

Risk Management

Related Materiality

- Thoroughly spreading risk management



Details can be found on our website.
<https://www.hodogaya.co.jp/english/company/governance/management/>



Basic approach

As for risks that harm the Hodogaya Chemical Group, including illegal conduct, poor quality, natural disasters, infectious diseases, and information leaks, the Group has created its own risk management system to minimize damages.

In order to maintain and increase corporate value, fulfill its social responsibilities as a company, and generate sustainable growth for the Group, efforts are made to raise the risk awareness of all officers and personnel and promote risk management by all personnel.

Risk Management Committee

The Hodogaya Chemical Group has a Risk Management Committee in place, in accordance with the Risk Management Committee Rules.

The Committee holds regular meetings to share risk awareness, develop measures to reduce risks, review the progress of such measures, and take initiatives to minimize damages based on the Crisis Management Regulations, across the Hodogaya Chemical Group as a whole.

The Committee provides and reports on the details of their discussions to the Board of Directors and the Management Committee.

Overall Risk Awareness for FY2025

For the current fiscal year, the Risk Management Committee recognizes the following as overall risks.

[Uncertainty surrounding US politics]

Implementation of tariff hikes, immigration measures, or tax cuts could drive higher inflation, possibly leading to stagflation.

[The impact of US tariffs, etc. on Japan (as a risk scenario)]

— Economic slowdown, stagflation, spillover of a financial crisis

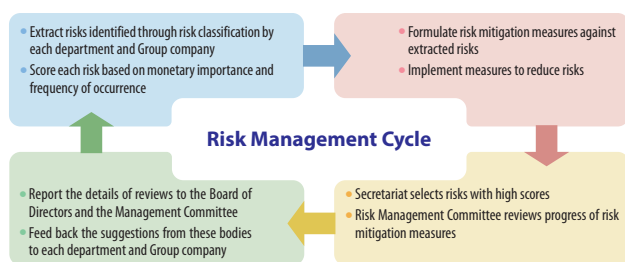
— Significant impact on manufacturing, particularly the capital goods sector (industrial machinery, construction machinery, and transportation machinery such as vehicles, etc.)

[Trend towards global multipolarity and political polarization due to the collapse of the middle class in Europe and the US]

Risk management structure



Risk Evaluation Procedures



* In particular, risks that impede KGI/KPI are recognized as Key Risk Factors (KRFs)

Details of FY2024 Deliberations

Deliberations by the Risk Management Committee in FY2024 were primarily regarding such issues as sales risk, manufacturing risk, purchasing and procurement risk, which are based on the risk management cycle depicted in the figure to the left.

Information Security

The Hodogaya Chemical Group recognizes that keeping company information classified and ensuring information security are the basics in business and one of our social responsibilities.

We have established Information Security Policy in which the appropriate acquisition, use, disclosure, and management of information, information protection activities, security measures, and compliance with applicable laws and regulations, including the Unfair Competition Prevention Act and regulations on insider trading, are specified.

Also, we conduct training for all personnel to increase their awareness of information security.

VOICE



A.A.
Internal Control
Department

The circle of trust created by psychological safety and compliance

In the Internal Control Department, we support the organization in establishing trust by ensuring strict compliance throughout daily operations. What I value most is fostering a psychologically safe workplace. When everyone feels secure in expressing their opinions and sharing mistakes or questions, it helps prevent misconduct and enables the early detection of issues. In such an environment, colleagues naturally support one another, and constructive discussions can lead to the creation of new value.

In everyday conversations, moments when phrases like "That's a great idea" or "Thanks for noticing that (issue)" are exchanged make me feel that psychological safety is a driving force within the organization. Moving forward, I want to continue expanding this circle of trust and security and remain a member who contributes to the Company's future.