



Hodogaya Chemical Co., Ltd.

# Hodogaya Chemical Group Report

Integrated Report **2020**



# Your Dream is Our Business

## Management Philosophy of the Hodogaya Chemical Group

Through constant innovation of chemical technology, we will provide high-quality products and services throughout the world and contribute to the creation of an environmentally conscious society.

SUSTAINABLE  
DEVELOPMENT GOALS



At the United Nations Sustainable Development Summit held on September 25 – 27, 2015 at the UN Headquarters in New York, the “Transforming our world: the 2030 Agenda for Sustainable Development” was adopted. A main theme of this Agenda is “no one will be left behind.” As an action plan to achieve by 2030 for people, the planet, and prosperity, the Agenda consists of 17 Sustainable Development Goals (SDGs) and 169 associated targets.

The Hodogaya Chemical Group promotes SDGs based on ESG management, and has unified its ESG and SDG activities.

### Editorial Policy

We publish the Hodogaya Chemical Group Report in order to enable our all stakeholders, including our shareholders, customers, partner companies, people from the local communities and society as well as our employees, to better understand the business activities of the Hodogaya Chemical Group.

Since the first edition of the report, the Hodogaya Chemical Group has kept readers informed regarding the SDGs in which it is involved, but its approach is that the SDGs are basically there to resolve social issues through business, and discussions are therefore centered on five goals that have a direct connection to its products and services. We also carry out initiatives continuously even for goals that are not connected directly to products or services, seeing them as activities that fulfill our social responsibility, and report on them.

We also discuss environmentally friendly products, technologies and services that help achieve a sustainable society, and the research and development that provide the future foundation of the Hodogaya Chemical Group.

Also, detailed information regarding products, financial matters and ESG (Environmental, Social, and Governance), as well as the details of the group companies, which could not be included in this report, are available on our website. To easily access the applicable reference information on our website, please use the QR codes for smartphones or the addresses (URLs) for personal computers or tablets shown in this report.

\* The QR code trademark is a registered trademark of DENSO WAVE INCORPORATED.

### Period Covered

This Report generally covers the period from April 2019 to March 2020, but also contains reports on activities before and after said period.

### Scope of Report

Hodogaya Chemical Co., Ltd. and its group companies

### Publication Date

September 2020

\* The next issue is scheduled for October 2021.

### Major Guidelines Referenced

Ministry of Economy, Trade and Industry  
Guidance for Collaborative Value Creation  
Ministry of the Environment Environmental  
Reporting Guidelines 2018  
ISO 26000: 2010 Guidance on Social Responsibility  
U.S. Sustainability Accounting Standards Board (SASB)  
standards, “Resource Transformation” Sector, Chemicals  
GRI Sustainability Reporting Standards



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# Products of Hodogaya Chemical Group

Materials produced using technologies of the Hodogaya Chemical Group are used in many products in your day-to-day lives.

Let's look at some of the products around you that you may not have noticed.

**LCD TV**  
Our dyes are used in color filters for display.

**Ice cream**  
Our natural food dyes are used for coloring.

**Ballpoint pens**  
Our dyes are used in ink.

**Smartphones, tablets**  
Our OLED materials are used in OLED displays. Our dyes are used in the aluminum bodies.

**Railway**  
Our herbicides are used to remove weeds from rail tracks.

**Golf courses, athletic fields, parks**  
Our herbicides are used for lawn weed removal.

**Dishwashing liquids**  
Our cleaning agents are used in dishwashing liquids.

**Laundry detergents**  
Our bleaching agents are used in laundry detergents.

**Hair coloring products**  
Our dyes are used in hair coloring products.

**Hair dryers**  
Our urethane materials are used in hair brush dryers.

**Pharmaceuticals**  
Our specialty chemicals are used for production of pharmaceutical products.

**Endoscopes**  
Our disinfectant agents are used for cleaning.

# Around You

**Copiers and laser printers**  
Our imaging materials are used in an additive of toners.

**Stockings**  
Our urethane materials are used in spandex.

**Adhesive tape**  
Our release agents are used on the back of tape for easy release.

**Watches**  
Our urethane materials are used in wristbands.

**Sportswear**  
Our urethane materials are used in spandex.

**Audio players**  
Our dyes are used in the aluminum bodies.

**Plastic bottles**  
Our disinfectant agents are used for cleaning bottles.

**Mega solar power plants**  
Our herbicides are used to remove weeds from mega solar sites.

**Processed foods**  
Our natural food dyes are used in various food products.

**Meats, vegetables**  
Our peracetic acid products are used for disinfecting.

**Automobile tires**  
Our adhesives are used in tires.

**Automotive parts**  
Our urethane materials are used for various parts of automobiles.

**Aquafarms**  
Our veterinary medicines are used for fish parasite removal.

**Buildings**  
Our waterproofing materials are used for rooftops and balconies.

**Warehouses**  
Our Logistics Segment has been providing storage and transportation services for hazardous substances and chemicals.



# History of Hodogaya Chemical Group

– A history built up over 100 years –

Hodogaya Chemical was founded in 1916 as the first company in Japan to manufacture caustic soda using an electrolysis method.

For over 100 years, Hodogaya Chemical has responded to the needs of the times by applying technologies developed over the long years, and through continuous innovation, created a wide range of products from dyes and agricultural chemicals to pharmaceutical intermediates, polyurethane materials and OLED materials, which support people's lifestyles and society.

All members of the Hodogaya Chemical Group are committed to creating products and services that benefit people as a way to contribute to the development of society and uphold our corporate social responsibility as a good corporate citizen for the next 100 years.



Otosuke Isomura, Founder 1916 Koriyama Plant was established.



1939 Tsurumi Plant (current Yokohama Plant) was established.

Recovery from the earthquake and war

1926–

Rapid growth prevented by natural disasters and war

After surviving the Great Kanto Earthquake, the Company began the manufacturing of phosgene and dyestuffs, established the foundation for the current specialty polymers and functional colorants businesses, and became an integrated chemicals company with its rich human resources, technological strength, and cutting-edge products. The Company continued a stable operation and grew rapidly under the militaristic policies, but performance dropped drastically after the end of World War II. Although it took some time to rebuild the business, the Company found its way to recovery through research and development of new products and industrialization.



1927 Production of dyestuffs began.



1950 Production of agricultural chemicals began.

1915–

From foundation to building a business base

1915 Production of Japan's first electrolytic caustic soda began.

First electrolytic caustic soda production in Japan

Hodogaya Chemical was founded in December 1916, which was a time Japan's chemical industry decided to break away from import dependency and rise on its own. Our founder Otosuke Isomura, under the slogan "Honpo koshi\*," launched various chemicals operations, many of them the first of their kind in our country. The starting point was salt electrolysis business. Technologies utilizing the chlorine generated in the electrolysis process, initiated as a business expansion strategy, became the cornerstone of the development of Hodogaya Chemical Group.

\* Honpo Koshi: the First in Japan



1971 Nanyo Plant was established.

Responding to the new petrochemical era

1960–



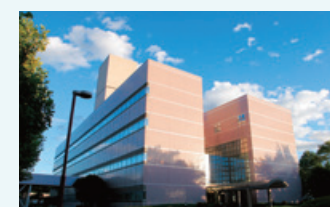
1963 Production of urethane materials began.



1966 Production of hydrogen peroxide began.

Petrochemicals leading rapid economic growth

The petrochemical industry played a role in the rapid economic growth period in Japan. Taking advantage of its specialized capabilities as a phosgene manufacturer, the Company started manufacturing raw materials of urethane, MDI and PTG, to meet the demands of the times. In addition, the Company began producing hydrogen peroxide using a unique manufacturing method. As for agricultural chemicals, which the Company started manufacturing in 1950, it has placed on the market its own, newly-developed products in response to the increasing demands. Furthermore, the Company also started production of Japan's first urethane waterproof materials.



1991 Tsukuba Research Laboratory was established.

Expansion of specialty chemicals

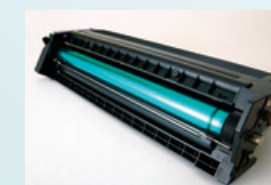
1980–

Maximize corporate value through selection and convergence

During difficult circumstances with prolonged deflation-led recession and aftermath of the Great East Japan Earthquake, the Company pursued to select and converge its business by focusing on its specialty and adopting divisional organizational system. Having celebrated its 100th anniversary in 2016, Hodogaya Chemical Group will continue its challenge for the next 100 years to become a corporation that steadily creates "Only One/Number One" specialty products in the global and niche markets.

Fundamental reform of business structure

Because the Plaza Accord in 1985 triggered a high-yen recession, the Company pursued an approach to provide specialty chemicals, an area at which it excels and is not affected by cost. As the fruits of its R&D efforts over the years, the Company started production of charge transport materials (CTM) for organic photo conductors, as well as hole transport materials (HTM) and electron transport materials (ETM) for OLED materials.



1984 Production of Charge Transport Materials (CTM) for organic photo conductors began.



2001 Production of OLED materials began.

In preparation for the next 100 years

2016–

Global Trends

World War I (1914 to 1918)

The Great Kanto Earthquake (1923)

World War II (1939 to 1945)

Postwar rebuilding/rapid economic growth (1950 to around 1973)

Oil crises (1973 & around 1979)

Economic bubble burst (1991 to around 1993)

Plaza Accord (1985)

Global financial crisis (2008)

Great East Japan Earthquake (2011)

U.S.-China trade friction (2018)

Novel coronavirus disease (COVID-19) (2020)



## Top Message

### We will promote environmentally friendly products with our unique chemical technologies and continue to create “Harmony between Chemistry and Environment.”

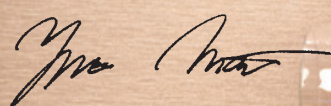
We are now entering a time of VUCA (situation difficult to forecast expressed by volatility, uncertainty, complexity and ambiguity). In the ever-changing environment surrounding us, we face various social issues under the theme of establishing a sustainable society. Under such circumstances, in line with our Management Philosophy, Hodogaya Chemical Group continues with corporate activities based on the recognition that the problem-solving processes that lead to the solving of social issues are the processes that create value for the Group.

Our strength is that each group company is highly specialized in the fields of functional colorants, specialty polymers, basic chemicals, agro-science, and logistics. Throughout these group companies, the combined three functions of R&D, production and sales are making tripartite efforts to respond to the diverse needs of our customers and constantly provide high-quality products and services, taking advantage of our unique technological capabilities and networks.

Hodogaya Chemical Group is constantly promoting dynamic innovation as a corporate group that creates advanced functionality and high added value that contributes to people's lifestyles and society. The advantage of the Group is its highly competitive technologies in the areas of synthesis technology of organic compound: high-purification technology, development capability in functional materials, and evaluation technology for functional materials. These

We at Hodogaya Chemical Group will continue to strengthen its advantages in cost competitiveness, profitability, and resistance to risk, and contribute to the creation of an environmentally conscious society.

President




three core technologies have been built up over its long history, driven by its three core capabilities: “value creation,” “research and development,” and “manufacturing technologies.”

By integrating these technologies and strengths, we pursue “constantly evolving chemical technology” in each business segment under our motto, “Your Dream Is Our Business.” The Hodogaya Chemical Group strives to design and develop environmentally friendly products that is essential in the future and continues to polish its technologies as a chemical company benefiting people's lifestyles and society. This boosts the corporate value of the Group as a whole and enhances strong relations of trust with our customers.

We also contribute to resolve social issues by providing high-quality products and services that meet the expectations of our customers, and particularly in the fields of five SDGs that are directly connected to our products or services, namely **3** (Good Health and Well-Being), **7** (Affordable and Clean Energy), **9** (Industry, Innovation and Infrastructure), **13** (Climate Action) and **14** (Life Below Water). In order to continuously capitalize on these features going forward, the Hodogaya Chemical Group will continue to strengthen its advantages in cost competitiveness, profitability, and resistance to risk, and contribute to the creation of an environmentally conscious society.

### We will value our relationship with all of our stakeholders.

The Hodogaya Chemical Group always makes efforts to cooperate properly with all stakeholders, including its shareholders, customers, partner companies, people from local communities and society as well as its employees. We respond to our customers fairly and equally at all times, and conduct transactions with integrity in accordance with the principles of free competition. We strive to provide our employees with a sound, safe and pleasant workplace environment, and we have devised measures for COVID-19 that give the highest priority to their safety. For the sake of society, we work to save resources and energy, and actively implement measures to conserve the environment.

Also as a chemical manufacturer, we put the highest priority at all times on avoiding accidents or disasters in the course of its business activities as a chemicals manufacturer. We established a Basic Policy of Responsible Care (RC) in 1997 and have continued our management style that takes into account local residents and local communities. This policy recognizes that “the management should be fully aware that the basis for all business activities is to ensure environmental conservation, safety and health, and product quality.” To ensure this recognition, each and every

employee is fully committed in engaging with RC activities with a sense of awareness and responsibility.”

In accordance with this basic policy, we make every effort to improve safety standards by complying with laws and regulations every year, we are also fully committed to risk assessments and management of chemical products. In terms of conservation of the environment, we create and promote annual plan that set goals for preventing atmospheric or water pollution, and reducing industrial waste, in order to prevent climate change and energy shortage. As for production, we have made progress in switching to city gas to fuel our factories, thereby significantly reducing emissions of substances causing atmospheric pollution. We believe that these initiatives have further enhanced society's trust in Hodogaya Chemical Group while meeting the expectations of our stakeholders.

As we aim to realize the Group Management Philosophy, we will continue to value the traditions and legacies of a 100-year company cultivated by our predecessors, as well as to achieve sustainable growth and uphold our corporate social responsibility.

### We will continue to reform the organization to enhance and strengthen our corporate governance.

We recognize that our proactive initiatives to enhance our corporate governance and CSR activities are crucial to us for maintaining and deepening the trust held in us by a wide range of stakeholders. We have been working from early on for the kinds of enhancements to corporate governance shown on the right.

Hodogaya Chemical Group will continue to enhance the effectiveness of its governance to improve its corporate value.

June 2003	Introduced the executive officer system to separate the management and executive functions
June 2015	Made a transition to a Company with an Audit & Supervisory Committee
January 2018	Decreased the number of Directors who are not Audit & Supervisory Committee Members from seven to three
June 2019	Decreased the number of Directors who are Audit & Supervisory Committee Members from five to four Established a Nominating and Compensation Committee

### COVID-19

We express our heartfelt sympathy to those suffering from COVID-19, and their families, as well as offering our deepest thanks for the self-sacrificing efforts of healthcare professionals working on the front line of treatment, and of the many others involved.

COVID-19 is affecting the activities of a wide range of Hodogaya Chemical Group stakeholders. The impact on the management and business results of the Group is difficult to rationally estimate at this point in time, but we recognize the following risk factors which may affect our business activities.

As for customer relation, our main activities involve business-to-business (B2B) transactions for the production and sales of materials or intermediates, and are affected by the state of customers' business activities (particularly the smartphone business and automotive industry). COVID-19 has caused a decline in business activities at our customers, and we assume that this may result in a significant decline

in demand both in Japan and overseas. On the other hand, while investigating a broader range of applications for OLED materials, at one of our group subsidiaries, they succeeded in developing the material for a diagnosis kit that can be applied to PCR diagnostic methods. This material has been adopted by several diagnostic kit manufacturers and is being applied to diagnostic efforts for the current wave of COVID-19.

As for raw material supplier relationship, we procure our raw materials from both Japan and overseas for the production of materials or intermediates. COVID-19 has also caused a decline in business activities at these suppliers, and we assume that this may result in delayed deliveries or difficulties in procurement into a fall in production activity.

Although the impact of the spread of COVID-19 continues to be unpredictable, we will pay careful attention to our business activities and work to improve our corporate value.



# Value Created by Hodogaya Chemical Group

We will achieve sustainable growth and uphold our corporate social responsibility.

## Your Dream is Our Business





# Toward Achieving the Mid-term Management Plan “HONKI 2020”

We aim to become a corporation that steadily supplies “Only One/Number One” specialty products in the global and niche markets.

The Hodogaya Chemical Group is devoting its efforts on “HONKI 2020,” a 6-year mid-term management plan that began in FY2015 (FY2015 - FY2020).

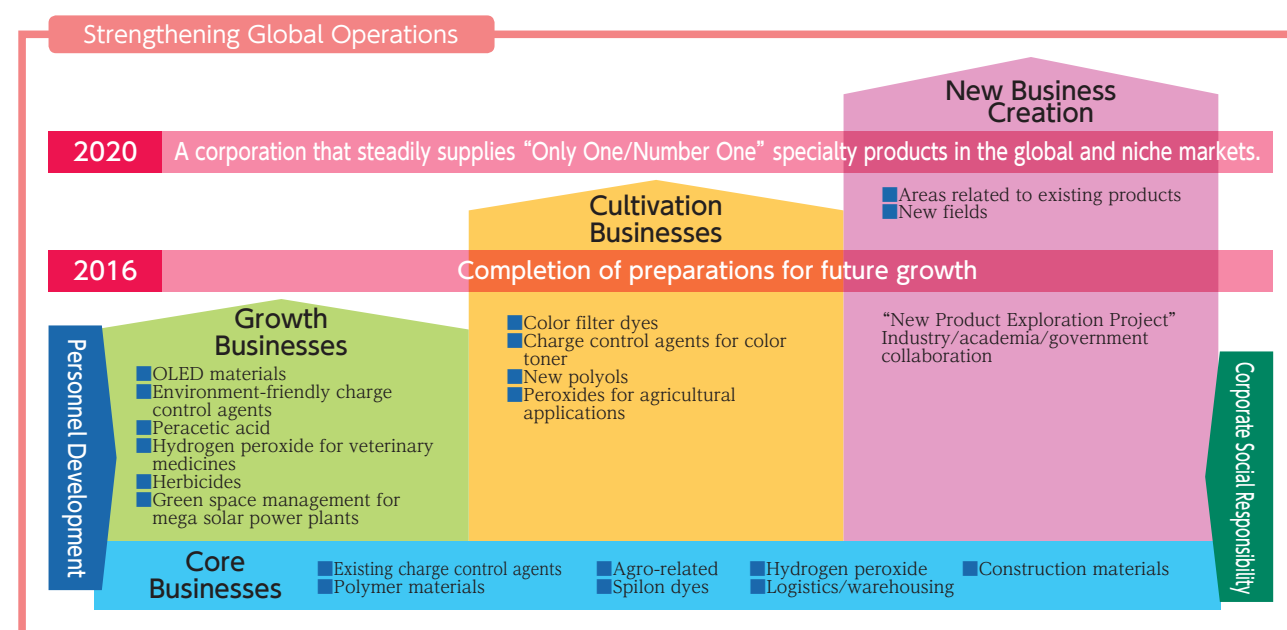
(Hodogaya as Only one, Number one with our Key technology and Imagination)

We aim to become a corporation that steadily supplies “Only One/Number One” specialty products in the global and niche markets in FY2020, and to achieve this, we will prepare ourselves for future growth.

## ► Outline of “HONKI 2020”

Each business is classified into one of the four stages of growth, and we focus on strengthening core businesses while enhancing and cultivating the businesses of the future.

Core Businesses	Businesses that are already generating profits
Growth Businesses	Businesses that are expected to produce positive results in FY2015 – FY2016
Cultivation Businesses	Businesses that are expected to produce positive results in FY2017 – FY2018
New Business Creation	Businesses that are expected to produce positive results in FY2019 and beyond



## ► Performance target for “HONKI 2020”

FY2020 (plans)	Net sales	Operating profit	Operating margin
>	50 billion yen	5 billion yen	10.0%

## ► FY2019 results

In FY2019, although there were some areas with strong economies, such as in the U.S., the global economy was hit not only by factors such as the prolongation of trade friction between the U.S. and China and the slowdown in the Chinese economy, but also by the impact of the spread of COVID-19 from the beginning of 2020, and subsequently underwent a rapid deceleration.

Amid such circumstances, the Japanese economy slowed down rapidly due to the impact of the recent spread of COVID-19, as well as sluggish exports to China, which have been affected by U.S.-China trade friction, and weak personal consumption as a result of the increase of consumption tax rate.

The deceleration in the global economy caused by the spread of COVID-19 worldwide has resulted in an unpredictable situation going forward.

Within this economic climate, our net sales in FY2019 increased by 223 million yen (up 0.6%) year-over-year to 37,771 million yen.

In terms of profit and loss, operating profit decreased by 125 million yen (down 4.2%) year-over-year to 2,902 million yen mainly due to an increase in cost of sales. Ordinary profit came to 3,058 million yen, a decrease of 45 million yen (down 1.5%) year-over-year, while profit attributable to owners of parent decreased by 25 million yen (down 1.3%) year-over-year to 1,858 million yen.

Detailed financial information is available here.  
<https://www.hodogaya.co.jp/english/investors/finance/>



## ► Trends in results

	FY2015	FY2016	FY2017	FY2018	FY2019
Net sales (millions of yen)	33,826	34,739	38,693	37,548	37,771
Functional Colorants (millions of yen)	7,624	8,231	10,997	10,912	11,855
Specialty Polymers (millions of yen)	12,594	12,159	12,046	12,327	11,717
Basic Chemicals (millions of yen)	6,719	6,768	7,024	6,799	7,156
Agro-Science (millions of yen)	4,700	4,831	5,580	5,288	4,951
Logistics (millions of yen)	1,948	2,511	2,820	2,035	1,932
Operating profit (millions of yen)	828	2,129	3,903	3,028	2,902
Functional Colorants (millions of yen)	(1,596)	(423)	1,413	966	1,182
Specialty Polymers (millions of yen)	959	670	653	587	531
Basic Chemicals (millions of yen)	672	919	805	545	589
Agro-Science (millions of yen)	323	249	350	409	205
Logistics (millions of yen)	453	708	631	487	397
Ordinary profit (millions of yen)	633	2,094	4,169	3,104	3,058
Profit attributable to owners of parent (millions of yen)	811	1,951	2,862	1,883	1,858
Net assets (millions of yen)	31,056	33,857	35,869	36,860	37,040
Total assets (millions of yen)	50,995	53,159	54,737	57,140	54,903
Net assets per share (yen)	3,658.17	4,023.85	4,210.82	4,299.75	4,294.69
Earnings per share (yen)	102.59	246.86	362.29	238.40	235.15
Equity ratio (%)	56.7	59.8	60.8	59.5	61.8
Cash flows from operating activities (millions of yen)	2,322	3,100	4,215	2,525	3,597
Cash flows from investing activities (millions of yen)	(780)	(507)	(960)	(2,351)	(2,060)
Cash flows from financing activities (millions of yen)	(1,880)	(2,241)	(3,210)	668	(2,049)
Dividends per share (yen)	50.0	60.0	50.0	50.0	50.0
Dividend payout ratio (%)	48.7	24.3	13.8	20.9	21.2



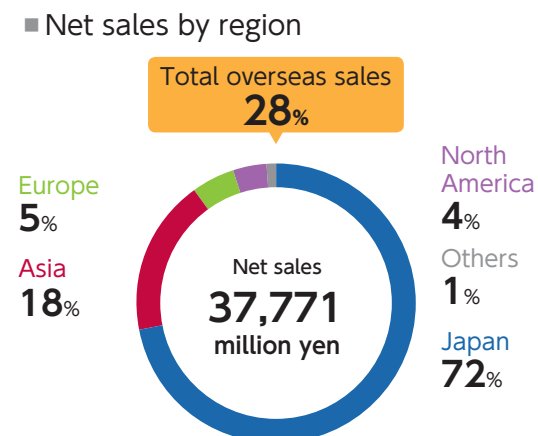
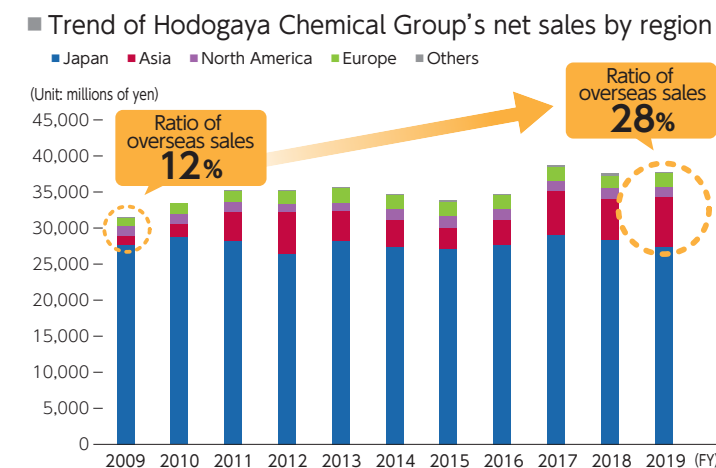
# Global Expansion of Hodogaya Chemical Group

We constantly strive to meet global customer needs through expansion of our overseas network.

The Hodogaya Chemical Group is enhancing its overseas bases in order to respond to the diverse needs of global customers. We have already established our subsidiaries in North America, Europe and China which are our primary markets. In the field of OLED materials, we invested in a South Korean company possessing high level of technical expertise, and we have put in place a system in which the R&D, production, and sales functions make a tripartite effort to respond speedily to the needs in the Asian regions with high potential.

As a result of expanding exports from Japan and working to expand our overseas network, our overseas sales have grown steadily as a result of demand for urethane materials, polymer materials for adhesives and imaging materials such as charge control agents for toners as well as aluminum coloring dyes for mobile devices, etc. Sales of the Company's OLED materials have grown robustly in line with the expansion in applications for OLED products, and the ratio of overseas sales for the Hodogaya Chemical Group has risen from 12% to 28% over the past ten years.

The Group will respond to customer needs both in Japan and overseas, by constantly providing high-quality products and services, taking advantage of its unique technological capabilities and global networks in all fields.



Region	Country	Subsidiaries & Representative Offices	Year of establishment
North America	United States of America	HODOGAYA CHEMICAL (U.S.A.), INC. (New York State) - Functional colorants, specialty polymers, and agro-science	1986
		SFC CO., LTD. (Chungcheongbuk-do) - Functional colorants	1998 2010*
Asia	Republic of Korea	HODOGAYA CHEMICAL KOREA CO., LTD. (Chungcheongbuk-do) - Functional colorants	2011
		HODOGAYA (SHANGHAI) TRADING CO., LTD. (Shanghai) - Functional colorants	2014
	People's Republic of China	Shanghai Office (Shanghai)	1997
		Taipei Office (Taipei)	2010
Europe	Federal Republic of Germany	HODOGAYA CHEMICAL EUROPE GmbH (Düsseldorf) - Functional colorants, specialty polymers, and agro-science	2018

\*SFC: initial investment made in 2010, became a subsidiary of the Company in 2011

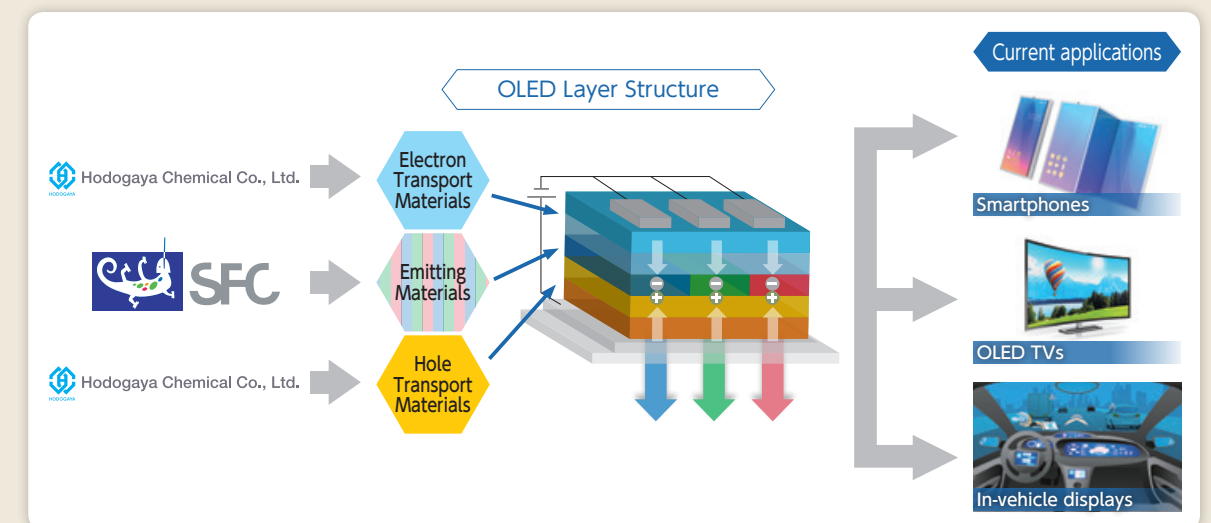
Foundation for OLED materials business in South Korea

- ▶SFC CO., LTD.
- ▶HODOGAYA CHEMICAL KOREA CO., LTD.

OLED is a light-emitting technology that uses organic compounds that emit light spontaneously when an electric current is applied, and which has environmentally friendly characteristics such as low power consumption and not containing hazardous substances. In addition, OLED features excellent processability and can be made very thin, so that it is expected to be applied to areas such as wall-hung televisions, flexible displays, and designer lighting. The OLED market is expanding rapidly in recent years, as it is expected to replace LCD in next-generation display and lighting materials.

Hodogaya Chemical pushed forward with the development of imaging materials and other products based on dye technology and put its first OLED materials on the market in 2000. By leveraging the results of 30 years of research and our track record of commercialization, we will work to expand the scope of our business in this field.

Established in 1998, SFC CO., LTD. (SFC) has a reputation for its emitting materials for OLED in the South Korean market where major panel manufacturers are competing. SFC became a member of the Hodogaya Chemical Group in 2010. Since then, fusing of the technologies of emitting materials owned by SFC and the technologies of transport materials (hole transport materials, electron transport materials) owned by Hodogaya Chemical and HODOGAYA CHEMICAL KOREA CO., LTD. (HCK) were made possible. Moreover, SFC has played a central role in business alliances between Hodogaya Chemical and South Korea's major manufacturers of general home appliances and electronic products.



Currently, SFC and Hodogaya Chemical promote frequent personnel exchange through which we work in close collaboration and cooperation on the development of new materials and production of parts, offering "the art of combination" to many customers.

SFC's motto is to respond in a speedy, timely, and flexible manner like a chameleon. The company is engaged in various initiatives to achieve further growth and expansion. For example, during the course of investigating a broader range of applications for OLED materials, it succeeded in developing the material for a diagnosis kit that can be applied to PCR diagnostic methods in fields related to medicine, and which has been adopted by kit manufacturers.



HCK Research Center, SFC office buildings and Factory II (Chungcheongbuk-do, South Korea)

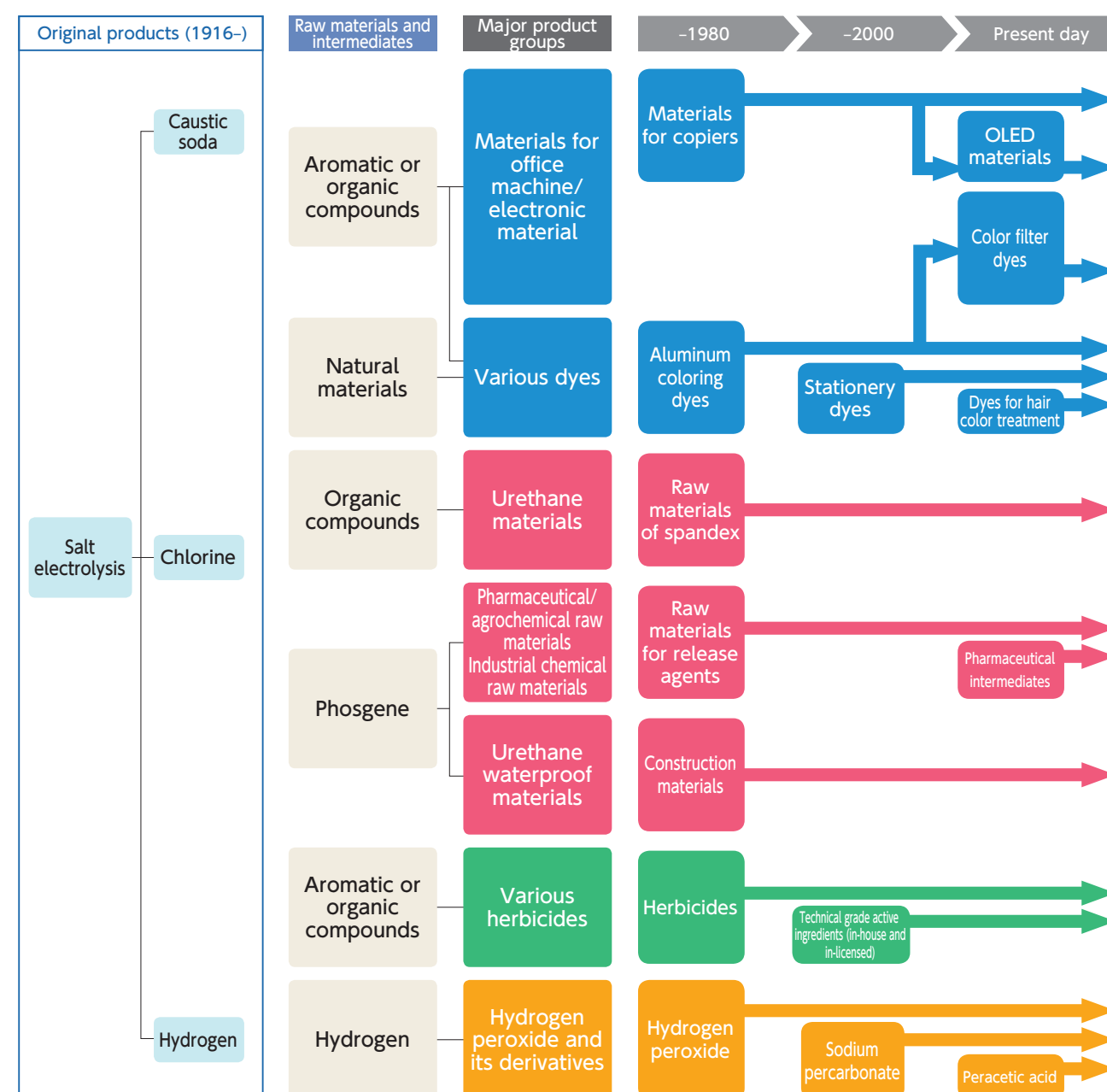


# Business Overview of Hodogaya Chemical Group

Through constantly evolving chemical technology, we create products tailored to the needs of our changing society.

The Hodogaya Chemical Group has continued to evolve while responding to the needs of the times. After starting out in the salt electrolysis business, the Group branched out across a wide array of technical applications that are utilized in a diverse range of businesses and product groups. It has expanded into the fields of functional colorants, specialty polymers, basic chemicals, agro-science, and logistics, among others, and produces highly specialized products in each of these businesses. These specialties are playing a key role in enabling Hodogaya Chemical to build relations of trust with its customers. We will continue to evolve while catering to the diverse needs of our customers.

## ► The roots of the Hodogaya Chemical Group's technologies and their transformation over time



## Functional Colorants Segment

<https://www.hodogaya.co.jp/english/products/segment01/>



### ■ Description of business

The Functional Colorants segment consists of four businesses.

Demands for OLED Materials continue to expand as they are used in smartphone display panels with expectations for use in TVs and in-vehicle devices in the future.

Imaging Materials are essential for copiers and printers to function, helping to enhance precision in the office automation environment.

In the Dyes and Colors business, our dyestuff products with unique technologies are highly regarded as high-quality products in Japan and around the world. (mainly used for aluminum coloring, stationery ink, and hair dyes)

Food Additives (Food Dyes) play an important role in making food more look appetizing by adding color to food products, and as a pioneer in this field the Company contributes to culinary performances that enhance the enjoyment and deliciousness of food.

### Strengths

**Ability to embody the needs of customers in the global arena by making full use of the DNA of the Group including our organic composite technology**

Total proposal of OLED materials

Aluminum coloring dyes leading global market share

The world's "Only One" hair dyes

### ■ Focus products for contributing to SDGs



OLED materials



We are focusing on the development and manufacturing of OLED materials, which are gathering momentum as the next-generation of displays. Because the material itself emits light, electricity consumption can be reduced in comparison to LEDs, which require a light source, and in this way OLED materials contribute to efficient energy usage. In addition to mobile terminals, such as smartphones, we are seeing a broadening of OLED applications to high-definition televisions, automotive displays and so on. Through the OLED materials business, the Group will contribute to enriching the lives of people.

### ■ Related group company

SFC CO., LTD.

**Location** 89, Gwahaksaneop 5-ro, Ochang-eup, Cheongwon-gu  
Cheongju-si, Chungcheongbuk-do, Korea 28122  
TEL: +82-43-280-9500

**Description of business** Manufacturing and sales of OLED materials and fine chemicals

See here for the corporate website.  
<http://www.sfc-dye.com/>





## Business Overview of Hodogaya Chemical Group

### Specialty Polymers Segment

<https://www.hodogaya.co.jp/english/products/segment02/>



#### ■ Description of business

The Specialty Polymers segment consists of three businesses.

Polymer Materials consists mainly of a material called PTG, which is required to give urethane ductility and elasticity (characteristics like those of rubber). Urethane is used in a wide range of fields, including clothing, automotive parts, and leisure products.

The linchpin of Construction Materials is urethane waterproofing materials, which were developed by the Company ahead of competitors. Our urethane waterproofing is used widely to waterproof the roofs of office buildings, schools, and multi-story parking buildings for large-scale retail facilities.

Specialty Chemicals includes intermediates and additives making full use of our organic composite technology and unique phosgenation technology accumulated over many years. We supply products precisely tailored to specific requests of customers in various fields such as pharmaceuticals and cosmetics.

#### Strengths

**Ability to deliver specialty products to global markets by making full use of our phosgenation technology, etc.**

Urethane materials that make full use of world-leading organic composite technology

Environmentally friendly waterproofing materials free of specified chemical substances

Polymer materials and pharmaceutical intermediates leading global market share

#### ■ Focus products for contributing to SDGs



##### Urethane materials



While most of the fiber or plastic materials are made from petroleum, Bio-PTG uses plant-derived raw materials, and contributes to reducing CO<sub>2</sub> emissions, a possible cause of climate change.



##### Pharmaceutical intermediates



Specialty chemicals making full use of our unique technologies are used as pharmaceutical intermediates to treat infectious diseases.

#### ■ Related group company

##### Hodogaya Construction Products Co., Ltd.

**Location** 2-4-1 Yaesu, Chuo-ku, Tokyo, 104-0028 Japan  
TEL: +81-3-5299-8170 (Main switchboard)

**Description of business** Manufacturing and sales of construction products

See here for the corporate website.  
<http://www.hodogaya.co.jp/hcp/>



### Basic Chemicals Segment

<https://www.hodogaya.co.jp/english/products/segment03/>



#### ■ Description of business

Hodogaya Chemical has been engaged in the development, manufacturing and sales of hydrogen peroxide and its derivatives for over 50 years. Hydrogen peroxide decomposes into water and oxygen, and this property supports our everyday lives as clean and environmentally friendly products for a variety of uses.

Hydrogen peroxide has been used for paper pulp bleaching and industrial chemicals, but in recent years, we have aggressively expanded the sales into new fields such as veterinary medicines.

Derivatives of hydrogen peroxide include sodium percarbonate and peracetic acid. Sodium percarbonate is used for bleaching agents and detergents. As for peracetic acid, we were the first in Japan to obtain approval for the production for use in food production applications, and we are working to accelerate its use.

#### Strengths

**Creativity to explore new applications based on the hydrogen peroxide production technology accumulated over many years**

Experience and knowledge on hydrogen peroxide production accumulated over 50 years

R&D expertise to produce peracetic acid, veterinary medicines, and various derivatives

Creativity to explore new applications such as soil improvement to protect the global environment

#### ■ Focus products for contributing to SDGs



##### Parasite control agent



Veterinary medicine product "Sakana Guard" is used as a control agent to prevent the occurrence of parasites in aquafarms. Because it breaks down into water and oxygen, it allows healthy fish to be bred without contaminating the sea, and contributes to the effective use of fishery resources.



##### Peracetic acid



Peracetic acid is used in a wide range of applications, such as disinfecting filling lines for plastic bottles, disinfecting endoscopes and is also used as a food additive to disinfect the surface of meat, vegetables and fruit. Peracetic acid contributes to people's healthy lives.



##### Sodium percarbonate



Sodium percarbonate is used in applications such as bleaching agents for clothing, and household cleaning agents. Sodium percarbonate contributes to people's healthy lives.

## Business Overview of Hodogaya Chemical Group

### Agro-Science Segment

<https://www.hodogaya.co.jp/english/products/segment04/>



#### Description of business

The products offered by the Agro-Science segment are used in a variety of situations, from controlling weeds to insect pest management and environmental conservation for cropland, living environments, railways, forests, and golf courses. Using a variety of intermediates, primarily those developed in-house, we have continued to develop new formulations that combine ease of use with safety and that are tailored to the needs of the location and the customer. In particular, we have a world-leading market share in herbicides used for home gardening and in green space management.

In addition, in order to improve soil environments that have deteriorated as a result of weather conditions, etc. we are manufacturing oxidizers for use as soil improvement agents that can lead to stable production of crops, and working on developing this market.

#### Strengths

**Ability to develop attractive products based on our formulation techniques**

Herbicides for home gardening leading market share in Japan

Strength to constantly propose new products to the market

R&D expertise to develop areas other than herbicides such as agricultural oxidizers

#### Major products



Lawn herbicides



Herbicides for weeding of rail lines



Herbicides for weeding of mega solar sites

#### Contribution to SDGs



Agricultural chemicals such as herbicides and agricultural materials including oxidizers contribute to improving agricultural productivity.



Repellent inhibiting damage of plant by an animal helps protect rare species.



For information on the repellent inhibiting damage of plant by an animal, please access the following URL or QR code:  
<https://www.hodogaya.co.jp/english/csr/stakeholder/community#a11>



#### Related group companies

##### HODOGAYA UPL Co., Ltd.

**Location** 2-4-1 Yaesu, Chuo-ku, Tokyo, 104-0028 Japan  
TEL: +82-3-5299-8213

**Description of business** Manufacturing and sales of agricultural chemicals



See here for the corporate website.  
<http://www.hodogaya-upl.com/>



##### HODOGAYA AGROTECH Co., Ltd.

**Location** 2-4-1 Yaesu, Chuo-ku, Tokyo, 104-0028 Japan  
TEL: +82-3-5299-8225

**Description of business** Manufacturing and sales of agricultural chemicals



See here for the corporate website.  
<http://www.hodogaya-agrotech.co.jp/>



### Logistics Segment

<https://www.hodogaya.co.jp/english/products/segment05/>



#### Description of business

The Logistics business of the Hodogaya Chemical Group has been handling hazardous substances and chemicals. Drawing on its extensive expertise accumulated over a century, it offers services that are highly regarded by customers in various fields beyond the chemical industry. We have huge distribution sites in Yokohama, Koriyama and Nanyo. In particular, the Yokohama Branch is conveniently located in close proximity with Japan's leading port of Yokohama and is used by many customers as a base for import and export. Our Koriyama and Nanyo distribution sites also offer storing and transporting services optimized for a wide variety of cargo including hazardous substances, chemicals as well as heavy cargo, machinery and plant.

#### Strengths

**Ability to transport security and safety based on its expertise on handling hazardous substances and chemicals**

Hazardous substance handling know-how accumulated as Japan's first manufacturer of caustic soda

Storing and transporting services that draw on the locational advantages of Yokohama, Koriyama, and Nanyo

Provide door-to-door services tailored to our customers' needs

#### Major services



Hazardous materials warehouse



Outdoor warehouse



Forwarding and customs clearance

#### Contribution to SDGs



Storage and control of hazardous substances help ensure the safety of cities and residential areas.



The use of railroad cargo transport helps improve energy efficiencies.

#### Related group company

##### Hodogaya Logistics Co., Ltd.

**Location** 2-4-1 Yaesu, Chuo-ku, Tokyo, 104-0028 Japan  
TEL: +82-3-5299-8153

**Description of business** Warehousing and logistics



See here for the corporate website.  
<http://www.hodogaya.co.jp/hlc/>



#### Other group company

##### KATSURA SANGYO CO., LTD.

**Location** 2-4-1 Yaesu, Chuo-ku, Tokyo, 104-0028 Japan  
TEL: +81-3-5299-8201 (Main switchboard)

**Description of business** Purchase and sales of chemical products



See here for the corporate website.  
<http://www.katsura-ks.co.jp/>





## Business Overview of Hodogaya Chemical Group

### ► Environmentally friendly products, technologies, and services



[https://www.hodogaya.co.jp/english/csr/eco/environmentally\\_conscious/](https://www.hodogaya.co.jp/english/csr/eco/environmentally_conscious/)



#### Natural food dyes

Food dyes add color to food products and enrich our dietary life. Our natural food dyes are the products made from naturally-derived ingredients that come from nature. Demand for these is growing steadily, driven by their safety for human consumption and their environmentally friendly nature.

Some of our products have acquired Halal certification, enabling us to meet the expectations of customers in Southeast Asia.



#### Specialty chemicals

Octadecyl isocyanate, which is the raw material for release agents, paints and coating materials, is made from vegetable oil and fat, and meets the needs of customers from all over the world.

Because it is derived from vegetable, it helps control the occurrence of environmental CO<sub>2</sub>, which is said to be a cause of climate change.



#### Sugomaku

Hodogaya Construction Products Co., Ltd., our group company, launched "Sugomaku," a new product of urethane water-proof materials. This is a product of urethane waterproofing material in the next generation having both flexibility and resistance.

Since Sugomaku does not contain specified chemical substances, it helps to promote safe and secure work environment.

In addition, because of its high physical properties, processes can be omitted, and improvement of work efficiency can be expected.



#### Peracetic acid formulation

Hydrogen peroxide is an environmentally friendly product, as it is composed of oxygen and hydrogen. In 2017, we began the sales of OXYATTACK (disinfectant agent for food products), a peracetic acid formulation that is a derivative of hydrogen peroxide.

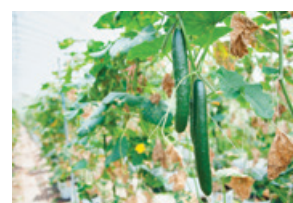
While having powerful anti-bacterial effects on vegetables, fruit and meat, it is broken down into acetic acid and water after use, and does not generate chlorine either, making it an environmentally aware product that has won the approval of customers.



#### Soil improvement agents

In order to improve the growing environment for soil that has deteriorated as a result of poor weather and other factors, thereby opening the way to cultivation and more stable production of vegetables, etc., we are manufacturing oxidizers for the soil, and offering them to customers as "soil improvement agents."

The manufacture of this product is based on hydrogen peroxide, so it is an environmentally aware product that does not contaminate valuable agricultural land.



#### Modal shift

As a measure to protect the environment, the Group has been pursuing a modal shift in cargo transport from truck transport to rail transport.

The Hodogaya Chemical Group as a whole is raising the proportion of environmentally friendly rail transport, and since 2017 the Group has been in receipt of the Ministry of Land, Infrastructure, Transport and Tourism's "Eco Rail Mark," having been certified for both companies and products.



## R&D Activities of Hodogaya Chemical Group

Based on our core technologies, we will steadily supply "Only One/Number One" specialty products in the global and niche markets.

### ► R&D structure

The Hodogaya Chemical Group's R&D is based on technology developed over the years, and that has followed research and development in a wide range of fields, from basic chemical materials to cutting-edge functional materials. We identify the increasingly diverse needs of society at an early stage, and pursue research and development to enable us to respond promptly to the various requirements of customers.

By applying the skills and expertise it has refined over many years in R&D projects covering a wide spectrum of industries, the Group can develop industrial technologies and products with all-new functions. By pursuing original R&D with a future outlook, the Group intends to expand its businesses while bringing benefits to people everywhere.

The Hodogaya Chemical Group will encourage innovation by creating specialty products in order to help achieve SDG 9 (Industry, Innovation and Infrastructure) which is one of the five SDGs on which we are focusing.



### ► R&D sites

The Group is pursuing cutting-edge R&D that the world will need in the future based on its global R&D network from Japan to other countries worldwide.

The R&D network is led by the Tsukuba Research Laboratory, one of the Japanese bases, with the development departments at each of the plants and South Korean subsidiaries SFC CO., LTD., and HODOGAYA CHEMICAL KOREA CO., LTD. (HCK) cooperating to promote R&D and working to respond quickly to customer requests.

In recent years the OLED display market has been growing rapidly. By establishing development bases in the South Korean market, where the major panel manufacturers are competing with each other, the Hodogaya Chemical Group has moved forward with its research and development into OLED materials more speedily and in a more timely manner. Going forward, we will continue to offer total solutions for OLED materials, beginning with emitting materials, and so contribute to the future of displays.



SFC R&D Center

### ■ Related group company

#### Hodogaya Contract Laboratory Co., Ltd.

**Location** 45 Miyukigaoka, Tsukuba-shi, Ibaraki, 305-0841 Japan  
TEL: +81-29-858-6886 (Main switchboard)

**Description of business** Contract-based analysis and development of chemical products



See here for the corporate website.  
<http://www.h-contractlabo.co.jp/index-e.html>



### Voice



HODOGAYA CHEMICAL KOREA CO., LTD. (HCK)  
Kim Jung Yong

### The Totality of Possibilities

My favorite saying, and the one I use often, is "The totality of possibilities." That's because it enables me to exceed the range of what I thought was possible for me to do. Next year will be the tenth since I took my position at HCK, but at the start it was a fact that those around me were worried, and expressed concern. However, even when we were unable to get good results we did not give up. Next year will be the tenth since we began working for the success of the project by combining SFC's emitting materials with Hodogaya Chemical's hole transport materials, and I believe that we will absolutely realize our dreams in the next year and become the No. 1 materials manufacturer. Going forward, SFC and HCK intend to cooperate even more closely to execute plans quickly and steadily, creating an integrated partnership to develop high-functionality materials.

# CSR Management of Hodogaya Chemical Group

## Basic policy

Maintain and deepen the trust held in us by all stakeholders, and contribute to social development.

## Basic approach

The Hodogaya Chemical Group identifies the enhancement of CSR (Corporate Social Responsibility) initiatives as one of the policies of its mid-term management plan, "HONKI 2020" and promotes ESG management focused on environmental, social, and governance matters.

Under this policy, we consider CSR as "a social responsibility that a company must fulfill through its business operations beyond the interest of the company with focus on its relationship with the various stakeholders including the shareholders, customers, partner companies, local community, and employees," and all employees are actively carrying out various CSR activities.

## Key targets for CSR activities

The Hodogaya Chemical Group promotes SDGs based on ESG management, and has unified its ESG and SDG activities. The basis of the SDGs is resolving social issues through business, and the Hodogaya Chemical Group is focusing on working to help achieve the five SDGs that are directly connected to its products and services, namely 3 (Good Health and Well-Being), 7 (Affordable and Clean Energy), 9 (Industry, Innovation and Infrastructure), 13 (Climate Action), and 14 (Life Below Water). We also engage with goals that are not connected directly to products or services, seeing them as activities that fulfill our social responsibility.

When formulating the key targets of our CSR activities, we identified issues along two axes, which were priority areas for our stakeholders, established through reference to the seven core subjects in ISO 26000\*, and priority areas for the Hodogaya Chemical Group itself. Among them, we identified the key targets in line with our mid-term management plan "HONKI 2020," and developed an annual plan on which we base our actions.

CONTENTS	ISO 26000 7 core subjects	How we want to be in 2020	Related SDGs	Key targets	FY2019 results	FY2020 plans
Mid-term Management Plan		Having achieved the mid-term plan, and making stable and continuous dividend payments	8	To achieve the mid-term management plan	Implemented solutions to various issues based on the policies of the mid-term management plan	Ensure implementing various policies
Governance p.25-	Organizational governance	Having a good balance between "defensive governance" to avoid risks and "offensive governance" to obtain upside opportunities while maintaining growth	16 17	To improve corporate governance	Released Corporate Governance Report in June 2019	Continue to abide by the Corporate Governance Code
		Compliance awareness is widespread, and the Group is capable of responding to the changing social norms		To spread compliance mindsets	Conducted compliance training sessions in Aug. 2019 and Feb. 2020	Conduct compliance training sessions
		Departments having contact with partner companies have particularly strong compliance awareness		To increase knowledge on business compliance	All management personnel took the Examination of Compliance Proficiency for Practical Business, 97% acquired qualification	All chief staff in addition to management personnel take the Examination of Compliance Proficiency for Practical Business to increase the percentage of qualified employees
		The CSR mindset is widespread, and the Group has achieved ESG management		To cultivate CSR activities	Conducted CSR education using the Integrated Report	Improve CSR mindset so that everybody can get a genuine feel for activities
Environment (Environment, Safety and Quality) p.29-	Environment	Efforts to reduce environmental impact are regarded by society	3 7 8 9 12 13 14	To promote reduction of environmental impact	Obtained Eco Rail Mark certification for Chloro-IPC products that constitute the effective ingredient in herbicides	Reduce emission of substances of concern
		The Group contributes to society by having achieved reduction of intensity and total amounts of electricity usage and water usage		To promote energy-saving	Installed energy-saving models for equipment upon renewal	Promote installation of energy-saving equipment
		Complying with laws and regulations on chemical substances, and appropriately managing chemical substances		To enhance the management of chemical substances	Combined management of labels and SDS for overseas	Enhance the voluntary management initiatives for chemical substances
		Continuing to achieve accident-free, disaster-free operation, the Group is trusted by society		To ensure security and disaster prevention	Conducted education under the RC implementation plan at each plant according to plan	Conduct facility maintenance education and safety education
Social p.37-	Consumer issues	Continuing to supply safe, high-quality products, the Group is regarded by partner companies	8 9 12 17	To supply safe, high-quality products	Underwent renewal audit for ISO 9001 and at the same time expanded the scope of application to HODOGAYA CHEMICAL KOREA	Strengthen our quality control system through collaboration between plants and the sales department
		Developing and propagating products that contribute to the environment and society, the Group is regarded by partner companies		To develop socially-beneficial products	Hodogaya Construction Products Co., Ltd. launched "Sugomaku," a new product of urethane water-proof materials.	Continue research and development that contribute to solving social issues
	Fair business practices	Disclosing information in a timely and appropriate manner, and pursuing in-depth "dialogues (engagements)" with shareholders and investors	8 12 16 17	To enhance information disclosure and promote "dialogues"	Published the Japanese version of the Integrated Report in Sept. 2019 and the English version in Oct. 2019	Continue the publication of the Integrated Report
		Conducting procurements in accordance with the CSR Procurement Policy, taking into consideration the environment, human rights and labor practices of partner companies		To promote CSR throughout the supply chain	Explained the Procurement Policy and Procurement Guidelines to suppliers during visiting audits	Continue to instill our Procurement Policy in suppliers
	Human rights	Respect for human rights is in place, and no harassment exists	1 5 10	To promote human rights enlightenment activities	Conducted human rights education at compliance training sessions	Continue to conduct human rights education
		Having promoted work-life balance, employees are successfully combining work and daily living (including child-raising and nursing care)		To create a pleasant workplace	Ensured that refreshment leave was established, and promoted taking other kinds of leave	Promote work-life balance
	Labor practices	Employees are healthy and working actively	3 4 5 8	To promote employee health management	Continued to conduct mental health checkups	Strengthen health maintenance and care system
		Due to promotion of diversity and a fair and equitable personnel system, the workplace is activated and global-minded talents are nurtured		To promote human resource development and vitalization programs	Conducted various education programs according to plan	Conduct various education programs
		Having improved "customer-first" attitude, operational knowledge and skills within the account lines, the Group is regarded by partner companies		To improve the service levels of employees dealing with partner companies	Conducted education and training by job position and capacity according to plan	Conduct education and training by job position and capacity
		Having promoted social contribution activities in the offices, the Group is acknowledged and regarded in the community		To promote community contribution activities	In addition to continuing to hold visiting classes at neighboring elementary schools, we donated funds for reconstruction to Fukushima Prefecture after the damage caused by Typhoon Hagibis	Conduct various contribution activities
	Community involvement and development	The volunteer mindset has been improved and employees are actively participating in various volunteering activities	4 11 15 17	To initiate and promote volunteering activities	Participated in activities to clean the forests and rivers near our plants	Identify and conduct new volunteering activities appropriate for the Company

\*ISO 26000: An international standard published in November 2010 which provides guidance on corporate social responsibility.

## CSR promotion organization

To promote CSR more actively, the Hodogaya Chemical Group has the CSR Committee within the organization that deliberates and decides on specific measures in accordance with the basic policy and reviews the progress of such measures.

In order to promote the Responsible Care (RC) activities as part of the CSR activity, the Group structures the RC & QM Subcommittee as a subordinate organization of the CSR Committee. This Subcommittee promotes various policies to ensure product quality, environment, and safety, which form the basis of reliability for a chemicals manufacturer.

We also consider corporate governance as an important element of our CSR activity. In particular, to manage risks we have the Risk Management Committee in charge of identifying risks and developing and implementing key risk control measures to prevent risks in advance.

If a "management crisis" that may inflict damage on the company occurs, we will set up the Crisis Management Committee to respond immediately to the crisis. We make decisions and act in accordance with the basic policy of maintaining congruence with compliance and corporate social responsibilities.





# Corporate Governance

- ISO 26000 7 core subjects: Organizational governance -



## Basic approach

The Hodogaya Chemical Group strives to create values for the various stakeholders including its shareholders, customers, local communities, and employees; contribute to the development of domestic and global economies and industries for the prosperity of society; ensure the soundness and legality of management; and increase efficiency, all the while steadily supplying "Only One/Number One" specialty products in the global and niche markets. We have established these targets as highest priority of management as we work toward enhancing and strengthening our corporate governance system.

## Corporate governance system

Aiming to ensure the effectiveness of our corporate governance and to improve our corporate value, Hodogaya Chemical made a transition to a "Company with an Audit & Supervisory Committee" structure in June 2015, to further strengthen the Board of Directors' supervisory functions with the participation of Outside Directors.

To increase the speed and agility of corporate management, the Board of Directors entrusts the decision-making on important business operations to Executive Directors.

Meanwhile, Directors report the performance of their duties to the Board of Directors, as well as mutually monitor and supervise the performance of duties with other Directors.

The Audit & Supervisory Committee supports the supervisory functions of the Board of Directors, and

### Initiatives to strengthen corporate governance

June 2003	Introduction of executive officer system
March 2004	Abolishment of directors' retirement benefits program
May 2006	Formulation of Basic Policy on Internal Control
November 2006	Establishment of Internal Control Department
June 2013	Start of appointment of Outside Directors
June 2015	Transition to a Company with an Audit & Supervisory Committee
July 2016	Introduction of stock-based compensation plan
January 2018	Shift into new management structure
June 2019	Establishment of a Nominating and Compensation Committee



The details of our corporate governance can be found on our website.  
<https://www.hodogaya.co.jp/english/company/governance/>



evaluates the Board of Directors by assessing mainly such items as to whether the Board of Directors is conducting thorough discussions on the appropriate agenda items based on its role, and whether a sufficient support system is in place to enhance the content of discussions at the Board of Directors' meeting.

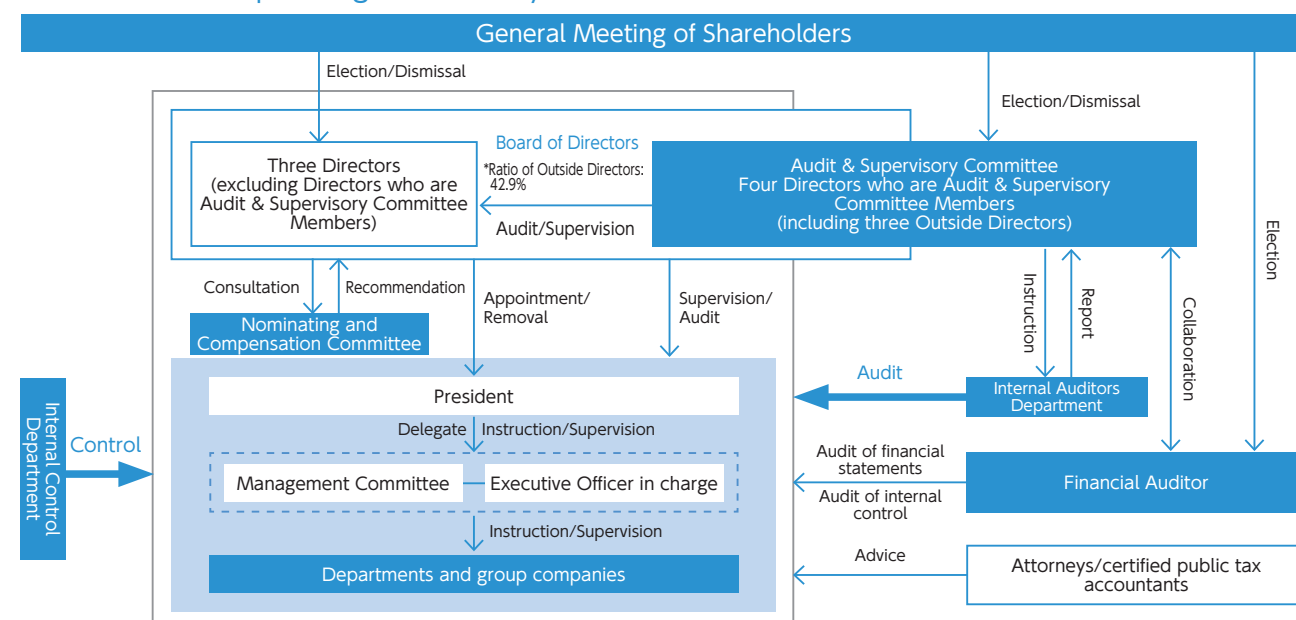
Furthermore, we established a Nominating and Compensation Committee as a body to advise on nomination and compensation, etc. of Directors, thereby strengthening the independence, objectivity, and accountability of the Board of Directors' functions.



To view the Corporate Governance Report, please access the following URL or QR code (Japanese text only):  
[https://www.hodogaya.co.jp/wp/wp-content/uploads/2020/06/corporate\\_governance\\_20200625.pdf](https://www.hodogaya.co.jp/wp/wp-content/uploads/2020/06/corporate_governance_20200625.pdf)



### Structure of corporate governance system (As of June 30, 2020)



## General Meeting of Shareholders

Hodogaya Chemical believes that the General Meeting of Shareholders is an important opportunity for dialogue with shareholders and investors and, in addition to the appropriate statutory disclosure and timely disclosure, strives to proactively provide relevant information, such as its management strategies, in order to gain understanding on its business activities.

It also establishes measures to encourage shareholders to attend the General Meeting of Shareholders, such as avoiding dates on which many companies are holding meetings, early mailing of the Notice of Annual General Meeting of Shareholders and provision of the Notice of Annual General Meeting of Shareholders in English. Since the General Meeting of Shareholders held on June 24, 2020, the Company has introduced an electronic voting system (using Smart Vote by scanning a QR code or using the internet), and the percentage of voting rights exercised increased by approximately 10% year on year.

## Board of Directors

To enable thorough discussions and prompt, rational decision-making, the Board of Directors consists of a total of seven Directors, including three Directors who are not Audit & Supervisory Committee Members and four Directors who are Audit & Supervisory Committee Members (three of Directors are Outside Directors, and the ratio of Outside Directors is 42.9%).

Reasons for nomination as candidates for Directors, including career summary, are published in the Notice of the Annual General Meeting of Shareholders which can be found on our website.

## Nominating and Compensation Committee

The Nominating and Compensation Committee is made up of a majority of independent Outside Directors and chaired by an independent Outside Director.

The Nominating and Compensation Committee shall deliberate and submit a report to the Board of Directors on the matters concerning election and dismissal of Directors, compensation of Directors, etc., and the Board of Directors shall respect the content of such report.

## Audit & Supervisory Committee

The Audit & Supervisory Committee consists of four Directors (including three Outside Directors), and audits the legality of business execution by Directors and officers, appropriateness of the Company's business operations, internal control, and financial status, etc.

The Audit & Supervisory Committee also maintains close relations with the Financial Auditor to take necessary measures in relation to the audit work.

## Executive Officer

The executive officer system was introduced in view to (1) streamline management and thereby enable quicker decision-making, (2) specialize functions, (3) strengthen supervisory and monitoring functions, and (4) strengthen our business management.

Executive Officers who can fulfill these goals have been elected by President to execute the business of our core departments.

## Financial Auditor

Hodogaya Chemical appoints Grant Thornton Taiyo LLC as its Financial Auditor, and in addition to financial audit services, receives advices on accurate and fair business practices through internal control audit.

## Directors' compensation

Hodogaya Chemical positions its Directors compensation plan as a priority item for corporate governance. The basic requirements in determining the Directors' compensation include: (1) compensation linked to performance; (2) improving corporate value; (3) shareholder interests; and (4) securing talented personnel.

The amount of compensation of Directors is determined at the meetings of the Board of Directors within the maximum limit of compensation resolved at the General Meeting of Shareholders, and based on the deliberation of the Nominating and Compensation Committee.

The structure and amount of compensation for Directors are disclosed on the Corporate Governance page of the corporate website.

## Evaluation of effectiveness of Board of Directors

In accordance with the spirit of the "Company with an Audit & Supervisory Committee" system, Hodogaya Chemical has devised various measures in relation to the operation of the Board of Directors in order to improve the functionality of the Board of Directors, including (1) holding meetings at appropriate intervals, (2) ensuring enough time for deliberations, (3) making regular reports on the state of the execution of business, (4) creating materials that are easily understood, and (5) providing proper explanations beforehand to independent Outside Directors.

Moreover, with the aim of further enhancing functions, we pay careful attention to new trends related to corporate governance and the best way to operate the Board of Directors, and recognize and share such views at meetings of the Board of Directors.

As a result, we have strengthened the Board of Directors monitoring function, and speeded up management decisions and execution of business.

## Directors



### Back row from left

- Outside Director (Audit & Supervisory Committee Member)  
Masaki Sakai
- Director (Audit & Supervisory Committee Member)  
Satoshi Ebisui
- Outside Director (Audit & Supervisory Committee Member)  
Shuji Kato
- Outside Director (Audit & Supervisory Committee Member)  
Nobuhiro Yamamoto

### Front row from left

- Director and Senior Managing Executive Officer  
Eiichi Sunada
- Representative Director, President and CEO  
Yuto Matsumoto
- Director and Senior Managing Executive Officer  
Kaoru Kasahara



## ● Criteria for independence of Outside Directors

At Hodogaya Chemical, candidates for independent outside directors are selected from among those who meet the Tokyo Stock Exchange's requirements of independence and possess extensive experience and knowledge.

Accordingly, the Company has registered three of the Outside Directors as independent officers specified by the Tokyo Stock Exchange, and if the substitute Director who is an Audit & Supervisory Committee Member is appointed as Director, the Company intends to register him as an independent officer specified by the exchange.

Note that one of the Outside Directors and one of the substitute Directors who are Audit & Supervisory Committee Members had been employees of a financial institution which is a major lender to Hodogaya Chemical; however, ten years have elapsed since they left said financial institution. Therefore, the Company deems that there are no concerns over their independence.

### Message from the three Outside Directors

#### Adding a third-party viewpoint to expertise, and contributing to further growth

In addition to Directors, meetings of the Board of Directors are attended by the Executive Officers involved, as well as by general managers of departments, etc., with each meeting consisting of 3-4 hours of detailed discussions. When attending such deliberations as an Outside Director, it is impossible to participate in the discussion without knowing the background. In relation to that point, the Company provides detailed materials beforehand and explanations based on these materials, making it easy to participate in the Board of Directors, and also enabling the full implementation of monitoring functions.

With regard to the corporate governance system, we feel that the presence of Outside Directors is becoming more and more important over time. For example, the chairperson and a majority of the members of the voluntary Nominating and Compensation Committee established in June 2019 are Outside Directors. The primary role of this Committee is to deliberate the election and dismissal of Directors, and their compensation, etc., but at the Company we also discuss personnel, education, training and other issues related to Executive Officers and general managers of departments. For that reason, the Committee is an open one that is able to grasp not only the situation regarding Directors, but also of personnel across the Group, including Executive Officers and general managers of departments.

Business risks are also recognized as important matters. At the periodic meetings of the Risk Management Committee, the existence and the effects on business results of potential risks to management are analyzed, and discussions based on these are also held at meetings of the Board of Directors.

The state of COVID-19 infections and the impact on the Group are also reported in a timely manner based on information received moment to moment.

In addition to such areas as internal control and finance, we Outside Directors possess knowledge accumulated from a wide variety of operational experiences, such as industrial policy and international economics. In order to raise corporate value over the medium to long term and to protect the interests of shareholders, we believe it is important for Outside Directors such as ourselves to add to the operational expertise of those inside the company an objective third-party viewpoint, based on our respective areas of knowledge.

If we can add our third-party viewpoint to the know-how that the Company has nurtured over more than a century, we believe we can make a contribution to further growth.

## ► Risk management

### ● Basic approach

The Hodogaya Chemical Group has its own risk management system in place to minimize damages associated with illegal acts against the Group, quality defects, disasters, pandemic and other risks.

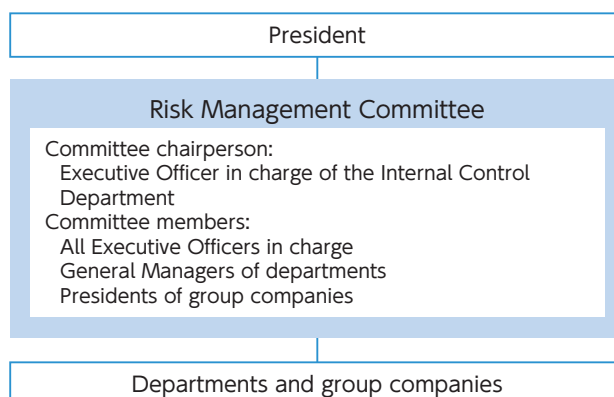
In order to maintain and increase corporate value, to fulfill corporate social responsibilities, and to achieve sustainable growth of the Group, all officers and employees are engaged in initiatives to increase risk awareness and promote risk management.

### ● 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 share risk awareness, develop measures to reduce risks, review the progress of such measures, and take initiatives to minimize damages, on a group-wide basis. As for information securities, we have formulated internal rules and regulations to store and manage information appropriately, and are conducting educational activities such as the compliance training.

### ■ Risk management structure



## ► Compliance

### ● Promotion structure

The Hodogaya Chemical Group formulates various rules and regulations based on the Basic Policy on Internal Control, and strives to achieve compliance through organized and cross-sectional initiatives led by the Internal Control Department. The Internal Auditors Department audits the status of compliance and provides advice and guidance for improvements.

### ● Corporate Action Guidelines, Compliance Action Policy

Hodogaya Chemical Group has formulated the Corporate Action Guidelines, the Compliance Action Policy, and other compliance-related policies and rules. All officers and employees of the Group abide by these rules and act in accordance with laws and regulations, the company's Articles of Incorporation, and the social norms. The Corporate Action Guidelines set forth the guiding principle that the companies, officers and employees must follow in all corporate activities undertaken by the Group. The Compliance Action Policy sets forth the matters that must be observed in executing operation, based on the understanding that it is essential for the sound development of the Group to have complete understanding of the social responsibilities of the Group, to ensure full compliance of relevant laws and regulations and internal rules in all aspects of corporate activities, and to behave in accordance with the social norms.



Corporate Action Guidelines:

<https://www.hodogaya.co.jp/english/company/philosophy#a7>



### ● Tax compliance

The Hodogaya Chemical Group will respond to the social demands and expectations by duly fulfilling its tax obligation in each country and region, as stipulated in the Corporate Action Guidelines and the Compliance Action Policy.

To do so, we work to maintain and improve tax compliance through actions such as formulating structures to accommodate various taxation systems, cooperating in submitting tax information to the tax authorities in a timely and appropriate manner, and not engaging in intentional tax avoidance through income transfer to other countries or the use of tax haven.

### ● Internal reporting system

The Hodogaya Chemical Group has established the Internal Reporting Rules in accordance with the spirit of the Whistleblower Protection Act. Based on the said rules, the Group has set up an internal reporting system in order to ensure early detection and prevention of violations of laws and regulations, and business ethics. Reports are received by the Internal Control Department and outside legal consultants. The system ensures that, in conducting investigations based on reports, the privacy of the reporters and the secrecy of the content of their report are protected to the maximum extent possible. Utmost care is given to the protection of reporters with honest intentions do not receive any disadvantageous treatment such as dismissal, displacement, or discrimination as a result of their reporting.

### ● Compliance education

In terms of cultivating and improving compliance awareness, the Hodogaya Chemical Group continuously offers compliance training sessions and independent education using e-learning for all Group officers and employees, in order to thoroughly ensure compliance.

In addition, officers and management personnel of the Group are required to take the Examination of Compliance Proficiency for Practical Business (Primary Level) to gain knowledge and increase understanding of compliance, and 97% have passed the examination.

### Voice



General Manager of Legal Department, Attorney  
Miki Tsukui

### Learning from day-to-day work

The Legal Department receives requests from divisions or group companies to review contracts or give legal advice, for example, and examines the matters in question. As we do so, we aim not only to point out the legal risks, but to hold repeated discussions with the employee or department responsible to crystallize what they want to achieve and express that in words and sentences. Often, a casual remark during such discussions will make us aware of an issue or approach that had not occurred to us, and we learn something new every day.

The Hodogaya Chemical Group handles a wide variety of products and commercial goods, so we have to take the characteristics of individual products into account when dealing with legal issues. Sometimes it is a challenge, but I think that another interesting aspect of work in the Legal Department is the opportunity it affords to appreciate the differences between products.



# Responsible Care

- ISO 26000 7 core subjects: Environment -



The details of the Responsible Care can be found on our website.  
[https://www.hodogaya.co.jp/english/csr/eco/safety\\_responsible/](https://www.hodogaya.co.jp/english/csr/eco/safety_responsible/)



## Basic approach

Responsible care (RC) is a voluntary management initiative intended for companies involved in the production and handling of chemical substances to implement and improve their environmental, safety and health measures across the product lifecycle, from development to disposal.

The Hodogaya Chemical Group conducts its operation based on the principle that ensuring environmental conservation, safety and health, and product quality is fundamental to corporate management and the basis for all business activities.

The Group has formulated its Responsible Care Rules to assess the overall business activities, and declares the Basic Philosophy of Responsible Care (RC) and the Basic Policies of Responsible Care (RC) as its management goals and initiatives for the total safety control of chemical substances, while educating all employees on the importance of the Basic Philosophy of RC and the Basic Policies of RC.

### [Declaration of Responsible Care]

Hodogaya Chemical hereby sets forth the Basic Philosophy of Responsible Care (RC) to protect the environment and ensure the safety and health of people, and declares its engagement in the practice of Responsible Care through its ordinary business activities.

June 23, 1997



## Basic Philosophy of Responsible Care (RC)

1. Ensuring environmental conservation, safety and health, and product quality are fundamental to its management and the basis for all business activities.
2. Ensuring environmental conservation, safety and health, and product quality can be achieved when each and every employee acts with constant awareness and responsibility in their respective capacity.
3. Ensuring environmental conservation, safety and health, and product quality leads to greater trust of society and the well-being of employees.

## Basic Policy of Responsible Care (RC)

1. Each and every employee will act according to the Basic Philosophy of RC with awareness and responsibility.
2. We will abide by the laws and regulations pertaining to our business activities and by the requirements of the local communities and partner companies as agreed to by the Company.
3. We will ensure the safety and health of employees and local residents by controlling the safety of our operation.
4. We will provide highly functional products and services with high added value.
5. We will be environmentally conscious in the development, manufacturing, transportation, use, and disposal of our products, and strive to preserve the environment by implementing measures to prevent pollution and reduce environmental impact.
6. We will gather information on the safety of chemical substances and will ensure the safety and health of our employees, partner companies, and suppliers by providing education and offering such information.
7. We will maintain close contact with the administrative authorities and industry groups to ensure environmental conservation, safety, health and quality.

## Responsible Care (RC) implementation system

In carrying out the RC activities, the Group structures the RC & QM Subcommittee within the CSR Committee as advisory body to the President. It was named the RC & QM Subcommittee because the Basic Philosophy of RC of the Hodogaya Chemical Group includes quality management.

The Executive Officer overseeing the Environment & Safety Department is in charge of implementing RC activities.

The progress of the annual activity objectives is reported at the subcommittee meetings held regularly, four times a year. At the year-end subcommittee meeting, the Company RC/QM/ISO Execution Plan, which consists of a summary of the company-wide activities and the RC objectives for the following fiscal year, is deliberated and determined. The RC objectives for the following fiscal year are placed before the Management Committee, then presented to the President for final decision and approval. Based on the Company RC/QM/ISO Execution Plan, each office develops its own Office RC/QM/ISO Execution Plan, then the plan is further broken down to each business unit and executed under the leadership of the occupational safety and health promoter in each business unit.

# Quality Assurance

- ISO 26000 7 core subjects: Consumer issues -



## Basic approach

The Hodogaya Chemical Group's quality policy is "commitment to quality-first, quality from our customer's perspective." The aim is to meet the demands of our partner companies through our products, commercial goods and OEM products, through which we contribute to society and business growth.

## Initiatives for quality assurance

The Hodogaya Chemical Group is committed to understanding facts, judging from facts, and acting based on facts to maintain a quality-oriented principle and provide highly functional products and services with high added value to meet the trust and satisfaction of its partner companies.

To ensure partner companies' satisfaction with respect to quality, we have categorized our quality assurance activities into the following four systems and work to assure the quality through screening, audit, and management systems required for each system.

- |  |   |
|--|---|
| (1) Quality assurance activity system from the planning stage to stable production of products | (3) Quality assurance activity system for commercial goods and OEM products |
| (2) Quality assurance activity system for the steady production operation of products          | (4) Activity system to review the quality assurance activities              |

In addition, we conduct QC (Quality Control) circle initiatives to continually monitor and improve the quality of our products and services, as well as our work. In November each year we hold a company-wide QC presentation meeting, at which the results of various QC circle initiatives are shared as the basis for personal and mutual development, as well as workplace vitalization.

## Obtaining ISO Certifications

Today, corporate compliance with international quality and environmental standards has come to be recognized as the norm. Each of the Hodogaya Chemical offices has acquired ISO 14001 and ISO 9001 certifications, the international standards for quality and environmental management systems, respectively. Then in 2010, the Group integrated the individual management systems of each office and successfully achieved an integrated certification as the Hodogaya Chemical Group that also certified the Group's affiliated companies and subcontracting companies. Furthermore, an overseas Group company, SFC CO., LTD. in South Korea, also obtained ISO from the South Korean certification body. In 2017, the Group underwent transition audit and renewed its certification of environmental and quality management systems under the updated 2015 standards.

Under enhanced systems, all companies in the Group are carrying out initiatives to manage the environment and improve quality.

### ISO 9001:2015 Quality management systems

Certification body	Japan Chemical Quality Assurance
Registration No.	JCQA-0184
Compatible standards	JIS Q 9001:2015 ISO 9001:2015
Date of acquisition	December 25, 1996



### ISO 14001:2015 Environmental management systems

Certification body	Japan Chemical Quality Assurance
Registration No.	JCQA-E-0330
Compatible standards	JIS Q 14001:2015 ISO 14001:2015
Date of acquisition	December 25, 2001



## Voice



Accounting Department  
Miho Sasaki

## The first step toward improvement

When I first became involved in the QC initiatives, I was full of anxiety, wondering whether I would really be up to the QC leader role. It is not easy to make progress on QC with only limited time available, and while also doing my usual job. Although we would be groping in the dark as we started some of the initiatives, as we held more meetings and people shared their opinions, the exposure to QC circle members' ideas would enable me to see previously overlooked clues to solving issues. The essence of a problem would become apparent, making it obvious what action we needed to take, which would enable us to solve the problem. Not only did I get to experience the enjoyment that brings, but I also had the opportunity to report the results of a QC initiative at the company-wide presentation meeting and won a gold prize. It is a slow and steady process, but I will be happy if working with QC circle members to keep solving problems one at a time can contribute to improvements for my workplace and for the Company as a whole.

# Workplace Safety and Health, Security and Disaster Prevention

- ISO 26000 7 core subjects: Environment -



## Basic approach

The Hodogaya Chemical Group places highest priority on “ensuring workplace safety and health as the basis of its production activities,” and ensures thorough compliance with laws and regulations related to safety and health, to achieve disaster-free operation.

In order to promote workplace safety and health, and security and disaster prevention, we spell out the basic rules on actions to be taken by the Hodogaya Chemical Group based on relevant laws and regulations in the Safety and Health Management Rules, the Disaster Prevention Rules, and the Logistic Safety Management Rules.

## Initiatives for workplace safety and health

The Safety and Health Management Rules set forth the basic rules on safety and health management to prevent occupational disasters and health disorders of all employees. The aim is to engage both employees and employers to collaborate in ensuring the safety and health of all employees in the workplace, and to promote creating a more comfortable work environment, while streamlining the operation and contributing to improving productivity.

Furthermore, the Group has designated February 3 as the Group’s annual Safety Day to prevent forgetting the fire accident at the Yokohama Plant on February 3, 2012, and the lessons learned from it, to enhance the safety culture, and to spread among all employees of the Group the efforts in structurally establishing safety in the business operation.

## Ensuring safety in operation

The Group conducts its activities in accordance with its basic principle to deliver security and safety including environmental conservation to the local communities and society. As a means of bolstering our measures to achieve accident-free, disaster-free operation, we are striving to instill safety awareness among all employees and enhance their sensitivity to risk. We are continuing the conventional KYT (“Kiken Yochi Training,” risk prediction training) and PYT (process error prediction training) activities, and conduct safety patrols, 3S (Sort, Set in Order, Shine) and inspection visits among offices in an effort to improve our safety awareness. Furthermore, under the internal audit of RC activities, the basis of activities was expanded to the five actuals (the actual place, the actual thing, the actual fact, principle, rule) to implement safety measures and safety education that include mechanism and law principles, and rules such as routines and orders.

In FY2019 we continued to strengthen our efforts to take various measures, as in FY2018, and as a result the number of accidents and incidents remained on a downward trajectory with no occurrence of lost-time injuries.

### Occurrence of lost-time injuries

	FY2015	FY2016	FY2017	FY2018	FY2019	Five-year average
Number of accidents/incidents (cases)	2	1	4	0	0	1.4
Number of work-related fatalities and injuries (persons)	2	1	4	0	0	1.4
Frequency rate of lost-time injuries	1.90	1.00	3.90	0.00	0.00	1.36

・Frequency rate of lost-time injuries shows the frequency of occupational accidents per million work hours, and is calculated using the following formula:  
 Frequency rate = (Number of work-related fatalities and injuries / Total work hours) x 1,000,000

## Emergency responses

The Disaster Prevention Rules set forth the actions to be taken in case of an emergency, such as reporting, organization formation, and emergency response education and training. Emergency response education and training includes disaster drills, fire extinguisher training, and emergency life-saving drills together with the fire departments on a regular basis so that we can respond quickly in case of an accident or other emergency incidents within our facilities.

Our plants are active participants in regional firefighting and disaster prevention skills competitions. In FY2019, the Koriyama Plant participated in the Koriyama region self-defensive firefighting skills competition, the Yokohama Plant participated in the Tsurumi Ward self-defense brigade firefighting skills training session, and the Nanyo Plant participated in the Shunan region disaster prevention first aid skills competition. Young employees from the plants are selected as team members; alongside acquiring firefighting skills, they receive instruction enabling them to respond to emergencies calmly and swiftly.



Koriyama Plant



Yokohama Plant



Nanyo Plant

## Initiatives for logistic safety

The Logistic Safety Management Rules set forth basic rules on the prevention of accidents and disasters in the distribution of the Group’s products and actions to be taken in the event of an accident or disaster. The aim is to ensure the safety and health of those in the logistics industry and the local residents, and to protect the local environment. The Group takes safety measures, including the issuance of a Yellow Card\*1 to transport operators indicating actions and reporting information, etc., to enable them to respond appropriately in the event of an accident during the transportation of hazardous substances.

Hodogaya Logistics Co., Ltd. hosts transportation safety councils, SP (Stock Point)\*2 meetings and various safety training sessions with subcontracting logistics companies, covering topics on the handling of hazardous substances, chemicals and pharmaceuticals and on the distribution of general cargo, low-temperature cargo and all types of products, and conducts safety activities including the sharing of SDS (Safety Data Sheet)\*3 and safety-related information, and carrying of the Yellow Card.

In addition, as a safety activity when exporting hazardous substances, we take safety measures on a global level, for example, by translating our product labels and SDS to the official language of the destination country.

\*1 A Yellow Card describes the first-aid treatments and measures to prevent the expansion of disasters in the event of an accident during the transportation of hazardous substances.

\*2 An SP (Stock Point) is a distribution base in transporting products, and is a transit facility for maritime transport and ground transport.

\*3 An SDS (Safety Data Sheet) is a document describing information on the hazards and toxicity of chemical substances, which is issued when selling or providing chemical substances and products containing chemical substances to other business operators.

### Voice



Nanyo Plant  
Yuki Sadamori

### Disaster prevention training session focused on young employees

In February 2019 I participated in a disaster prevention training session focused on young employees. It was organized by the Shunan Region Security and Disaster Prevention Council, and was attended by almost 100 employees from nearby plants.

In the training session we learned about the correct use of equipment for controlling falls when working high up.

Actually experiencing and physically feeling what it is like to hang using a full harness enabled me to understand in a very immediate way the importance of equipment to protect health and safety, which was a valuable experience.

I was planning to attend again this year, but unfortunately the training session was cancelled due to the impact of COVID-19. I am sure that, if young employees keep on participating in these disaster prevention training sessions, their safety awareness will be enhanced, and everybody at the plant will be able to acquire peace of mind.



# Chemicals and Product Safety

- ISO 26000 7 core subjects: Environment -



## Basic approach

The Hodogaya Chemical Group sets forth a set of internal rules on the use of chemical substances and measures to control the content in products, etc. based on the Basic Philosophy of Responsible Care (RC) to ensure environmental conservation, safety and health, and product quality, which forms the basis for all business activities. The aim of these rules is to voluntarily manage chemical substances that are likely to injure human health or impact the global environment across the product lifecycle, from development, manufacturing, transportation, and use to disposal.

## Management of chemicals

From the perspectives of environmental conservation, security and disaster prevention, workplace safety and health, and product safety, we manage chemical substances at the development phase, raw materials procurement phase, manufacturing phase, and use and disposal phases. The chemical substances we manage include controlled substances designated under national and foreign laws and regulations, and include those requested under partner companies' green procurement policies. The substances are categorized into three groups: prohibited substances, release restricted substances, and controlled substances in products.

We use the SAP-EHS Management system to manage our chemical substances. This system provides integrated management of information on all products, raw materials and chemical substances handled by the Hodogaya Chemical Group.

We also ensure that information is provided to our customers in standardized formats, including confirmation of legal compliances with national and foreign laws and regulations, automatic production of SDS (Safety Data Sheet) and product labels in multiple languages, and preparation of chemSHERPA (a scheme that facilitates sharing information on chemical substances in products) and other safety information.

## Risk assessment of chemicals

The Hodogaya Chemical Group has formulated procedures for risk assessment to prevent accidents and disasters, has formulated procedures for measures to reduce risks based on the assessment results, has set forth the Risk Assessment Guidelines to clearly identify risks and take precise measures, and has implemented them on a regular basis.

As a result of the amendments to the Industrial Safety and Health Act in 2016, employers now have an expanded obligation to assess the risk of chemical substances that require the provision of SDS. In response, the Group revised its procedure by separating the "risk assessment of operations" and the "risk assessment of handling chemical substances" to enable clearer identification of risks and more precise measures.

## Compliance with global laws and regulations

In addition to the conventional regulations such as TSCA (USA) and REACH (Europe), Asian countries including China, South Korea and Taiwan are actively enforcing new laws and regulations.

In order for the Hodogaya Chemical Group to expand its business globally, it not only works in close collaboration with foreign affiliate companies and representative offices, but also takes active part in various industry activities to keep track of the latest trends in chemical substance management policies and legislation of other countries so as to be prepared to respond in a timely manner.

We share this legislative information and responses from other countries with the entire Hodogaya Chemical Group.

## Hygiene management incorporating HACCP

HACCP (Hazard Analysis Critical Control Point) is a system of international food hygiene management standards. HACCP requires preparation of a hygiene management plan for supplementing consistent implementation of the usual hygiene management by identifying any hazards such as contamination with bacteria that cause food poisoning, or foreign substances. Hazards are to be identified according to the raw materials and the manufacturing method used, and the plan should aim to eliminate or reduce them to a level at which they pose no risk from a food hygiene perspective.

The Koriyama Plant employs HACCP-compliant hygiene management in manufacturing hydrogen peroxide and peracetic acid as food additives, and plans to obtain certification during FY2020.

We will continue responding to customer needs by enhancing our reliability in terms of hygiene management, as in other areas, and adding greater value to our product portfolio.

# Environmental Conservation

- ISO 26000 7 core subjects: Environment -



## Basic approach

In protecting the environment, we consider it an important responsibility as a chemicals manufacturer to continuously reduce the emission volumes of all chemical substances released into the air, water, and soil, and the volume of waste discharged in the course of our business operations. In order to voluntarily improve the environment, safety, and health of all stakeholders, we established the environmental management system (EMS) under the Basic Philosophy of Responsible Care (RC) and undertake continuous improvements.

One initiative was the ISO 14001 certification which we acquired in December 2001. We use the ISO 14001 management system as a means (tool) for environmental conservation and work to reduce environmental impact.

## Promotion of energy-saving and resource-saving



In order to effectively use limited resources, we are promoting energy saving across all Group companies. At each plant, we have taken initiatives to promote the reduction of fuel and electricity usage, such as optimization of process control values, aggressive introduction of energy-saving equipment, recovery and reuse of steam, and increase of steam piping efficiency, through which we set a target to reduce the energy intensity by an average of 1% per year over a five-year period. In FY2019, we were unable to meet our target with annual energy intensity increasing by 0.1%, and we need to take further measures to address this issue.

## Material flow



## Voice



HODOGAYA AGROTECH Co., Ltd.  
Yasuyuki Harata

## Development of environmentally friendly product

When developing agricultural chemicals, it is of critical importance to ensure that users can safely utilize the chemicals to control weeds or pests, and to ensure that the impact of sprayed agricultural chemicals on the surrounding environment, including aquatic plants and animals, is minimal. By modifying the pharmaceutical formulation of products and the equipment used for spraying, it is possible to curb the impact on aquatic plants and animals, as well as reduce human exposure and dispersal into the surrounding area.

In recent years, some infrastructure and transportation-related companies have been setting their own safety standards for the agricultural chemicals they use, and some even ban the use of products labelled with a warning that they could potentially impact aquatic plants and animals. Most of the herbicides currently sold in Japan are labelled with this warning, but we modified the active ingredients, their respective amounts, and the pharmaceutical formulation to develop and start selling a highly effective herbicide with a reduced impact on aquatic plants and animals. I intend to continue working on product development, keeping safety and the environment in mind as I do so.

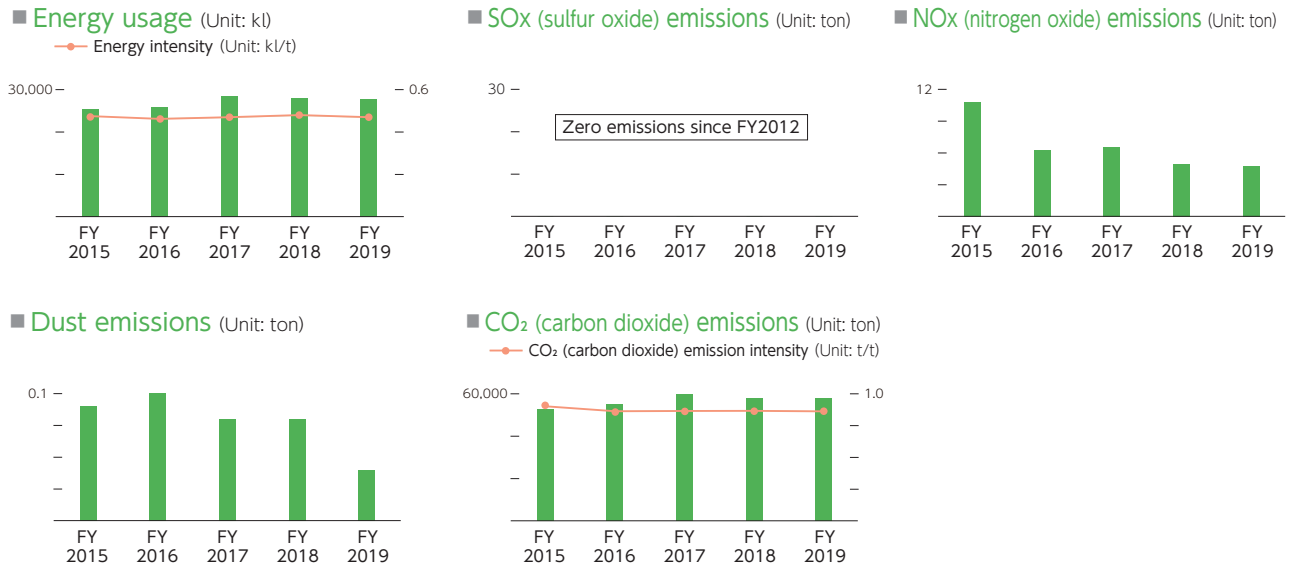
### Initiatives toward carbon-free society

The amount of GHG (energy-originated CO<sub>2</sub>) emissions in FY2019 decreased compared to FY2018 due to reduction of energy usage, but increased in terms of the amount of change over the past five years.

As we expect increase in production, we will conduct investigations on technology and costs related to the reduction of GHG emissions and strive to reduce our emissions through promoting the introduction of energy-saving equipment to reduce the energy intensity and renewable energy with the aim to achieve the COP21 targets.

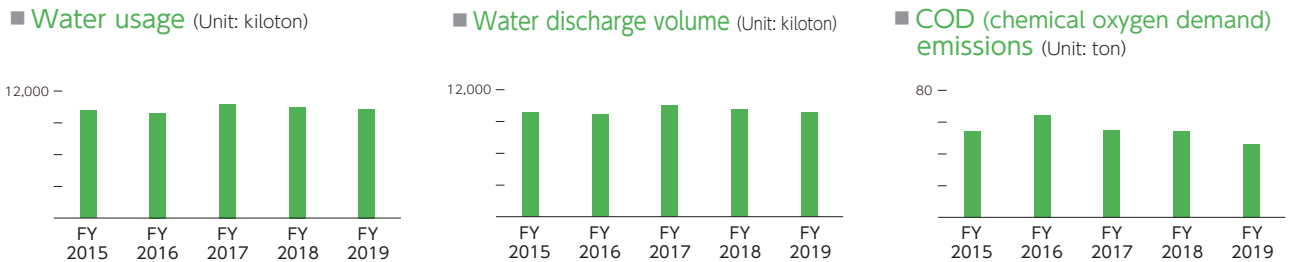
### Prevention of air pollution

We completed the switching of raw fuel used in our plants to city gas in FY2011, through which we have continued to achieve zero emission of SOx (sulfur oxide) since FY2012. We are also achieving significant reduction of NOx (nitrogen oxide) emissions.



### Prevention of water pollution

Water released during the manufacturing process is treated in an advanced manner at the on-site wastewater treatment facility within the plant, and released into the public water bodies after the water quality clears regulatory values. We will continue to improve the water quality and work to reduce the environmental impact risks to oceans and rivers.

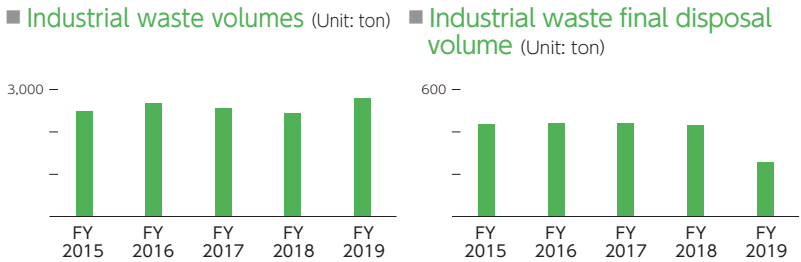


For data from the past 10 years, please access the following URL or QR code.  
[https://www.hodogaya.co.jp/english/csr/eco/environmental\\_data/](https://www.hodogaya.co.jp/english/csr/eco/environmental_data/)

### Promotion of industrial waste reduction and resource recycling

Our goal is to reduce the volume of industrial waste we generate compared with the previous fiscal year. This is always included in the annual RC plan, and each office sets its own individual goals and takes action accordingly.

In regard to the total amount of industrial waste in FY2019, a different product mix meant that we generated 12% more industrial waste than in the previous fiscal year, so we did not achieve our goal. However, the final disposal volume was 40% below the previous fiscal year's level as a result of measures such as promotion of resource recycling. We will continue to accumulate small improvements and promote the 3R initiative (reduce, reuse, recycle) to reduce the volume of waste we generate.

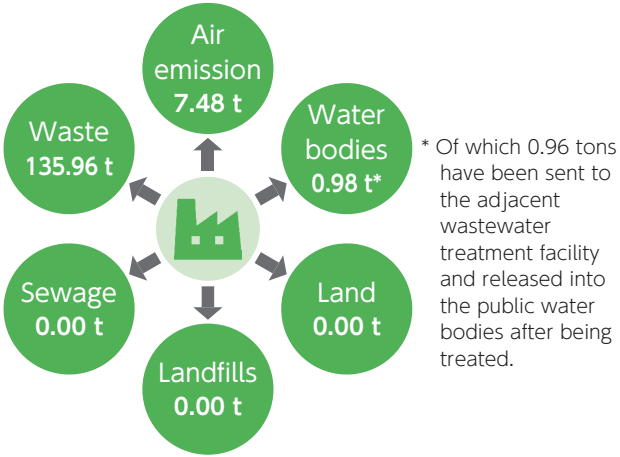


### PRTR (Pollutant Release and Transfer Register)

In order to reduce the environmental impact of chemical substances, we are gathering information on the status of release and transfer of the PRTR listed substances under the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof and notifying the national authorities.

Through these activities, Hodogaya Chemical keeps track of the chemical substances manufactured or used by the Company that are released in the environment or transferred as waste, and work to reduce the release and transfer of such substances from the perspective of environmental conservation.

#### FY2019 release amounts and transfer amounts of the PRTR listed substances



No. (PRTR Act)	Name of chemical substance	FY2019 results (compiled data): unit: t					
		Release amounts			Transfer amounts		
		Air emission	Water bodies	Land	Landfills	Sewage	Waste
8	methyl acrylate	0.00	0.00	0.00	0.00	0.00	1.90
53	ethylbenzene	0.44	0.15	0.00	0.00	0.00	8.99
80	xylene	0.44	0.15	0.00	0.00	0.00	8.59
87	chromium and chromium(III) compounds	0.00	0.00	0.00	0.00	0.00	0.83
160	3,3'-dichloro-4,4'-diaminodiphenylmethane	0.00	0.00	0.00	0.00	0.00	0.14
181	dichlorobenzene	0.14	0.39	0.00	0.00	0.00	29.59
232	N,N-dimethylformamide	0.00	0.00	0.00	0.00	0.00	4.70
296	1,2,4-trimethylbenzene	0.02	0.00	0.00	0.00	0.00	0.03
298	tolylene diisocyanate	0.00	0.00	0.00	0.00	0.00	3.68
300	toluene	6.26	0.00	0.00	0.00	0.00	72.40
355	bis (2-ethylhexyl) phthalate	0.00	0.00	0.00	0.00	0.00	0.89
411	formaldehyde	0.18	0.00	0.00	0.00	0.00	0.00
415	methacrylic acid	0.00	0.27	0.00	0.00	0.00	3.34
446	4,4'-methylenedianiline	0.00	0.00	0.00	0.00	0.00	0.90
453	molybdenum and its compounds	0.01	0.01	0.00	0.00	0.00	0.00
Grand total		7.48	0.98	0.00	0.00	0.00	135.96

For more details, please access the following URL or QR code.  
[https://www.hodogaya.co.jp/english/csr/eco/environmental\\_data/#a21](https://www.hodogaya.co.jp/english/csr/eco/environmental_data/#a21)

#### Voice



Koriyama Plant  
Shun Sato

#### Aiming for wastewater with minimal impact on river life

I work as a manager responsible for preventing water pollution. My work includes interpreting analysis data for water discharged by each manufacturing process as well as overall water discharge, monitoring water quality, and filing notifications with governmental authorities and others.

The Koriyama Plant manufactures products such as hydrogen peroxide and hydrogen peroxide derivatives, charge control agents and organic photo conductors used in copiers, and aluminum coloring dyes. The water discharged by the associated manufacturing processes is treated at a central wastewater treatment facility, then discharged into the Ouse River, a Class A river (as defined in Japan's River Act) within the water system of the Abukuma River, which runs through the city of Koriyama. We therefore conduct monitoring and measurement according to standards we have set ourselves, which are even more stringent than the statutory water discharge standards. If there is even the slightest change in water quality, we immediately contact the relevant department and discuss the situation with them, then deliberate on and implement an investigation into the cause, along with improvement measures.

Everybody at the plant will continue working as one to maintain and improve the quality of our wastewater so that the koi carp and dragonfly larvae in the Ouse River can continue to live there undisturbed.



## Together with Shareholders & Investors

- ISO 26000 7 core subjects: Fair operating practice -



### ► Basic approach

To maintain and deepen the trust in us by all shareholders and stakeholders well into the future, the Group recognizes that ensuring the soundness and legality of business management and increasing efficiency is one of the highest priority issues of business, and to this end, we are working to enhance and strengthen our corporate governance system.

### ► Disclosure of IR information

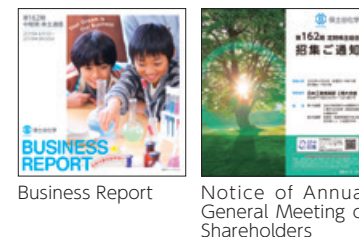
To provide shareholders, institutional investors, security analysts, and individual investors with a better understanding of the Hodogaya Chemical Group, we engage in extensive communication activities and strive to disclose information in a fair and timely manner. We have been making our Corporate Governance Report, Annual Securities Report, and various IR materials available from the "IR" section on our website, and we began posting our Summary of Quarterly Consolidated Financial Results in English starting in FY2017 and the Notice of the Annual General Meeting of Shareholders in English starting from the Annual General Meeting of Shareholders held in June 2018.

### ► Dialogue with shareholders & investors

The Group hosts a social gathering after the General Meeting of Shareholders to exchange face-to-face dialogue with its shareholders and encourage extensive bi-directional communication (to prevent the spread of COVID-19, the social gathering in 2020 was canceled). At mid-term, we also issue Business Reports to shareholders.

To enable foreign stakeholders to better understand the business and CSR activities of the Hodogaya Chemical Group, we began publishing our Integrated Report in English starting in FY2018.

For institutional investors and security analysts, the Group holds individual meetings on a quarterly basis to disclose information aggressively, and encourages bi-directional communication through engagements after the release of the Integrated Report for better understanding.



### ► Policy for the return of profit to stakeholders

We will strive to establish a sound and stable management foundation and to achieve sustainable increase of corporate value. Our basic policy is to maintain an appropriate balance between allocating profits earned as internal reserves for purposes such as investment to contribute to the growth of the Group, and returning profit to shareholders.

Specifically, we will effectively use our internal reserves to strengthen our mid- to long-term competitive edge through strategic investments to expand our core businesses, R&D efforts leading to the creation of new businesses and products, and to fund projects that could contribute to cost reductions, energy-saving and environmental solutions. Meanwhile, we determine fair returns to shareholders in a stable and continuous manner, taking into full consideration such factors as the business results, future expansion of business, and unforeseen risks, while paying particular attention to the ratio of dividend on equity (DOE).

Based on the above policy, the annual dividend for the fiscal year ended March 2020 was 50 yen per share.

### ► Renewal of takeover defense measures

In order to secure and enhance the corporate value of Hodogaya Chemical and common interests of our shareholders, since receiving approval at the 156th Annual General Meeting of Shareholders in 2014 for the introduction of our plan for countermeasures against large-scale acquisitions of Hodogaya Chemical shares (takeover defense measures), we have implemented a review of the details of said measures every three years when it is time for renewal. Renewal of the takeover defense measures was again approved at the 162nd Annual General Meeting of Shareholders in 2020.

## Together with Customers & Partner Companies

- ISO 26000 7 core subjects: Consumer issues/Fair operating practice -



### ► Basic approach

We recognize that managing information on all of our stakeholders is essential in performing our business fairly. In purchasing not only raw materials, commercial goods, OEM products but also facility equipment, we consider all of our partner companies as good partners of the Hodogaya Chemical Group, and work together in resolving social issues.

### ► Information security

We manage corporate data as confidential information, and set forth the Information Security Policy to ensure the security of information.

Under this policy, we ensure that information is obtained, used, disclosed, managed, and protected properly, and comply with related laws and regulations including the Unfair Competition Prevention Act and regulations on insider trading. All of our officers and employees strive to increase awareness of information security and implement security measures.

### ► Procurement Policy

The Hodogaya Chemical Group has set forth the Procurement Policy and the Procurement Guidelines. We promote CSR activities in line with our ESG (Environmental, Social, and Governance) requirements together with partner companies by asking them to comply with our Procurement Guidelines.

The details of the Procurement Policy and the Procurement Guidelines can be found on our website.

#### ■ Procurement Policy

1. Comply with laws, regulations, and social norms
2. Conduct environmentally friendly procurement activities
3. Provide fair trading opportunities
4. Deepen communication with the supply chain

The details of the Procurement Policy can be found on the website below:  
<https://www.hodogaya.co.jp/english/company/philosophy#a8>



Please find the Procurement Guidelines at the website below:  
[https://www.hodogaya.co.jp/english/wp/wp-content/uploads/2018/09/procurement\\_guidelines\\_20180918.pdf](https://www.hodogaya.co.jp/english/wp/wp-content/uploads/2018/09/procurement_guidelines_20180918.pdf)



### ► Promotion of CSR procurement

The Purchasing Department promotes the procurement of raw materials in tandem with the CSR activities.

We search with a global perspective for financially sound partner companies that are capable of continuous transactions, and endeavor to establish a robust supply chain. In particular, we work to secure multiple suppliers for each raw material and to diversify the countries from which we procure.

Based on Hodogaya Chemical Group's Procurement Policy, we ask our partner companies to conform with environmental, social, and governance needs such as management of chemical substances, reduction of the environmental impact of the raw materials, and respect for human rights throughout the supply chain. We will conduct visiting audits and questionnaire surveys, and work to deepen mutual understanding and establish mutual trust with our partner companies and to conduct improvement activities.

The Hodogaya Chemical Group does not handle tin, tantalum, tungsten, or gold, which are regarded as conflict minerals (minerals that are mined in African countries and other regions affected by conflict and serve as sources of funds for armed groups).

### Voice



Corporate Planning Department  
Yusaku Takahashi

### Communication with shareholders & investors

The role of the department responsible for IR (investor relations) activities is to provide shareholders and investors with the right information at the right time in order to help them gain an accurate understanding of the Company.

We have implemented measures to enable a greater number of shareholders to participate in the General Meeting of Shareholders, such as avoiding peak concentration dates for holding the meeting and introducing the option of exercising voting rights online.

We engage in dialogue with institutional investors and analysts through individual meetings. I myself am responsible for dealing with requests for IR interviews after the announcement of financial results by, for instance, arranging meeting dates, preparing documents to be provided, and organizing information.

I want to continue doing my part to help shareholders and investors learn more about the Hodogaya Chemical Group.

# Together with Employees

- ISO 26000 7 core subjects: Labor practices, Consumer issues -



## ► Basic approach

The Hodogaya Chemical Group aims to become a corporation that steadily supplies “Only One/Number One” specialty products in global and niche markets, and takes on the following four approaches to this end: formulation and promotion of a flexible and suitable “personnel system” that can respond to the changing environment; “personnel placement” that enables each and every employee to efficiently exercise their ability; appropriate “recruitment” in view of future business expansions; and an “enhanced education program” to nurture personnel that can think, investigate, and take actions for themselves. In addition, we are promoting health and productivity management measures, believing that the Hodogaya Chemical Group’s corporate value will be enhanced if our employees can work in good health.

## ► Initiatives for diversity



Diverse mixes of people, regardless of age, sex, or nationality, are working in a broad range of fields at the Hodogaya Chemical Group.

### ● Active participation of female employees

The Group expects both male and female employees to actively participate in all positions including management and supervisory positions based on individual capabilities, skills and experience.

For the three years starting FY2016, we set the following targets: (1) the percentage of female applicants in new hires to be 30% or greater; (2) the percentage of female employment to be 20% or greater; and (3) the percentage of female managers to be 10% or greater in management personnel. All of these targets were achieved in FY2018. Moreover, they were achieved for a second consecutive year in FY2019.

In particular, we have more female managers working as general managers of departments and heads of the administration department of our plants, and the number of female managers accounted for 10.8% of the total management personnel as of March 31, 2020.

### ● Active participation of foreign employees

In response to the global expansion of business, the Hodogaya Chemical Group has many foreign employees who are working inside and outside Japan. As of March 31, 2020, there are 153 foreign employees (21.2%) who are pursuing their career in various areas including production, R&D, sales, and management.

### ● Initiatives to improve the employment rate of workers with disabilities

Our target for employment rate of workers with disabilities is 2.2%, and in order to achieve this goal, we select candidates through recruitment activities by visiting schools in the vicinity of the offices, exchanging information with Hello Work (public employment security office) and private support institutions, and receiving referrals from staffing firms. We then establish probationary periods and conduct internship programs at the offices. As of March 31, 2020, employment rate of workers with disabilities reached 2.26%, thereby achieving the target for employment rate.

### ● Initiatives to support the re-challenge of middle-aged and senior employees

The Group has introduced the Reemployment Program for retired personnel and provides a senior employment system for those who wish to continue their career. In FY2019, nearly 90% of the retired personnel utilized their experience to continue their career in various fields.

### ■ Achievements regarding diversity

	FY2015	FY2016	FY2017	FY2018	FY2019
Number of employees (persons)	686	691	719	731	739
Ratio of female managers (%)	6.3	8.4	8.9	11.2	10.8
Ratio of female employment (%)	5.9	20.0	28.9	22.7	25.0
Ratio of disability employment (%)	1.27	1.26	1.47	1.85	2.26
Number of re-employment (persons)	65	64	61	47	40

## ► Initiatives for work-life balance



With an aim to achieve “further growth of the Hodogaya Chemical Group” and “improvement of job satisfaction of employees” at the same time, we respect the diverse lifestyles and work to create a motivating workplace environment. To this end, we implement various programs and policies to enable employees to achieve a highly productive work style and successfully combine work and daily living (work-life balance).



The details of the system can be found on our website.

<https://www.hodogaya.co.jp/english/csr/stakeholder/employee#a9>



### ● Child-raising and nursing care

The Group implements various programs to support childcare, including short working hours during pregnancy and child-raising period, long-term childcare leave, and nursing leave when to care for a sick child. For better understanding and use of such programs, we also conduct briefings to publicize the corporate programs, financial aids, and necessary procedures related to pregnancy, childbirth, and childcare that are available. Employees are also entitled to a congratulatory leave upon childbirth by their spouse. In FY2019, a total of six employees made use of long-term childcare leave: both of the two employees who gave birth themselves, and four of the eleven employees whose spouses had given birth.

The Group also implements nursing care programs including long-term and short-term nursing care leaves. In FY2018, we introduced a reemployment applicants registration system named Come-back Entry Program for employees who terminated their employment voluntarily due to reasons such as childcare and nursing care.

### ● Reduction of overtime labor

As initiatives to reduce work hours, we set “no overtime days” on Wednesdays and Fridays every week and instruct employees to leave work on time. In addition, the Head Office promotes to leave the office by 9 p.m., and although it is not an official rule, we aim to ensure a 12-hour interval between shifts.

The flextime working system has also been expanded starting in FY2016 to include some of the administrative departments at the Head Office. It was proven to be effective in reducing overtime labor and improving work efficiency, and we are considering expanding the system to other departments in the future.

In promoting these initiatives, each department is able to manage overtime labor with the implementation of the attendance management system.

### ● Annual paid holidays

Annual paid holidays can also be used on a half-day basis, and the rate of usage of paid holidays is 60% or greater. In both FY2018 and FY2019 all Group employees took five days or more of holiday. Going forward, we will continue to review various systems to achieve further improvements.

Annual paid holidays that were not used can be accumulated as accumulated annual leave for personal injury. Accumulated annual leave for personal injury may be used for purposes such as nursing care and volunteer activities in addition to personal injuries.

### ● Refreshment leave

Refreshment leave is a system in which employees are eligible to take five consecutive business days off in addition to the annual paid holidays. This leave is aimed to freshen up the mind and body, and by combining it with Saturdays and Sundays, employees can enjoy a longer vacation.

Employees are required to use a certain number of annual paid holidays prior to taking the refreshment leave in order to achieve a good balance between annual paid holidays and refreshment leaves.

### ● The use of Shinkansen and charged limited express trains for commuting

This system allows employees to use the Shinkansen and charged limited express trains for commuting, aiming to alleviate the commuting time of long-distance commuters, allow effective utilization of their time, and offer more choices of where to live. There are certain requirements such as commuting time and commuting distance to be eligible, but the system is utilized as one measure to enhance work-life balance.

## Voice



Yokohama Plant  
Tomoya Murakami

## Thank you for quality time to bond with my family

My first child was born in January 2019, and in May 2019 I took one month’s long-term childcare leave. When I took the leave, I had all sorts of reservations, wondering whether I might have no place to return to in the Company, or whether people would look at me disapprovingly. But the colleagues I work with supported me, and my manager was understanding, so I was able to focus on looking after my child. And, needless to say, they gave me a warm welcome when I returned to work. During this long-term childcare leave, I was able to experience my child’s growth at first hand, and my interest in parenting and enthusiasm for it increased. What is more, my wife told me how grateful she was—not only to me, but also to the Company—so I felt truly fortunate to have been able to take the leave. It is just my own subjective impression, but I feel that my day-to-day work efficiency has improved because I want to get back home where my cute little child is waiting for me as early as possible.



Enhanced education programs



In order to achieve our management philosophy, we provide systematic education with an aim to nurture personnel who can look across from a high perspective and respond flexibly to the changes in situation. During FY2019 we improved our education based on the existing system through means such as revising the educational curriculum for general managers of departments and setting up a new department specializing in education for R&D personnel. In conjunction with this, we updated the education system in order to cultivate personnel capable of achieving a competitive advantage in the market and fulfilling our corporate responsibilities to society. We have been providing education in line with the new, updated education system since April 2020.

At the Basic Educational Courses for all employees, we offer educational courses such as compliance education, RC education, and diversity education to improve the basic knowledge essential for a member of the Hodogaya Chemical Group.

We allocate personnel with required capabilities and qualifications appropriately. Education we provide includes (i) education by job capacity to impart the knowledge necessary for specific job capacities, such as general managers of departments or presidents of group companies, (ii) education by job grade to improve capabilities as appropriate for particular ability-based grades, and (iii) education by job position to improve capabilities required to perform specific duties, such as sales, development, and production.

Furthermore, as global education to create groups with deep and broad qualities consisting of diverse talents and personalities, we offer regular foreign language educational courses in an aim to nurture personnel who can respond to globalization. We also have a foreign trainee program in which employees can study abroad in an English-, Chinese-, or Korean-speaking country for practical education in the local language in addition to language training.

As support for self-development, we offer support to acquire qualifications and licenses, active learning support through correspondence courses, and support for web-based e-Learning courses. All employees take e-Learning courses on at least six themes every year.

Enhanced health maintenance and care systems



The Hodogaya Chemical Group promotes the health and productivity management in accordance with the Basic Philosophy and the Basic Policies of Responsible Care (RC). We actively support the promotion of mental and physical health jointly with Hodogaya Chemical Health Insurance Society so that all of the employees can work in good health. We work to achieve a goal of a 100% consultation rate for health checkups, and in FY2019, 100% of our employees took the first checkup. Our industrial physicians conduct interviews at each office, and health conditions of employees are shared with the company so that we can work to improve conditions or prevent deterioration. Regarding mental health, we have been continuously implementing stress checks, and in FY2019 we achieved a 100% implementation rate. The Group further conducts "mental health training" for all employees with an aim to provide information on stress and to learn how to deal with it. By learning about stress from the employees' perspectives and of others, employees gain better understanding on how to manage stress properly.

Measures to prevent COVID-19

Companies in the Hodogaya Chemical Group are aware that their measures to prevent COVID-19 infection in the workplace not only fulfill the Group's responsibility to supply products as a manufacturer, but also contribute to preventing the spread of infection within society as a whole. Each company therefore implements measures to reduce the risk of infection. At the same time, the Group's officers and employees are aware that managing their own health contributes to preventing the spread of infection within society as a whole, and they are also implementing measures to reduce the risk of infection.

Specifically, we are recommending working from home and staggered commuting times, and are endeavoring to reduce attendance at workplaces at the discretion of heads of individual offices, as long as work is not impeded. Where overseas travel is concerned, our key principle is to abide by requirements and restrictions imposed by national governments and other authorities. For business trips within Japan, internal meetings, and the like, we are utilizing online meetings and other methods in an effort to not only prevent infection, but also to contribute to efficient business operations.

Besides these initiatives, we are implementing other measures to ensure the safety of everybody involved with the Company, including employees, their families, and our partner companies. These include continuing to enforce routine handwashing and coughing etiquette, providing hand sanitizer in reception areas and work spaces, and recommending the wearing of masks. In addition, we are informing employees about matters such as action to take if they feel unwell, and are ensuring that everybody is aware they should try to be mindful of avoiding the "3 C's" (closed spaces, crowded places, and close-contact settings) as they go about their daily lives.

Alongside its efforts to accommodate the "new normal" way of life, the Group is endeavoring to operate its organization in such a way that it continues to grow, even during the COVID crisis.

Achievements regarding work-life balance

		FY2015	FY2016	FY2017	FY2018	FY2019
Long-term childcare leave (persons)	Male	0	0	0	0	4
	Female	1	3	2	1	2
Long-term nursing care leave (persons)		0	1	0	0	0
Rate of usage of paid holidays (%)		68	66	66	68	68
Rate of usage of refreshment leaves (%)		—	—	—	95	94

Together with Community & Society

- ISO 26000 7 core subjects: Community involvement and development -



Basic approach

The Hodogaya Chemical Group believes that contributing to the sustainable development of the community is an important activity as corporate citizens in carrying out its business activities. We are engaged in various community contribution activities including the nurturing of children through chemistry, environmental conservation activities in the regions where the Group's plants are located, and the provision of tangible and intangible objects that are useful for the rich lifestyles of people.



Koriyama Plant  
Noritoshi  
Suzuki

Visiting classes at an elementary school



During FY2019, we conducted visiting classes at two nearby elementary schools as one of the Koriyama Plant's CSR activities. In these classes, we explained and demonstrated experiments, and had the children actually try the experiments for themselves. They experienced an experiment employing the liquid nitrogen that we usually use for analysis, as well as making a bookmark by recycling waste paper to learn about the bleaching action of hydrogen peroxide, a Hodogaya Chemical Group product. They also experienced a color-related experiment to learn about dyes and colors.

The children listened enthusiastically to our explanations and appeared to enjoy doing the experiments. The same experiments sometimes appear on television programs, but I think that actually seeing and doing the experiments in real life was more surprising and left a deeper impression.

I want to go on making use of visiting classes and the KORIYAMA EXPO to convey to local children how interesting chemistry can be.



Allowing the local community to use company-owned land



As a private-sector company that believes in doing what it can to cooperate with the local government and community, Hodogaya Chemical offers use of land on its plant premises free of charge.

At its Koriyama Plant, parts of the site are provided free of charge for Koriyama Station's east-west connecting passageway, and for a bicycle parking lot run by the city authority, among other purposes. At the Nanyo Plant, parts of the site are provided for purposes including the Shinnan-yo Stadium.

In October 2019, we concluded trilateral agreement concerning evacuation of buses during a disaster with Koriyama City and the Koriyama branch of Fukushima Transportation Inc. For evacuation of buses when a disaster occurs, we offer part of the premises of our Koriyama Plant as an evacuation place. The land was put to use straight away, helping to reduce the number of buses damaged when Typhoon Hagibis (Typhoon No. 19) occurred that same month.



Forest maintenance volunteering



In October 2019, the Agriculture and Forestry Office of Shunan, Yamaguchi Prefecture held its Community, Forest, and Water Volunteering Event in the Fureai-no-Mori Forest, located on woodland owned by the city of Shunan. The event is held annually to promote greater understanding of the forests' capacity to preserve water resources and prevent global warming, both of which are indispensable to both daily life and corporate activities. The Nanyo Plant has participated in the event since it was first held in 1996.

The actual location of the event was on such steep slope that it seemed hard to believe that the volunteers would really undertake forest maintenance work in such a place. Once the participants were in the forest, however, they adapted physically, and were able to work while enjoying refreshing views that they would never usually have the chance to see.

We feel now that we want to incorporate the experience we gained from this volunteering into our daily life and retain our awareness of nature.



# Respect for Human Rights

– ISO 26000 7 core subjects: Human rights –



## ► Basic approach

The Hodogaya Chemical Group believes that respect for human rights is a fundamental matter in carrying out its business activities. Compliance with laws and regulations, behavior based on high ethics and common sense, respect for diversity, individuality, and personality of everyone working at the Hodogaya Chemical Group, and creation of a sound and pleasant workplace environment free of discrimination and harassment are specified in the Corporate Action Guidelines and the Compliance Action Policy.

Please find the Corporate Action Guidelines at the website below:



<https://www.hodogaya.co.jp/english/company/philosophy#a7>



## ► Initiatives to tackle human rights issues

### ● Development of a company-wide comprehensive guideline on human rights

Respect for human rights and prohibition of discrimination are spelled out in the basic approach of the Compliance Action Policy.

Excerpt from the Compliance Action Policy

Respect for human rights and prohibition of discrimination

We will respect the basic human rights, and will not discriminate based on nationality, race, belief, sex, age, ethnic group, religion, disability, illness, social status, or other reasons, or behave in any way to disregard the dignity of individuals, in all corporate activities.

### ● Support and assessment of initiatives to tackle human rights issues in the supply chain

The Hodogaya Chemical Group sets forth the Procurement Policy and the Procurement Guidelines and asks its partner companies to understand the content and to undertake initiatives to tackle human rights issues similar to those of the Group.

The Procurement Guidelines spell out the prohibition of forced labor, prohibition of inhumane treatment, prohibition of child labor, prohibition of discrimination, proper wages, and work hours as items to be complied with for the Human Rights and Labor.

### ● Establishment of a system to prevent all forms of harassment

Following the enforcement of the revised Act on Comprehensive Promotion of Labor Policies and related guidelines on June 1, 2020, we established a system to comprehensively prevent all forms of harassment that could comprise violations of human rights. This includes workplace bullying, sexual harassment, pregnancy-related harassment, or harassment related to leave taken for childcare or other long-term nursing care. After clearly stipulating in our business policies and Work Rules that harassment is prohibited, we created harassment prevention regulations and a manual in order to implement a range of measures, including establishing a consultation desk. Going forward, we will ensure that we offer workplace environments where human rights are respected by continuously providing human rights education for employees on a regular basis.

## ► Initiatives against forced labor and child labor

Respect for the individuality and personality of employees is spelled out in the Corporate Action Guidelines, and respect for human rights and prohibition of discrimination are spelled out in the Compliance Action Policy.

In line with these policies, we do not tolerate forced labor or child labor at the Hodogaya Chemical Group.

## ► Proper management of personal information

The Hodogaya Chemical Group has established and announced the Personal Information Protection Policy in order to ensure proper handling of personal information at the organizational level, and further set forth the Personal Information Management Rules, the Specific Personal Information Management Rules, the Health Information Management Rules and other rules. We will abide by the laws and regulations on the handling of personal information, Individual Number, health-related information, etc., and promote the proper storage, utilization, and management of such information within the scope of use as defined in the policies and rules, and conduct education and awareness building activities for all officers and employees.

We are also working to comply with the EU General Data Protection Regulation (GDPR) with the aim of protecting the personal data of the European Economic Area, including the EU.

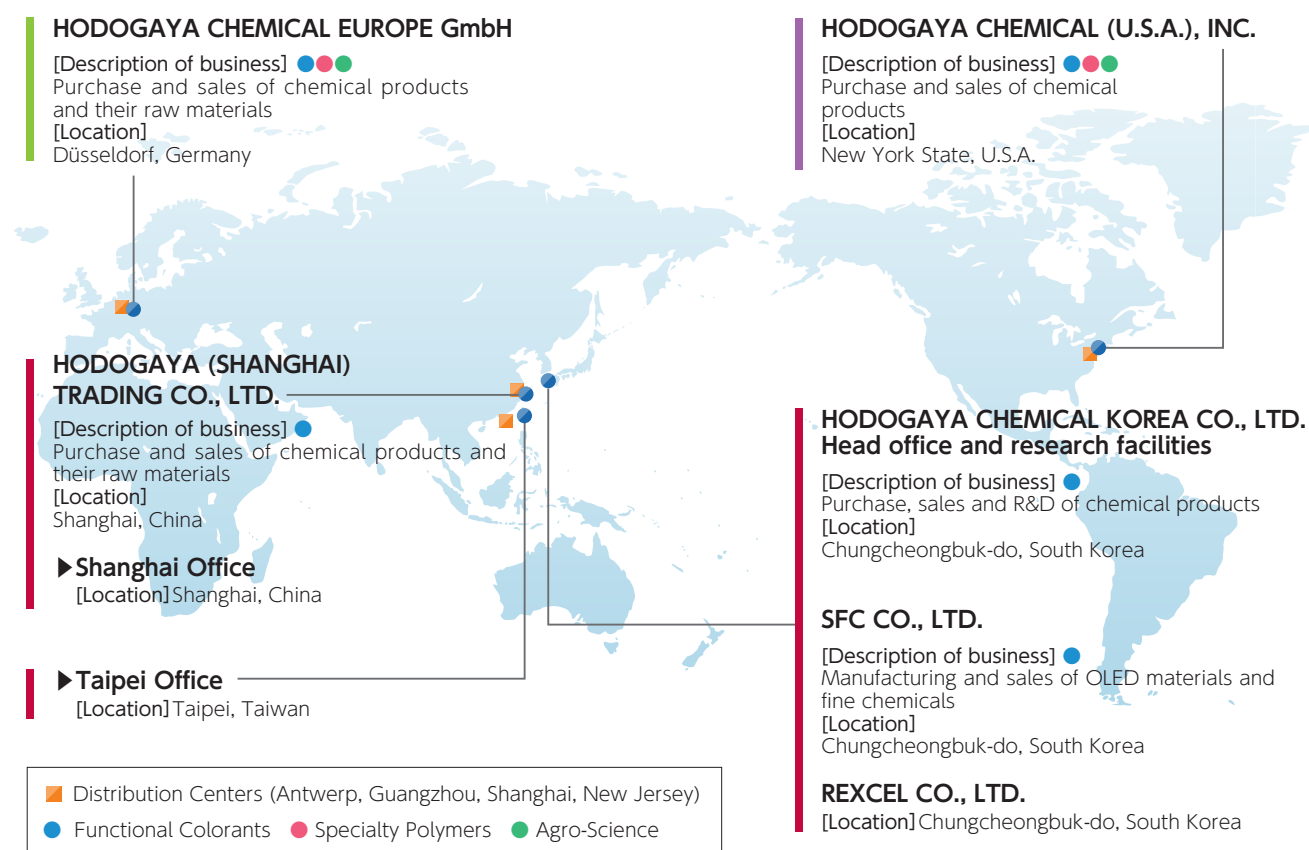
# Corporate Overview & Network (As of March 31, 2020)

## <<Corporate Overview>>

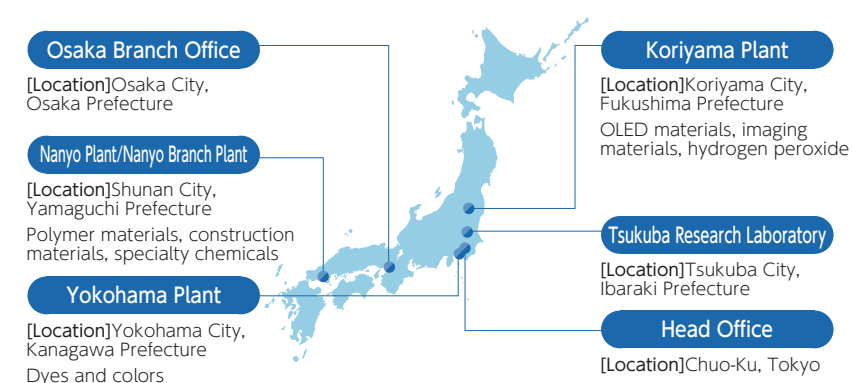
<b>Company Name</b>	Hodogaya Chemical Co., Ltd.
<b>Head Office</b>	2-4-1 Yaesu, Chuo-ku, Tokyo, 104-0028 Japan TEL +81-3-5299-8000 (Main switchboard)
<b>Foundation</b>	December 11, 1916
<b>Paid-in Capital</b>	11,196 million yen
<b>Employees</b>	739 (Consolidated), 433 (Hodogaya only) (As of March 31, 2020)

<b>Description of Business</b>	<ul style="list-style-type: none"> <li>● <b>Functional Colorants</b> OLED materials/imaging materials/ dyes and colors/food additives</li> <li>● <b>Specialty Polymers</b> Polymer materials/construction materials/ specialty chemicals</li> <li>● <b>Basic Chemicals</b> Hydrogen peroxide and its derivatives/ other industrial basic materials</li> <li>● <b>Agro-Science</b> Agricultural chemicals-related products</li> <li>● <b>Logistics</b> Warehousing/logistics</li> </ul>
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## <<Overseas Network>>



## <<Domestic Network>>



## Major Domestic Group Companies

- **KATSURA SANGYO CO., LTD.**  
Purchase and sales of chemical products
- **Hodogaya Construction Products Co., Ltd.**  
Manufacturing and sales of construction products
- **Hodogaya Contract Laboratory Co., Ltd.**  
Contract-based analysis and development of chemical products
- **Hodogaya Logistics Co., Ltd.**  
Warehousing and logistics
- **HODOGAYA UPL Co., Ltd.**  
Manufacturing and sales of agricultural chemicals
- **HODOGAYA AGROTECH Co., Ltd.**  
Manufacturing and sales of agricultural chemicals



<https://www.hodogaya.co.jp/english/>



**Hodogaya Chemical Co., Ltd.**

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