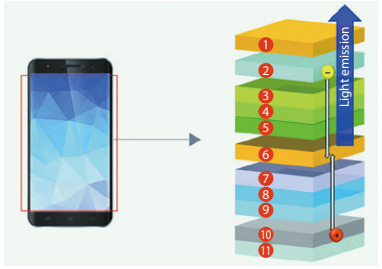
Cutting Edge

With applications expanding beyond smartphones to tablets, notebook PCs, televisions, and other devices, the OLED market is entering a phase of medium- to long-term growth. Building on more than 20 years of materials development expertise and synergies across the Group, the Hodogaya Chemical Group is strengthening its business foundation and expanding its R&D and production capabilities to support the continued growth of the OLED market.

Advancing the OLED Business and Expanding Its Scope

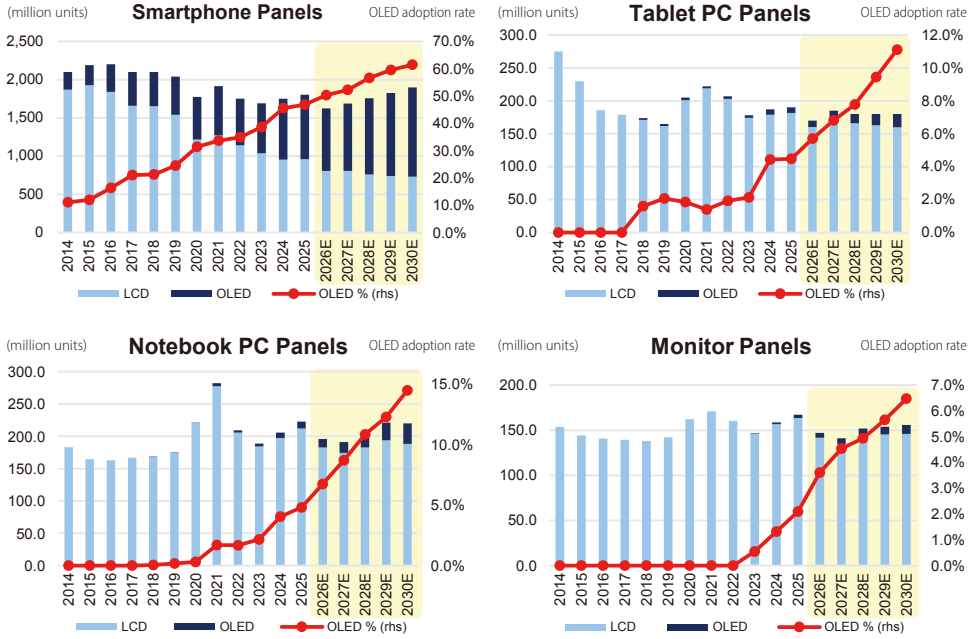
New business opportunities in an expanding market

OLEDs have become increasingly familiar in recent years. For more than 20 years, the Hodogaya Chemical Group has been engaged in R&D on materials that underpin OLED technology. In addition to being thin and lightweight, OLED panels offer excellent color reproduction and flexible form factors, making them a display technology distinct from LCD panels. OLED panels are now mainstream in the small-panel market for smartphones. Around 2026, the OLED adoption rate is expected to surpass 50%, with OLED becoming the dominant display technology and overtaking LCD. The shift from LCD to OLED is also progressing in the medium-sized panel market for tablets, notebook PCs, and gaming monitors, as well as the large-panel market for televisions, driven by demand for higher image quality and functionality. These markets are therefore expected to enter a phase of medium- to long-term growth.



OLED Structure

1 Capping layer (CPL) 2 Cathode 3 Electron injection layer (EIL) 4 Electron transport layer (ETL)
5 Hole blocking layer (HBL) 6 Emitting layer (EML) 7 Electron blocking layer (EBL)
8 Hole transport layer (HTL) 9 Hole injection layer (HIL) 10 Anode 11 Glass substrate



*Source (data and graph): Equity Research Department, Mizuho Securities Co., Ltd.

Materials development capabilities backed by proprietary technologies

The Hodogaya Chemical Group develops and manufactures materials used in the electron blocking layer (EBL), drawing on its long-established synthesis and refining technologies, expertise accumulated in charge transport materials, and advanced molecular design capabilities. These materials help extend OLED lifetimes and improve durability, while the Group is also actively developing emitting materials, hole injection materials, and other materials. In addition, we are developing high- and low-refractive-index capping layer (CPL) materials by leveraging optical simulation and other technologies. The core technologies behind these developments are applications of charge transport materials (CTM), one of our imaging materials.

Competitive advantage through co-creation

A major competitive advantage is our ability to offer distinctive OLED materials by combining Hodogaya Chemical's strength in hole transport materials with emitting materials created through proven technological capabilities in South Korea. As a leading company in OLED materials, we will continue supplying materials to major panel manufacturers in Japan and overseas. From dyes to imaging materials, from imaging materials to OLED materials, and onward to materials for nucleic acid medicines and semiconductor materials. The Hodogaya Chemical Group continues to evolve with the times.

Expanding investment in people and facilities in South Korea

Our competitive OLED materials, including blue-emitting materials, are expected to deliver further growth as OLED displays, currently driven mainly by smartphone demand, expand into medium-sized displays for tablets, PCs, and other devices.

To capture this opportunity, we are strengthening our already extensive production capacity in South Korea by constructing a plant and enhancing the business structure for OLED materials. We have also established and begun operating a new R&D and production base for the Bio business, applying technologies cultivated in the OLED materials business to expand into new business domains. In addition, by expanding our storage center for shipping and other logistics operations, as well as office and meeting space, while continuing to recruit outstanding talent, we believe we can further accelerate R&D on new materials and other areas.

Cutting Edge

Expanding into New Businesses Beyond Our Existing Trajectory

Building on the organic synthesis technologies and manufacturing capabilities cultivated over many years, the Hodogaya Chemical Group is taking on new growth fields through collaboration with partners and global business development. We are steadily advancing initiatives that put the growth strategies of CODE/CHORD 2030 into action, including expansion into nucleic acid medicines, innovation through industry-academia co-creation, and the strengthening of our business foundation through strategic M&A.

Collaboration with YUKI GOSEI KOGYO in nucleic acid medicines

Nucleic acid medicines, which use oligonucleotides as their basic framework, are attracting attention as next-generation pharmaceuticals with the potential to treat hereditary diseases, rare diseases, cancer, and other conditions that have been difficult to address with conventional small-molecule and antibody drugs. In the bio materials field, the Hodogaya Chemical Group has applied technologies cultivated in the OLED business to develop proprietary raw materials and conduct contract synthesis of research-grade and non-GMP oligonucleotides, building strengths in agile small-batch, high-variety production and manufacturing infrastructure. YUKI GOSEI KOGYO CO., LTD., through its many years of experience in small-molecule drug manufacturing, has advanced manufacturing and quality control systems compliant with GMP standards, as well as expertise and know-how in the manufacture of nucleic acid-related compounds. By combining the strengths of both companies through this collaboration, we aim to provide global stakeholders, including academia and pharmaceutical companies, with one-stop solutions covering everything from raw materials for nucleic acid medicines through GMP manufacturing.

The Hodogaya Chemical Group has also decided to establish an integrated framework capable of handling everything from raw materials for nucleic acid medicines through GMP manufacturing. A new building equipped with synthesis equipment, cleanrooms, and other facilities is planned at the Koriyama Plant, the Group's main production site.



Conceptual rendering of GMP facility

Co-creation research with Tohoku University



In June 2026, as the first initiative under the open innovation strategy set out in the Mid-term Management Plan, the Company established the Hodogaya Chemical Co., Ltd. × Tohoku University Co-Creation Research Center for Contributing to a Sustainable Society through Manufacturing within Tohoku University's Institute of Multidisciplinary Research for Advanced Materials. Under the three-year program, Company researchers will participate as specially appointed faculty members through a cross-appointment system.

Functional organic materials, one of the Company's strengths, not only absorb light but also perform a wide range of functions involving the conversion and release of energy in forms such as light, heat, and electricity. They play an essential role across modern society, including electronics, life sciences, the environment, and infrastructure. Rapid market changes and evolving social demands are creating an increasing need to move research outcomes into practical use more quickly in order to realize a sustainable society. At the Co-Creation Research Center, we will combine Tohoku University's advanced academic knowledge with Hodogaya Chemical's manufacturing technologies, transforming the conventional step-by-step development process into an integrated framework that seamlessly connects research with social implementation. Specifically, we will address environmental challenges involving trace amounts of hazardous substances and pursue the development of materials for highly durable devices. Through cross-sector collaboration between industry and academia, we will accelerate the creation of new materials while developing the next generation of R&D leaders through hands-on experience, thereby contributing to the realization of a sustainable society.

Acquisition of Framochem (Hungary)

In March 2026, the Company decided to acquire all equity interests in Hungary-based Framochem Francia-Magyar Finomkemiai Kft. (Framochem) and make it a wholly owned subsidiary.

Under the Mid-term Management Plan CODE/CHORD 2030, the Company has positioned the strengthening and expansion of the specialty chemicals business in the Specialty Polymers Segment as one of its key business growth strategies.

The acquisition puts this growth strategy into action and represents an important measure for achieving discontinuous growth that will sustainably enhance the Hodogaya Chemical Group's corporate value.

By integrating Framochem's strong reputation in Europe and distinctive product portfolio into our global network, we will build a robust platform for growth. At the same time, by establishing a two-site production structure in both Japan and Europe for phosgene derivatives, which require advanced manufacturing technologies, we will solidify our position as a Global Niche Top player.



Framochem site

Future Forum

Toward Becoming a Company People Want to Support

— Hodogaya Chemical in 2050 Envisioned By Young Employees —

What kind of company does Hodogaya Chemical aspire to be in 2050?
To explore this question, young employees from a wide range of functions, including sales, R&D, manufacturing, administration, and overseas operations, came together for the Future Forum.
A recurring aspiration throughout the discussions was for Hodogaya Chemical to be "a company people want to support." What does it mean to be a company that earns the support of society, customers, local communities, families, and the colleagues we work alongside? The discussion extended beyond the direction of the business to manufacturing, ways of working, corporate culture, and the Company's relationship with society.
What emerged was a vision of a company that takes on the challenge of solving social issues, values people, and encourages employees to take on new challenges. With a strong belief that what we do today can change the future, young employees are shaping a vision of Hodogaya Chemical for 2050.

Toward a Value-Creating Company That Society Needs

At the heart of the discussion was the conviction that Hodogaya Chemical should continue to contribute to society through its core businesses. Many young employees expressed the view that social contribution should not be something separate from business, but should be embedded in the business itself. Examples included helping maintain and preserve green spaces through agrochemicals, advancing the information and communications society through electronic materials, and supporting decarbonization through environmentally friendly products. Participants shared a recognition that Hodogaya Chemical's technologies themselves help underpin society.

Topics discussed
Corporate model

Participants also agreed on the need to take on new challenges with the next 25 years in mind. Hodogaya Chemical has grown by capturing opportunities in the expanding information and communications field, including OLED materials. Looking ahead, participants said the Company needs to take on new challenges in fields shaped by next-generation megatrends, such as climate change, AI, energy, biotechnology and healthcare, and space.

Topics discussed
Business portfolio

There was also extensive discussion of how best to leverage Hodogaya Chemical's synthesis and purification technologies for low-molecular-weight materials and its strengths in electronic materials. Participants agreed on the importance of uncovering latent customer needs and creating new value while strengthening high-mix, low-volume, high-value-added businesses.

Topics discussed
Contribution and responsibility to society

Some participants noted that there is still considerable room to deepen internal collaboration in creating new products. At the same time, others cited the opportunity to stay involved from research through manufacturing as one of the attractions of working at Hodogaya Chemical. Closer collaboration among sales, R&D, and manufacturing, combined with a direct understanding of customers' challenges, could open up more opportunities to create new products and businesses. Young employees see these organic connections across the organization as a source of future competitiveness.

Toward Sustainable Manufacturing Where People and AI Work Together

Topics discussed
Production technology

Discussions about the future of manufacturing generated many concrete ideas about what a chemical manufacturer should look like in 2050. These ideas reflect major social changes, including a shrinking workforce, decarbonization, and advances in AI and robotics.

The factory envisioned by the young employees is not a place where people are expected to push themselves in hazardous environments. It is a smart factory that uses DX, AI, and robotics to sharply reduce dangerous, dirty, and physically demanding

Toward Becoming a Company People Want to Support — Hodogaya Chemical in 2050 Envisioned By Young Employees —

Topics discussed
Responsibilities as a manufacturer

work. Machines would handle tasks in hazardous areas and physically demanding work, allowing people to focus on monitoring, analysis, and decision-making. Many participants expressed a desire to create workplaces where diverse people can thrive regardless of age, gender, nationality, or disability.

At the same time, many participants said they want to preserve the rewarding aspects of manufacturing. Even as automation advances, human experience, insight, and a practical feel for operations will remain essential. By using AI as a partner and applying AI and digital technologies to capture and share the knowledge of experienced employees and the know-how developed on the shop floor, that expertise can become a strength across the entire workplace. Participants see this as the kind of operator future manufacturing will require.

The discussion also explored decarbonization and the circular use of energy. Participants envisioned factories that use renewable energy and recycled raw materials while making circular use of heat, electricity, water, and raw materials. They also agreed that environmental initiatives should be viewed not simply as a cost, but as an important factor in strengthening the corporate brand and competitiveness.

Young employees believe that being a manufacturer that balances environmental responsibility with economic viability will be essential to earning society's support in 2050.

Topics discussed
Work-life balance and ways of working

Topics discussed
Research and the Next Generation

Topics discussed
Organizational characteristics and culture

Topics discussed
Management philosophy

Toward an Organization Where Everyone Can Take on Challenges and Support One Another

The Future Forum also devoted considerable time to discussing what kind of organization Hodogaya Chemical should aspire to be.

Participants described positive aspects of Hodogaya Chemical today, saying that people are kind, the atmosphere is calm, and motivated employees are given opportunities. At the same time, they also recognized challenges, including a tendency to see issues as someone else's responsibility, hesitation to act for fear of failure, and an inclination to follow precedent.

That is why many participants said that, looking toward 2050, they want every employee to take ownership of issues and help create a culture in which people feel empowered to take on challenges. This requires a system that fairly recognizes not only those who take on challenges themselves, but also those who support them. Rather than blaming people for failure, the organization should share the lessons learned so they can inform the next attempt, while celebrating achievements together. Young employees believe that a culture in which people can take on challenges with confidence will be essential.

Ways of working also need to offer flexibility that accommodates diverse values. Employees should be able to choose how they work according to their stage of life, balance work with childcare or caregiving, and make flexible use of remote work and flextime. At the same time, participants see a need for more diverse professional career paths that do not depend on becoming a manager, as well as systems that enable teams to support one another when employees temporarily step away from work for life events.

When the Future Forum first reported its conclusions, some executives questioned whether the phrase "a company people want to support" sounded too passive. Yet the discussions revealed that young employees were not simply seeking a company that delivers strong financial performance. They want to build a culture that is unafraid of challenges and grounded in professionalism. They envision a company that takes on the challenge of solving social issues, values people, and enables every employee to work with pride. By continuing to build on these efforts, Hodogaya Chemical can become a company that earns the support of society, customers, local communities, families, and colleagues alike. Young employees have already begun taking on the challenge of shaping Hodogaya Chemical for 2050.

Financial Strategy and Capital Policy

Related Materiality
- Build a business portfolio rich in originality
- Address PBR below 1.0x

Message from the Executive Officer in Charge of Corporate Planning



Making Investments for Sustainable Growth and Enhancing Shareholder Returns

Yasuo Murakami Managing Executive Officer

In FY2025, the final year of the previous Mid-term Management Plan SPEED 25/30 Phase 1, net sales reached a level reasonably close to the target, but the quantitative targets for operating profit, operating margin, and ROE were not achieved. Operating profit, in particular, reached only 49% of the target—a significant shortfall. This was because capital investment beyond the initial plan, primarily in the OLED materials business, together with stepped-up R&D to support business growth, put downward pressure on profit margins. After analyzing our initiatives to date and identifying the issues that had emerged, we fundamentally renewed the plan as CODE/CHORD 2030, a new Mid-term Management Plan that is not simply an extension of the previous plan.

Under CODE/CHORD 2030, we have divided the timeline into the Three-Year Transformation Phase and the Two-Year Harvest Phase. During the Three-Year Transformation Phase, we will undertake bold structural reforms and business portfolio transformation, sow seeds for the future and reallocate resources, and put mechanisms in place to achieve discontinuous growth. During the Two-Year Harvest Phase, we will maximize the results of transformation and the seeds sown for future growth, while establishing a highly profitable business structure. Throughout these phases, we will actively pursue infrastructure investments, including investments to maintain production, develop IT infrastructure, drive manufacturing DX, and invest in human capital, as well as growth investments in areas including R&D, new business development, M&A, expansion of production capacity, strengthening of supply systems, and fostering of co-creation.

To support these investments, we will shift to management with appropriate leverage that takes the cost of capital into account and flexibly utilize interest-bearing debt, thereby ensuring the achievement of our final-year ROE target of 8.0%.

The Company's PBR remains below 1.0x. We recognize that our capital efficiency and profitability have not met investor expectations and that the market has not fully recognized our future growth potential. While advancing growth investments, we will pursue investment and shareholder returns in tandem, with a view to responding flexibly through measures such as improving the efficiency of asset holdings and acquiring treasury shares, as we strive to sustainably enhance corporate value.

Financial Strategy to Achieve Mid-term Management Plan Targets

To achieve the targets of the Mid-term Management Plan CODE/CHORD 2030, we will strategically allocate approximately 69.0 billion yen in investment over the five-year period.

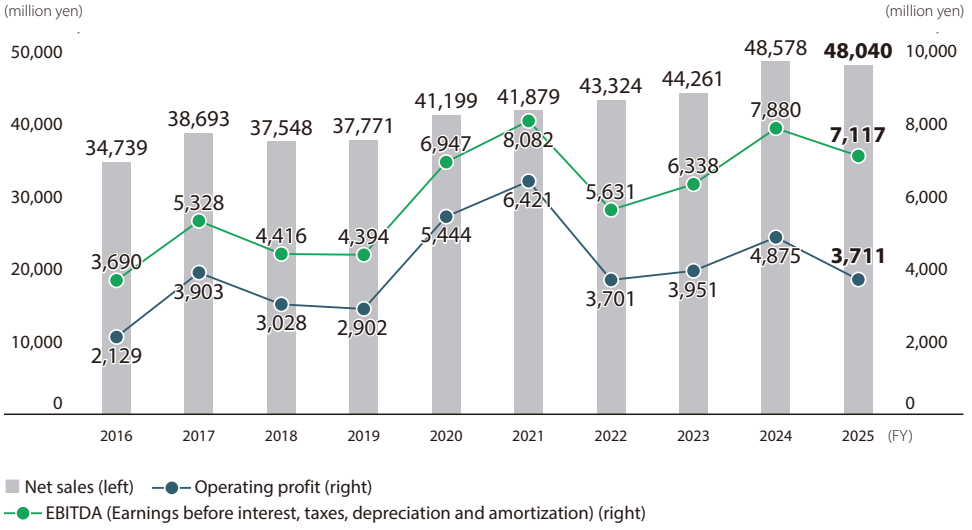
In addition to investing capital in the Functional Colorants Segment and the Specialty Polymers Segment, including specialty chemicals, we will invest in new business domains and M&A, while building a robust management foundation through manufacturing DX and investment in human capital, thereby putting in place the mechanisms for discontinuous growth.

As we execute these bold investments, our underlying earnings power is expected to follow a trajectory in which fixed costs precede returns during the Three-Year Transformation Phase, before the benefits of investment bear significant fruit during the Two-Year Harvest Phase.

With contributions from new products and new businesses, we will seek a dramatic improvement in the operating margin from its FY2025 low, while absorbing depreciation associated with large-scale investments through growth in net sales and achieving a substantial increase in EBITDA.

Through these initiatives, we aim to build a more robust business portfolio comprising multiple core businesses and establish a resilient earnings structure capable of withstanding fluctuations in the external environment.

Net sales / Operating profit / EBITDA

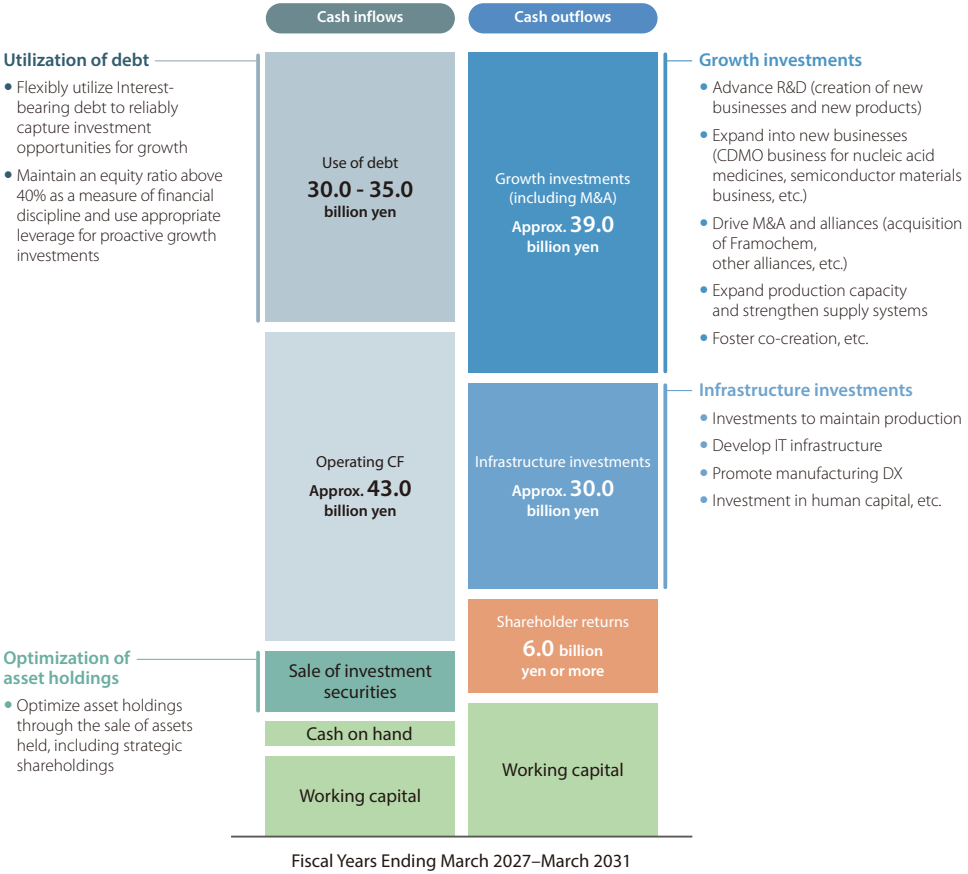


Financial Strategy and Capital Policy

Cash Allocation

From a financing perspective, while maintaining a certain level of financial discipline, we will flexibly raise 30.0 to 35.0 billion yen in interest-bearing debt over the next five years and strategically utilize debt. Together with approximately 43.0 billion yen in cash flow from operating activities, this will enable us to reliably capture investment opportunities for growth. We will also optimize our asset holdings, including through the sale of strategic shareholdings, both to generate a source of funds and to control the balance sheet.

Making growth investments for sustainable growth and enhancing shareholder returns



Fiscal Years Ending March 2027–March 2031

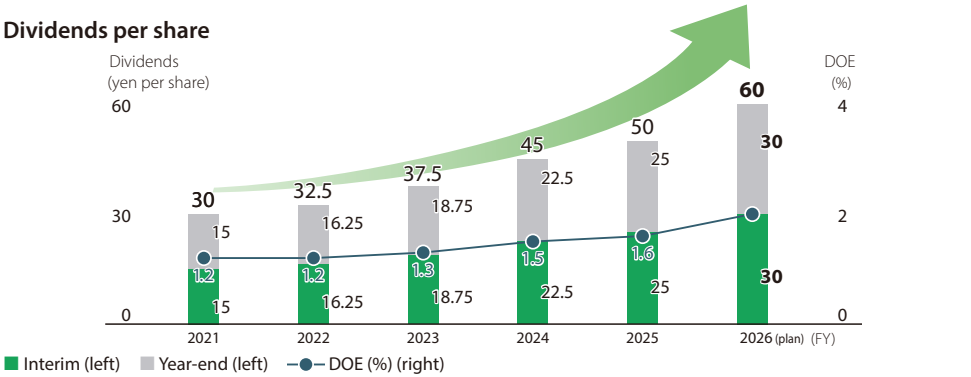
Shareholder Return Policy

The Company regards the sustainable maximization of corporate value as its highest management priority.

We have increased dividends for five consecutive fiscal years. Under the Mid-term Management Plan CODE/CHORD 2030, our basic policy is to balance future profit generation through growth investments with flexible and appropriate shareholder returns, and we have newly committed to a progressive dividend policy under which dividends will not be reduced during the plan period.

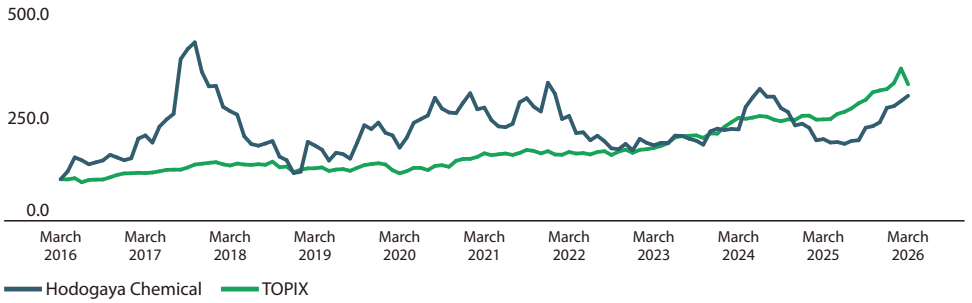
Under this policy, we will pay total dividends of 6.0 billion yen or more over the five-year period of the Mid-term Management Plan and aim to provide shareholder returns with a DOE of 3.0% or higher in FY2030. We will also consider the acquisition and cancellation of treasury shares as viable options to further improve capital efficiency.

Dividends per share



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

TSR



* Total Shareholder Return (TSR) represents the total investment yield combining capital gains and dividends.
* TSR for Hodogaya Chemical is calculated based on cumulative dividends and share price changes, while TOPIX is calculated using a total return index including dividends (prepared by Hodogaya Chemical using Bloomberg data and other sources).
* The graph indexes market value based on TSR, with the closing price as of March 31, 2016 set to 100 (holding period through March 31, 2026).

Human Resource Strategy

Related Materiality

- Advance human capital management
- Enhance organizational diversity
- Promote health and productivity management and workplace safety and health

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



Message from the Executive Officer in Charge of Human Resources

The Hodogaya Chemical Group regards human resources as a source of corporate competitiveness and the driving force behind sustainable growth, and views investment in human capital as a key management priority for enhancing corporate value as it works to realize its Management Philosophy, PURPOSE, and VISION. Under the new Mid-term Management Plan CODE/CHORD 2030, which began in FY2026, we will promote investment in human capital with the strategic goal of enabling all officers and personnel to experience job satisfaction (motivation to work and ease of work) while enhancing organizational capabilities.

Shinichi Sato Director and Managing Executive Officer



Key Initiatives under the Mid-term Management Plan CODE/CHORD 2030

We are implementing the following initiatives to achieve "CODE/CHORD 2030."

- **Initiatives to enhance organizational capabilities through greater job satisfaction (motivation to work and ease of work)**

Introduced in FY2026

- Hybrid job-based personnel system combining the membership-based model with position-based compensation
- Expansion of J-ESOP eligibility to all employees, including those at domestic subsidiaries
- Student loan repayment support program
- Full implementation of the flextime system across all Head Office departments, with trials at plants

Priority initiatives going forward

- Review performance-linked bonuses
- Continue promoting women's advancement, promote advancement of senior employees
- Proactively recruit highly specialized and highly skilled human resources

Key human resources investments and initiatives through FY2025

FY2025

- Certification as a Health & Productivity Management Outstanding Organization (six consecutive years) (ease of work)
- Expansion of J-ESOP eligibility to managers and selected other employees, including those at domestic subsidiaries (motivation to work)
- Additional bonus payments to employees who cover for colleagues taking childcare leave (motivation to work, ease of work)

FY2024

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

FY2023

- Introduction of the employee stock benefit trust (J-ESOP) for managers (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)

Please see this page for progress toward achieving the numerical targets. Non-financial Highlights ▶P.48

Analyzing Engagement Scores and Making Improvements

The Hodogaya Chemical Group analyzes engagement scores and implements measures tailored to identified issues to improve engagement and achieve its strategic goals. Employees show strong alignment with the Company's philosophy and strategies and a high level of satisfaction with the working environment. At the same time, challenges remain in areas such as support from colleagues and recognition of employees' input and opinions. We aim to create a psychologically safe workplace where everyone feels comfortable speaking up.

Target Gradually improve the engagement score

Result Items showing improvement since measurement began (rate of improvement from FY2021 to FY2025)

Key driver: item	Initial score	Recent score	Rate of improvement
Organizational culture: embracing challenges	50	56	12.0%
Health: workload	53	58	9.4%
Environment: work-life balance	59	64	8.5%
Health: stress response	54	58	7.4%

* Trends include an emerging culture that recognizes and celebrates taking on challenges, as well as reduced workloads and stress resulting from improved work-life balance.

Future Challenges and Countermeasures

The Hodogaya Chemical Group has set the strategic goal of enabling all officers and personnel to experience job satisfaction (motivation to work and ease of work) while enhancing organizational capabilities. Since April 2026, we have introduced a hybrid job-based personnel system and a student loan repayment support program and expanded J-ESOP eligibility. Going forward, we will remain attuned to developments in human resource management and respond to a wide range of HR challenges and changing values.

R&D and Intellectual Property Strategy

Related Materiality

- Maintain technological superiority
- Build next-generation core technologies and create new businesses
- Preserve the global environment
- Improve product value and reliability



Message from the Executive Officer in Charge of R&D

Under the Mid-term Management Plan, we are pursuing new value creation with originality and co-creation as twin drivers, drawing on our pioneering DNA that drives us to lead the way. R&D has a major role to play in achieving this goal. In terms of co-creation, we will promote strategic patent filings and secure licenses, while building strategic partnerships with companies, universities, and other organizations. Through these efforts, we will pursue commercialization through multiple avenues and at an early stage. We will also advance the digital transformation (DX) of R&D to accelerate and streamline research and development even further. In terms of originality, we will actively pursue new businesses in areas such as nucleic acid medicines and semiconductor materials, drawing, for example, on our colorant technologies and those cultivated through the development of OLED materials. These initiatives will lead us into the two-year harvest phase and enable us to achieve discontinuous growth.

Norimasa Yokoyama
Director and Managing Executive Officer

Basic strategies under CODE/CHORD 2030

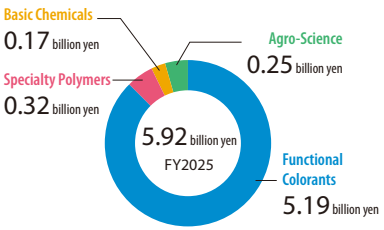
Promotion of co-creation: Accelerate execution of the "buying time" strategy through M&A and alliances, co-creation with external research institutions, patent strategies, and other initiatives
Expansion into new business domains through proprietary technologies: CDMO business for nucleic acid medicines, semiconductor materials business, and other new businesses
Further strengthening of integrated R&D, production, and sales activities: Accelerate value creation by strengthening collaboration among R&D, production, and sales

R&D and Intellectual Property Initiatives under the Mid-term Management Plan

R&D investment

The Hodogaya Chemical Group pursues cutting-edge R&D through a global R&D framework centered on the Tsukuba Research Laboratory in Japan, with the development departments at each plant working in collaboration with Group companies in South Korea. Toward 2030, drawing on the proprietary technologies and know-how we have developed primarily through our OLED materials business, we will make investments mainly in the Functional Colorants segment, particularly in high-performance colorants, oligonucleotides for nucleic acid medicines, and semiconductor materials.
In addition, we will pursue co-creation with the aim of generating new businesses and products in diverse fields that go beyond the development of our existing businesses and deliver discontinuous growth.

R&D investment amount (by segment)



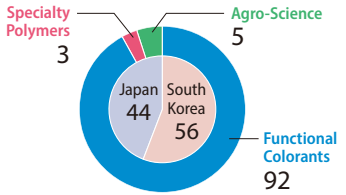
Please see this page for progress on the numerical targets.
Non-Financial Highlights ►P.48

Details can be found on our website.
https://www.hodogaya.co.jp/english/rd/rd-system/

Patent application status

By placing priority on building its development structure in South Korea, the Hodogaya Chemical Group has increased the share accounted for by its South Korean operations in both R&D investment and patent applications filed in Japan. In addition, as a result of our strategic and timely patent filings, particularly for OLED-related technologies, the Functional Colorants segment now accounts for a large share of our patent applications.

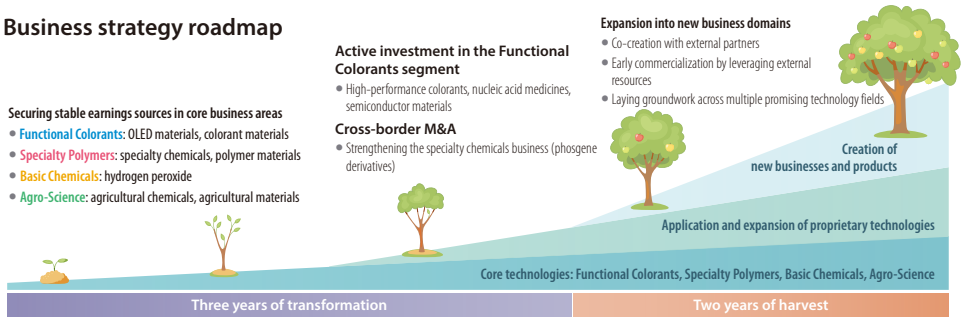
FY2023–FY2025 patent applications by country and segment (%)



Intellectual Property Strategy

Sharing with our researchers the principle that "it is important to conduct research and development with an eye toward securing rights," we are moving forward with promptly filing patent applications and securing intellectual property rights related to the results of our R&D, while keeping in mind our future business portfolio. We are also working to enhance the quality of our patents through information searches, patent analysis, intellectual property education, and other initiatives. In 2023 and 2025, our Company was included in Nikkei Business Publications' Intellectual Property Management Ranking of companies with high patent value growth. Going forward, we will also focus on strategic patent application filing, securing licenses, and DX initiatives to contribute to the creation of new businesses and products in diverse fields that can drive discontinuous growth.

Business strategy roadmap



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

DX

Related Materiality

- Maintain technological superiority
- Build next-generation core technologies and create new businesses
- Establish highly efficient production systems
- Improve product value and reliability

To further enhance corporate value and achieve discontinuous growth, the Hodogaya Chemical Group is steadily advancing initiatives across the Company, led by the Corporate Planning Department and IT Management Department in collaboration with relevant departments.

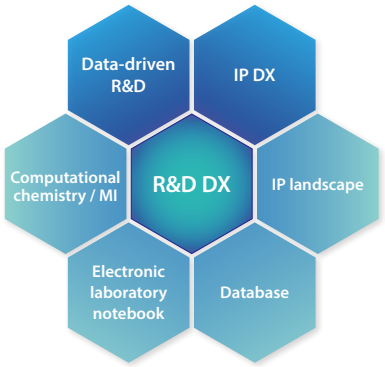
DX in R&D

We consider digital transformation (DX) in R&D essential to accelerating R&D processes and improving efficiency.

We are already leveraging computational chemistry for materials design and property prediction and have begun exploring development through materials informatics (MI). These efforts are being led primarily by younger researchers with support from external consultants.

We have also begun examining IP DX from multiple perspectives to further enhance the use of intellectual property information in formulating management and development strategies. Our aim is to build a framework that not only improves the efficiency of work performed by IP personnel but also effectively supports management and researchers.

Overview of initiatives



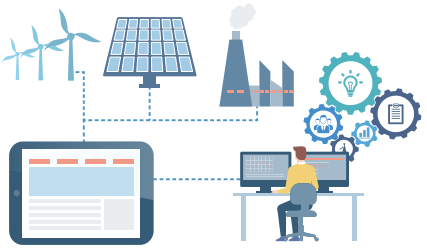
Going forward, we will also promote the development of databases and the use of AI to realize data-driven R&D.

Building a Digital Foundation for Smart Factories

With future manufacturing DX in mind, Hodogaya Chemical has initiated the construction of a digital foundation at its production sites.

With the goal of realizing smart factories by 2035, we are currently in the initial phase, focusing on accumulating data and increasing operational visibility. Specifically, we have started rolling out PIMS (Plant Information Management System) at certain continuous process plants at major sites in Japan and are testing the system in actual production environments. We have also installed sensors on specific rotating equipment and launched predictive maintenance trials. Through these proof-of-concept activities, we will develop the next generation of frontline personnel and foster a change in mindset, moving away from operations that rely on experience and intuition.

Going forward, we will apply the knowledge gained at continuous process plants across our batch plants. By ensuring stable equipment operation and consistent product quality, we will contribute to strengthening the "earnings power" targeted under the Mid-term Management Plan CODE/CHORD 2030.



Strengthening IT Infrastructure and Transforming Business Processes

To shift to data-driven management, we have been renewing our core business system (ERP) and have completed the initial phase. In addition to achieving stable system operation, we redesigned business processes through BPR and thoroughly standardized and streamlined operations based on a Fit to Standard approach, laying the groundwork for future updates. With a framework now in place for the effective use of data, we aim to foster a culture of data-driven decision-making.



We are also introducing a next-generation workplace environment to establish a digital foundation that enables more secure and faster communication. By creating an integrated digital foundation encompassing PCs, networks, and security to support day-to-day operations, we plan to improve operational productivity and strengthen cybersecurity measures.

Furthermore, based on accumulated information on business processes, we are using the ECRS* framework to streamline operations, eliminate duplication, and simplify processes. In parallel, to drive the transformation envisioned in the Mid-term Management Plan, we are utilizing generative AI to automate routine tasks and improve the efficiency and quality of document creation.

To disseminate and embed this knowledge across the Company in a secure environment, we regularly hold seminars and hands-on workshops, fostering a culture of sharing knowledge and co-creation while improving IT literacy.

Going forward, under the leadership of DX leaders assigned to each department, all officers and personnel will take ownership of validation for practical implementation and the expansion of use cases. By achieving sustained productivity improvements across the Company, we will accelerate DX throughout the organization and further enhance corporate value.

*ECRS: A framework for business process improvement based on the initials of Eliminate, Combine, Rearrange, and Simplify.

