorants
- Take new research projects into—and beyond—the development stage

### Strengthen our R&D structure

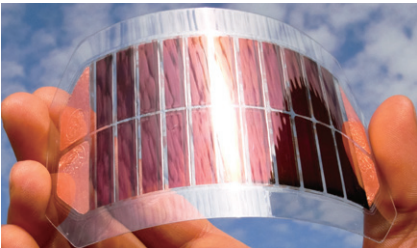
- Expand our sustainable creation of new research projects
- Establish an organizational structure able to swiftly move from research to mass production

## Further development of strategic products while fostering new ideas

Drawing on over a century of technological development, the Hodogaya Chemical Group seeks to expand and advance strategic products through R&D led by our Tsukuba Research Laboratory, three plants in Japan, and South Korea-based Group companies HCK and SFC.

By reinforcing and applying our proprietary technologies and knowledge gained primarily in the area of OLED materials, we aim to enter applied fields such as perovskite solar cells and expand our presence in the biotechnology and semiconductor fields. In the application of functional colorants, we are also undertaking R&D in near-infrared (NIR) absorbent dyes that show promise for sensor applications.

To create new businesses for the next generation, in the fields of Electronics & Information, Mobility, Environment & Energy, Life Sciences, and Agricultural & Food we will conduct research and investigations to establish R&D strategies based on a long-term perspective, primarily through the New Product Exploration Project.



Perovskite solar cells

## Initiatives related to perovskite solar cells

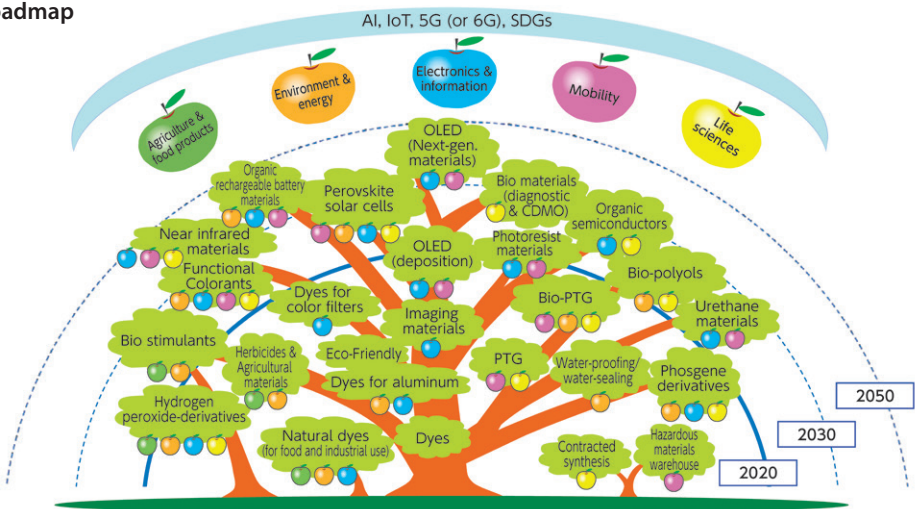
The size of the global market for perovskite solar cells is predicted to reach 2.4 trillion JPY by 2040. Japan’s Seventh Strategic Energy Plan aims for the introduction of about 20 GW of electrical power by 2040 through three-way efforts by public- and private-sector stakeholders as a national-level policy.

However, the development of higher-performance materials is essential to the proliferation of perovskite solar cells. The

Hodogaya Chemical Group has developed a number of materials that are expected to enhance the performance of these solar cells. Industry-academia cooperation is an important part of our R&D efforts, and we have co-authored several papers involving joint research with Professor Tsutomu Miyasaka, a recognized authority in perovskite solar cell research.

We will accelerate our R&D aimed at the proliferation of this technology as we continue working toward a sustainable society.

## Business strategy roadmap



## 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.

We are also working to enhance the quality of our patents through the use of intellectual property education and patent maps based on information searches and patent analysis. In 2023 and 2025, our Company was included in Nikkei Business

Publications’ Intellectual Property Management Ranking of companies with high patent value growth. 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



Y. H.  
HODOGAYA CHEMICAL  
KOREA CO., LTD.

## R&D and development sales at overseas bases

At HODOGAYA CHEMICAL KOREA (HCK), I am responsible for development and development sales of OLED materials, primarily for South Korean customers. South Korean culture places importance on efficiency and speed. Located close to overseas customers, the base engages in work with a sense of urgency.

Setting quality standards and performing stable quality control are also key tasks of mine at HCK. We create quality control specification standards on the basis of evaluated data and conduct quality evaluations stably and efficiently with delivery deadlines in mind. Seeing products head out into the world creates a truly rewarding feeling.

By continuing to develop new OLED materials and provide added value, we seek to ensure that our materials are consistently selected for use in customers’ new products.

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>





Special Feature: Collaboration with South Korean Group Companies – Towards Realizing Our Ideal Figure

Born in 1916 as the first company in Japan to manufacture caustic soda using the electrolysis method, the Hodogaya Chemical Group has worked to expand its business and grow by responding to the needs of the times and continuously innovating. In recent years, we have worked to build a cross-border development and sales structure to address the remarkable globalization of the economy. By investing in South Korea and promoting personnel exchanges with the country in particular, we aim to achieve further innovation as well as business expansion and growth.

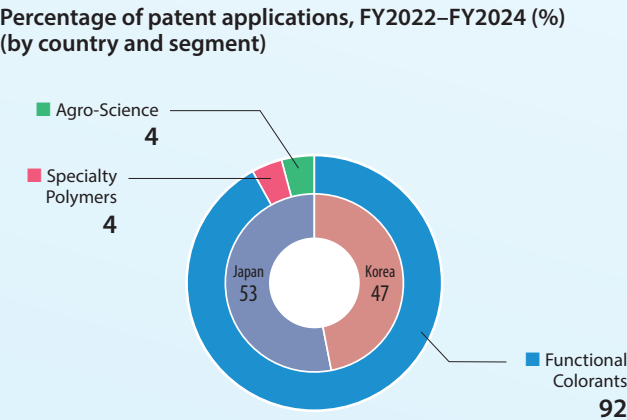
A Global Research Structure

In addressing the rapidly expanding market for OLED displays, the Hodogaya Chemical Group is particularly focused on building a development structure in South Korea, where core panel manufacturers compete. Through the establishment of a development base in the South Korean market and collaboration with Japan, we will engage in comprehensive and speedy proposals involving OLED materials and will contribute

to the future of displays. Moreover, applying our proprietary technology and knowledge gained primarily in the OLED field, we will also launch development in the promising growth areas of biotechnology and semiconductor materials, which we will connect to the creation of a new portfolio that fully leverages the strengths of our development structure in South Korea.

Research and Development that Leverages Our Geographical Advantage in South Korea

By prioritizing the establishment of a development structure in South Korea, the Hodogaya Chemical Group has increased the percentage of basic patent applications originating at its South Korean base. We will continue to place importance on this development structure in South Korea.



Our Japan-South Korea Personnel Interaction Structure

In building and deepening its structure in South Korea, the Hodogaya Chemical Group is working to invigorate personnel interaction across the Group as a whole.

For purposes of human resource development, we conduct overseas practical training by which we send young researchers from Japan on short-term assignments to South Korea. The researchers study new technologies and gain knowledge that they can apply to their own work from a global perspective. In the Research & Development Department, several Japanese researchers are currently working at posts in South Korea, undertaking R&D work from a long-term perspective while actively communicating with researchers in South Korea. At Group-wide presentations of research outcomes, staff from South Korea come to Japan to share the latest research topics. The Company prepares subsequent opportunities to deepen friendship, ensuring information sharing and heightening the sense of Group unity. Our business departments are also integrated with development departments, constantly tracking the quality and performance demanded by markets and staying involved in joint Japan-South Korea development sales.



Through these active personnel interaction initiatives, we will continue striving to build and deepen a structure tailored to the business environment.

Environmentally Friendly Products and Technologies that Contribute to a Sustainable Future

Natural food dyes

“Natural food dyes” are products made from naturally occurring materials, with consideration for human safety and the environment. Food colorants add color to foods, enriching our dietary lives. Additionally, some products have obtained “Halal certification,” meeting the expectations of customers in Islamic regions. Furthermore, we are advancing the expansion into industrial applications, not limited to food uses.



Metal-free aluminum coloring dyes

Demand is growing for dyes to color aluminum, a lightweight, strong, and easily recycled metal. Leveraging its long history of organic composite technology, Hodogaya Chemical manufactures and sells metal-free aluminum coloring dyes. These meet the need for environment- and people-friendly aluminum coloring dyes that use no heavy metals, excel in light resistance and color affinity, and enable varied color expressions.



Bio-PTG (Polymer materials)

PTG, one type of polyol that is a polyurethane raw material, is an indispensable raw material for spandex and other products. With a proven track record of over 10 years, Hodogaya Chemical was the first company in Japan to develop and sell Bio-PTG, which possesses the same quality as traditional PTG but is environmentally friendly because the main raw materials were switched from petroleum-derived ones to plant-derived ones. In addition, we are developing a special grade of plant-derived products.



Peracetic acid formulation

The peracetic acid formulation OXYATTACK (disinfectant agent for food products), a hydrogen peroxide derivative, was introduced into the market in 2017. While having powerful anti-bacterial effects on vegetables, fruit and meat, it is broken down into acetic acid and water after use, and does not generate chlorine either, making it an environmentally friendly product that has won the approval of customers.



ODI (Phosgene derivative)

Octadecyl isocyanate (ODI), a raw material for release agents, paints, and coating materials, is made from vegetable oil and fat, and meets the needs of customers from all over the world. Because it is derived from vegetables, it helps control the occurrence of environmental CO<sub>2</sub>, which is said to be a cause of climate change. In addition, in April 2024, we obtained RSPO certification\*.

\*RSPO: Roundtable on Sustainable Palm Oil



Oxygen supply materials (Agricultural materials)

In recent years, extreme weather conditions, including torrential rains and typhoons have become more frequent with each passing year. In addition to the direct damage that these events cause to farmland, crop yield is also affected due to moisture damage. As an application of hydrogen peroxide derivatives in the agricultural field, we provide customers with oxygen supply materials that promote healthy growth by supplying oxygen to soil harmed by bad weather and other factors, thereby improving the growing environment for crops as a countermeasure against moisture damage. These are also environmentally friendly products that do not contaminate farm land.





# Global Expansion of the Hodogaya Chemical Group

## Message from executive officer in charge of business



As over 50% of our Group's net sales originate abroad, it is vital that we meet each region's needs through the combination of our strengths, initiatives, and partners to continue growing in increasingly important global markets. We have done so in order to strengthen the Functional Colorants Segment and to expand the business. We will continue to address the needs of each business segment and region by creating attractive 'initiatives' and acquiring promising 'partners,' thereby advancing the construction of an appropriate business portfolio as outlined in 'SPEED 25/30'.

Takeshi Nakano Managing Executive Officer

## State of initiatives

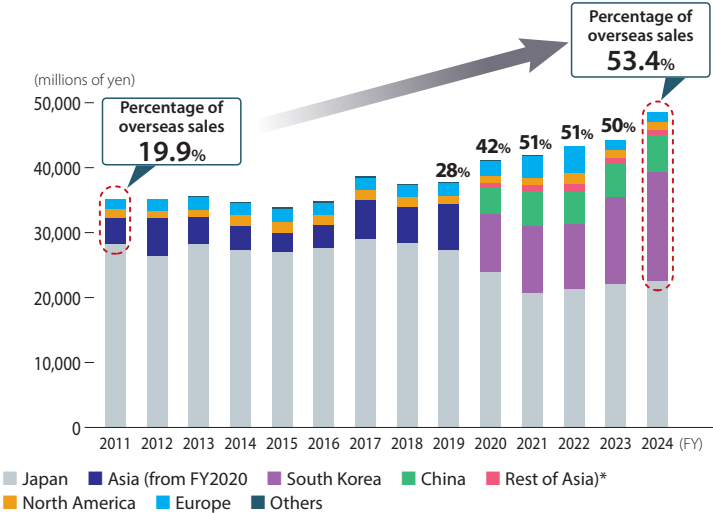
To address the diverse needs of our global customers, the Hodogaya Chemical Group is strengthening its overseas expansion through bases in five regions: North America, Europe, China, South Korea, and Taiwan. Leveraging these bases, we have raised the overseas sales ratio for the Group overall from 42% in FY2020 to 53% in FY2024. Sales of core products including OLED materials for displays and aluminum coloring dyes for mobile devices and other applications are steadily growing overseas, and overseas demand for phosgene derivatives is also increasing.

Our Group company in South Korea is growing significantly under expanding applications for OLED materials, contributing significantly to profit growth for the Hodogaya Chemical Group overall. At BioPark, which began operation in South Korea in 2023, we are also undertaking production of oligonucleotide

products for diagnostic kit materials and oligonucleotide products for nucleic acid medicine raw materials, which are next-generation drugs. As strategic investments in a growth field, we have also established new plants in Chungju and Eumseong in South Korea and are developing semiconductor materials utilizing our proprietary applied refining technology.

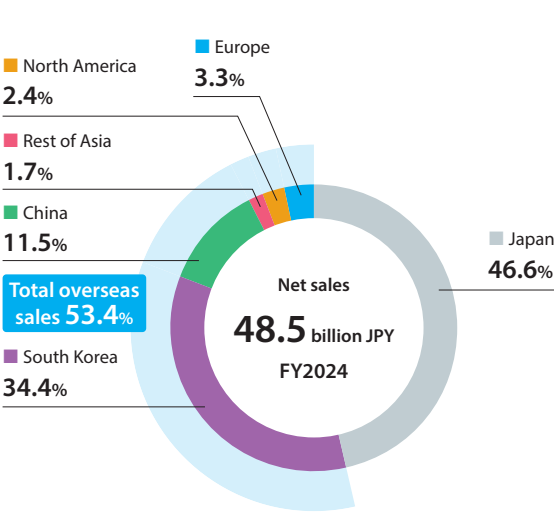
In the Specialty Polymers Segment, we will accelerate selection and concentration and will advance into global markets with plant-derived, high-performance urethane materials and phosgene derivatives for pharmaceutical applications. By leveraging our unique technological capabilities and global network in every field to constantly provide high-quality products and services, we will continue to meet the needs of customers in Japan and overseas.

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



\* Sales in South 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



# Business Overview of the Hodogaya Chemical Group



## Functional Colorants Segment

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



## Three Strengths

Ability to embody global customer needs and environmental responsiveness by fully utilizing the Group's DNA, including our organic synthesis technology

Extension of our technologies as a comprehensive supplier of OLED materials to bio materials for next-generation pharmaceuticals

Metal-free, environmentally friendly aluminum coloring dyes with leading global market shares

Natural dyes that support food safety and 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. Using the proprietary bio materials we have developed through the application of OLED materials, we are moving beyond our existing oligonucleotide products for diagnostic kit materials to also develop next-generation oligonucleotide products for nucleic acid medicine.

### ● 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.

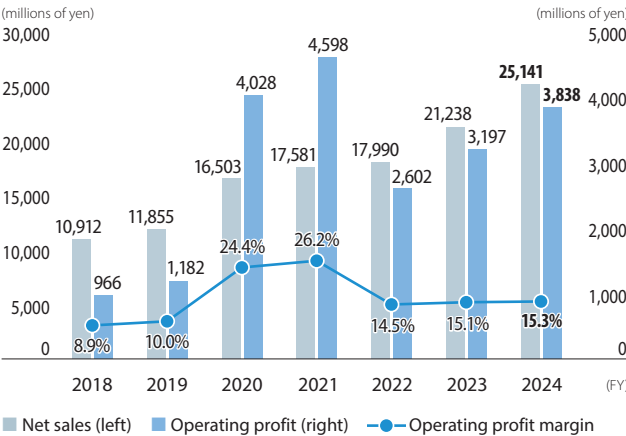
## ● Progress of the Mid-term Management Plan

Sales in our OLED material business are increasing amid growing demand and adoption in new products in the display field, particularly in the area of smartphones. In response to rising sales of materials overseas, we will further grow our business through the construction and expansion of plants and equipment as well as capital investment in the field of semiconductor materials.

In the bio business that leverages our OLED material technologies, our new BioPark base in South Korea began operation last year. We will expand sales of oligonucleotide products for diagnostic kit materials and will extend the business to next-generation oligonucleotide products for nucleic acid medicine.

In the colorant materials business, demand for aluminum coloring dyes remains strong. We will continue working to expand sales through the establishment of a stable supply structure and the development of environmentally friendly products.

Net sales / Operating profit / Operating profit margin



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 globally, with a focus on environmental responsiveness, by leveraging our phosgenation technology, etc.

- Environmentally friendly urethane materials that make full use of our world-leading organic composite technology
- Specified chemical substance-free waterproof materials that enable environmentally friendly, safe, and reliable construction work
- Pharmaceutical intermediates utilizing our phosgenation technology through three-way integrated production, sales, and R&D activities

Description of Business

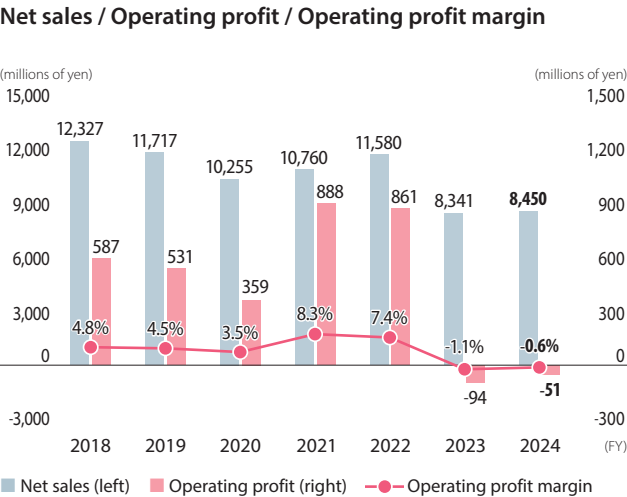
- Polymer materials**  
Polymer materials consist mainly of a material called PTG, which is required to give urethane ductility and elasticity (characteristics like those of rubber). Urethane is used in many fields, including clothing, automotive parts and leisure products. In addition, we are focusing 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.
- 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.
- 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.

Progress of the Mid-term Management Plan

While sales increased for some products in the functional polymers business, sales declined overall amid ongoing stagnation in the urethane materials market. Looking ahead, we aim to strengthen profitability by expanding sales of bio-based and other products.

In the specialty chemicals business, demand for release agents and pharmaceutical-related materials recovered overseas but demand for other applications declined, leading to a decline in sales overall. We are studying additional production capacity for specialty isocyanate, for which demand is particularly strong, and will further develop new markets through the use of prototype production bench-scale equipment that was installed for future use.

The construction materials business saw an increase in sales amid strong sales of new products and orders for urethane waterproofing work at large facilities. We will continue to steadily strengthen the business through sales of next-generation waterproofing materials and other products.



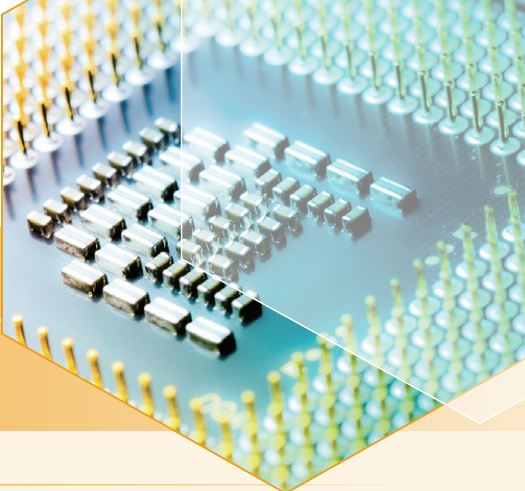
Related Group company: **Hodogaya Construction Products Co., Ltd.**  
Description of business: Manufacturing and sales of construction products

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



Basic Chemicals Segment

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



Three Strengths

Creativity to explore new applications in every aspect of clothing, food, and shelter, drawing on our long-held hydrogen peroxide production technologies

- Expansion into diverse fields spanning foods to semiconductors through hydrogen peroxide production technology grounded in experience and knowledge
- R&D capabilities that enable the extension of derivatives to wide-ranging fields including bleaches, cleaning agents, food sterilization, and veterinary medicines
- Creativity that leverages "clean" physical properties to explore new applications such as soil improvement and 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.

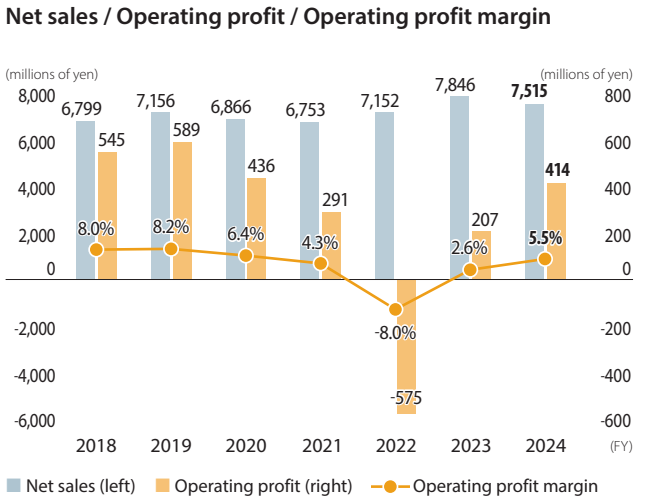
Progress of the Mid-term Management Plan

While sales of hydrogen peroxide for paper pulp increased, hydrogen peroxide sales overall remained flat from the previous fiscal year due to delayed recovery in semiconductor-related demand.

Sales of sodium percarbonate for bleach decreased, however, to maintain and expand the profitability that we improved last year, we will continue to undertake appropriate capital investment and sales expansion.

In the area of peracetic acid, we will take the approach of expanding the scope of adoption for sanitation applications and capturing new customers for food applications.

We will continue working to further maximize profit by carrying out cost cuts and sales expansion with market demand trends in mind.



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: https://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

Development capabilities to turn formulation technologies into compelling products that are useful in diverse everyday life scenarios

Home gardening herbicides with the leading market share in Japan through development of new products tailored to needs

Creativity and proposal capabilities to create new products that support everyday living

R&D capabilities that improve the agricultural environment through the development of agricultural oxidizers, etc.

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 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.

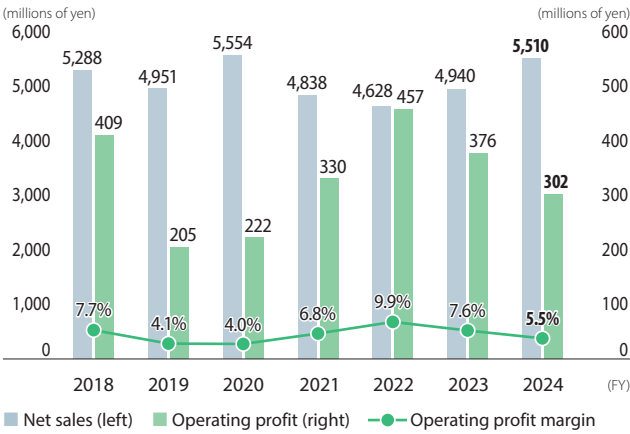
Progress of the Mid-term Management Plan

Demand for herbicides for railways and home gardening remained strong while demand for golf course herbicides recovered, resulting in significant growth in sales.

In fields spanning the Basic Chemicals and Agro-Science segments, we are working to expand market awareness related to our development of peracetic acid applications. We also intend to expand the business by utilizing our strengthened agricultural peroxide production equipment and by engaging in sales activities with further strengthening in mind.

To maintain or increase business earnings, we will work to build a stable supply structure, develop new business channels, and introduce compelling products, possibly in collaboration with partners.

Net sales / Operating profit / Operating profit margin



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)



Logistics Segment

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



Three Strengths

Capabilities for secure and safe transport based on our expertise in the handling of hazardous substances and chemicals as a chemical manufacturing group

Expansion into wide-ranging areas of logistics business through our expertise in handling chemicals, pharmaceuticals, and other hazardous substances

Largest-in-class regional storage services and land, sea, and air transport services that draw on our locational advantages in Yokohama, Koriyama, and Nanyo

Provision of intermodal international transport utilizing the Nanyo Branch's ISO tank container depot

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.

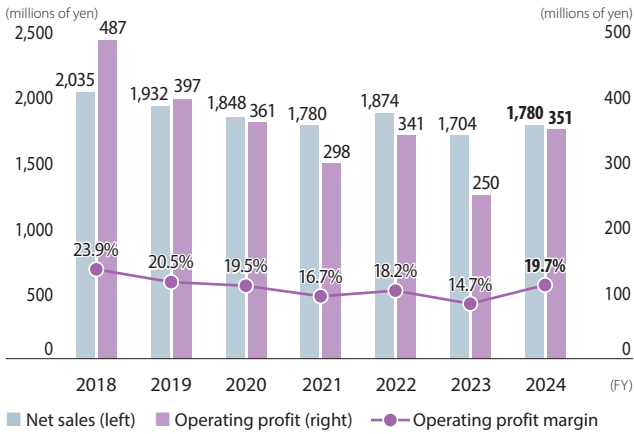
Progress of the Mid-term Management Plan

Sales increased as export and other cargo activity remained strong and domestic volume increased in the hazardous materials storage business. We will continue tackling priority measures at each office.

At Koriyama, we are undertaking capital investments to acquire the business that requires strict temperature control. At Yokohama, we aim to enhance our profitability by leveraging our advantageous location to increase our handling of high-quality commercial deals and import/export transactions. At Nanyo, we seek to expand the ISO tank container storage business that began in October 2021.

As a logistics business for chemical manufacturers, we will continue to leverage our expertise in the handling of hazardous and toxic materials and work to acquire new customers.

Net sales / Operating profit / Operating profit margin



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: <https://www.hodogaya.co.jp/hlc/> (Japanese only)

