# Disclosure of Information Related to Climate Change Based on TCFD

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

## Basic approach

Under the Mid-term Management Plan CODE/CHORD 2030, which began in FY2026, the Hodogaya Chemical Group aims to provide value by balancing the pursuit of economic value with solutions to social issues. As a chemical company, Hodogaya Chemical takes climate change seriously and, based on the TCFD recommendations, for which it declared its support in November 2022, will continue to advance its initiatives and proactively disclose information.

## Governance and Risk Management

The Sustainability Development Committee is responsible for promoting initiatives toward the realization of a sustainable planet and society in accordance with the Management Philosophy. Under the Committee, we have established the Global Environment Subcommittee, which promotes activities related to the preservation of the global environment, and the TCFD Subcommittee, which addresses the TCFD recommendations, in addition to the RC/QM Subcommittee, which promotes Responsible Care activities. The Risk Management Committee, which discusses Companywide risk recognition and evaluation as well as risk mitigation measures, also discusses, as environmental risks, the climate-related risks and opportunities identified by the TCFD Subcommittee. The matters discussed by each committee and subcommittee are submitted to the Board of Directors and Management Committee for deliberation or reporting, with management working together to address them.

## Strategies and Risk Analysis

As we advance the business strategies under the Mid-term Management Plan CODE/CHORD 2030, production volumes are expected to increase. We have classified the risks projected from a long-term perspective, looking ahead to 2030, into TCFD risk categories, are proceeding with climate scenario analysis, and from the results of our analysis, we are promoting new initiatives and opportunities for transition risks and physical risks.

### Scenario Analysis

| Risks and Opportunities | | | Risks | Opportunities | Measures | Impact on business |
|---|---|---|---|---|---|---|
| Transitional risk 1.5°C scenario | Policy/ Regulation | • Strengthening energy-related laws and regulations<br>• $CO_2$ reduction | ○ | | • Promoting energy saving<br>• Use of renewable energy<br>• Review of manufacturing process | Increase in energy costs and raw material procurement costs due to the introduction of a carbon tax, etc. |
| | | Strengthening environment management | ○ | | Strengthen the internal structure by leveraging the knowledge gained thus far | Increased cost burden for maintenance and improvement of management system |
| | Technology | Creation of new technologies for environmental friendliness | ○ | ○ | • Strengthen R&D to meet demands<br>• Strengthen production technology capabilities by reviewing manufacturing processes, etc. | **[Risk]** Increase in R&D and manufacturing costs<br>**[Opportunity]** Maintain and expand market share by providing products and services that meet demand |
| | Market | Eco-friendly market formation | ○ | ○ | • Revise and strengthen business strategies by deepening market and customer needs, and improve R&D and manufacturing technology capabilities corresponding to them | **[Risk]** Increase in R&D and manufacturing costs<br>**[Opportunity]** Maintain and expand market share by providing products and services that meet demand |
| | Reputation | Stakeholders placing higher priority on environmental considerations | ○ | ○ | • Enhancing dialogue with local communities, officers and personnel and shareholders, and securing a system | — |
| Physical risk 4°C scenario | Chronic | Rise in average temperature | ○ | ○ | • Labor saving and automation of manufacturing equipment | **[Risks and Opportunities]** Response to market changes, especially in the agrochemicals business |
| | Acute | Increase in earthquakes, typhoons, and floods | ○ | | • Promote multiple purchases, strengthen BCP | Shutting down of factories and inability to procure raw materials |

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Details on TCFD can be found on our website.
https://www.hodogaya.co.jp/english/csr/eco/tcfd/

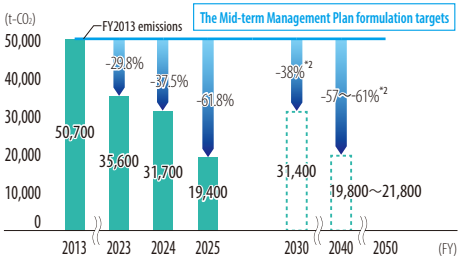
## Targets and Indicators

The Hodogaya Chemical Group has set the following non-financial target (climate change-related) in its Mid-term Management Plan CODE/CHORD 2030: a 38% reduction in energy-related $CO_2$ emissions from the FY2013 level (non-consolidated). This target is reviewed by the Global Environment Subcommittee, discussed by the Sustainability Development Committee, and progress is confirmed by the Board of Directors and Management Committee.

## Responding to Climate Change

Most of the greenhouse gases (GHG) emitted by Hodogaya Chemical are carbon dioxide. Energy-related GHG emissions for FY2025 were 19,400 t-$CO_2$*1. In anticipation of increased production volumes as our business expands, we will work to reduce energy-related $CO_2$ emissions with a view toward FY2030 and FY2040. We have also implemented Internal Carbon Pricing (ICP), which assigns a price to carbon emissions, since FY2022.

### $CO_2$ emissions trend*1




*1 Non-energy-originated $CO_2$ emissions are not included.
FY2025 non-energy-related GHG emissions were 16,300 t-$CO_2$.
*2 Reduction targets for FY2030 and FY2040 are based on government-announced reduction targets by industry.

## Roadmap for Reducing $CO_2$ Emissions

| | | 2030 Toward achieving future goals | | 2050 Development of hydrogen society and challenge to carbon neutrality | |
|---|---|---|---|---|---|
| Promotion of technological innovation<br>Emissions from own production activities (Scope 1) | Process | • Efforts to save energy<br>— Promotion of high efficiency through process improvement<br>— Promotion of waste heat recovery (heat pump) | | • Study of hydrogen plant $CO_2$ recovery and use | • External procurement of green hydrogen |
| | Steam boiler | • Efforts to save energy<br>— Active use of waste heat | • Improvement of electrification rate of heat source | | • External procurement of green hydrogen<br>• Fuel conversion (LNG → hydrogen)<br>— Hydrogen-fired boilers introduced at all plants<br>• Introduction of cogeneration (hydrogen mixture → hydrogen-only combustion) |
| Expansion of use of renewable energy<br>Externally purchased energy (Scope 2) | Electricity | • Efforts to create energy<br>— Introduction of renewable energy<br>• Efforts to save energy<br>— Promotion of high efficiency<br>• Gradual switch to carbon-free power sources using renewable energy | | | |
| Utilizing the ICP system<br>Daily improvement through energy saving | – | • Promoting ICP system<br>• Continue switching to LED lighting equipment<br>• Continue to introduce top-runner equipment<br>• Reduction of heat loss through appropriate management of heat insulating materials and traps<br>• Efficient operation | | | |

* 1 Scope 1: Direct emissions * 2 Scope 2: Indirect emissions