

Hodogaya Chemical Group Report **Integrated Report 2021**



Your Dream is Our Business

Purpose / Management Philosophy

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.

VISION / Target Corporate Image

A corporation that contributes to establish a sustainable society by means of our original portfolio and environmentally friendly manufacturing, with a focus on specialty products.



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 all our 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. The previous mid-term management plan “HONKI 2020” ran through FY2020, and in FY2021, we launched the new mid-term management plan “SPEED 25/30.” At the same time, we updated the content of our integrated report.

This report consists of three sections—“Hodogaya Chemical Group’s Value Creation Story,” “Business Growth Strategy,” and “Organization and Strategy Supporting Value Creation.”

In the “Value Creation Story” section, we discuss contributions that the Group has made to solving social problems through its history and value created. This includes discussing our perceptions of the external environment related to social problems, determining accompanying risks and opportunities and responses to those, compiling that into materiality, and then explaining our efforts to achieve our FY2030 ideal figure for each of those.

In the “Business Growth Strategy” section, we discuss the strengths of each segment and its relationship to the new mid-term management plan.

In the “Organization and Strategy Supporting Value Creation” section, we look at our strategy related to ESG (Environmental, Social, and Governance) management in terms of solutions to social issues that are linked to synergies to generate profit.

Also, detailed information regarding products, financial matters and ESG, 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 or the addresses (URLs) shown in this report.

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

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Corporate Overview (As of March 31, 2021)

Company Name	Hodogaya Chemical Co., Ltd.
Head Office	2-4-1 Yaesu, Chuo-ku, Tokyo, 104-0028 Japan TEL +81-3-5299-8000 (Main switchboard) * Plan to move in May 2022. 1-9-2 Higashi-Shinbashi, Minato-ku, Tokyo
Foundation	December 11, 1916
Paid-in Capital	11,196 million yen
Employees	789 (Consolidated), 449 (Hodogaya non-consolidated) (As of March 31, 2021)

Description of business

Primarily producing and selling organic industrial chemicals and conducting various related businesses, including logistics and commissioned research and development.

Offices

Head Office (Chuo-Ku, Tokyo), Osaka Branch Office (Osaka City, Osaka Prefecture), Koriyama Plant (Koriyama City, Fukushima Prefecture), Yokohama Plant (Yokohama City, Kanagawa Prefecture), Nanyo Plant/Nanyo Branch Plant (Shunan City, Yamaguchi Prefecture), Tsukuba Research Laboratory (Tsukuba City, Ibaraki Prefecture), Shanghai Office (Shanghai, China), Taipei Office (Taipei, Taiwan)

Period Covered

This Report generally covers the period from April 2020 to March 2021, but also contains reports on activities before and after said period.

Scope of Report

Hodogaya Chemical Co., Ltd. and its group companies

Publication Date

November 2021

Major Guidelines Referenced

- Ministry of Economy, Trade and Industry Guidance for Collaborative Value Creation
- International Integrated Reporting Council (IIRC) framework
- ISO 26000: 2010 Guidance on Social Responsibility
- GRI Sustainability Reporting Standards
- Ministry of the Environment Environmental Reporting Guidelines 2018
- Recommendations by the Task Force on Climate-related Financial Disclosures
- U.S. Sustainability Accounting Standards Board (SASB) standards, “Resource Transformation” Sector, Chemicals

* IIRC and SASB were reorganized into the Value Reporting Foundation (VRF) in June 2021.



Products of Hodogaya Chemical Group Around You

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.

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 detergents
Our cleaning agents are used in powder detergents for dishwasher.

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 dryer brushes.

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.

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

Meat, vegetables, fruit
Our peracetic acid products are used for disinfecting.

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.

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

Endoscopes
Our disinfectant agents are used for cleaning.

Materials used for PCR test kits
Materials that bond to synthetic DNA are used in the virus detection process.

Aquafarms
Our veterinary medicines are used for fish parasite removal.

Automobile tires
Our adhesives are used in tires.

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

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.

Message from the President

Passing our founding ethos of *Honpo Koshi* (“being the first in Japan”) down to the next generation, we will continue striving to be a 200-year company that challenges itself and increases corporate value over the long term.



Yuto Matsumoto
President



With regard to **strategic investment**, we did not execute any M&A and **our overall investment in capital expenditures was 10.1 billion yen**.

Efforts to strengthen global operations **made progress in terms of both R&D and production** thanks to development projects and the establishment of a new manufacturing base in South Korea, a core location for our OLED materials business. In Europe, we also established a subsidiary in Germany: Hodogaya Chemical Europe GmbH. Through this global progress, our ratio of overseas sales, which stood at 12% in FY2009, has now risen to 42% in FY2020.

Building a Multifaceted Business Portfolio

Viewing our business overall, **we have achieved a comparatively balanced and multifaceted business portfolio due to the growth** in the past six years of the functional colorants and OLED materials businesses. I feel that having this multifaceted balance has allowed us to achieve reasonable results even in the drastic business environment that we saw due to the outbreak of the COVID-19 pandemic in the final fiscal year of our previous Mid-term Management Plan.

CSR-related Initiatives and Results

With regard to CSR initiatives, first off, **we established a CSR Committee to promote CSR and we also established a CSR Promotion Department specifically dedicated to CSR activities**. Through Group-wide CSR activities, we are dedicated to fulfilling our corporate social responsibility by contributing to addressing environmental problems, including in logistics, and by developing products that contribute to achieving the SDGs. This is in addition to obtaining the Eco Rail Mark certification and announcing a declaration of support for the White Logistics Movement. At the same time, we are also engaging in a variety of activities that contribute to local communities. Furthermore, our initiatives have received a measure of recognition, including being designated by the “Certified Health & Productivity Management Outstanding Organizations 2021 Recognition Program” and intermediate-level inclusion as one of approximately 300 companies in the global chemical industry recognized for FY2020 ESG evaluation by FTSE Russell.*

Strengthening Governance

In terms of strengthening governance, we have made solid progress over these six years. In June of 2015, the first year of HONKI 2020, **we transitioned to being a company with an Audit & Supervisory Committee** and the following year, in July of 2016, we adopted a company stock award plan. Furthermore, in January 2018, we reduced the number of directors who are not Audit & Supervisory Committee members from seven to three, and, in June 2019, reduced the number of directors who are Audit & Supervisory Committee members from five to four. Of those four, three were independent outside directors. From that point in time, **we have had three outside directors among our seven directors, maintaining (or coming in above) the one-third ratio of outside to inside directors stipulated in the Corporate Governance Code**. Additionally, in June 2019,

we established a Nominating and Compensation Committee.

Personnel Development and Fostering an IT Environment

In terms of personnel development initiatives, we built out our educational framework at production sites, including establishing a Technical Learning Center, and worked on our system for tracking the progress of R&D by setting up an R&D Learning Center. In addition, we completed a company-wide education system that incorporates new educational items and **we are working to enhance the education program to nurture personnel that can think, investigate, and take actions for themselves**.

With regard to overseas trainees, except for having to postpone FY2020 projects due to COVID-19, we are making steady progress on personnel development through these measures. In addition to hiring new college graduates, efforts to hire skilled personnel throughout the year help us foster employees who will be able to flexibly handle future changes in business conditions.

We have also been striving to establish an IT environment. **Thanks to our relatively early adoption of virtual desktops, we were able to smoothly handle the work-from-home transition during COVID-19**.

Addressing Remaining Challenges

Our remaining challenges include searching for and quickly cultivating a new growth driver to succeed the OLED materials business, in addition to building a business portfolio that will be able to accommodate the changes that take place in a future environment expected to involve increasing uncertainty. Therefore, we will respond by evolving our multifaceted business portfolio and further strengthening the combined three functions of R&D, production, and sales. As far as issues that would benefit from critique and reflection, one could say that our monitoring of progress toward achieving targets, as well as our response to environmental changes, was not sufficient. In light of this, we have incorporated KPI management into our new Mid-term Management Plan and, if progress delays or problems arise, we now have a structure for appropriately assessing issues, including making prompt revisions.

This sums up my review of HONKI 2020.

* FTSE Russell: A company based in London, UK, that calculates and maintains stock market indexes and provides related financial data. The company is also well known as a global ESG evaluation organization.

Looking Back on the Previous Mid-term Management Plan HONKI 2020

Performance-related Initiatives and Results

FY2020 was the final year of our six-year, previous Mid-term Management Plan HONKI 2020, which kicked off in FY2015. Striving to be a corporation that steadily supplies “Only One/ Number One” specialty products in the global and niche markets, we pursued HONKI 2020’s concrete targets of 50 billion yen in net sales, 5 billion yen in operating profit, and a 10% operating margin. In terms of results, **while growing at an average of 4% annually during the plan, thanks to expansion in the OLED business and elsewhere, our net sales unfortunately came in below the target, at 41.1 billion yen**.

At the same time, **we did meet targets for operating profit, posting 5.4 billion yen, and operating margin, which reached 13.2%**, on the back of strong growth for materials used in PCR diagnostic kits developed by our South Korean subsidiary SFC. **Given these numbers, I believe that we posted reasonable performance results**.

Focus Area Initiatives and Results

The outline of HONKI 2020 focused on initiatives to strengthen four areas: core businesses, growth businesses, cultivation businesses, and new business creation. Furthermore, as elements that support these four areas, we proceeded to strengthen personnel development, CSR initiatives, and our global management structure.

Looking back on these six years, although net sales were basically flat due to factors such as market stagnation and intensifying competition in **core businesses, we completed steps toward future expansion, including establishing new facilities and expanding existing facilities for aluminum coloring dyes and phosgene derivatives**.

In our growth businesses, net sales and profits grew strongly for **OLED materials, which is a particular focus of our operating resources and has taken the place of imaging materials as our top business**. In cultivation businesses, we are continuing to develop future pillars of growth—specifically, dyes for color filters and peroxides for agricultural uses. **As for new business creation, despite our target of 5 billion yen in net sales for new products, results came in below that level, at 3.4 billion yen**.

The Message of New Mid-term Management Plan SPEED 25/30

The Hodogaya Chemical Group will speedily transform itself to our “target figure” in FY2025 and to our “ideal figure” in FY2030, by means of:

- S:** Specialty products that construct a
- P:** Portfolio built up with great originality;
- E:** Engagement improvement that contributes to
- E:** ESG management promotion;
- D:** Digital transformation-led competitiveness enhancement

Our “Ideal Figure” in FY2030

There are six components of our ideal figure for FY2030. The first is **strengthening our business**, which involves progress toward the aforementioned multifaceted business portfolio. The second is **expanding our sphere of activity**, which includes our aim to continue creating new products. The third is **efficiency gains**, which support the first two components by achieving high productivity. The fourth is taking an employee perspective and striving to **improve job satisfaction**. The fifth is taking a social perspective and **contributing to the achievement of the SDGs by being a company that is environmentally friendly**. And, the sixth, is taking a shareholder perspective with the objective of a long-term, continuous, and stable dividend. With the exception of “shareholder perspective,” we will pursue the achievement of the other five of these six components by combining them with efforts toward digital transformation.

Philosophy on Shareholder Returns

Shareholder returns will continue to be an essential target under SPEED 25/30. Under our long-standing philosophy of stable dividends, we have continued to pay a consistent dividend without cutting it even during challenging times of performance for the business. Going forward, it will be even more crucial to meet shareholder expectations in order for our stock to be a stable holding over the long term. To that end, **we will first pay particular attention to the ratio of dividend on equity (DOE) and will pursue a policy that strives to consistently raise our dividend**, under the assumption that we must operate a business that is steadily profitable. The first step in that direction is a planned dividend increase of 10 yen in FY2021.

Formulation Details and Strategies

Leading up to our formulation of this new plan, we started preparations in the latter half of 2018, including setting up a working group primarily comprised of younger employees. Together, we deliberated on megatrends and future targets, including the global economy and the environment. **We tried to envision society 10 and 20 years into the future, then worked backwards from those time points to formulate the plan.** In terms of approaches, one option is forecasting, which describes the future as an extension of present circumstances.

Reflecting on the past several years, though, we have seen drastic changes in the market environment, large leaps and innovations in technological development, and instances of wind and flood damage that are supposed to only occur once in several decades. Furthermore, due to the COVID-19 pandemic, nearly all social and economic activity came to a halt, with previously unpredicted, non-sequential changes taking place and impacting the entire globe. In such circumstances, we did not think that forecasting would be a sufficient conceptual approach to formulating the plan.

Aiming to Be a 200-Year Company

The Hodogaya Chemical Group’s management philosophy includes the words: “contribute to the creation of an environmentally conscious society.” In 2016, we celebrated our 100th anniversary and, as a 200-year company, are currently aiming to tackle the next 100 years. In striving to be a 200-year company, we believe that we must first predict social challenges 10 and 20 years into the future, then create value by solving those challenges. In the course of our deliberations, we also reviewed our current management philosophy and determined that it should stand, since it sufficiently recognizes and addresses the coming 10 to 20 years.

Our new Mid-term Management Plan SPEED 25/30 is the vision that we formulated to achieve long-term, continuous growth by creating value through solving social issues and, as a result, fulfilling our management philosophy. This plan embodies our aim to fulfill our corporate social responsibility.

Promoting Sustainability Management

The history of Hodogaya Chemical began when we became the first company in Japan to manufacture caustic soda using an electrolysis method. In the period after WWII, we manufactured many general-use chemical products as a company supporting part of the chemical industry during Japan’s rapid economic growth years. Our business portfolio tended toward high energy consumption, including the Koriyama Plant using in-house coal-fired thermal power for its facilities. Consequently, in the 1990s, our CO₂ emissions rose as high as 200,000 tons Group-wide.

CO₂ Emission Reductions

However, from 1980s, we transitioned our portfolio to center on specialty chemicals such as imaging materials and withdrew from the electrolysis business, leading to a halt to in-house coal-fired thermal power in 2000.

Thereafter, we continued to select and concentrate our businesses, seeing significant expansion in niche and specialty businesses such as OLED materials and phosgene derivatives. At the same time, we made an early transition from heavy oil to LNG for fuel, **which resulted in annual CO₂ emission for FY2020 coming down to 48,000 tons. This has allowed us**

to achieve a comparatively low-emission business structure for a chemicals manufacturer.

Establishing a Sustainability Promotion Structure

However, going forward, I would like to not plateau at this number, but rather work toward on-going CO₂ emission reductions. Environmental issues centering on climate change are becoming more severe on a global level. It is incumbent upon our company as well to respond to this situation and further promote sustainability management, which is why we expressed our vision in SPEED 25/30 to be, “A corporation that contributes to establishing a sustainable society by means of environmentally friendly manufacturing.” To that end, **on October 1, 2021, we established a Sustainability Development Committee as a further extension of our CSR Committee.** Also, in addition to the existing RC/QM Subcommittee, which handles responsible care and quality management under the CSR Committee, **we established a Global Environment Subcommittee, which promotes activities related to preservation and improvement of the global environment, and a TCFD Subcommittee, which promotes disclosure activities in response to the Task Force on Climate-related Financial Disclosures.** In this Integrated Report, we present an overview of our sustainability policy and the items required by the TCFD: governance, risk management, strategies, and indicators and targets. In the latter half of this fiscal year, we will deliberate on specific numerical targets and their details, which, in conjunction with our environmental accounting disclosures, we plan to release in the first half of FY2022.

As a chemicals manufacturer, we have been addressing environmental problems throughout our history, but will now be able to engage in even more substantive discussions through these organizational changes.

Becoming a Company that Passes on Intangible Assets and Offers Meaningful, Inspiring Work

Compared to the scale of our business, we are active in a wide variety of areas, which affords us the strength of not being highly susceptible to environmental changes. It will be extremely important to have the ability to anticipate the future in order for us to further develop this well-constructed business portfolio. While it is important to focus on expanding the scale of our business, we aim to wield our strengths as a chemicals manufacturer and be a company that “contributes to the creation of an environmentally conscious society.” **Our corporate motto is, “Your Dream Is Our Business” and what we are reaching for in the future is to become a company that truly realizes this concept.**

Our founder Otosuke Isomura often used the phrase, “Honpo koshi.” While the literal translation is “being the first in Japan,” the implication is to not follow others, but to constantly challenge himself to take the first step, which has led us to one new business after another. Otosuke Isomura’s spirit of accepting challenges is alive and well as the DNA of our company and is

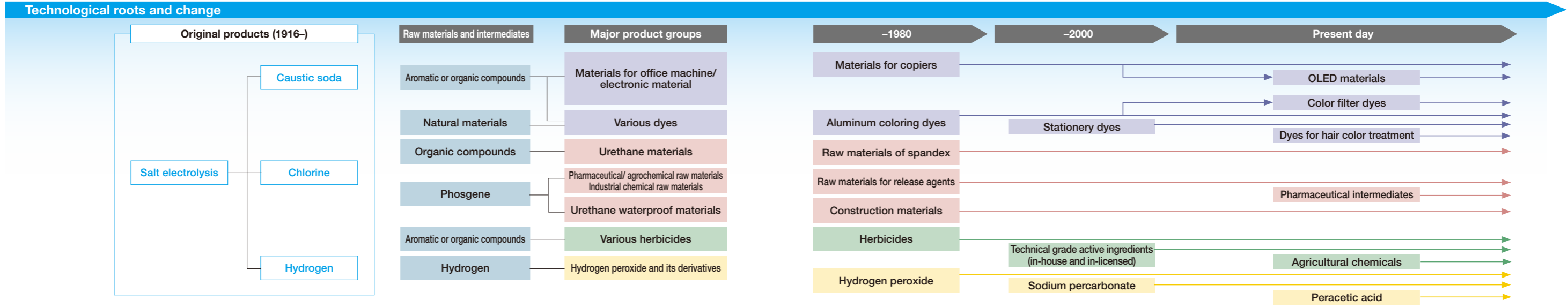
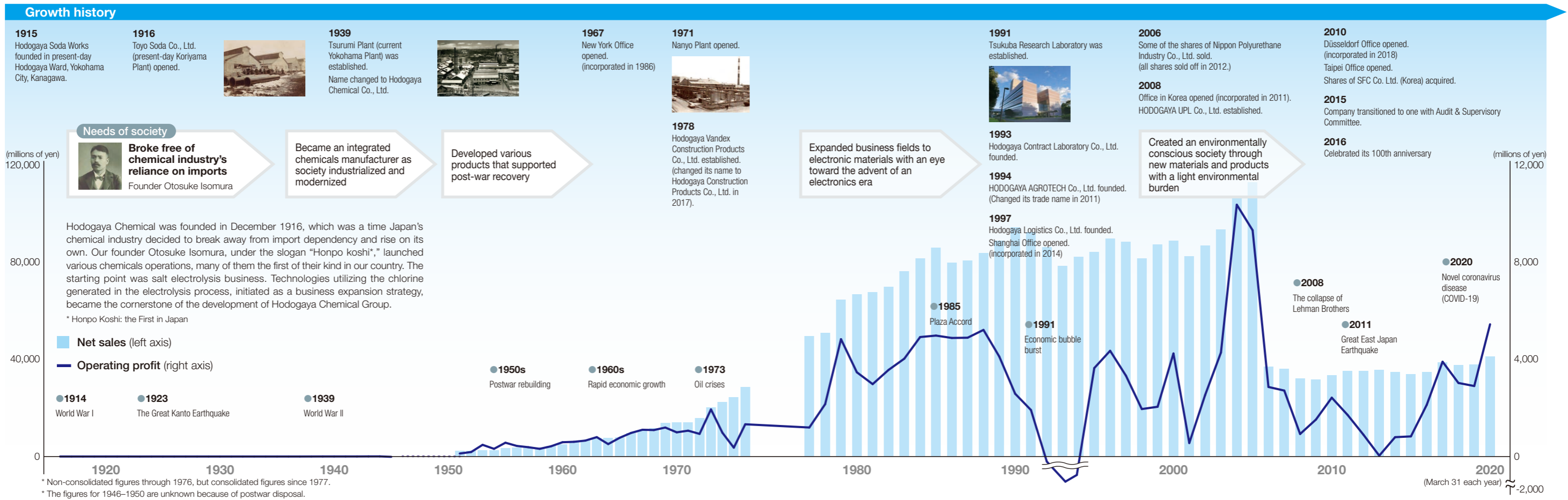
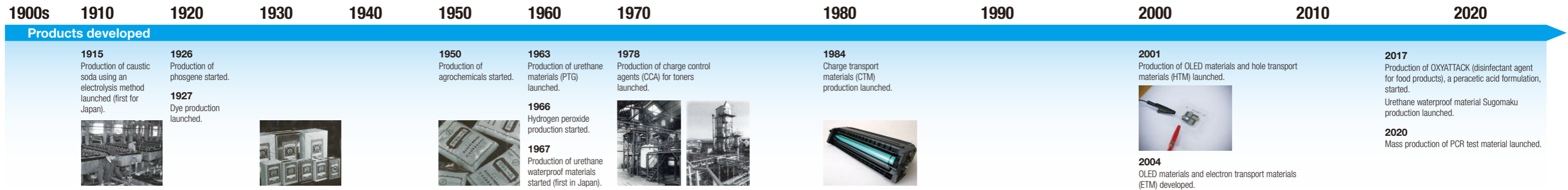


why we moved quickly to start commercial production of OLED materials 20 years ago, in 2001, with that business now showing strong results. I believe that my role is to carry on this “Honpo koshi” spirit of challenge built up by our many predecessors, combine it with the technology and the joy of manufacturing that they have passed down, while following the vision of establishing a sustainable society by means of our original portfolio and environmentally friendly manufacturing. **My task is to take these intangible assets**, including a sense of gratitude to our many partner companies and stakeholders, **and share these with the next generation.**

When I took the position of Company President, I told our employees, “Let’s make this a company with hope—one that delivers job satisfaction and that makes us feel happy that we chose to work here.” “To have hope” in this sense means to feel at ease and full of expectation. I think that feeling at ease comes from a company that continues to grow into the future, while being full of expectation signifies an awareness that we work at a company that contributes to society. This in turn leads to job satisfaction and feeling happy that we chose to work at this company. Therefore, **going forward, we will improve stakeholder engagement by more concretely and proactively explaining to employees, shareholders, and local communities the appeal of the social contributions that our business makes.**

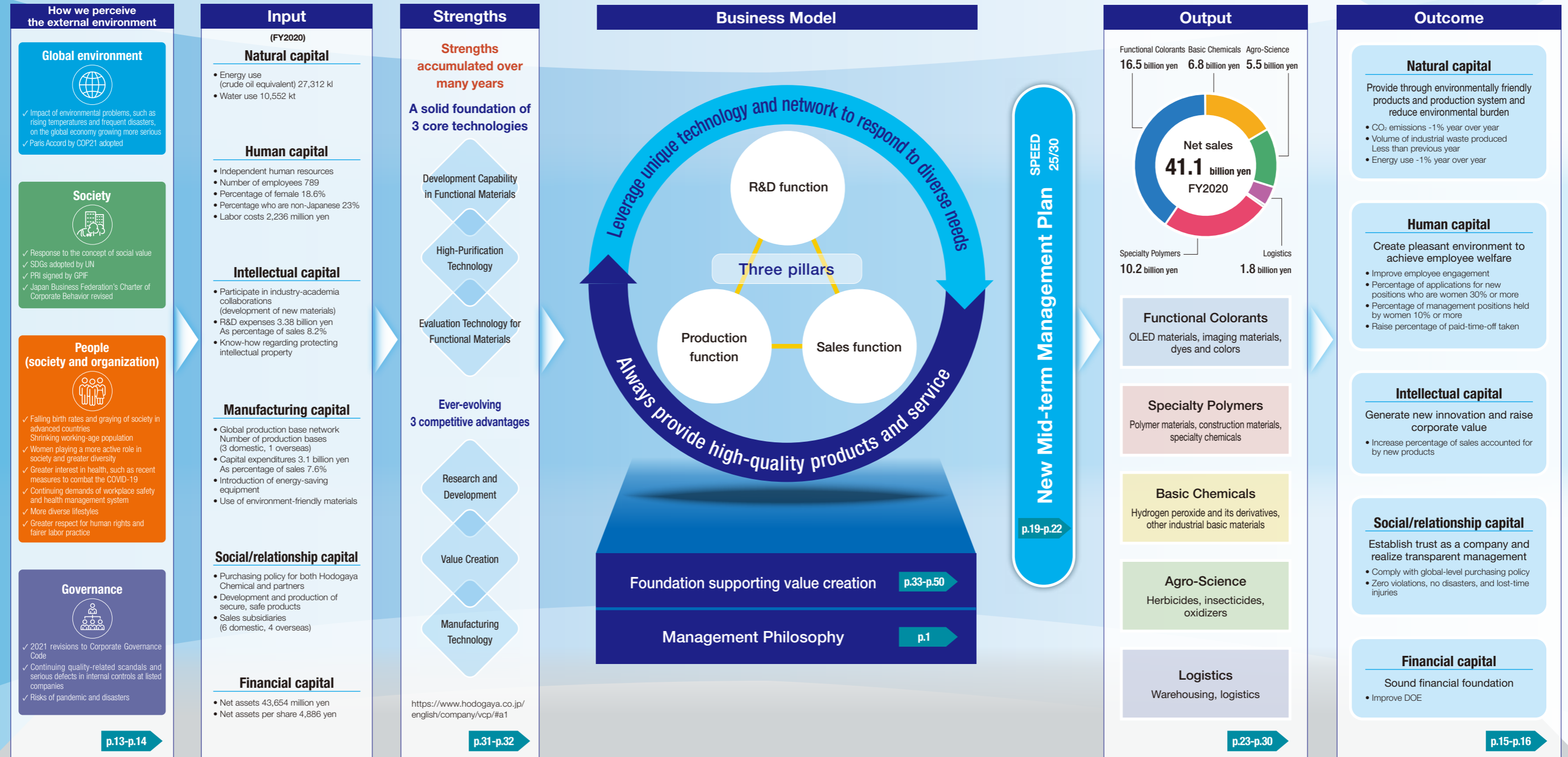
Through these initiatives, we will strive to be a 200-year company, and one that continuously raises corporate value over the long term. I would like to ask our stakeholders for your on-going support and interest in the Hodogaya Chemical Group.

History of Hodogaya Chemical Group



Hodogaya Chemical Group Value Creation Process

The environment we operate in is always changing, but creating a sustainable society has become a keyword, and we face various social issues. The Hodogaya Chemical Group is aware that business activities based on our management philosophy lead to solutions to social issues, which in turn is the process for creating corporate value. To achieve our vision, we continue to undertake business activities that demonstrate our high specialization in the fields of functional colorants, specialty polymers, basic chemicals, agro-science and logistics and that are based on the three pillars of R&D, production and sales.



Risks and Opportunities

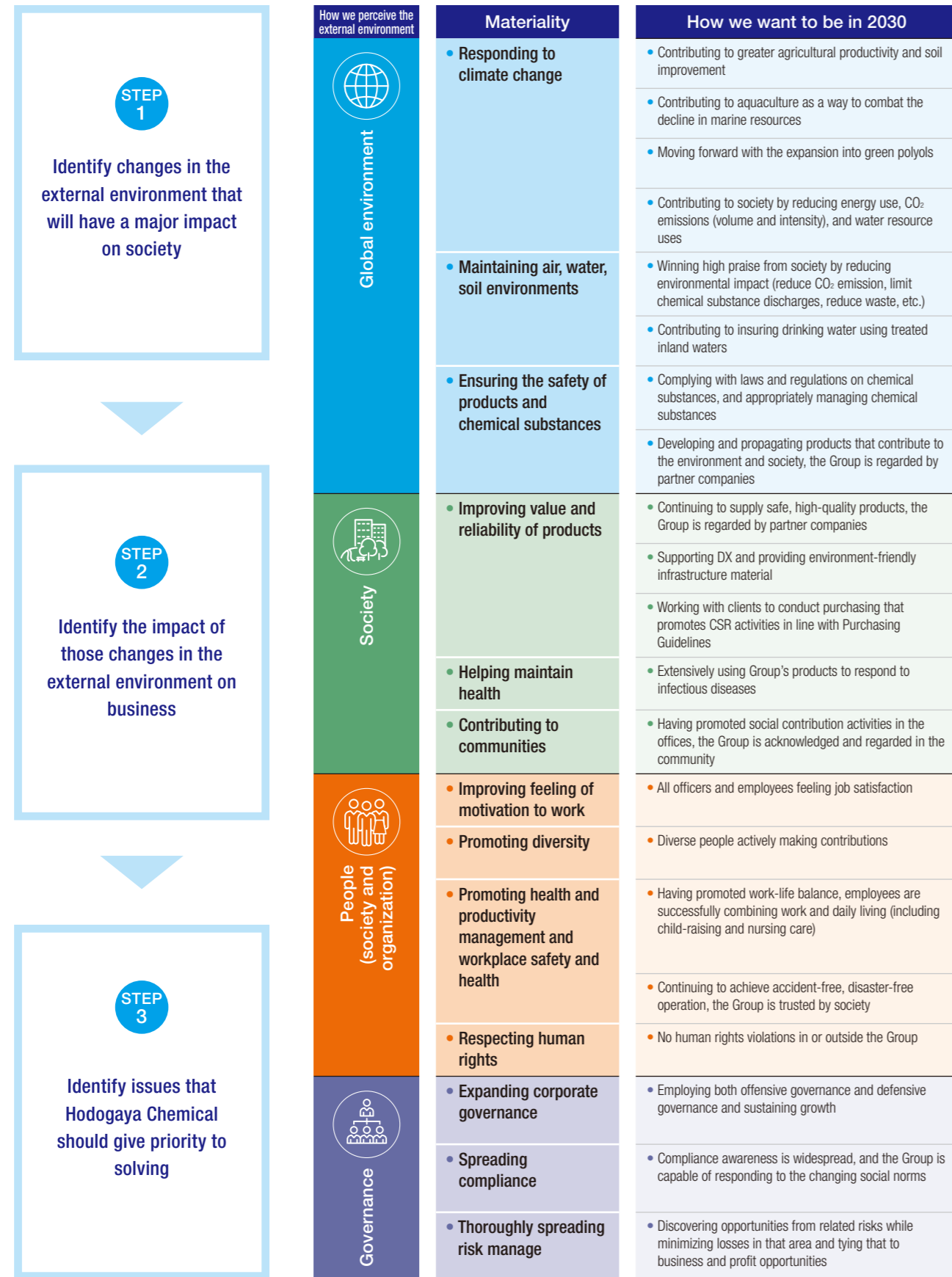
The Hodogaya Chemical Group has continued to generate innovation in response to the changes in society and created an environmentally conscious society.

In addition to determining important social issues for the Hodogaya Chemical Group and clearly indicating risks and opportunities, we identify material issues (materiality) that should be tackled to further raise corporate value.

How we perceive the external environment	Risks	Response to risks	Opportunities	Response to opportunities	Materiality
Global environment <ul style="list-style-type: none"> • Uncertainty regarding the global environment has become a major business issue. We recognize that it is necessary to envision multiple scenarios regarding increases in temperatures and strengthen resilience as part of our management strategy. ✓ Adoption of Paris Accord by COP21 	<ul style="list-style-type: none"> • Major impact of loss of life and damage to facilities from natural disasters (major typhoons, earthquake, etc.) on production activities, such as suspension of production • Increase in conservation costs • Supply chain having less trust in the Group due to lack of consideration for the environment • Economic losses related to violations of domestic or overseas regulations, such as response cost and penalties • Less trust in the company 	<ul style="list-style-type: none"> • Conduct inspections of facilities and equipment and make repairs • Provide education related to operation standards, etc. • Conduct various types of training and make use of safety confirmation system • Achieve environmental targets for energy savings and reducing environmentally hazardous substances • Promote environment management, such as obtaining ISO 14001 certification throughout the company • Create a regulation compliance system • Regularly check revisions to overseas regulations 	<ul style="list-style-type: none"> • Increase corporate value by providing climate change mitigation/adaption products • Increase corporate value by providing products that contribute to a lighter environmental impact • Increase corporate value by providing products for adapting to regulations in various countries 	<ul style="list-style-type: none"> • Develop and sell climate change mitigation/adaption products • Expand businesses related to purifying water, etc. • Develop and sell products that are compliant with regulations in various countries 	<ul style="list-style-type: none"> • Responding to climate change • Maintaining air, water, soil environments • Ensuring the safety of products and chemical substances
Society <ul style="list-style-type: none"> • We recognize that responding to the advent of social value is an important issue for corporate management. ✓ SDGs adopted by UN ✓ PRI signed by GPIF ✓ Japan Business Federation's Charter of Corporate Behavior revised. 	<ul style="list-style-type: none"> • Loss of social trust or interruption in business due to decline in quality/safety, etc. • Major impact of the spread of infectious diseases on the economy and business activities • Loss of ability to continue business activities due to less trust from regions in which business is conducted 	<ul style="list-style-type: none"> • Strengthen functions related to educating, thoroughly informing people of, and checking rules related to quality and safety performance • Establish relationships with multiple suppliers Thoroughly implement measures to prevent infectious diseases • Continue and strengthen activities that contribute to the sustainable development of regions business is conducted 	<ul style="list-style-type: none"> • Increase corporate value by providing products that offer the value of quality and safety performance • Increase corporate value by providing products that help maintain health • Increase corporate value by winning the trust of communities in which business is conducted and stabilizing business 	<ul style="list-style-type: none"> • Develop and sell products that offer the value of quality and safety performance • Develop and sell products that help maintain health • Actively undertake exchanges with and contribute to communities in which business is conducted 	<ul style="list-style-type: none"> • Improving value and reliability of products • Helping maintain health • Contributing to communities
People (society and organization) <ul style="list-style-type: none"> • We recognize that appropriately responding to the massive changes in the environment that companies and employees operate in and continually working to increase organization capabilities are important issues. ✓ Falling birth rates, graying of society, and shrinking working-age population in advanced countries ✓ Women playing a more active role in society and greater diversity ✓ Greater interest in health, such as recent measures to combat COVID-19 ✓ Continuing demands of workplace safety and health management system ✓ More diverse lifestyles ✓ Greater respect for human rights and fairer labor practices 	<ul style="list-style-type: none"> • Decline in the feeling of motivation by and ease of work for officers and employees directly undermining organizational performance • Not promoting diversity management and thus failing to improve organization capabilities and increase corporate value • Not promoting health and productivity management and workplace safety and health and thus failing to improve organizational capabilities and to increase corporate value • Greater concern that a lack of interest in issues related to business and human rights will result in lawsuits, administrative disciplinary actions, deterioration in reputation, loss of employees, and other problems 	<ul style="list-style-type: none"> • Develop and implement measures to increase engagement through engagement pulse surveys • Make use of employees in a manner that stresses capabilities and skills • Create an environment in which it is possible for officers and employees to contribute in a healthy and safe manner • Ascertain issues related to business and human rights and appropriately respond 	<ul style="list-style-type: none"> • Increase the feeling of motivation and ease of work of officers and employees and tie that to greater organizational performance • Improve organization capabilities and increase corporate value by appropriately conducting diversity management • Improve organization capabilities and increase corporate value by appropriately conducting health and productivity management and ensuring workplace safety and health • Appropriately respond to issues related to business and human rights and indicate a responsible response as a company 	<ul style="list-style-type: none"> • Continually implement measures to increase engagement and verify effectiveness through pulse survey • Actively recruit and promote people with capabilities and skills regardless of sex, where they are from, and other attributes, and create an environment in which people can demonstrate their capabilities and skills to the greatest extent possible • Implement a wide range of measures to improve the health and vitality of officers and employees, raise productivity, and invigorate the organization • Ascertain and evaluate human rights violation risks and establish processes for making improvements. Keep in mind the risk of human rights violations in the supply chain. 	<ul style="list-style-type: none"> • Improving feeling of motivation to work • Promoting diversity • Promoting health and productivity management and workplace safety and health • Respecting human rights
Governance <ul style="list-style-type: none"> • We recognize that continually working to reinforce the corporate governance, compliance, and risk management functions within the corporation is an important issue. ✓ 2021 revisions to Corporate Governance Code ✓ Continuing quality-related scandals and serious defects in internal controls at listed companies ✓ Risks of pandemic and disasters 	<ul style="list-style-type: none"> • Not being able to quickly and flexibly respond to more sophisticated corporate governance and thus harming corporate value in the medium term • Sustaining major losses as a result of legal violations, scandals, etc., and in some cases, undermining the survival of the company • Sustaining major losses as a result of not implementing measures to properly reduce risks due to insufficient risk awareness and evaluation, and in some cases, undermining the survival of the company 	<ul style="list-style-type: none"> • Improve and expand governance as a company listed on the Tokyo Stock Exchange's prime market (expect April 2022) • Thoroughly implement compliance to prevent legal violations, scandals, defects, etc. • Implement appropriate measures to reduce risks through extensive but detailed risk awareness/evaluations 	<ul style="list-style-type: none"> • Continue to promote corporate governance compatible with monitoring model and tie that to greater corporate value • Thoroughly implement compliance, prevent legal violations, scandals, and defects and tie that to greater corporate value • Uncover opportunities from related risks while minimizing losses in that risk field and tie that to business and profit opportunities 	<ul style="list-style-type: none"> • Further increase effectiveness through the appropriate division of duties related to supervision responsibilities of directors and the decision, implementation, and accountabilities of executive officers • Continue to provide education to spread compliance and impose disciplinary measures in the case of compliance violations • Discover business and profit opportunities through extensive but detailed risk awareness/evaluations and risk reduction measures 	<ul style="list-style-type: none"> • Expanding corporate governance • Spreading compliance • Thoroughly spreading risk manage

Materiality

The Hodogaya Chemical Group contributes to the solution of social issues through its management philosophy-based business activities. This time we identified materialities from the social issues that have a major impact on business and set concrete numerical targets.

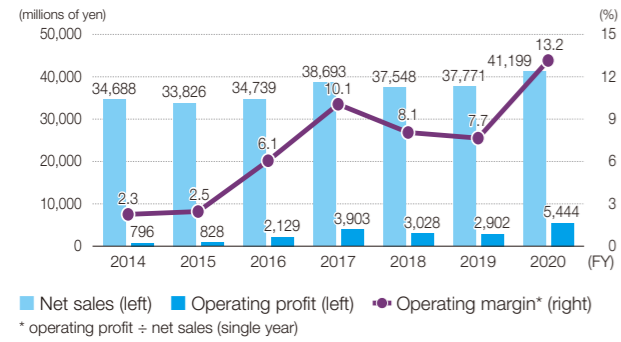


In addition to “How we want to be in 2030” given in the new mid-term management plan SPEED 25/30, all companies will unite to promote the following initiatives as medium-term business issues.

Initiative	KPI	SDGs contributed to
Expand into peroxide agricultural materials	—	2
Expand sales and spread Sakana Guard	—	14
Expand bio-PTGs	—	13
Promotion of energy-saving and resource-saving	CO ₂ emission and emission intensity	7, 9, 12, 13
Promote reduction of environmental impact	SOx and NOx emissions Waste volumes	12, 13, 14
Introduce new uses of hydrogen peroxide	—	6
Enhance the management of chemical substances	Zero regulation violations	12
Develop new products and next-generation topics	—	9
Supply safe, high-quality products	Zero quality problems	12
Expand electronic device materials and electronic device equipment materials	—	7
Promote CSR in the supply chain	—	9, 17
Introduce hydrogen peroxide derivatives, phosgene derivatives, etc.	—	3
Promote community contribution activities	Number of contribution activities	4, 11, 17
Continue to implement measures to increase engagement	Engagement score	9
Promote human resource development and vitalization programs	Percentage of employees who are women Percentage of managers who are women	5, 8
Promote health and productivity management	Health and Productivity Management/ Outstanding Organization certification Rate of usage of paid holidays Rate of usage of refreshment leaves	3, 9
Thoroughly implement workplace safety and health and disaster prevention	Zero lost-time injuries	3, 9
Promote human rights enlightenment activities	FTSE Russel score	9, 16
Improve corporate governance	—	8, 9, 12
Spread compliance	—	16, 17
Broadly recognize and evaluate detailed risks and implement appropriate risk reduction measures	—	16, 17

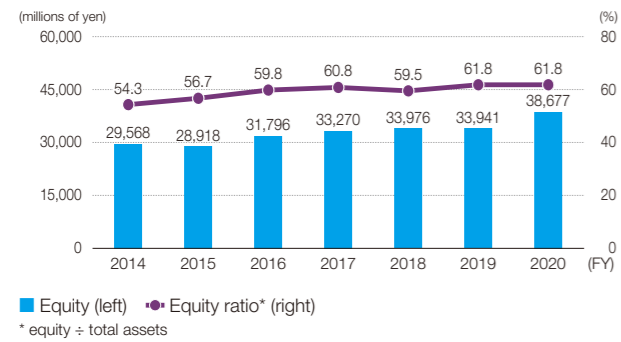
Financial and Non-Financial Highlights (Consolidated)

Net sales, Operating profit, Operating margin



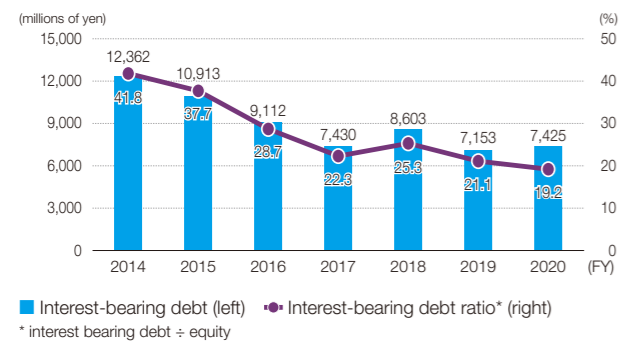
Although net sales did not reach 50.0 billion yen, the target for the final year of the previous mid-term management plan (FY2020), operating profit and operating margin hit their targets of 5.0 billion yen and 10.0%, respectively, because of dramatic growth for PCR test kit material in the functional colorants segment.

Equity, Equity ratio



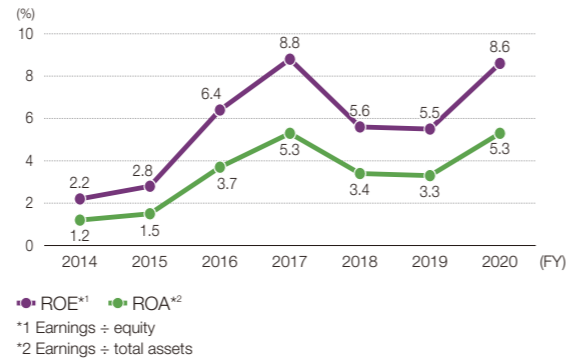
The equity ratio has remained stable at around 60% in recent years. We will continue to increase equity, primarily profit from businesses, and further stabilize the Group's management foundation.

Interest-bearing debt, interest-bearing debt ratio



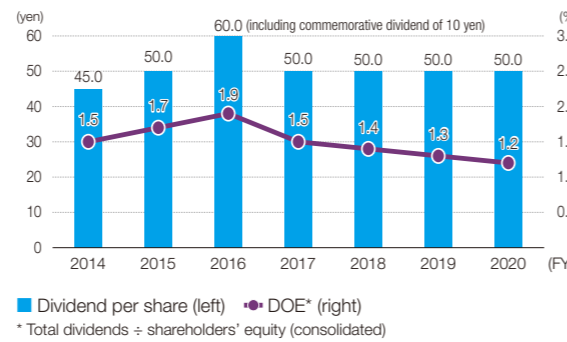
Interest-bearing debt has gradually declined, falling below 20% in FY2020, which has resulted in an improvement in the equity ratio.

ROE, ROA



In FY2020, both ROE and ROA reached their highest level for the most recent three years because of an increase in earnings. We will continue to strive to increase profit and make more efficient use of assets.

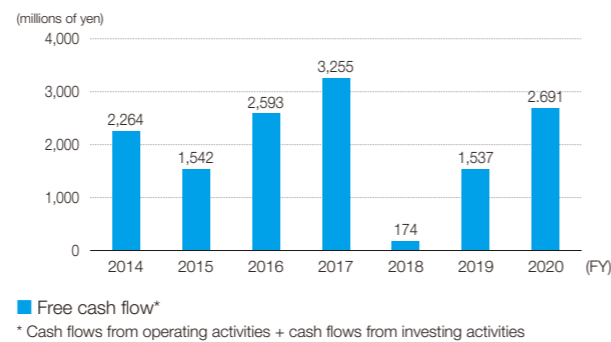
Dividend per share, DOE



Considering earnings trends, future business expansion, unforeseen risks, and other factors, we will pay a stable, sustainable, and appropriate return to shareholders while being particularly conscious of the dividend on equity ratio (DOE).

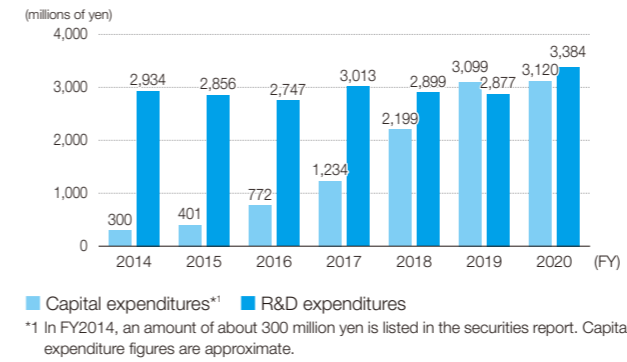
* Hodogaya Chemical conducted a 10-1 reverse stock-split of common shares dated October 1, 2016. Accompanying this, net assets per share, earnings per share, and dividends per share were calculated assuming the reverse stock split was conducted at the beginning of FY2015.

Free cash flow



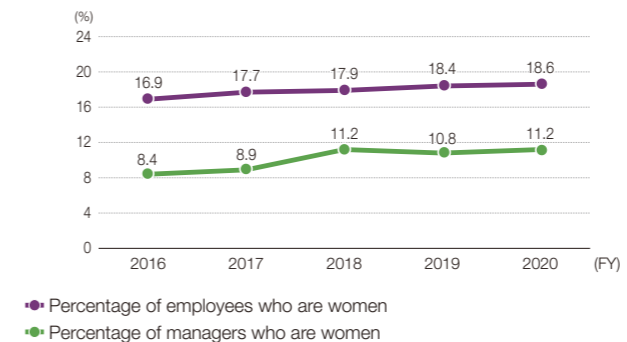
Since FY2018, free cash flow has trended upward despite more than 2.0 billion yen in investments. We will continue to conduct operating and investing activities in a balanced manner to prepare for future growth.

Capital expenditures, R&D expenditures



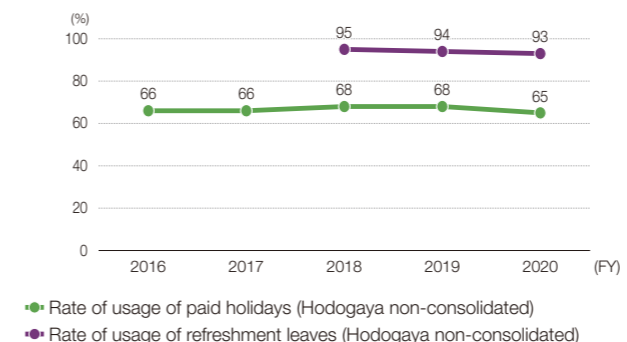
This was primarily capital expenditures and R&D expenditures in the functional colorants segment, Hodogaya Chemical Group's growth driver, and we will continue to undertake operating and investment activities that contribute to future growth.

Percentage of employees who are women, percentage of managers who are women



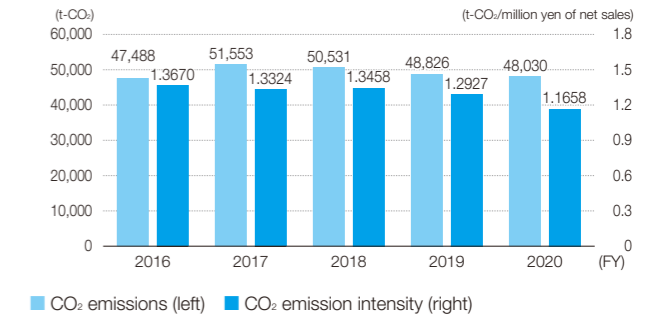
The Hodogaya Chemical Group promotes the active participation of women, one of the Group's key measures. Having achieved the target of 10% or more for percentage of managers who are women in FY2018–FY2020, we aim to raise that to 13% or more by FY2025. We are implementing various measures to increase the percentage of managers who are women.

Rate of usage of paid holidays, rate of usage of refreshment leaves



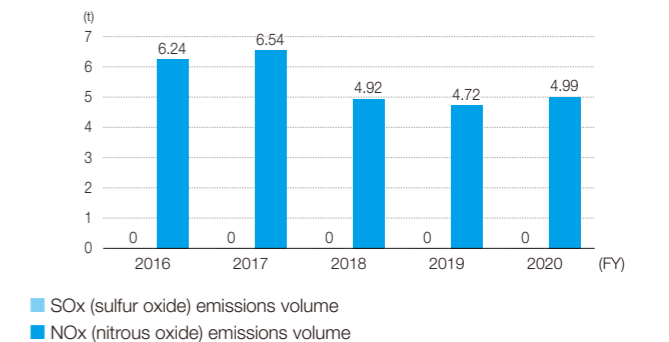
For Hodogaya Chemical, the rate of usage of paid holidays has continually surpassed 60% for the past five years. We will continue to promote initiatives in terms of both system and operation to raise the rate of usage. In addition to paid holidays, a system of refreshment leave, which can be taken for five consecutive business days, was introduced in FY2018 so that employees can physically and psychologically refresh themselves.

CO₂ emissions, CO₂ emission intensity (Japan)



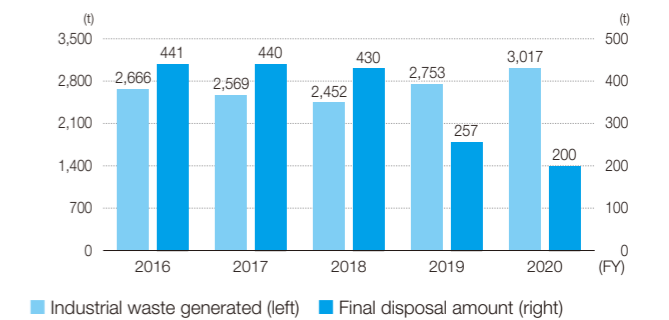
Most of the greenhouse gas (GHG) emitted by the Hodogaya Chemical Group is CO₂ from energy. GHG emissions fell in FY2020 compared to FY2019 on account of a decline in the amount of energy used but are still rising when the average for the most recent five years is looked at.

SO_x emissions, NO_x emissions (Japan)



The Hodogaya Chemical Group is moving forward with the introduction of city gas to fuel our factories and has achieved zero SO_x emissions since FY2021, having completed the switchover in FY2011. The Group also implements measures to limit emissions of NO_x into the atmosphere.

Industrial waste generated, final disposal amount (Japan)



Having set year-on-year decline as its target for reduction in industrial waste volume, the Hodogaya Chemical Group has included it into the RC annual plan, set targets for each office, and undertakes related activities. Even in the new mid-term management plan "SPEED 25/30," a KPI is "year-on-year decline."

New Mid-term Management Plan

Summary of previous mid-term management plan HONKI 2020

Operational summary

Core Businesses

Progress was made in preparations for future expansion of aluminum coloring dyes and phosgene derivatives, including creating new facilities.

Growth Businesses

OLED materials drove net sales and profit and grew into a top business.

Cultivation Businesses

Cultivation for next-generation pillars has continued, including color filter dyes. Oxidant agricultural materials grew due to extreme weather.

New product development and capital expenditures

New product development

New products sales of 3.4 billion yen in FY2020, mainly in OLED materials and agro-science business (excluding SFC).

Major capital investment

10.1 billion yen of capital investment has been made in total.

- Opened new aluminum coloring dye facilities.
- Enhanced production and research facilities for OLEDs (SFC).

Further reinforced global operating system

- Newly established “development bases” and “manufacturing bases” in South Korea, a leading OLED market in the world, have advanced our globalization also in terms of research and development and production.
- HODOGAYA CHEMICAL EUROPE GmbH has been established in Germany to strengthen our sales activities in Europe.
- Expanded global procurement of raw materials through overseas bases and strengthened response to China risk, etc.

Corporate Governance

- Steadily strengthening governance.
 - June 2015: Transition to a company with an audit and supervisory committee
 - July 2016: Introduction of a company stock award plan
 - January 2018: Transition to a new management system
 - June 2019: Establishment of a nominating and compensation committee

Enhancing our commitment to CSR

- We have committed to CSR by taking into account support for ESG management and contribution to achieving SDGs.
- Received higher evaluations of CSR initiatives by independent entities.

Numerical targets and results

FY2020 targets	FY2020 results	
Consolidated net sales: ¥50.0 billion	¥41.1 billion: Did not achieve target	Consolidated net sales Grew 4% year on year for several reasons, including larger OLED materials business, but did not achieve ¥50.0 billion target
Consolidated operating profit: ¥5.0 billion	¥5.4 billion: Achieved target	Consolidated operating profit Rose due to rapid growth of PCR test kit materials and reached target
Consolidated operating margin: 10%	13.2%: Achieved target	Consolidated operating margin Achieved target as OLED materials business and PCR test kit materials contributed to profit

Management philosophy and new mid-term management plan SPEED 25/30

PURPOSE [Management Philosophy]

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.

As a chemical company that supports life and society through environmentally friendly manufacturing demanded from now on, Hodogaya Chemical Group has set “Harmony Between Chemistry and Environment” as its management philosophy.

VISION [Target Corporate Image]

Previous mid-term management plan HONKI 2020 (FY2015–FY2020)
A corporation that steadily supplies “only one/number one” specialty products in global and niche markets

While maintaining the spirit behind the vision of “steadily supplying “only one/number one” specialty products in global and niche markets” given in the previous mid-term management plan, the Group will leverage its specialty and originality, its strengths, stipulate a corporate vision of enhancing its business portfolio so that it can timely respond to changes in the environment and contribute to realizing a sustainable society, and embody its management philosophy.

New mid-term management plan SPEED 25/30 (FY2021–FY2030)

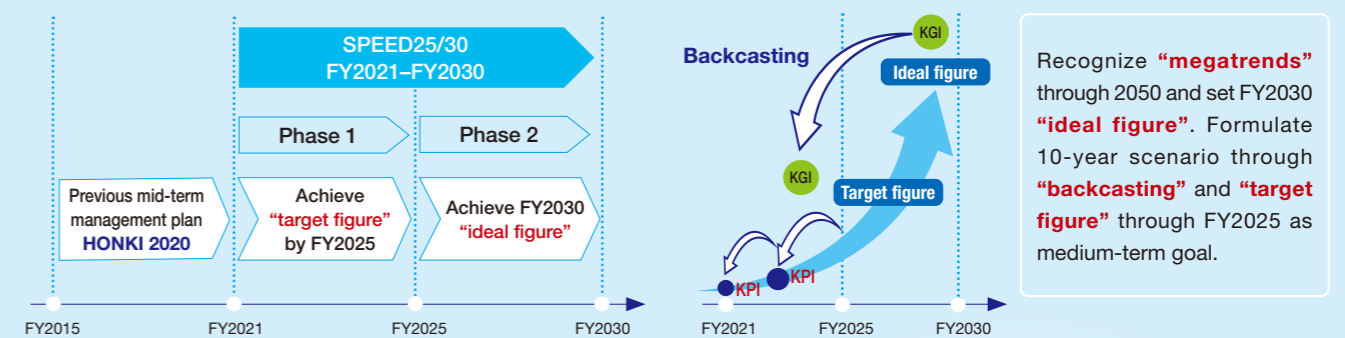
A corporation that contributes to establish a sustainable society by means of our original portfolio and environmentally friendly manufacturing, with a focus on specialty products

SPEED 25/30 message and FY2030 Ideal Figure and Target Figure through FY2025

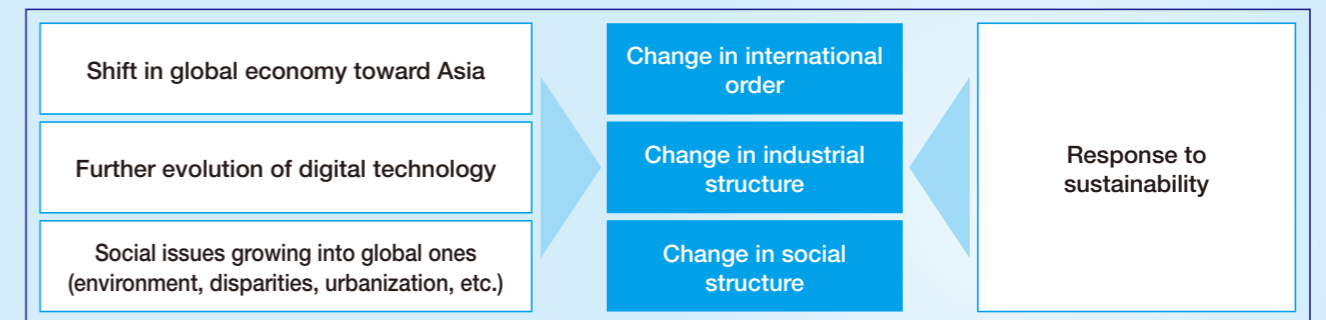
The Hodogaya Chemical Group will speedily transform itself to our “target figure” in FY2025 and to our “ideal figure” in FY2030, by means of:

- S:** Specialty products that construct a
- P:** Portfolio built up with great originality;
- E:** Engagement improvement that contributes to
- E:** ESG management promotion;
- D:** Digital transformation-led competitiveness enhancement

Position of and approach to formulating SPEED 25/30

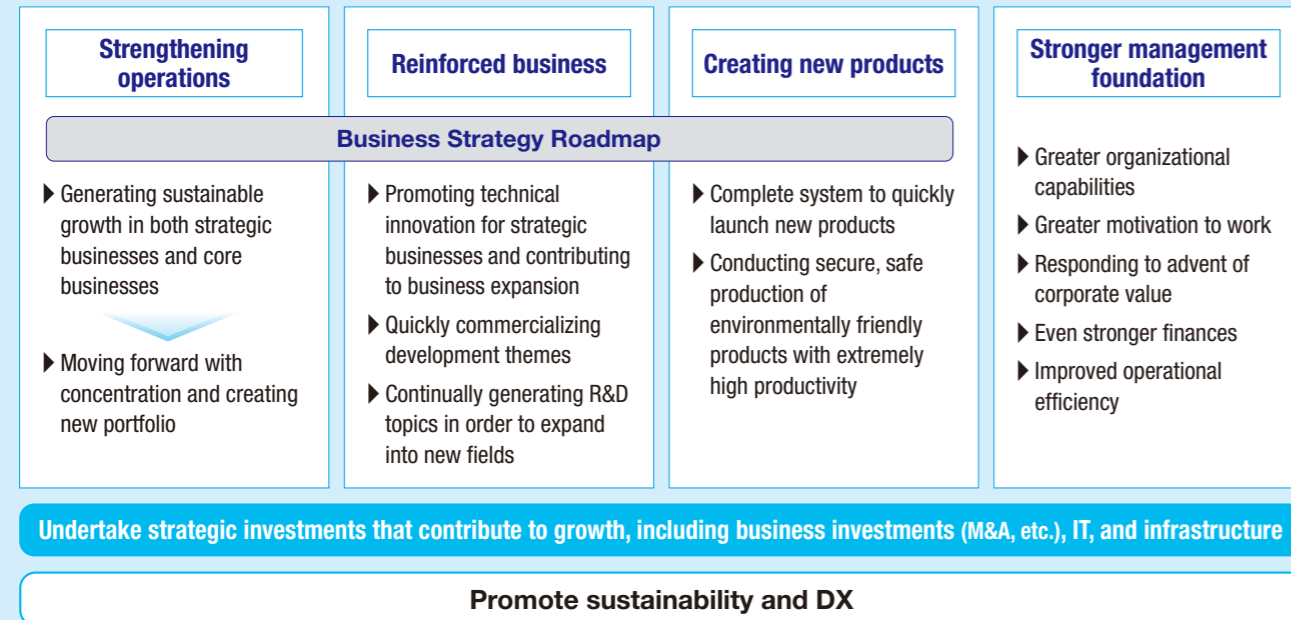


Massive changes in the environment through 2050 (megatrends) and FY2030 ideal figure

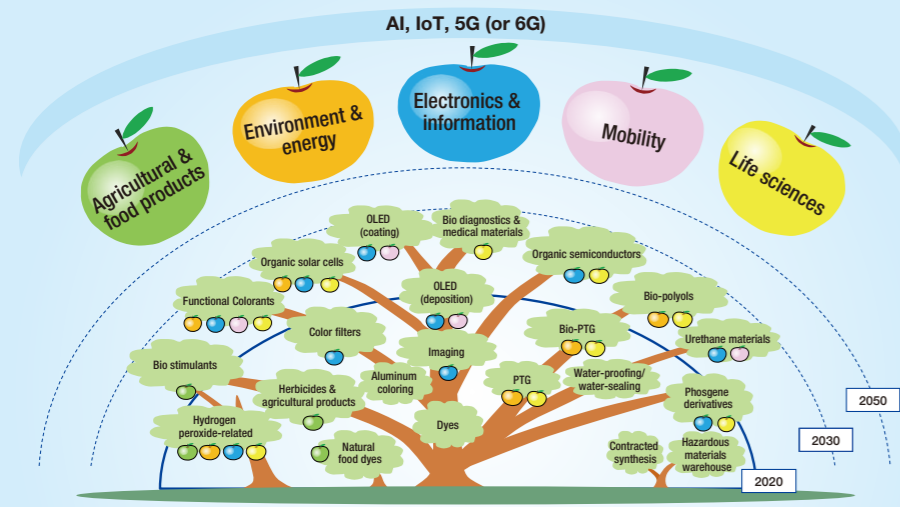


Ideal figures in FY2030		Promoting DX
Strengthening operations	A well-constructed business portfolio	
Expanding our sphere of activity	Continuing to create new products for the global market	
Higher efficiency	Achieving a high productivity	
Employees' point of view	Improving job satisfaction	
Social point of view	Contributing to the achievement of SDGs and realizing environmental friendliness	
Shareholders' point of view	Maintaining a stable dividend for a long term	

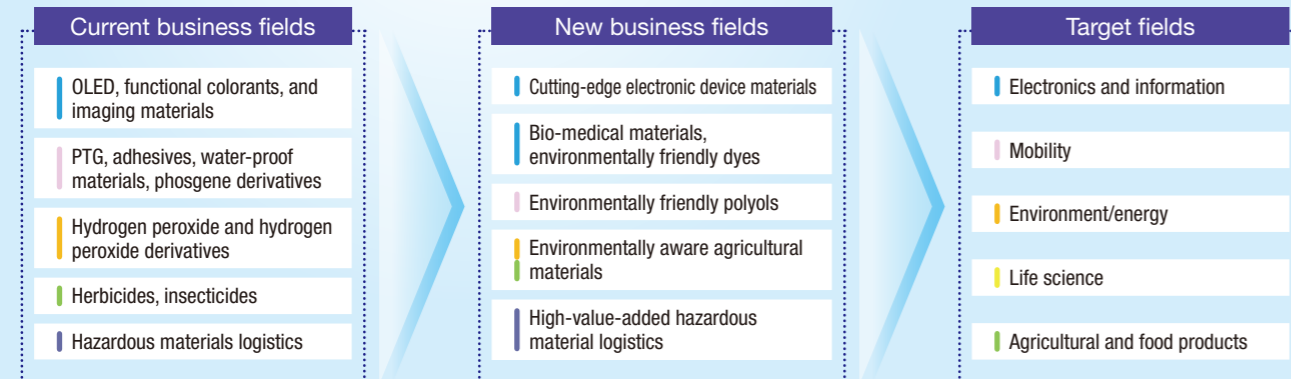
◆ Hodogaya Chemical Group's "target figure to be achieved by FY2025"



Business Strategy Roadmap



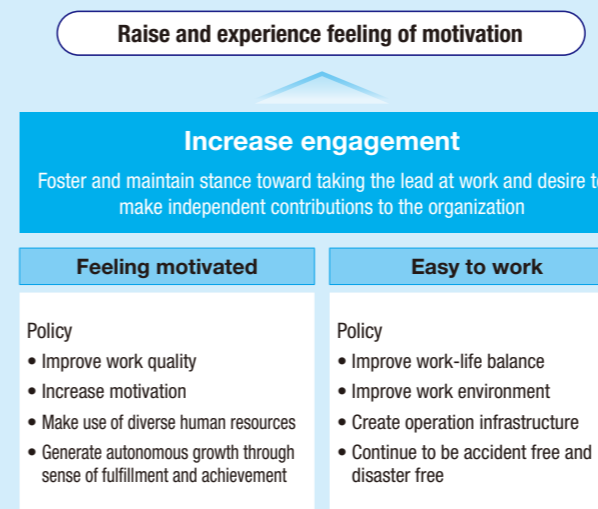
- Image of Hodogaya Chemical Group growth from 2020 through 2050 with an eye on megatrends through 2050
- The five apples above the tree indicate target fields, and apples on branches indicate fields products make contributions to.
- Leveraging the various technologies it has built over the years, the Hodogaya Chemical Group will contribute to the development of five fields that have a strong impact on megatrends by developing various products, including a wide range of functional colorants, new organic photovoltaic materials, and environmentally friendly bio-polyols.



▶ Aim to implement key policies by FY2025 and expand new business fields and accelerate expansion into target fields given in the Business Strategy Roadmap.

Focus of initiatives in SPEED 25/30

◆ Initiatives regarding response to new workstyles



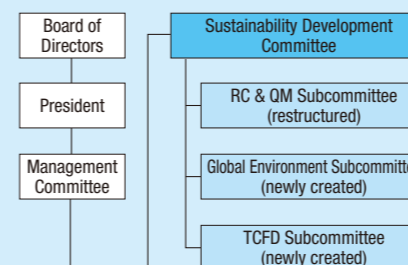
◆ Promote DX

Guidelines	Stage I			Stage II	
	FY2021	FY2022	FY2023	FY2024	FY2025
	Create system to promote DX and reinforce management foundation			Acquire competitive advantage and transform business management	
Customer communication	• Meld customer needs and product development target			• Transform business portfolio	
Supply chain	(Procurement)	• Enhance global procurement			• Establish optimal purchasing strategy
	(Manufacturing)	• Reduce required manpower and cut costs • Effectively protect facilities			• Create competitive production technology
	(Quality evaluations)	• Develop and accumulate proper quality information			• Stabilize, maintain, and improve quality
	(Sales)	• Standardize and reduce labor required for sales and order operations			• Improve service provided to customers
(Logistics)	• Partner with transportation companies and ensure diverse transportation methods			• Increase added value through differentiated storage services	
Financial/business management	• Speed up decision-making			• Reform business management and corporate culture	
Core system	• Formulate revision plans from ERP system			• Operate new ERP system	
Increase operation efficiency	• Promote paperless operations • Promote introduction of RPA technology			• Experience feeling of motivation	
Ensure and train DX human resources	• Reinforce IT human resources			• Maintain/improve DX support system	

◆ Sustainability

Governance

- Establish the Global Environment Subcommittee, which promotes activities related to environmental conservation and improvement, and TCFD Subcommittee, which promotes activities in response to TCFD proposal, as strategic response bodies under the Sustainability Development Committee.
- Report and deliberate on content of committee and subcommittee discussions to Board of Directors and Management Committee and work under integrated management.



Sustainability policy (basic approach)

The Hodogaya Chemical Group will actively promote sustainability activities based on the concept of "balancing the pursuit of economic interest and solutions to social issues and providing value to all stakeholders" in order to fulfill its responsibility to realize a sustainable world and society in the medium and long term in line with the management philosophy (PURPOSE) and target corporate image (VISION)

Strategy

- Classify risks based on long-term forecasts with an eye toward 2030 into TCFD risk categories, move forward with climate scenario analysis of 2°C, etc., and examine the following regarding analysis results.
 - Risks: Response to both transition risks and physical risks
 - Opportunities: New efforts from the perspective of climate change mitigation/adaption

Risk management

- Regularly hold Risk Management Committee meetings, recognize and evaluate risks throughout the company, debate risk reduction measures, and report to Board of Directors and Management Committee
- Recognize climate-related risks as disaster risk
- Recognize risks and opportunities in line with methods used for climate scenarios, such as 2°C target, and examine concrete measures in order to respond to uncertainty of climate-related risks at TCFD Subcommittee.

Target and indicators

- In addition to traditional initiatives, set targets that factor in the possibility of the use of renewable energy and CO₂ emission reductions through the introduction of ICP

Management targets (SPEED 25/30 phase I)

Financial target	FY2020 results*	FY2025 management targets	Non-financial target	FY2020 results	FY2025 management targets
Net sales	¥41.1 billion	¥50.0 billion	Energy intensity	0.637 kJ/million yen of net sales	Expect to examine and disclose considering TCFD
Operating profit	¥5.4 billion	¥7.5 billion	CO ₂ emissions	1.1658 t-CO ₂ /million yen of net sales	Expect to examine and disclose considering TCFD
Operating margin	13%	15%	Industrial waste volumes	3,017t	Reduce the volume of industrial waste
ROE	8%	9%	ESG evaluation score	2.3	3.7
			Employees engagement score	Start to measure using outside services (FY2021-)	Gradually raise score
			Percentage of managers who are women	11.2%	13%

* For FY2020, before applying Accounting Standard for Revenue Recognition, etc.

At a Glance

“Five Core Segments” of the Hodogaya Chemical Group

Functional Colorants Segment

» **40.1%** 16.5 billion yen (+39.2% year over year)

■ OLED Materials Business

- Emitting materials
- Transport materials (electron transport materials and hole transport materials)
- Capping layer materials
- Materials for PCR diagnostic kit



■ Colorants Business

- Aluminum coloring dyes
- Stationery dyes
- Dyes for hair color treatment
- Food additives (food dyes)
- Materials for copier toner



Basic Chemicals Segment

» **16.7%** 6.8 billion yen (-4.1% year over year)

■ Peroxide Business

- Hydrogen peroxide
- Sodium percarbonate
- Peracetic acid (disinfectant, food additive)
- Industrial chemicals



Agro-Science Segment

» **13.5%** 5.5 billion yen (+12.2% year over year)

■ Agrochemical Business

- Herbicides
- Pesticides
- Oxygen supply material for agriculture

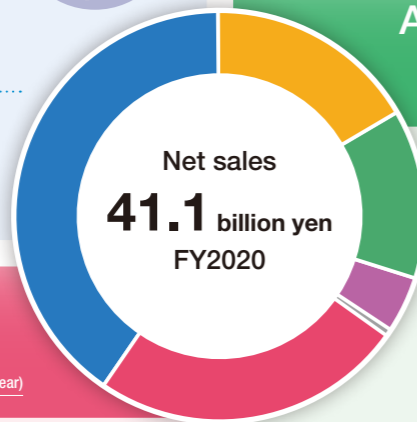


Logistics Segment

» **4.5%** 1.8 billion yen (-4.3% year over year)

■ Logistics Business

- Warehousing (hazardous substances and chemicals / general goods) Yokohama Branch, Koriyama Branch, Nanyo Branch
- Consigned freight forwarding
- ISO tank container storage services



Specialty Polymers Segment

» **24.9%** 10.2 billion yen (-12.5% year over year)

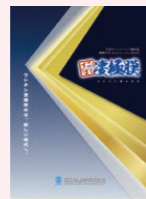
■ Functional Polymers & Specialty Chemicals Business

- Urethane materials (PTG, PTG-L, etc.)
- Specialty chemicals; Intermediates for pharmaceutical, functional polymers and electronics
- Adhesives
- Release agents



■ Construction Materials Business

- Waterproof materials for civil engineering and construction (urethane based)
- Waterproofing and leak-plugging work



Business Overview and Strategy

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



Functional Colorants Segment



Description of business

The Functional Colorants segment consists of four businesses.

Demand for OLED materials is growing because of their use in displays for smartphones, tablets, smartwatches, and other devices, and they are also expected to be introduced into the fields of TVs and vehicles. Having received high praise for PCR diagnostic kit materials, including reporter, quencher dyes, and probes, which the Hodogaya Group has independently developed as applied OLED material technology, the Group is expanding into new fields.

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 look more 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.

Strength

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

Lineup that makes it possible for total solutions via all the various types of OLED materials

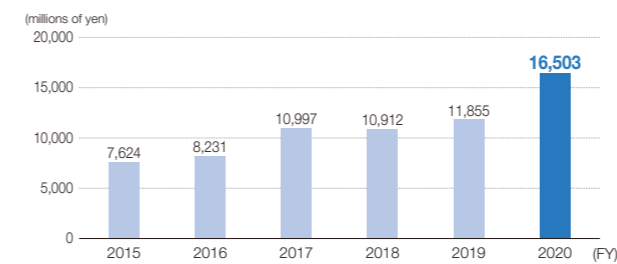
Aluminum coloring dyes leading global market share

The world's "Only One" hair dyes

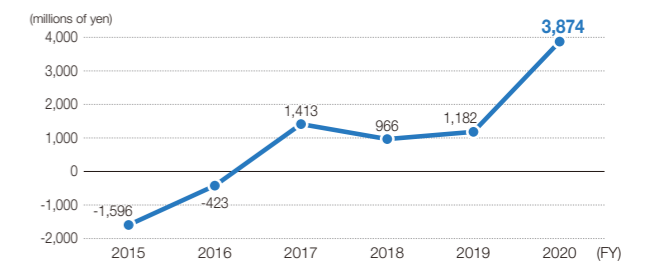
Basic Strategies in SPEED 25/30

- OLED materials: expand sales through new product development and further globalize operations by establishing new overseas bases
- Aluminum coloring dyes: expand sales through development of environment friendly products
- Bio business expansion: expand from diagnostics applications to therapeutic applications

Net sales



Operating profit



Related group company: **SFC CO., LTD.**

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

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

Webpage: <http://www.sfc-dye.com/>





Specialty Polymers Segment



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. We are focusing on Bio-PTG, whose main raw materials were switched from petroleum-derived to plant-derived, as a product that possesses similar quality to the traditional PTG but is environmentally friendly. 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.

Strength

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

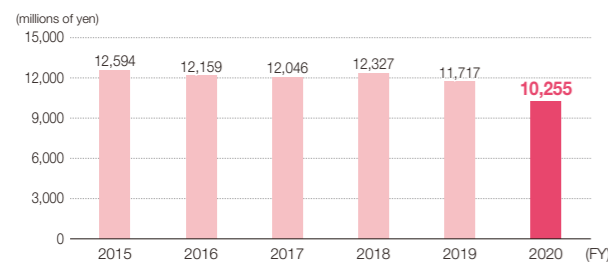
Environmentally friendly waterproofing materials free of specified chemical substances

Polymer materials and pharmaceutical intermediates leading global market share

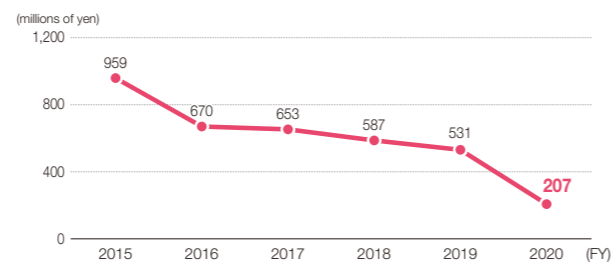
Basic Strategies in SPEED 25/30

- Launch new polyols into the market
- Promote green chemicals by switching all PTGs to plant-derived
- Develop and capture orders for new customized products using phosgene derivatives

Net sales



Operating profit

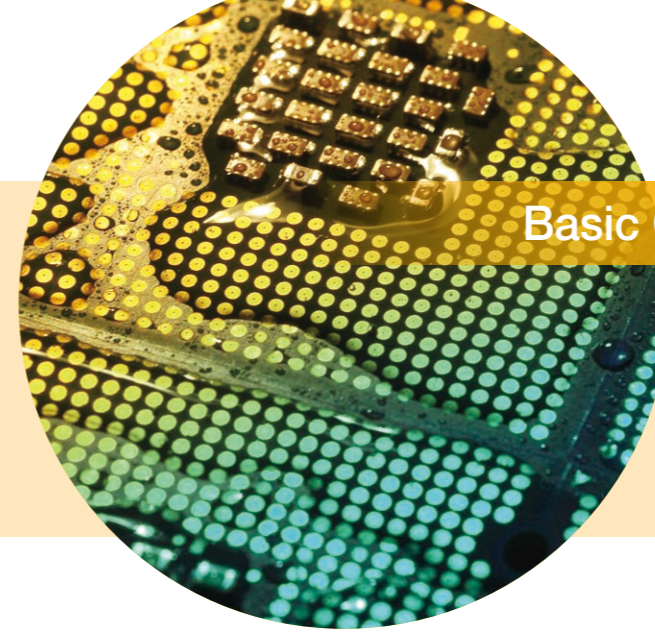


Related group company: **Hodogaya Construction Products Co., Ltd.**
Description of business: Manufacturing and sales of construction products

Location: 2-4-1 Yaesu, Chuo-ku, Tokyo, 104-0028 Japan
TEL: +81-3-5299-8170 (Main switchboard)
Webpage: <http://www.hodogaya.co.jp/hcp/>



Basic Chemicals Segment



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.

Strength

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

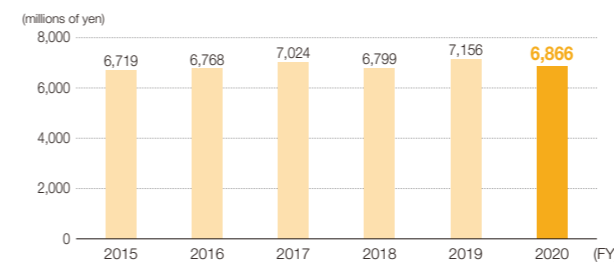
R&D expertise to produce peracetic acid, veterinary medicines, and various derivatives

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

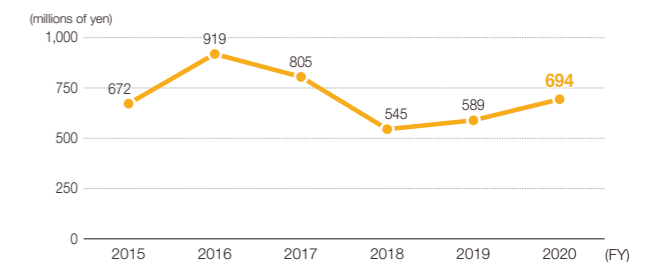
Basic Strategies in SPEED 25/30

- Hydrogen peroxide: expand for semiconductors and new fields
- Peracetic acid: expand food additive uses
- Hydrogen: conduct basic studies in preparation for the advent of a hydrogen society

Net sales



Operating profit





Agro-Science Segment



Description of business

The products offered by the Agro-Science segment are used in a wide range of fields, 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.

Strength

Ability to develop attractive products based on our formulation techniques

Herbicides for home gardening leading market share in Japan

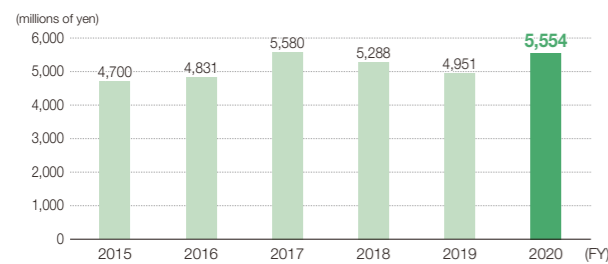
Strength to constantly propose new products to the market

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

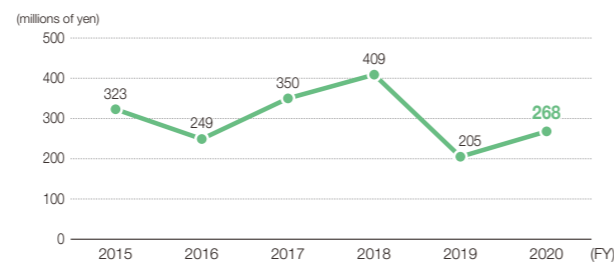
Basic Strategies in SPEED 25/30

- Reinforce expansion into the field of herbicides for non-croplands
- Expand use to the field of agricultural materials made from hydrogen peroxide and its derivatives
- Reinforce production capabilities for agricultural material products

Net sales



Operating profit



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
Webpage: <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
Webpage: <http://www.hodogaya-agrotech.co.jp/>



Logistics Segment



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.

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. In October 2021, the Nanyo Branch launched a business involving the handling (storage/heating) of ISO tank containers for hazardous/poisonous and deleterious substances, which is unique in Japan.

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

Strength

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

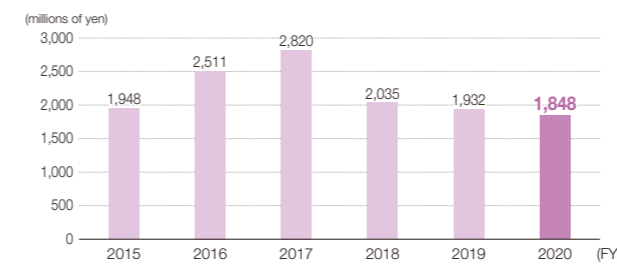
Storing and transporting services that draw on the locational advantages of Yokohama, Koriyama, and Nanyo

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

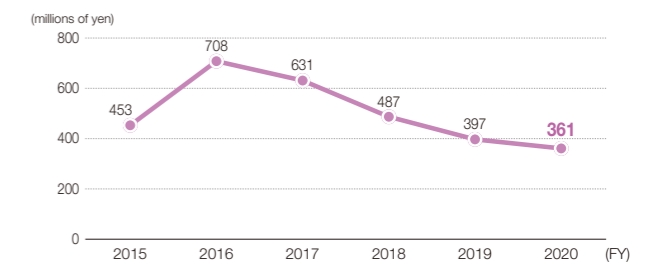
Basic Strategies in SPEED 25/30

- Leverage distinguishing aspects of the Group's hazardous material logistic bases to provide and reinforce storage services in a wide range of fields
- Further expand the international logistics business through internal system that integrates storage, customs, and international/domestic shipping
- Expand ISO tank container storage/heating business for hazardous/poisonous and deleterious substances

Net sales



Operating profit



Related group company: Hodogaya Logistics Co., Ltd.

Description of business: Warehousing and logistics

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

Webpage: <http://www.hodogaya.co.jp/hlc/>



Global Expansion of Hodogaya Chemical Group

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

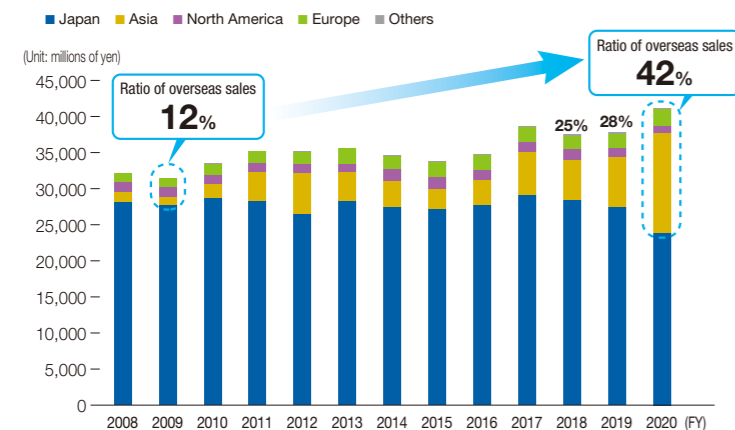
The Hodogaya Chemical Group is enhancing its overseas bases in order to respond to the diverse needs of global customers. We have already established our subsidiaries in North America, Europe and China which are our primary markets. In the field of OLED materials, we invested in a South Korean company 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

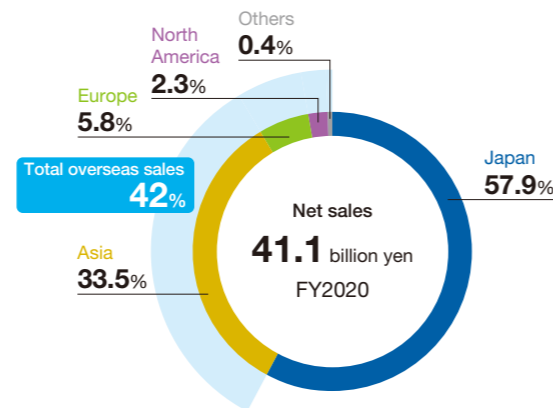
control agents for toners as well as aluminum coloring dyes for mobile devices, etc. Sales of the Company's OLED materials have grown robustly in line with the expansion in applications for OLED products, and in FY2020, the year of the COVID-19 pandemic, the ratio of overseas sales for the Hodogaya Chemical Group rose to 42% on account of expanded sales of PCR diagnostic kit materials independently developed by our Korean subsidiary as applied technology of OLED materials.

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.

Trend of Hodogaya Chemical Group's net sales by region



Net sales by region



Global Expansion of Hodogaya Chemical Group (as of March 31, 2021)

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
	Republic of Korea	SFC CO., LTD. (Chungcheongbuk-do) – Functional colorants	1998 2010*
Asia	Republic of Korea	HODOGAYA CHEMICAL KOREA CO., LTD. (Chungcheongbuk-do) – Functional colorants	2011
	People's Republic of China	HODOGAYA (SHANGHAI) TRADING CO., LTD. (Shanghai) – Functional colorants	2014
		Shanghai Office (Shanghai)	1997
	Republic of China (Taiwan)	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

Environmentally Friendly Products, Technologies, and Services



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 Islamic countries.



Hydrogen peroxide

In addition to its traditional uses as a paper pulp bleach and industrial chemical, hydrogen peroxide is used as an oxidizing agent in the chemical oxidative decomposition method for decontaminating soil. It is possible to directly decompose oils in the soil through oxidation by injecting an oxidizing agent into or stirring it into contaminated soil.

Hydrogen peroxide, which breaks down into water and oxygen, is a clean, environmentally friendly oxidizing agent, and it is expected that broader application of it will be made in the future.



Bio-PTG (Polymer materials)

PTG, one type of polyol that is a polyurethane raw material, is an indispensable raw material for spandex and other products. Hodogaya Chemical was the first company in Japan to develop and sell Bio-PTG, which possesses the same quality as traditional PTG but is environmentally friendly because the main raw materials were switched from petroleum-derived ones to plant-derived ones.



Peracetic acid formulation

The peracetic acid formulation OXYATTACK (disinfectant agent for food products), a hydrogen peroxide derivative, was introduced into the market in 2017.

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 conscious product that has won the approval of customers.



ODI (Phosgene derivative)

Octadecylisocyanate (ODI), a 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 vegetables, it helps control the occurrence of environmental CO₂, which is said to be a cause of climate change.



Oxygen supply material for agriculture

Natural disasters and extreme weather (torrential rains, typhoons, etc.) have recently been growing more frequent year by year, and in addition to the direct damage to agricultural land and facilities, they impact crop yields due to moisture damage.

Supplying oxygen to soil harmed by bad weather, etc., improves the growing environment of crops and promotes healthy growth. The Hodogaya Chemical Group provides its customers with oxygen supply materials for farming made from hydrogen peroxide. These are also environmentally conscious products that do not contaminate farm land.






Constantly evolving chemical technology that yields cutting-edge innovations on three core technologies

Following our previous Mid-term Management Plan HONKI 2020, our new Mid-term Management Plan SPEED 25/30 will continue to quickly identify the diversifying needs of society and pursue R&D that is able to swiftly respond to the myriad requirements of a broad range of customers.

By giving form to the skills and know-how arising from the technology that we have cultivated over our long history, the Hodogaya Chemical Group develops products and production technology with all-new functions, while also expanding R&D activities that help us achieve our “ideal figure.”

In the process of growing our business in this way, we make contributions to society. We will encourage innovation by creating specialty products in order to help achieve SDG 9 (Industry, Innovation and Infrastructure).

Please see our website for details. <https://www.hodogaya.co.jp/english/rd/>



Three core technologies unwaveringly support innovation for the Hodogaya Chemical Group

High-purification technology Leveraging advanced refining technologies that achieves a higher level of purification

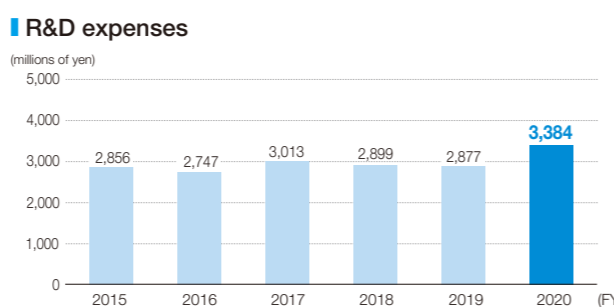
Highly purified raw materials that can be used in new fields and for constantly evolving applications are always in demand. Through our R&D on electronics materials and automotive materials, Hodogaya Chemical Group meets customers' expectations and solves their stringent demands by delivering the cutting-edge refining technology that we have fostered.



Development capability in functional materials Developing materials with new functionality that leads to comfortable and abundant lifestyles

The goal is the fulfillment of dreams—abundant lifestyles that are safe, secure, and comfortable. The Hodogaya Chemical Group utilizes extensive and wide-ranging organic composite technology, including dyes and polymers, while offering new materials that feature a wide array of functions, while striving to open up all kinds of fresh possibilities for their use. This allows us to propose new materials that have a variety of functions.

Our R&D spending trends around 3 billion yen, including investment in intellectual property, with the R&D expenses-to-sales ratio maintaining a high level.



Evaluation technology for functional materials Knowledge, experience, and skill. Evaluation technology that supports materials of the future

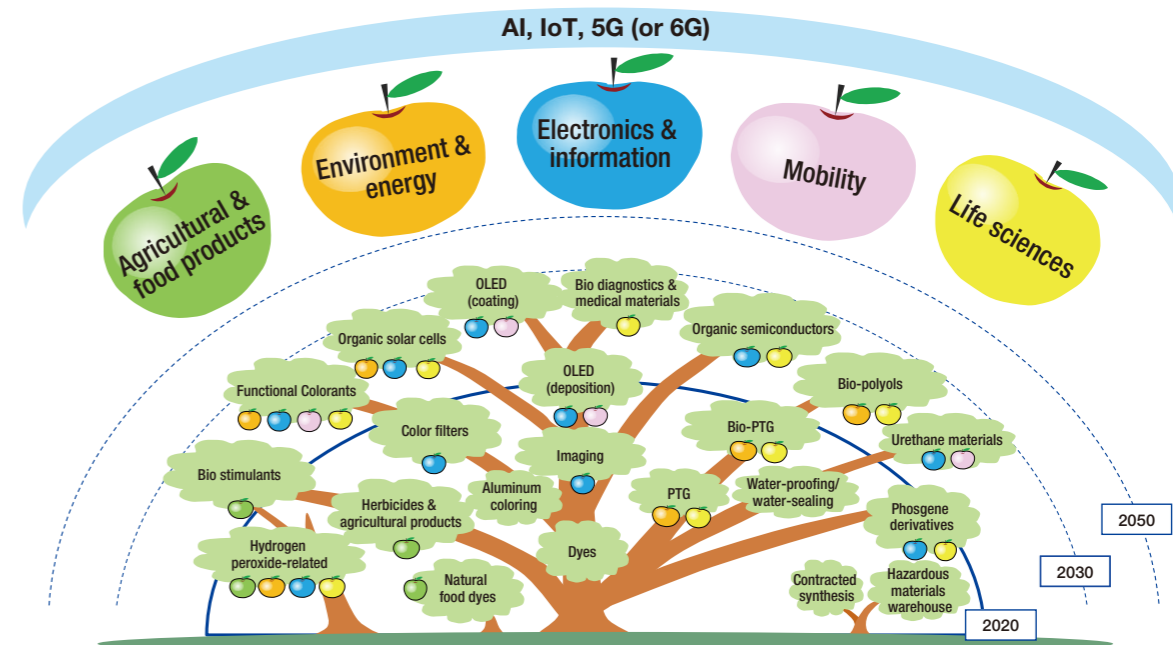
Customers expect extremely reliable and stable products with a high degree of sophistication. The trust shown by our customers is evidence of this quality. We transform evaluation technology and expertise that we have fostered over many years in various fields—from basic chemicals to advanced materials—into designs and cutting-edge materials one step ahead of others.



R&D Strategies

Basic strategies in SPEED 25/30

- Further development of strategic products while fostering new ideas**
 - New business creation and growth for functional colorants
 - Take new research projects into—and beyond—the development stage
- Strengthen our R&D structure**
 - Expand our sustainable creation of new research projects
 - Establish an organizational structure able to swiftly move from research to mass production



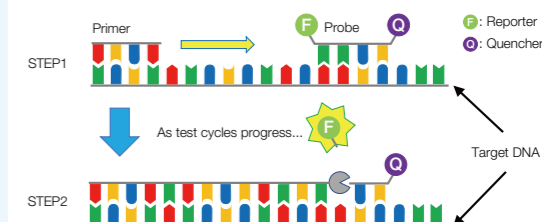
Materials for PCR Diagnostic Test Kits

SFC CO., LTD. (Korea)



SFC, Hodogaya Chemical's group company in Korea, is developing and producing primers and probes, which are core materials for PCR diagnostic test kits. Primer is essential for PCR diagnostic test because it is a short segment of synthetic DNA that bind to target DNA (such as virus; viral DNA). Meanwhile, probe is constructed containing a fluorescent reporter dye and a quencher dye (materials that quenches the fluorescence emitted by the fluorophore) at each end of the short segments of synthetic DNA made to bind to the target DNA. In an actual test, these materials enable the detection of the presence of target DNA; viral DNA by releasing the reporter and allowing its fluorescence. These reporter and quencher dyes were independently developed as technical application for OLED materials which is one of the Hodogaya Chemical Group's strengths, so our materials show superior performance compared to existing conventional materials. PCR diagnostic kits adopting our materials are in use around the world, which allows us to contribute to preventing the spread of COVID-19 and eradicating this virus.

Structure of a PCR diagnostic kit



PCR materials: Probe



Corporate Governance



Basic approach

By means of our original portfolio and environmentally friendly manufacturing with a focus on specialty products, the Hodogaya Chemical Group aims to be a company that contributes to achieving a sustainable society and remains cognizant of value creation for a wide range of stakeholders—including shareholders, customers, partner companies, local communities, and employees—while boosting the efficiency of operations. At the same time, we consider top priority management objectives to include: developing economies and industries at home and abroad, contributing to the prosperity of society, ensuring the soundness and legality of business management, and achieving gains in efficiency. In the process, we strive to enhance and strengthen our corporate governance system.

Initiatives to strengthen corporate governance

June	2003	Introduction of executive officer system	June	2015	Transition to a Company with an Audit & Supervisory Committee
March	2004	Abolishment of directors' retirement benefits program	July	2016	Introduction of stock-based compensation plan
May	2006	Formulation of Basic Policy on Internal Control	January	2018	Shift into new management structure
November	2006	Establishment of Internal Control Department	June	2019	Establishment of a Nominating and Compensation Committee
June	2013	Start of appointment of Outside Directors	March	2021	Respond to the revised Companies Act
			May	2021	Release the Board of Directors skills matrix

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, excluding matters statutorily prescribed to be exclusively deliberated by the Board of 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 Board of Directors consists of the following seven members:
Representative Director, President: Yuto Matsumoto
Directors: Kaoru Kasahara, Eiichi Sunada
Director (Audit & Supervisory Committee Member): Satoshi Ebisui
Outside Directors (Audit & Supervisory Committee Members): Shuji Kato, Nobuhiro Yamamoto, Masaki Sakai

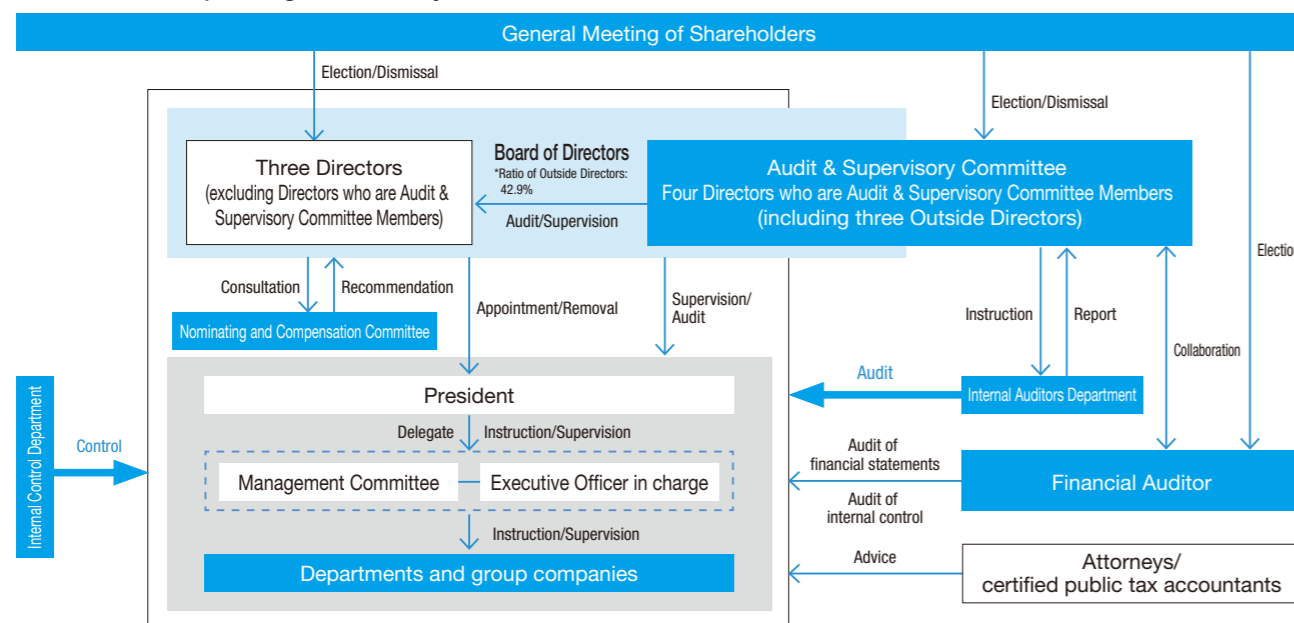
The Board of Directors conducts the Board evaluation every year. The Audit & Supervisory Committee supports the supervisory functions of the Board of Directors, and annually evaluates the Board of Directors by assessing mainly such items as to whether the Board of Directors is conducting thorough discussions 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 Board of Directors’ meetings.



Link to the Corporate Governance Report (Japanese text only):
https://www.hodogaya.co.jp/wp/wp-content/uploads/2021/06/corporate_governance_20210625.pdf



Structure of corporate governance system



Board of Directors

To enable thorough discussions based on diverse opinions and prompt, rational decision-making, the Board of Directors consists of a total of seven Directors, including Directors (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members (of whom three are Outside Directors).

The ratio of Outside Directors is 42.9%.

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 Director 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.



Outside Director (Audit & Supervisory Committee Member) Masaki Sakai | Director (Audit & Supervisory Committee Member) Satoshi Ebisui | Director and Senior Managing Executive Officer Eiichi Sunada | Representative Director, President and CEO Yuto Matsumoto | Director and Senior Managing Executive Officer Kaoru Kasahara | Outside Director (Audit & Supervisory Committee Member) Shuji Kato | Outside Director (Audit & Supervisory Committee Member) Nobuhiro Yamamoto

General Meeting of Shareholders

In addition to the appropriate statutory disclosure and timely disclosure, Hodogaya Chemical strives to proactively provide shareholders and investors with 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.

It engages in constructive bilateral dialogue with shareholders in an effort to achieve effective corporate governance that can contribute to sustainable growth and increase its corporate value.

Nominating and Compensation Committee (voluntary committee)

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.

The Nominating and Compensation Committee is made up of a majority of independent Outside Directors and chaired by an independent Outside Director. As a function of the Nominating and Compensation Committee that is particular to Hodogaya

Chemical, the committee deliberates on the education, training, and evaluations of a wide range of core employees.

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 Officers

The executive officer system was introduced in view to (1) streamline management and thereby (2) enable quicker decision-making, (3) specialize functions, (4) strengthen supervisory and monitoring functions, and (5) strengthen our business management.

Executive Officers who can fulfill these goals have been elected by the 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 advice on accurate and fair business practices through internal control audits.



Please see our website for details. <https://www.hodogaya.co.jp/english/company/governance/>



Appointment of Directors

Criteria for appointing inside directors include having personal qualities befitting a company manager and possessing rich experience and learning, while criteria for appointing outside directors include having accumulated rich experience and possessing an extensive track record and knowledge.

The Company's Board of Directors reviews, and approves as candidates for director, individuals deemed to possess these qualities, while individuals deemed to lack these qualities or deemed to have contributed to significantly poor business performance are recognized as having cause for dismissal.

Our website's section disclosing the Reference Documents of the Annual General Meeting of Shareholders provides the professional backgrounds and other information on director candidates as support for their being appointed candidates for director.

The Board of Directors is committed to having a diverse Board comprised of individuals with different specialized knowledge and experience. The information below covers the backgrounds of these director candidates nominated for approval at the 163rd Annual General Meeting of Shareholders.

Board of Directors Skills Matrix

Name	Corporate management	Law & risk management	Finance & accounting	Business strategy	R&D, technology, production	International business
Yuto Matsumoto	○			○	○	○
Kaoru Kasahara	○			○	○	
Eiichi Sunada	○	○	○			
Satoshi Ebisui	○			○	○	○
Shuji Kato (outside)	○			○		○
Nobuhiro Yamamoto (outside)		○	○	○		
Masaki Sakai (outside)				○	○	○

An asterisk (*) indicates a field in which the candidate is expected to display particularly valuable expertise. This matrix is not exhaustive of the knowledge and experience possessed by candidates.

Reasons for appointment as director

Director

Name	Reasons for appointment
Yuto Matsumoto	Since joining the Company in April 1983, Mr. Matsumoto has accumulated experience in the R&D Department, followed by moving to the Sales Department (including experience overseas), and then being appointed President in November 2016. Mr. Matsumoto has been deemed qualified to be a Company director due to possessing extensive experience and knowledge, while also having carried out his professional duties responsibly.
Kaoru Kasahara	Since joining the Company in April 1981, Mr. Kasahara has worked in the R&D and Production Departments and has accumulated extensive experience and knowledge as the current officer in charge of the Group's R&D and Production Departments. He has been deemed qualified to be a Company director due to this impressive track record, while also having carried out his professional duties responsibly.
Eiichi Sunada	Since joining the Company in June 2002, Mr. Sunada has been engaged in the Group's legal matters, internal control, and internal audits, and has worked in the IT Department. Currently, he has accumulated extensive experience and knowledge as the officer in charge of the Group's business planning, legal matters, and internal audits. He has been deemed qualified to be a Company director due to this impressive track record, while also having carried out his professional duties responsibly.
Satoshi Ebisui	Since joining the Company in April 1973, Mr. Ebisui has worked in the Corporate Planning and Sales Departments and has accumulated extensive experience and knowledge as a current director who is a member of the Audit & Supervisory Committee. He has been deemed qualified to be a director and Audit & Supervisory Committee member due to this impressive track record, while also having carried out his professional duties responsibly.

Outside Directors

Name	Reasons for appointment
Shuji Kato	Mr. Kato has accumulated wide-ranging professional experience in government agencies and other posts. Furthermore, he possesses extensive knowledge and experience as a manager and was appointed a Company director and Audit & Supervisory Committee member in June 2015. He has been deemed qualified to be a Company director and Audit & Supervisory Committee member due to having carried out his professional duties responsibly before and after that appointment. The Company has high expectations for Mr. Kato to utilize his experience in trade and industry administration, international business, and corporate management, while also fulfilling a role supervising the Company's decisions on the fundamental direction of business, as well as supervising directors who have been entrusted with business execution. The Company provided notice to the Tokyo Stock Exchange on Mr. Kato being an independent director, in accordance with the rules and regulations of the exchange.
Nobuhiro Yamamoto	Since being appointed Company director and Audit & Supervisory Committee member in June 2015, Mr. Yamamoto has brought his knowledge from many years of wide-ranging professional experience to bear on his work duties at the Company. He has been deemed qualified to be a Company director and Audit & Supervisory Committee member due to expectations that he will continue carrying out his professional duties responsibly going forward. The Company also has high expectations for Mr. Yamamoto to utilize his experience with risk management and knowledge of finance and accounting, while also fulfilling a role supervising the Company's decisions on the fundamental direction of business, as well as supervising directors who have been entrusted with business execution. The Company provided notice to the Tokyo Stock Exchange on Mr. Yamamoto being an independent director, in accordance with the rules and regulations of the exchange. Mr. Yamamoto also has prior professional experience as an employee of a financial institution that is a major lender to the Company; however, because 12 years have elapsed since he retired from that institution, the Company deems that there are no concerns over his independence.
Masaki Sakai	Since being appointed Company director and Audit & Supervisory Committee member in June 2019, Mr. Sakai has brought his knowledge and experience from many years of government employment inside and outside Japan to bear on his work duties at the Company. He has been deemed qualified to be a director and Audit & Supervisory Committee member due to the expectation that he will carry out his professional duties responsibly. The Company has high expectations for Mr. Sakai to utilize his experience in agriculture, forestry and fisheries administration, as well as his experience with international business, while also fulfilling a role supervising the Company's decisions on the fundamental direction of business, and supervising directors who have been entrusted with business execution. The Company provided notice to the Tokyo Stock Exchange on Mr. Sakai being an independent director, in accordance with the rules and regulations of the exchange.

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, 12 years have elapsed since they left said financial institution. Therefore, the Company deems that there are no concerns over their independence.

Furthermore, the Company does not have any transactional relationships with the three Outside Directors.

Status of attendance at meetings of the Board of Directors, Audit & Supervisory Committee, and Nominating and Compensation Committee

	Board of Directors	Audit & Supervisory Committee	Nominating and Compensation Committee
Director and Audit & Supervisory Committee Member Shuji Kato	16/16 (100%)	13/13 (100%)	10/10 (100%)
Director and Audit & Supervisory Committee Member Nobuhiro Yamamoto	16/16 (100%)	13/13 (100%)	10/10 (100%)
Director and Audit & Supervisory Committee Member Masaki Sakai	16/16 (100%)	13/13 (100%)	10/10 (100%)

Director Compensation Plan

Hodogaya Chemical positions its Directors' compensation plan as a priority item for corporate governance. The basic requirements in determining the compensation of Directors include: 1. Compensation linked to performance; 2. Incentives to improve corporate value; 3. Linkage to shareholder interests; and 4. Securing and retaining talented personnel.

In consideration of the above, individual director compensation is paid to directors within the range approved at the General Meeting of Shareholders.

Determinations on the individual compensation of directors (excluding directors who are Audit & Supervisory Committee members) are made by resolution of the Board of Directors at the discretion of representative directors; however, bylaws stipulate that representative directors shall determine compensation amounts after deliberations by the Nominating and Compensation Committee.

Specifically, in order to appropriately incentivize contributions to the Company's sustainable growth, since fiscal 2016, the Company has adopted a stock-based compensation plan for directors that, in addition to the existing compensation linked to short-term performance, adds compensation linked to mid- to long-term performance.

As a result, the ratio of performance-linked compensation to overall director compensation has been approximately 40%, while, within this 40%, the ratio of compensation linked to short-term performance versus compensation linked to mid- to long-term performance has been approximately 25% vs. 15%.

Directors who are Audit & Supervisory Committee members receive only a fixed-amount base compensation in consideration of the fact that they are not involved with executive functions.

Total director compensation, etc.

Type of director	Total compensation (millions of yen)	Totals of different types of compensation (millions of yen)			No. of applicable directors
		Base compensation (cash)	Performance-linked compensation (cash)	Non-monetary compensation (Company stock)	
Directors (excluding Audit & Supervisory Committee Members) (excluding Outside Directors)	141	68	22	50	4
Directors who are Audit & Supervisory Committee Members (excluding Outside Directors)	15	15	—	—	1
Outside Directors	20	20	—	—	3
Total	177	104	22	50	8



Outside Director **Shuji Kato**

Our Governance Structure

Since I was appointed outside director in 2013, we have bolstered our governance structure in a variety of ways and taken appropriate measures, such as targeting the ratio of outside directors. Furthermore, the Company has proactively incorporated outside perspectives and adopted an open corporate culture. I also serve as the chairperson of the Nominating and Compensation Committee, where we receive advice and compile opinions on all personnel at or above the level of department general manager. When the new Mid-term Management Plan was being formulated, I received reports at each stage when gathering with the Board of Directors and I also participated in internal workshops and study sessions. While Hodogaya Chemical is an extremely professional organization, I would like the Company to more boldly take on challenges such as new fields and overseas ventures. Going forward, I would like the Company to have an externally oriented awareness—including diversity and the like—that allows it to make leaps in the global market.

- Apr. 1975 Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
- June 1995 Counsellor, Director-General's Secretariat of National Land Agency (currently Ministry of Land, Infrastructure, Transport and Tourism)
- Dec. 1997 Senior Economist of International Economic Policy Study Group
- Dec. 2001 Representative Director and President of Future Ecology Co., Ltd.
- Nov. 2003 Director of BICCAMERA INC.
- Apr. 2013 Chairperson of the Board of Directors of Makoto Co., Ltd.
- June 2013 Outside Director of Hodogaya Chemical Co., Ltd.
- June 2015 Reappointed Outside Director (Audit & Supervisory Committee Member) (current position)



Outside Director **Nobuhiro Yamamoto**

Elevated Awareness of Compliance

In my career, I have a solid 30 years of involvement in risk management, internal control, and similar functions of organizations such as The Norinchukin Bank and The Cooperative Servicing Co., Ltd. I have also very energetically voiced my opinions at Hodogaya Chemical when we deliberated on matters including finance and investment planning. With regard to the Company's internal control and internal audits, my evaluation is that these activities are being managed extremely well. The Company closely follows the PDCA cycle and reports are given frequently. Group-wide awareness of legal compliance is very high and inside and outside directors come together to attend compliance training sessions, which is evidence of the Company's proactive initiatives. Going forward, I hope that training programs are further enhanced and that top management takes the lead and serves as an example for inspiring ongoing Group-wide compliance awareness.

- Apr. 1979 Joined The Norinchukin Bank
- June 2009 Director and General Manager of Planning Control Department of The Cooperative Servicing Co., Ltd.
- June 2012 Managing Director of The Cooperative Servicing Co., Ltd.
- June 2015 Outside Director (Audit & Supervisory Committee Member) of Hodogaya Chemical Co., Ltd. (current position)



Outside Director **Masaki Sakai**

Expectations of the New Mid-term Management Plan

For many years, I worked to support farmers in my post at the Ministry of Agriculture, Forestry and Fisheries, after which, I served as a diplomatic ambassador abroad. I believe that my accumulated abilities from these experiences will contribute to the credibility and overall capabilities of Hodogaya Chemical. My evaluation of the new Mid-term Management Plan is that it showcases the Company's growth strategies while also going quite far to boost Group-wide unity and encourage growth for employees. In particular, the KPI management that we will newly tackle going forward is expected to help raise each employee's sense of inclusion in management, since KPIs will be created from a bottom-up approach, will be realistic, and will have concrete numerical targets. At the same time, I expect that the Company will raise the base of its overall corporate strength by investing in human resources, including enhancing education programs and continuously improving incentives, so I will keep monitoring these initiatives going forward.

- Apr. 1981 Joined Ministry of Agriculture, Forestry and Fisheries (MAFF)
- Apr. 2013 Director-General, Statistics Department, Minister's Secretariat
- Apr. 2014 Ambassador Extraordinary and Plenipotentiary to the Federated States of Micronesia and Republic of Marshall Islands
- Aug. 2016 Advisor for Sompo Japan Nipponkoa Insurance Inc. (currently Sompo Japan Insurance Inc.)
- June 2019 Executive Director and Secretary General of Steady Supply of Fishery Products Promotion Foundation
- June 2019 Outside Director (Audit & Supervisory Committee Member) of Hodogaya Chemical Co., Ltd. (current position)

Compliance Basic approach

In addition to fully recognizing and consistently applying compliance's basic meaning of adhering to laws and regulations, the Hodogaya Chemical Group conducts corporate activities keeping in mind its meaning of ensuring behavior in line with what society demands of the Group.

As a result of earnestly implementing compliance and conducting fair, non-discriminatory business activities, there have been no employees who have been fired and the Group has not had to pay fines or other penalties due to behavior that goes against the legitimate interests of the Group or behavior that undermines trust in and the reputation of the Group.

The Group will also meet the social demands and expectations by fulfilling its responsibility to properly pay taxes in countries and regions throughout the world.

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.

Compliance education and internal reporting system

In terms of cultivating and improving compliance awareness, the Hodogaya Chemical Group continuously offers all Group employees and officers compliance training sessions (four times/year for employees, one time/year for officers) and independent education using e-Learning as means 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.

As for the internal reporting system, the Group has not only designated an outside attorney and the Internal Control Department as contact points but also created a system that clearly stipulates whistleblower protection and other elements so as to prevent and quickly detect violations of laws, regulations, rules, and corporate ethics, based on Internal Reporting Rules.



Details can be found on the website below. <https://www.hodogaya.co.jp/english/company/governance/management/#a32>



Risk management Basic approach

As for risks that harm the Hodogaya Chemical Group, including illegal conduct, poor quality, natural disasters, infectious diseases, and information leaks, the Group has created its own risk management system.

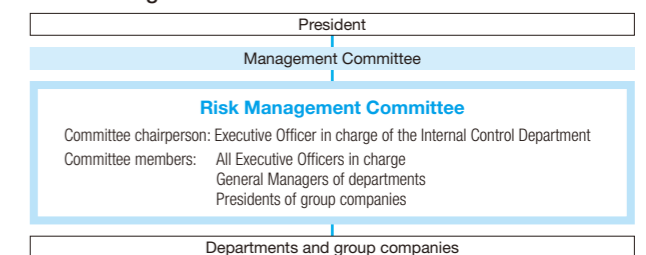
In order to maintain and increase corporate value, fulfill its social responsibilities as a company, and generate sustainable growth for the Group, efforts are made to raise the risk awareness of not only officers but all employees and promote risk management by all employees.

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.

Risk management structure



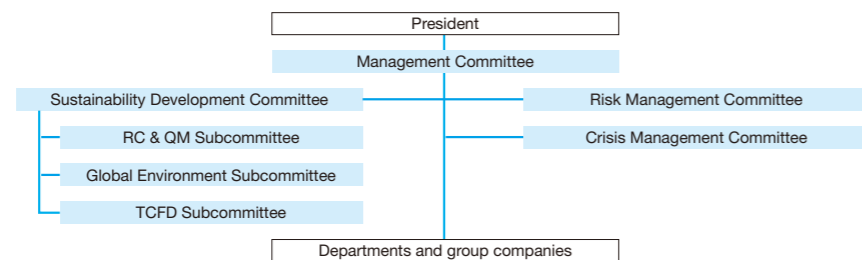
Details can be found on the website below. <https://www.hodogaya.co.jp/english/company/governance/management/>



Basic approach

As climate change and other global social issues grow more serious and demands for sustainability management increase, the Hodogaya Chemical Group will actively move forward based on the idea of “balancing the pursuit of economic value and solutions to social issues and providing value to all stakeholders” to fulfil its responsibilities related to creating a sustainable world/society as given in the vision appearing in the new mid-term management plan SPEED 25/30.

As an organization working on sustainability-related issues, we view sustainability as an overarching concept that encompasses CSR, ESG, and SDGs. Thus we dissolved the CSR Committee to pave way for the establishment of the Sustainability Development Committee in October 2021. In addition to the existing RC & QM Subcommittee, the Global Environment Subcommittee and TCFD Subcommittee were newly created as subcommittees of the Sustainability Development Committee to respond to concrete issues related to sustainability.



Responsible Care (RC)

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



Responsible Care (RC) implementation system

In carrying out the RC activities, the Group structures the RC & QM Subcommittee under the Sustainability Development Committee. 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.



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



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 undertook 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.

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



Responding to Climate Change

The Hodogaya Chemical Group considers responding to climate change to be a crucial management challenge.

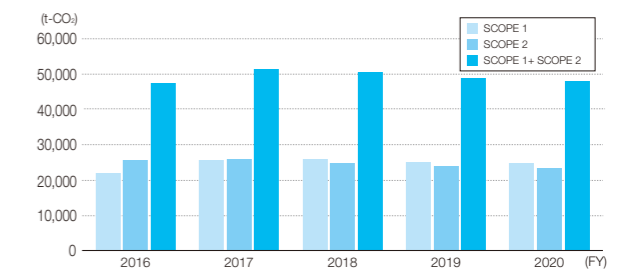
Nearly all of the greenhouse gases (GHG) emitted by Hodogaya Chemical are CO₂ from energy-originated CO₂. Total GHG (Scopes 1*1 and 2*2) emitted in FY2020 was approximately 48,000 tons. Although this level was lower than FY2019 due to our reduced volume of energy use, the average change for the most recent five years has increased. Going forward, as we foresee increased production volume, we will consider predicted risks and opportunities from a long-term perspective focused on 2030, and will strive to address climate change both in terms of mitigation and adaptation.

Under this philosophy, we will continue to research technology and costs related to reducing GHG emissions, including promoting the adoption of energy-saving equipment and renewable energy in order to continuously improve energy intensity. Furthermore, at present, our identification of Scope 3*3 emissions is limited to part of category 4 (specific consigners). We are currently compiling data in other categories and, through analysis of the results, will establish countermeasures and strive to reduce GHG emissions.

*1 Scope 1: direct emissions
*2 Scope 2: energy-originated indirect emissions
*3 Scope 3: other indirect emissions; separated into 15 categories

Also, in order to encourage CO₂ emission reductions, an increasing number of companies are implementing ICP (Internal Carbon Pricing), which quantifies and prices their carbon emissions. With regard to Hodogaya Chemical's capital expenditures that help reduce the volume of CO₂ emissions and electricity usage, there is concern that it may take an extended period of time to recover investments through cheaper fuel prices and electric power rates. We are considering the adoption of ICP as a supportive framework for such investments and as a climate change response ahead of the low-carbon society that is expected to emerge.

CO₂ (carbon dioxide) emissions



Initiatives for the TCFD*4

As a chemical company, Hodogaya Chemical is resolutely confronting climate change in light of the guidance by the TCFD, while deepening our understanding of risks and opportunities impacting our business and proactively striving for information disclosure. TCFD guidance urges climate change information disclosure in the categories of governance, management strategy, risk management, and metrics and targets, which we are addressing in the ways described on the following page.

*4 TCFD: The Task Force on Climate-related Financial Disclosures established by the Financial Stability Board. In June 2017, the task force released guidance urging financial institutions, companies, governments, and other groups to disclose climate change impacts in financial reports.



Governance related to climate change

SPEED 25/30, Hodogaya Chemical Group's new mid-term management plan, has defined our target corporate image (VISION) as "a corporation that contributes to establish a sustainable society by means of our original portfolio and environmentally friendly manufacturing, with a focus on specialty products" and we position mid- to long-term sustainability, including the elements of ESG, as a crucial management challenge. As a strategic organizational response in October 2021, we reorganized our existing CSR Committee as the Sustainability Development Committee and established the Global Environment Subcommittee, which promotes activities related to preservation and improvement of the global environment, and the TCFD Subcommittee, which promotes disclosure activities in response to guidance from the TCFD. Each subcommittee discusses the topics under its purview and reports to the Management Committee and Board of Directors while striving for unified cohesion by the management team.

Risk management

Hodogaya Chemical Group's Risk Management Committee meets regularly to recognize, evaluate, and discuss mitigation measures for Group-wide risks, with results reported to the Management Committee and Board of Directors.

Up to this point, we have recognized climate-related risk as a disaster risk. Going forward, however, the TCFD Subcommittee plans to follow a climate scenario approach, including a 2°C target, in order to respond to the uncertainty of climate-related risk. We will identify risks and opportunities and plan to deliberate on concrete measures.

Strategies

While reducing GHG emissions has become an objective tackled worldwide since the signing of the 2015 Paris Agreement, the Hodogaya Chemical Group has been striving to make reductions for some time. As a result of efforts, mainly at factories, to switch our fuel source, we have dropped FY2020

CO₂ emissions (48,000 tons) to a level nearly one-fourth that of FY1990 (211,000 tons) over the course of 30 years.

Going forward, in pursuing the SPEED 25/30 business strategy of developing a new portfolio, we expect production volume to increase. We plan to examine risks forecast from a long-term perspective focused on 2030 and sort them into TCFD risk categories, then continue analyzing climate scenarios, including the 2°C target. From the results of scenario analysis, we plan to discuss response measures for transitional risks and physical risks, while envisioning new initiatives—including those that address opportunities—from the perspectives of climate change mitigation and adaptation.

Indicators and targets

In our previous Mid-term Management Plan HONKI 2020, the Hodogaya Chemical Group pursued a CO₂ emission reduction target that would keep total emissions below the previous fiscal year's level, with a five-year average target of minus 1%.

Given the expected production increase from pursuing the business strategies of SPEED 25/30, we forecast CO₂ emissions to rise. In addition to existing initiatives, we will consider the possibility of utilizing renewable energy and, by adopting ICP (Internal Carbon Pricing), will deliberate on targets that incorporate CO₂ emission reductions.

Future plans

On the Sustainability Development Committee, we will continue to analyze scenarios and formulate strategies on climate risks and opportunities following the guidance of the TCFD (Task Force on Climate-related Financial Disclosures). As we do so, we will proceed to review disclosure of concrete data.

In order to fulfill our responsibility for achieving a sustainable planet and society, as emphasized in SPEED 25/30, we will work to contribute to preserving and improving the global environment through climate change countermeasures utilizing the TCFD. At the same time, by disclosing this data, we will connect these efforts to stronger relationships of trust with our stakeholders.

Initiatives to lower environmental impacts

The water resources consumed and the chemical substances released into the air, water, and soil during the course of business operations by the Hodogaya Chemical Group have the potential for impacting the global environment. The Group aims to minimize negative impacts on the global environment and strives to lessen the environmental burden accompanying our business activities.

Please see our website for environmental data from the past 10 years. https://www.hodogaya.co.jp/english/csr/eco/environmental_data/

Prevention of air pollution

SO_x (sulfur oxide), NO_x (nitrogen oxide), and dust are discharged from our factories from the burning of fuel and other aspects of chemical manufacturing. In FY2011, Hodogaya Chemical completed a switch to city gas for the raw fuel used in our plants, which has allowed us to continue to achieve zero emission of SO_x since FY2012. We are also achieving significant reduction of NO_x and dust emissions through measures such as adopting dust collectors and scrubbing towers, and using catalyzers. This has allowed us to mitigate discharge of these substances into the atmosphere.

Protection of Water Resources and Prevention of Water Pollution

99% of the industrial water used by Hodogaya Chemical is procured from rivers and streams and only requires a small amount of public water (tap water) used as our drinking water. Furthermore, the Company does not use ground water that is a cause of land subsidence.

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. Going forward, we will continue to improve the water quality and work to reduce the environmental impact risks to oceans and rivers.

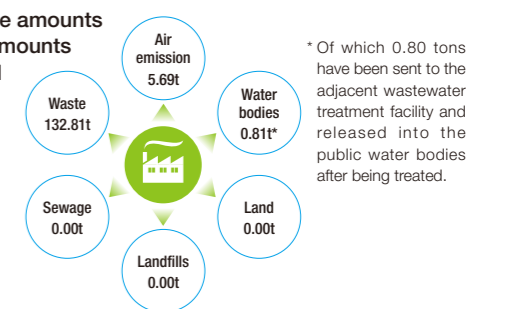
Industrial waste reduction

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 FY2020, a different product mix meant that we generated 10% more industrial waste than in the previous fiscal year, so we did not achieve our goal. However, the final disposal volume was 22% 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

In order to reduce the environmental impact of chemical substances, we are gathering information and notifying the national authorities on the status of release and transfer of 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 (PRTR Act). 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 we work to reduce the release and transfer of such substances from the perspective of environmental conservation.

FY2020 release amounts and transfer amounts of PRTR listed substances



Please see our website for PRTR details. https://www.hodogaya.co.jp/english/csr/eco/environmental_data/#a21

Hodogaya Chemical Group material flow



Environmental Accounting Initiatives

The Hodogaya Chemical Group identifies costs related to environmental conservation as part of pollution prevention costs. Since FY2020, we have adopted environmental accounting and data compilation following the methods in the Environmental Guidelines of the Ministry of the Environment.

This includes quantifying the resources we invest in the environment and working toward sound environmental measures, with the objective of reporting our environmental accounting and increasing our corporate transparency.

Voice —Employee Interview—

Initiatives to increase the recycling rate for our volume of industrial waste

Nanyo Plant
Koichi Fukuda

At the Nanyo Plant, with the target of improving our year-on-year recycling rate and cutting the amount of industrial waste that goes into landfills, we are pursuing the following FY2021 environmental conservation initiatives:

- (1) Considering ways, such as thermal recycling, to reuse industrial waste
- (2) Signing agreements with multiple processors and disposers in order to secure excellent processors committed to renewable efforts
- (3) At the time of waste release, prioritizing the selection of renewable processors and disposers and implementing systematic processing and disposal
- (4) In order to ensure the proper treatment of industrial waste, managing WDS (waste data sheets) and appropriately releasing industrial waste
- (5) Recovering and reusing by-products of industrial waste discharged during production processes

Striving to continually improve our recycling rate.



Quality Assurance 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.

November of each year is Quality Month, and during the month we hold the All Company QC Presentation Meeting for the whole Hodogaya Chemical Group. We continue to manage and improve the quality of products, services, work, and other elements through QC circle activities and tie the results of these circle activities to personal development, mutual development, and workplace vitalization by having reports and Q&A sessions at the All Company QC Presentation Meetings.

Four quality assurance activity system

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



FY2020 All Company QC Presentation Meeting

Quality Day

November has traditionally been Quality Improvement Month at Hodogaya Chemical, and the Company has generally designated the third Friday of November as Quality Day since 2020 so as to further improve quality management.

Hodogaya Chemical takes to heart the idea that "quality is the source of trust," and from the perspective of clarifying related roles and responsibilities, the Company restructured the Environment and Safety & Quality Assurance Department into

the Quality Assurance Department and Environment and Safety Department in October 2018 in order to strengthen quality management functions.

As part of these initiatives, Hodogaya Chemical newly established a Quality Day, and on that day, all group executives and employees gather together to read aloud the "Quality Pledge." By doing so, we will raise awareness of improving quality and provide satisfaction to customers.

Quality Management System (ISO 9001)

Today, corporate quality management system with international quality and standards has come to be recognized as the norm. Each of the Hodogaya Chemical offices has acquired 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 certification from the South Korean certification body. In 2017, the Group switched to the 2015 Quality

Management System, and in 2019, the Group obtained integrated certification, which included HODOGAYA CHEMICAL KOREA CO., LTD., and the certification was renewed.

Under a more stringent quality management system, the Hodogaya Chemical Group has united to undertake quality improvement activities.

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



Chemicals and Product Safety 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.

Chemical substance management

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 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. This

system provides integrated management of information on all products, raw materials, and chemical substances handled by the Hodogaya Chemical Group.

With an eye toward expanding its business globally, the Hodogaya Chemical Group 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.

Risk assessment of chemicals

The Hodogaya Chemical Group formulates procedures for risk assessments to prevent accidents and disasters, formulates procedures for measures to reduce risks based on the assessment results, and sets forth the Risk Assessment Guidelines to clearly identify risks and take precise measures, and implements 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.



Details can be found on the following website. https://www.hodogaya.co.jp/english/csr/eco/chemical_product_safety/



Voice —Employee Interview—

Hodogaya Chemical products...

The phrase "Hodogaya Chemical products are quality products" has two meanings.

This first one is the literal meaning that the products are quality products, but the second one is that customers can trust the Hodogaya Chemical brand. At plants, we always safely manufacture products that possess the quality promised to customers and build and protect the trust we have with customers.

I am involved in operations related to the development and quality inspections of dyes.

Yokohama Plant
Daisuke Taguchi



In recent years, there are greater calls for dyes that not only have certain specs but are also safer, and in the Development Department, we are working to develop products using safer substances.

I would like to continue to develop new quality, safe products that satisfy customers and confirm product quality through inspection operations and thus build and maintain trust so that it is said "Hodogaya Chemical products are quality products."



Workplace Safety and Health, Security and Disaster Prevention

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.



Challenge of accident-free, disaster-free operations

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 FY2020, we continued to strengthen various measures, and although we still had zero lost-time injuries at subcontracting companies, there was one lost-time injury of a Hodogaya Chemical Group employee.

Occurrence of lost-time injuries

		FY2016	FY2017	FY2018	FY2019	FY2020	Five-year average
Hodogaya Chemical Group	Number of accidents/incidents	1	4	0	0	1	1.2
	Number of work-related fatalities and injuries	1	4	0	0	1	1.2
	Frequency rate of lost-time injuries	1.00	3.90	0.00	0.00	0.92	1.16
Subcontracting companies	Number of accidents/incidents	0	0	0	0	0	0
	Frequency rate of lost-time injuries	0.00	0.00	0.00	0.00	0.00	0.00

* Frequency rate of lost-time injuries shows the frequency of occupational accidents per million work hours, and is calculated using the Yuki Sadamori 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.

Initiatives for logistic safety

Hodogaya Chemical endorsed the spirit of the White Logistics Promotion Campaign*1 advocated by the Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Economy, Trade and Industry, and Ministry of Agriculture, Forestry and Fisheries in January 2021 and submitted a voluntary action declaration to the White Logistics Promotion Campaign Secretariat. In the voluntary action declaration, we reviewed the content of transportation, including greater logistics efficiency and modal shift, and listed our efforts to standardize contracts and ensure safety.

For the purpose of ensuring safety, we help maintain the safety and health of all local residents, including those involved in logistics, and protect the local environment by following Logistic Safety Management Rules, which stipulate basic items concerning preventing accidents and disasters in logistics related to Group products and other items and measures in the case of an accident or disaster. The Group takes safety

measures, including the issuance of a Yellow Card*2 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.



* 1 White Logistics Promotion Campaign
This is a campaign to realize not only greater productivity and more efficient logistics, particularly in truck transportation, but also a work environment welcoming to female and older drivers so as to ensure stable logistics, which are necessary for the lives of Japanese and industrial activities, in response to the shortage of drivers that is growing more serious and to contribute to economic growth.

* 2 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.

Procurement Activities

Basic approach

The Hodogaya Chemical Group conducts procurement based on the following Procurement Policy. This policy incorporates the perspective of undertaking fair, honest business and conducting sustainable procurement that takes into consideration the environment and deepens mutual communication.

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

Procurement Guidelines can be found on the website below.
https://www.hodogaya.co.jp/english/wp/wp-content/uploads/2018/09/procurement_guidelines_20180918.pdf

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, work to deepen mutual understanding and establish mutual trust with our partner companies, and conduct sustainable procurement activities.



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.

Development of a company-wide comprehensive guideline on human rights

“Respect for the individuality and personality of employees” is clearly stated 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.

Furthermore, we discuss Hodogaya Chemical Group’s guideline on human rights and the UN’s “Guiding Principles on Business and Human Rights” during Compliance Training for all Hodogaya Chemical Group officers and employees, which is conducted annually.

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.

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.

In line with these policies, we do not tolerate forced labor or child labor in the supply chain.

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).

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.

Proper management of personal information

The Hodogaya Chemical Group considers ensuring proper handling of personal information an important aspect of respecting human rights. In order to tackle the issue as an organization, the Group has established and announced the Personal Information Protection Policy and further set forth the Personal Information Management Rules, the Specific Personal Information Management Rules, the Health Information Management Rules and other rules.

We 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.



Details can be found on our website. <https://www.hodogaya.co.jp/english/csr/stakeholder/humanrights/>



Basic approach

In order to achieve the Hodogaya Chemical Group management philosophy and vision while also boosting corporate value, we aim to encourage greater engagement for officers and employees, utilize a diverse work force, maintain and enhance the health of officers and employees, and facilitate job satisfaction (feeling motivated and enjoying a comfortable work environment) for all officers and employees.

Personnel development

Hiring, placement, and training (personnel development policies)

In terms of capabilities, skills, and experience, the Hodogaya Chemical Group hires strategic human resources able to contribute to raising corporate value. This means employees with a desire for growth, a hunger to take on challenges, a spirit of innovation, and the ability to learn, think, and act on their own.

In addition, with an eye toward boosting corporate value, we pursue the optimal placement of personnel so that each and every employee can exercise his or her capabilities, skills, and experience. At the same time, we allocate and transfer

personnel while taking into consideration employees’ career aspirations and their need to develop their abilities.

We proactively engage in daily on-site education as well as off-site training in order to support the improvement of employees’ capabilities and skills. This also helps their career development while cultivating a learning-oriented corporate culture and improving our corporate value.

Throughout all of our personnel management, we pursue the goal of increasing employee engagement.

Education programs



Please see our website for program details. <https://www.hodogaya.co.jp/english/csr/stakeholder/employee#a31>



Utilizing diverse personnel (diversity promotion)

Philosophy and Establishment of the Workplace Environment

In order to raise corporate value, encourage innovation in a highly competitive environment, flexibly organize our businesses, and respond to changes, the Hodogaya Chemical Group promotes the active participation of employees with diverse backgrounds and values, including female employees, as well as specialists and non-Japanese employees with experience in other industries.

In particular, we hire talented and skilled personnel regardless of their gender or country of origin and strive to place employees in central roles, such as management positions. Our goal is to continue establishing a workplace environment that allows employees to maximize their individual talents and skills, which includes a work-life balance that accommodates professional engagement and childrearing.

Active participation of female employees

Female employees are active in a variety of settings within the Hodogaya Chemical Group.

We set a target percentage of 10% or greater for the ratio of females among management personnel, which we achieved every year in FY2018-2020. For FY2025, we are raising this target to 13% or greater.

As of March 31, 2021, this ratio (covering all management positions) was 11.2% (consolidated).

Active participation of foreign employees

Foreign employees are active in the Hodogaya Chemical Group in Japan and overseas in areas including production, R&D, sales, and management. As of March 31, 2021, there were 185 foreign employees (23%/consolidated) in the Group.

Initiatives for mid-career hiring

In order to acquire personnel with diverse values and specialized expertise, we actively strive to hire mid-career professionals. Our (non-consolidated) ratio of mid-career hires in FY2020 was 33%, with these professionals contributing to manufacturing, R&D, sales, management and other areas.

Initiatives to improve the employment rate of workers with disabilities

Our target employment rate for workers with disabilities is 2.3%, and in order to achieve this goal, we hire candidates through recruitment activities by visiting schools in the vicinity of our offices and receiving referrals from Hello Work (public employment security office) and from staffing firms. We achieved our target with an employment rate of workers with disabilities of 2.6% (non-consolidated) as of March 31, 2021.

Achievements regarding diversity (FY2020)

	No. of employees	(%)	No. of management positions	(%)
Females*1	147	18.6	28	11.2
Foreigners*1	185	23.4	37	16.9
Mid-career hires*2	173	33.1	59	35.8
Workers with disabilities*3	14	2.6	2	0.8

*1: consolidated

*2: non-consolidated

*3: non-consolidated (based on the Act for Promotion of Employment of Persons with Disabilities)



Promoting Health and Productivity Management

The Hodogaya Chemical Group promotes health and productivity management based on Health and Productivity Management Declaration. The executive officer in charge of the Personnel Department is also the person responsible for employee health management and works with the Hodogaya Chemical Health Insurance Society to actively support and promote employee health.

We work to achieve a goal of 100% consultation rates for health checkups and mental health stress checks and we strive to improve health conditions, or prevent deterioration, by having our industrial physicians share the health conditions of employees with the Company. The Group further conducts "health enhancement training" for all employees with an aim to deepen their understanding of health management.

These activities have received recognition and in FY2020 we were designated by the "2021 Certified Health & Productivity Management Outstanding Organizations." Going forward, one of our targets is to continue improving our recognition in this area.

Establishing a pleasant work environment

Initiatives for work-life balance

In order to encourage greater engagement for officers and employees, the Hodogaya Chemical Group aims to facilitate job satisfaction (feeling motivated and enjoying a pleasant work environment) for all officers and employees. While valuing diverse lifestyles, we are working to establish an environment conducive to eager, motivated employees.



Please see our website for program details.
<https://www.hodogaya.co.jp/english/csr/stakeholder/employee/#a9>



Reduction of overtime labor

We have set aside Wednesdays and Fridays every week as "no overtime days." In addition, the Head Office encourages employees to leave the office by 9 p.m. and is striving to reduce overtime work hours.

Furthermore, a flextime working system has also been expanded to include some of the administrative departments at the Head Office.

Voice —Employee Interview—

Using HR programs to balance my work and home life

It felt like the month went by very quickly, but I was able to take advantage of our childcare leave program. The reason I utilized the childcare leave was because I wanted to increase the amount of time I spend with my wife and child and I wanted to try helping with the housework and childrearing that I usually leave to my wife.

I was glad that I used this program since it let me have more freedom in my schedule, allowed me to prepare meals and



Employee Health and Productivity Management Declaration

We believe that the mental and physical health of Hodogaya Chemical Group employees is of the utmost importance and we see initiatives for health enhancement as a management challenge. Consequently, we actively promote health management as a means of improving employee engagement.

The executive officer in charge of the Personnel Department is also the person responsible for Group employee health management and works with the Hodogaya Chemical Health Insurance Society to actively guide and educate regarding efforts to promote employee health.

Annual paid holidays & refreshment leave

Annual paid holidays can also be used on an hourly basis and the rate of usage of paid holidays is 60% or greater. Going forward, we will continue to promote this system and its utilization, with the goal of improving the rate of usage.

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

Since FY2018, we have been offering "refreshment leave," which is a system that allows employees to take five consecutive business days off for mental and physical rejuvenation, in addition to their annual paid holidays.

Child-raising and nursing care

The Group implements various programs to support childcare and nursing care, including short working hours, long-term leave, and short-term leave. Employees are also entitled to congratulatory leave upon childbirth by their spouse.

We have also introduced a reemployment applicant registration system for employees who terminated their employment voluntarily due to reasons such as childcare and nursing care.



Nanyo Plant
Takuro Fujii

baby food (which were two things I had not been able to do well), and made it easier for me to tend to the baby in the middle of the night.

I am not sure that I was of much help, but I think it lessened the mental and physical burdens on my wife.

I hope that our society will become better at accepting and accommodating both men and women who are working while taking care of household chores and childrearing.



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. In addition, if a disaster designated as a major disaster by the Cabinet Office occurs where one of our key bases is located, and the damage to the area around the base is severe, we donate a certain percentage of the previous fiscal year's earnings to the impacted prefecture. When Koriyama City sustained damage from Typhoon Hagibis (October 2019), and it was designated a devastating disaster, we donated money to Fukushima Prefecture to support reconstruction.

Living in harmony with the local community during the COVID-19 pandemic

Koriyama Plant Yuriko Takahashi

Many of the events that we participate in every year, including Lake Inawashiro Clean Action in spring, Uneme Festival in summer, and Koriyama Expo in fall, were suspended in FY2020 because of the COVID-19 pandemic, making it impossible to conduct community contribution activities as we wanted.



Even in FY2021, most of the events were suspended, but we conducted visiting classes at a local elementary school after fully implementing measures to prevent infections. We limited participants to the smallest number possible and conducted hands-on experiments using water-based pens and liquid nitrogen,

which probably communicated the appeal of chemistry to the participating children.

Using the fence around the plant, we also displayed the entries that won the grand prize and merit prize at the Fire Prevention and Home Fire Alarm Painting / Poster / Slogan Competition, which was put on by the Koriyama Fire and Disaster Prevention Association, and this contributed to raising awareness of fire prevention in the local community.

I would like to continue to undertake activities that contribute to the development of the local community and society.



Contributing to safe, secure cities by installing lighting

Nanyo Plant Yuko Nozaki

At the Nanyo Plant, we put up Christmas lights along the fence that faced Fukugawa Station in December 2020.



To express our appreciation to medical practitioners giving their all to care for those with COVID-19 and send a message of hope for the end of the pandemic to the local community, we continued to turn on the lights until February 7, 2021, the day that the state of emergency was initially expected to be lifted.

After the Christmas lights came down, we strung up LED lights along the city streets, which drew positive comments from local residents, including, "it is really nice that the streets are lit up." We naturally broke out in smiles when we heard those comments.

As a company within a local community, I would like to continue to think up endeavors that bring even more smiles to people's faces.



Biodiversity protection demonstration test



Nikkoukisuge (orange-yellow day lilies)

In response to a request from Nagano Prefecture regarding wanting to protect rare plants using its repellent inhibiting damage of plant by an animal "Rantekuta",* HODOGAYA AGROTECH (HAT), a group company that manufactures and sells agricultural chemicals, concluded a Biodiversity Conservation Partnership Agreement with Nagano Prefecture, the Kirigamine Natural Environment Conservation Council, and Daido Shoji and conducted a demonstration test of measures to prevent damage caused by Japanese deer eating the plants on the Kirigamine Plateau.

The three-year continuous test confirmed that the number of Nikkoukisuge (orange-yellow day lilies) rose almost three fold on the test site. Because there are also rare plants on the Utsukushigahara Plateau, the agreement was extended for three years at the request of Nagano Prefecture, and Fireweed, Thistle, Gymnadenia conopsea, and Gipsy rose, which are all precious Utsukushigahara plants, were also targeted for protection. The demonstration test was launched with the cooperation of the Utsukushi-ga-hara Open-Air Museum.

* "Rantekuta" is an agricultural chemical based on whole egg powder, which is used as a raw material for pasta, cakes, puddings, etc.



Details can be found on our website. <https://www.hodogaya.co.jp/english/csr/stakeholder/community/>



Primary ESG Data

		FY2016	FY2017	FY2018	FY2019	FY2020
E						
Energy consumption	(kl)	24,661	27,424	27,034	26,355	26,233
Energy intensity	(kl/millions of yen in sales)	0.7099	0.7088	0.7200	0.6978	0.6367
Greenhouse gas emissions						
Greenhouse gas emissions SCOPE 1	(t-CO ₂)	21,922	25,554	25,794	24,999	24,729
Greenhouse gas emissions SCOPE 2	(t-CO ₂)	25,566	25,999	24,737	23,827	23,301
SCOPE 1 + SCOPE 2	(t-CO ₂)	47,488	51,553	50,531	48,826	48,030
Greenhouse gas emission intensity	(t-CO ₂ /millions of yen in sale)	1.3670	1.3324	1.3458	1.2927	1.1658
Prevention of air pollution						
SOx (sulfur oxide) emissions	(t)	0	0	0	0	0
NOx (nitrogen oxide) emissions	(t)	6.24	6.54	4.92	4.718	4.985
Dust emissions	(t)	0.10	0.08	0.08	0.04	0.03
Prevention of water pollution						
Water usage	(Unit: kiloton)	9,931	10,794	10,505	10,334	10,552
Water discharge volume	(Unit: kiloton)	9,662	10,519	10,162	9,858	10,130
COD (chemical oxygen demand) emissions	(t)	64.5	55.0	54.3	46.3	54.4
Industrial waste						
Industrial waste volumes	(t)	2,666	2,569	2,452	2,753	3,017
Industrial waste final disposal volume	(t)	441	440	430	257	200
S						
Employees	(consolidated)	691	719	731	739	789
Ratio of disability employment (Hodogaya only)	(%)	1.3	1.5	1.8	2.3	2.6
Percentage of management positions held by women	(%)	8.4	8.9	11.2	10.8	11.2
Percentage of employees who are women	(%)	16.9	17.7	17.9	18.4	18.6
Separation rate (calculated using number of regular employees who leave the company during the year and excluding employees who joined the company during the year)	(%)	1.3	0.7	1.5	3.2	1.5
Average monthly overtime per employee	(hours)	11.3	11.2	11.9	12.0	10.3
Long-term childcare leave men	(consolidated)	0	0	0	4	1
Long-term childcare leave women	(consolidated)	3	2	1	3	1
Long-term nursing care leave	(consolidated)	1	0	0	0	0
Rate of usage of paid holidays	(%)	66	66	68	68	65
Rate of usage of refreshment leave	(%)	—	—	95	94	93
G						
Percentage of directors who are outside directors	(%)	25.0	37.8	42.9	42.9	42.9
Number of Board of Directors meetings		15	16	15	17	16
Number of Nominating and Compensation Committee meetings		—	—	—	7	10
Number of anticorruption violations		0	0	0	0	0
Total amount of political donations	(yen)	0	0	0	0	0

Main independent evaluations

Health & Productivity Management
Outstanding Organization 2021

Eco Rail Mark

Received Eco Mark Certification
Hodogaya Chemical Co., Ltd.
Hodogaya Construction Products Co., Ltd.










Certified Products

Sakana Guard, Peracetic acid, Sodium percarbonate,
Charge control agent TP-415, Chloro-IPC, Eco Proof

FTSE Russel evaluation FY2020: 2.3

Website explanation

Detailed ESG information can be found on our website.

 <p>Hodogaya Chemical Group Sustainability https://www.hodogaya.co.jp/english/csr/</p>	
 <p>Environmental Data (10 years) https://www.hodogaya.co.jp/english/csr/eco/environmental_data/</p>	
 <p>IR https://www.hodogaya.co.jp/english/investors/</p>	
<p>Financial data details can be viewed on the following webpage. https://www.hodogaya.co.jp/english/investors/finance/</p>	

Key Financial Data and Stock Information (6 years)

(millions of yen)

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Net sales	33,826	34,739	38,693	37,548	37,771	41,199
Functional Colorants	7,624	8,231	10,997	10,912	11,855	16,503
Specialty Polymers	12,594	12,159	12,046	12,327	11,717	10,255
Basic Chemicals	6,719	6,768	7,024	6,799	7,156	6,866
Agro-Science	4,700	4,831	5,580	5,288	4,951	5,554
Logistics	1,948	2,511	2,820	2,035	1,932	1,848
Operating profit	828	2,129	3,903	3,028	2,902	5,444
Functional Colorants	(1,596)	(423)	1,413	966	1,182	3,874
Specialty Polymers	959	670	653	587	531	207
Basic Chemicals	672	919	805	545	589	694
Agro-Science	323	249	350	409	205	268
Logistics	453	708	631	487	397	361
Ordinary profit	633	2,094	4,169	3,104	3,058	5,841
Profit attributable to owners of parent	811	1,951	2,862	1,883	1,858	3,119
Total assets	50,995	53,159	54,737	57,140	54,903	62,609
Net assets	31,056	33,857	35,869	36,860	37,040	43,654
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		2,322	3,100	4,215	2,525	3,597
Cash flows from investing activities		(780)	(507)	(960)	(2,351)	(2,689)
Cash flows from financing activities		(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

* Hodogaya Chemical conducted a 10-1 reverse stock split of common shares effective October 1, 2016. At the same time, net assets per share, earnings per share, and dividends per share were calculated assuming the reverse stock split was conducted at the beginning of FY2015.

Stock Information (as of March 31, 2021)

- Total number of authorized shares 20,000,000
- Total number of shares issued 8,413,726
(including 497,405 treasury shares)
- Number of shareholders 7,399 (+357 year over year)

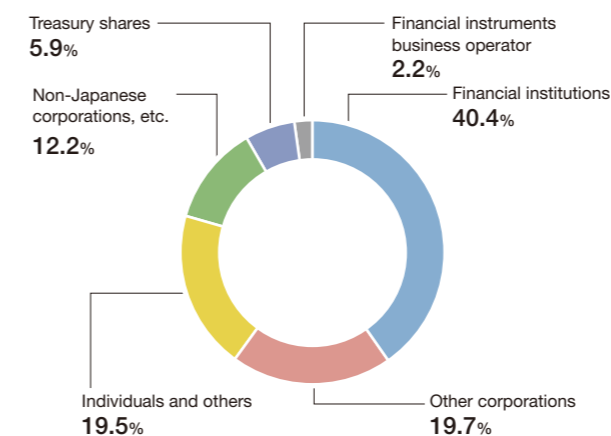
Main Shareholders (Top 10 Companies)

Name of shareholder	Number of shares held	Percentage of shares held
Tosoh Corporation	700,000	8.8
The Master Trust Bank of Japan, Ltd. (Trust Account)	627,500	7.9
Custody Bank of Japan, Ltd. (Trust Account)	539,300	6.8
Mizuho Bank, Ltd.	298,704	3.8
The Norinchukin Bank	227,430	2.9
Meiji Yasuda Life Insurance Company	164,535	2.1
The Toho Bank, Ltd.	148,399	1.9
Mitsui Sumitomo Insurance Company, Limited	141,400	1.8
The Yamaguchi Bank, Ltd.	130,000	1.6
JPMBL RE NOMURA INTERNATIONAL PLC 1 COLL EQUITY	129,056	1.6

* Hodogaya Chemical holds treasury shares (497,405) but is not included in the above list of main shareholders

* The percentage of shares held is calculated after deducting treasury shares.

Distribution of shares by shareholder



Overseas Network

HODOGAYA CHEMICAL EUROPE GmbH

[Description of business] ●●●
Purchase and sales of chemical products and their raw materials
[Location]
Düsseldorf, Germany

HODOGAYA CHEMICAL (U.S.A.), INC.

[Description of business] ●●●
Purchase and sales of chemical products
[Location]
New York State, U.S.A.

HODOGAYA (SHANGHAI) TRADING CO., LTD.

[Description of business] ●
Purchase and sales of chemical products and their raw materials
[Location]
Shanghai, China

▶ Shanghai Office

[Location] Shanghai, China

▶ Taipei Office

[Location] Taipei, Taiwan

HODOGAYA CHEMICAL KOREA CO., LTD. Head office and research facilities

[Description of business] ●
Purchase, sales and R&D of chemical products
[Location]
Chungcheongbuk-do, South Korea

SFC CO., LTD.

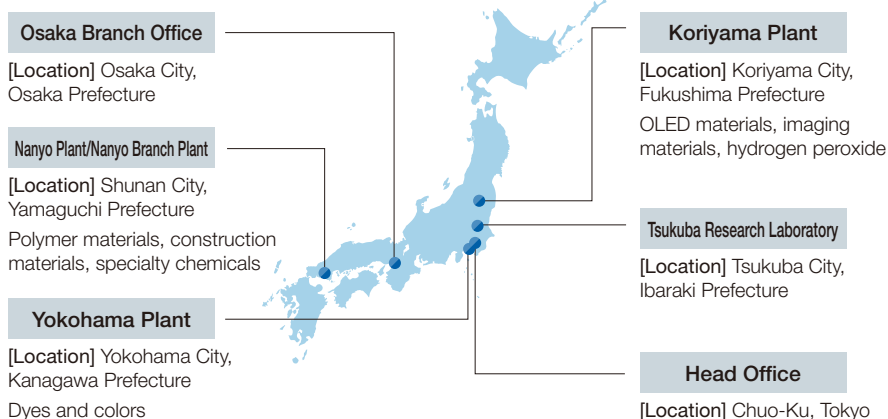
[Description of business] ●
Manufacturing and sales of OLED materials and fine chemicals
[Location]
Chungcheongbuk-do, South Korea

REXCEL CO., LTD.

[Location] Chungcheongbuk-do, South Korea

■ Distribution Centers (Antwerp, Shanghai, New Jersey)
● Functional Colorants ● Specialty Polymers ● Agro-Science

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

*As of March 31, 2021