

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

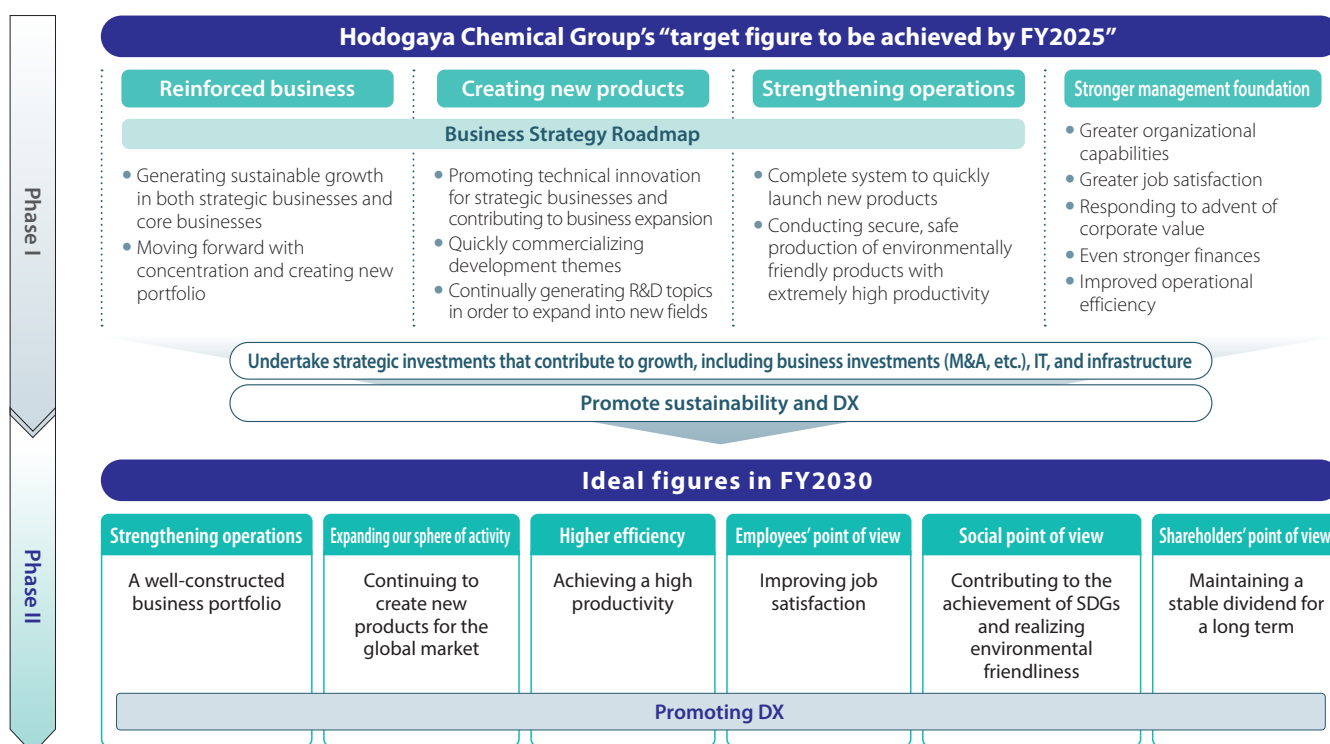
VISION

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

Message

The Hodogaya Chemical Group will speedily transform itself to our “target figure” in FY2025 and to our “ideal figure” in FY2030, by means of:

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



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
	Operating profit	6.4 billion JPY	3.7 billion JPY	3.9 billion JPY	4.8 billion JPY
	Operating margin	15.3%	8.5%	8.9%	10.0%
	ROE	8.1%	5.3%	5.5%	6.6%
Non-financial targets	CO ₂ emissions (CO ₂ emission intensity)	49,247t-CO ₂ (1.1759t-CO ₂ /million JPY of net sales)	45,722t-CO ₂ (1.055t-CO ₂ /million JPY of net sales)	35,649t-CO ₂ (0.805t-CO ₂ /million JPY of net sales)	31,661t-CO ₂ (0.652t-CO ₂ /million JPY of net sales)
	Energy intensity (per million JPY of net sales)	0.698kl	0.636kl	0.495kl	0.466kl
	Industrial waste volumes	2,746 t	3,477t	2,523t	3,076t
	ESG evaluation score (FTSE Russell score)	2.7	3.0	3.6	3.5
	Engagement score	—	—	—	—
	Percentage of female managers	10.8%	11.0%	11.3%	12.1%

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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">Strengthening of relationship with customers and introduction of new technologyExpansion of new material useStrengthening of domestic evaluation baseOperation of new biotechnology center (BioPark)Establishment and operation of two new plants in South Korea	<ul style="list-style-type: none">Promoting development of OLEDPromoting research of new ideas: – Lithium-ion battery material (organic cathode materials)Organic solar cell materials (perovskites)Near-infrared absorption materialsInstalling special equipment for trial production which contributes to new product development	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">Launch of environmentally friendly aluminum coloring dyes into the market	<ul style="list-style-type: none">Promoting development of environmentally friendly aluminum coloring dyes	<ul style="list-style-type: none">Began construction to expand production of environmentally friendly aluminum coloring dyes		
Specialty Polymers	Functional Polymers & Specialty Chemicals Business	<ul style="list-style-type: none">Market launch/sales expansion of new Bio-PTG into the market	<ul style="list-style-type: none">Developing special gradesInstalling bench-scale phosgene derivative equipment	<ul style="list-style-type: none">Expansion and promotion of phosgene derivative production facilities	17.4% (8.45 billion JPY)	-1.1% (-0.05 billion JPY)
	Construction Materials Business	<ul style="list-style-type: none">Sales expansion of next-generation waterproofing materials				
Basic Chemicals	Peroxide Business	<ul style="list-style-type: none">Expansion of uses of peracetic acid (food additive)			15.4% (7.51 billion JPY)	8.5% (0.41 billion JPY)
Agro-Science	Agrochemical Business	<ul style="list-style-type: none">Expansion of the peroxide agricultural materials business		<ul style="list-style-type: none">Bolstered production capacity of oxygen supply materials	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">Launched operations of South Korea-based REXCEL No. 2 Plant at Chungju Campus and new plant at Eumseong Campus	—
Improve Engagement	<ul style="list-style-type: none">Promotion of health and productivity managementUtilization of diverse human resources	<ul style="list-style-type: none">Certification as Health & Productivity Management Outstanding Organization for five consecutive yearsExpansion of application of flexitime (introduce on trial basis)Introduction of book summary serviceDecided to expanding the scope of employee stock compensation plan	<ul style="list-style-type: none">Gradually raise engagement scorePercentage of female managers: 13%
Promote sustainability	<ul style="list-style-type: none">Reduce CO₂ emissionsReduce energy intensityReduce industrial waste volumesReduce power consumptionPromote ESG	<ul style="list-style-type: none">Reduction in CO₂ emissions: 31,661 t-CO₂ (0.652 t-CO₂/million JPY of net sales)Reduction of energy intensity: 0.466 kJ/million JPY of net salesReduction in industrial waste emissions: 3,076tUse of CO₂-free electricity (Yokohama Plant, Nanyo Plant and Tsukuba Research Laboratory)Use of ICPESG assessment score (FTSE Russell evaluation): 3.5	<ul style="list-style-type: none">Reduce CO₂ emissions: 43,400t-CO₂ (0.868t-CO₂/million JPY of net sales)Reduction of energy intensity: 0.606kJ/million JPY of net salesReduce industrial waste volumes: Less than the amount generated in the previous FYESG evaluation score (FTSE Russell score): 3.7
Promotion of DX/ Improved Operational Efficiency		<ul style="list-style-type: none">Changes to ERP systemReduced working hours through improved work efficiencyRPA personnel developmentStreamlining of seal affixing operations	—

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">Optimization of global technical service bases (Introduction of technologies/strengthening of relationships with customers)Development and securing of personnel that will contribute to global businessPromotion of expansion into semiconductor materialsExpansion of color filter material salesExpansion into new functional colorants	<ul style="list-style-type: none">Response to next-generation technologiesPromoting development of OLEDPromoting research of new ideas – Lithium-ion battery materials (organic cathode materials)Organic solar cell materials (perovskites)Promoting research of new ideas – Installation of special equipment for trial production which contributes to Near-infrared materials and new product development	<ul style="list-style-type: none">Installation of special equipment (ensuring a stable production base)
	Coloring Material Business	<ul style="list-style-type: none">Market launch/sales expansion of environmentally friendly aluminum coloring dyesDeveloping uses (other than food) for natural dyesCultivation of new markets overseas for halal-compliant and natural colorings	<ul style="list-style-type: none">Promoting development of environmentally friendly aluminum coloring dyes	<ul style="list-style-type: none">Establishing an increase in production of aluminum coloring dyesEstablishment of a supply system for environmentally friendly aluminum coloring dyes
Specialty Polymers	Functional Polymers & Specialty Chemicals Business	<ul style="list-style-type: none">Market launch/sales expansion of new Bio-PTGStrengthen global sales expansion of phosgene derivatives	<ul style="list-style-type: none">Developing special grade productsPromoting new urethane development	<ul style="list-style-type: none">Expansion of phosgene derivative production facilities
	Construction Materials Business	<ul style="list-style-type: none">Expanding sales of next-generation waterproofing materials		
Basic Chemicals	Peroxide Business	<ul style="list-style-type: none">Expanding sales in the industrial chemicals fieldExpanding sales of peracetic acid (disinfectant, food additive)	<ul style="list-style-type: none">Developing uses for agricultural and livestock materials	<ul style="list-style-type: none">Equipment renewal in planned manner
Agro-Science	Agrochemical & Agricultural Material Business	<ul style="list-style-type: none">Business expansion through the introduction of new active ingredientsExpanding the peroxide agricultural materials businessCultivate demand in new green space businessStrengthening relationships with customers in development and sales	<ul style="list-style-type: none">Development of new agricultural materials using oxygen supply materialsStudy on the application of peroxides to pesticides	
		<ul style="list-style-type: none">Expansion of ISO tank container storage businessPromotion of logistics efficiency through the introduction of DX items		<ul style="list-style-type: none">Consider automation and operational efficiency through IT utilization
Logistics	Logistics Business			

Major Initiatives

Strengthen the Management Base	Content
Strategic investments	<ul style="list-style-type: none">Expansion of phosgene production facilitiesConstruction of a clean room building and additional deposition equipment at the Tsukuba Research LaboratoryExpansion of facilities for aluminum coloring dyes and environmentally friendly aluminum coloring dyesExpansion of facilities at the Chungju Campus 2nd Plant and the Eumseong Campus New Plant in South Korea
Improving employee engagement	<ul style="list-style-type: none">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 measuresExpanding flexitime systemBook summary servicePromote health and productivity managementUtilization of diverse human resources
Sustainability initiatives	<ul style="list-style-type: none">Promote ESGReduce CO₂ emissionsReduce power consumptionReduce industrial waste volumes
Promotion of DX/Improvement of Operational Efficiency	<ul style="list-style-type: none">Utilization of data accumulated by the Hodogaya Chemical GroupPromotion of RPA, DX education, and leader developmentPromotion of greater operational efficiency (Operation Efficiency Promotion Project)Initiatives to ensure stable operation by implementing IoT in production equipmentUtilization of materials informatics in research and development

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

