

Risks and Opportunities

Based on changes in the internal and external environment, the Hodogaya Chemical Group has identified key social issues that affect value creation and extracted the associated risks and opportunities for each time horizon. By clarifying these risks and opportunities and classifying them by related capital, we have identified management issues that must be addressed. We will address social issues by appropriately responding to risks and taking advantage of opportunities, leading to the realization of further value creation.

Changes in the internal and external environment	Risks	Opportunities	Materiality
Growth investments and business operations <ul style="list-style-type: none"> Build a robust business foundation Expand business opportunities by developing new domains  <p>Related capital   </p>	<ul style="list-style-type: none"> Decrease in profit due to deterioration in market conditions Decrease in profit due to the emergence of new technologies, products, and services and intensifying competition, including new market entrants Deterioration in the business environment following M&A and delays in PMI 	<ul style="list-style-type: none"> Pursue new business opportunities through originality and co-creation Create demand and capture growth opportunities through new technologies and products Expand business domains and transform the business structure through the acquisition of new management resources 	<ul style="list-style-type: none"> Build a business portfolio rich in originality Address PBR below 1.0x Maintain technological superiority Build next-generation core technologies and create new businesses
Global environment <ul style="list-style-type: none"> Uncertainty surrounding global environmental issues that could develop into major economic problems Need to enhance resilience based on temperature rise scenarios  <p>Related capital   </p>	<ul style="list-style-type: none"> Impacts on people and facilities from increasingly severe natural disasters Higher maintenance costs Loss of supply chain trust and economic losses due to inadequate environmental consideration or violations of laws and regulations in Japan and overseas 	<ul style="list-style-type: none"> Expansion in demand for products for climate change mitigation and adaptation and products that reduce environmental impact Growing demand for products that comply with laws and regulations in each country 	<ul style="list-style-type: none"> Preserve the global environment Establish highly efficient production systems Ensure product and chemical safety
Society and human resources (Company and organization) <ul style="list-style-type: none"> Occurrence of quality-related scandals Increasing diversity Continued demands for workplace safety and health Greater respect for human rights and fair labor practices inside and outside the Company Rise of AI Geopolitical risks  <p>Related capital  </p>	<ul style="list-style-type: none"> Loss of trust due to deterioration in quality and safety performance Stagnation of organizational capabilities due to failure to promote workforce diversity, engagement among officers and personnel, physical and mental health, and workplace safety and health Lawsuits, administrative penalties, and deterioration in reputation due to insufficient attention to business and human rights Uncertainty in raw material procurement 	<ul style="list-style-type: none"> Expansion of the market for high-value-added products with superior quality and safety performance Enhance organizational performance by increasing motivation to work and ease of work among officers and personnel Improve organizational capabilities by promoting diversity, health and productivity management, and workplace safety and health Increase trust from society by addressing business and human rights Dialogue with and contributions to local communities in areas where the Group operates 	<ul style="list-style-type: none"> Improve product value and reliability Advance human capital management Enhance organizational diversity Promote health and productivity management and workplace safety and health Put the philosophy of respect for human rights into practice Contribute to communities
Governance <ul style="list-style-type: none"> Continue strengthening corporate governance, compliance, and risk management functions Occurrence of internal control deficiencies Geopolitical considerations  <p>Related capital  </p>	<ul style="list-style-type: none"> Inadequate response to increasingly sophisticated corporate governance Major losses or disruption to business continuity due to legal violations, scandals, deficiencies, and other issues Deficient measures resulting from inadequate risk recognition and assessment 	<ul style="list-style-type: none"> Drive corporate value creation by continuing to promote the monitoring model as a function of the Board of Directors under the Company's structure as a company with an Audit & Supervisory Committee Increase corporate value through thorough compliance and the prevention of legal violations, scandals, and other issues Minimize losses in risk areas 	<ul style="list-style-type: none"> Enhance corporate governance Promote compliance awareness Ensure thorough risk management

Financial capital



Human capital



Intellectual capital



Manufactured capital



Social and relationship capital



Natural capital

