Risk Management

Related materiality
- Ensure thorough risk management

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

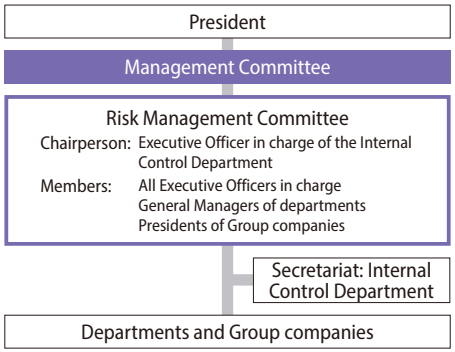
Basic Approach

The Hodogaya Chemical Group has created its own risk management system to minimize damage related to risks that harm the Group, including illegal conduct, poor quality, natural disasters, infectious diseases, information leaks and other risks.
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 risk awareness and promote risk management among all officers and personnel.

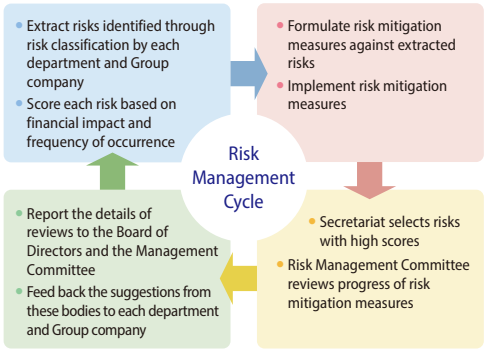
Risk Management Committee

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 deepen 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 submitted and reported on the details of their discussions to the Board of Directors and the Management Committee.

Risk management structure



Risk evaluation procedures



* In particular, risks that impede the achievement of KGIs/KPIs are recognized as Key Risk Factors (KRFs)

Overall Risk Awareness for FY2026

For FY2026, the Risk Management Committee recognizes the following as overall risks.

Risk awareness for FY2026

1. Risk of geopolitical fragmentation in energy and logistics
   - Conflict involving Iran → heightened risk of closure of the Strait of Hormuz → sharp increases in crude oil and natural gas prices, longer lead times due to the avoidance of Middle East shipping routes, and higher logistics costs
   - Higher manufacturing costs, failure to meet delivery deadlines due to logistics delays, and supply chain disruptions
2. Forced realignment of supply chains toward friend-shoring
   - Dysfunction of the free trade system → economic security becoming a management priority
   - Against the backdrop of U.S.-China tensions and risks in the Middle East, a shift from efficiency (just-in-time) to resilience (just-in-case), leading to increased capital investment aimed at reducing dependence on specific countries and regions, including China and unstable areas in and around the Middle East
   - Costs of complying with export controls and sanctions imposed by the United States and other countries
3. Risk of sticky inflation and interest rate volatility
   - Renewed increases in energy prices fueling global inflation once again
   - Imported inflation caused by the combined impact of higher energy prices and a weaker yen, higher financing costs due to uncertainty surrounding interest rate policies in Japan and the United States, and higher fixed costs due to upward pressure on wages

Details of FY2025 Deliberations

Based on the risk management cycle depicted in the figure to the left, deliberations by the Risk Management Committee in FY2025 focused primarily on sales, manufacturing, and procurement risks.

Information Security

The Hodogaya Chemical Group recognizes that keeping company information classified and ensuring information security are a fundamental part of our business activities and one of our social responsibilities. We have established the 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.
We also conduct training for all officers and personnel to increase their awareness of information security.