

Six Forms of Capital and Materiality for Value Creation

In the process of formulating the Mid-term Management Plan CODE/CHORD 2030, the Hodogaya Chemical Group identified key management issues through its business activities based on the Management Philosophy and established specific monitoring indicators.

As these monitoring indicators underpin the basic strategies of CODE/CHORD 2030, the Group will address them on a company-wide basis as medium- to long-term business issues, together with the “ideal figure” for FY2030.

	Capital	Current status	Materiality	Enhancement measures	Monitoring indicators	Ideal state	SDGs contributed to
STEP 1. Identify changes in the external environment that will have a major impact on society	 Financial Capital	<ul style="list-style-type: none"> • Sound, virtually debt-free financial position 	<ul style="list-style-type: none"> • Build a business portfolio rich in originality • Address PBR below 1.0x 	<ul style="list-style-type: none"> • Expand growth and infrastructure investments • Utilize leverage • Implement timely and appropriate shareholder return measures 	ROE DOE	<ul style="list-style-type: none"> • Establish strong earnings power through discontinuous growth and provide shareholder returns through progressive dividends, with a DOE of 3.0% or higher in the fiscal year ending March 31, 2031 	 
	 Human Capital	<ul style="list-style-type: none"> • Measures to improve engagement • Percentage of female managers: 13.0% (consolidated) 	<ul style="list-style-type: none"> • Advance human capital management • Enhance organizational diversity 	<ul style="list-style-type: none"> • Introduce personnel and compensation systems designed to enhance corporate value and linked to performance and roles • Develop flexible work environments that enable diverse human resources to fully demonstrate their capabilities • Proactively recruit highly specialized and highly skilled human resources 	Engagement score Ratio of female managers Ratio of male employees taking childcare leave Ratio of paid leave utilization	<ul style="list-style-type: none"> • Achieve an appropriate balance among “psychological safety,” “alignment with the VISION,” “growth opportunities,” and “evaluation and compensation” • Foster a rich corporate culture that combines flexibility and resilience 	   
	 Intellectual Capital	<ul style="list-style-type: none"> • Core technologies including organic synthesis and ultra-high-purity refining • Aim to increase the ratio of new product sales 	<ul style="list-style-type: none"> • Maintain technological superiority • Build next-generation core technologies and create new businesses 	<ul style="list-style-type: none"> • Strengthen development and sales activities in nucleic acid medicines and semiconductor materials • Expand open innovation • Promote DX in R&D 	Ratio of R&D expenses to net sales	<ul style="list-style-type: none"> • Create innovative new products and businesses that benefit society and contribute to Company profits • Development capabilities that enable rapid responses to market changes through originality and co-creation 	   
	 Manufactured Capital	<ul style="list-style-type: none"> • Five manufacturing bases in Japan and overseas 	<ul style="list-style-type: none"> • Ensure product and chemical safety • Establish highly efficient production systems 	<ul style="list-style-type: none"> • Stable production of existing products • Reconfigure domestic production bases • Promote “smart operations” through AI, data utilization, and other measures • Build timely production systems through strategic advance investment 	Strategic capital investment	<ul style="list-style-type: none"> • Stable production • Predictive maintenance and highly efficient production systems through DX 	   
STEP 2. Identify the impact of those changes in the external environment on business	 Social and Relationship Capital	<ul style="list-style-type: none"> • Trusted relationships with stakeholders since its founding • Compliance with Procurement Guidelines 	<ul style="list-style-type: none"> • Improve product value and reliability • Promote health and productivity management and workplace safety and health • Put the philosophy of respect for human rights into practice • Contribute to communities 	<ul style="list-style-type: none"> • Maintain and promote quality assurance systems • Sustain and advance workplace safety and health • Responsible procurement throughout the supply chain • Continuously promote respect for human rights • Enhance corporate governance • Promote compliance awareness • Ensure thorough risk management 	Zero quality problems Zero occupational accidents Zero legal and regulatory violations FTSE Russell score (Human Rights & Community: 4.0) Results of community contribution activities	<ul style="list-style-type: none"> • Create value through co-creation with stakeholders • More transparent governance that combines enhanced supervisory functions with stronger executive functions 	     
	 Natural Capital	<ul style="list-style-type: none"> • Energy-related CO₂ emissions: 19,358 t • Energy intensity • Water intake and discharge volumes • Waste volume 	<ul style="list-style-type: none"> • Preserve the global environment 	<ul style="list-style-type: none"> • Contribute to the realization of a hydrogen society • Improve manufacturing process efficiency • Environmentally friendly manufacturing (technologies, services, and products) 	Energy-related CO ₂ emissions Energy intensity Water intake and discharge volumes Waste volume	<ul style="list-style-type: none"> • Enhance long-term sustainability of the global environment 	    
STEP 3. Identify issues that Hodogaya Chemical should give priority to solving							