



HODOGAYA CHEMICAL CO., LTD.

Hodogaya Chemical Group Report Integrated Report 2022



Management Philosophy

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 (at the time of publication)

We have published the Hodogaya Chemical Group Integrated Report since FY2017 to deepen understanding of our efforts toward value creation over the medium- and long-term. We have engaged in dialogue with all our stakeholders, including our shareholders and investors, customers, partner companies, people from the local communities and society as well as our personnel.

This report presents our corporate value creation system and the materiality that the Hodogaya Chemical Group should address for medium- to long-term corporate growth. In light of the increasing demand for the disclosure of information in recent years, we have also improved the disclosure of ESG information, including our environmental and climate change initiatives, our approach to human resources, and corporate governance.

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) provided in this report.

We hope that this report will help our stakeholders better understand the Hodogaya Chemical Group. We will continue to make efforts to further improve the contents of this report and use it to facilitate dialogue with our stakeholders.

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

Period Covered

This Report generally covers the period from April 2021 to March 2022, but also contains reports on activities before and after said period.

Scope of Report

Hodogaya Chemical Co., Ltd. and its group companies

Publication Date

October 2022

Major Guidelines Referenced

Ministry of Economy, Trade and Industry Guidance for Collaborative Value Creation



IFRS Foundation Integrated Reporting 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

IFRS Foundation SASB Standards “Resource Transformation” Sector, Chemicals

* The Value Reporting Foundation merged with the IFRS Foundation at the end of July 2022.

CONTENTS

1. Overall Picture of the Hodogaya Chemical Group

- 1 Management Philosophy/Vision/ Contents/ Editorial Policy
- 3 Products of Hodogaya Chemical Group Around You
- 5 At a Glance
- 7 Message from the President
- 11 History of Hodogaya Chemical Group

2. Hodogaya Chemical Group's Value Creation Story

- 13 Hodogaya Chemical Group Value Creation Process
- 15 Risks and Opportunities
- 17 Materiality
- 19 Hodogaya Chemical Group's Sustainability
- 21 Looking back at Mid-term Management Plans
- 22 Progress of the Mid-term Management Plan SPEED 25/30
- 25 Contribute to the Creation of an Environmentally Conscious Society
- 26 Environmentally Friendly Products, Technologies, and Services
- 27 Disclosure of Information Related to Climate Change Based on TCFD
- 29 Financial and Non-Financial Highlights (Consolidated)

3. Strategies for Creating the Future of People and Society

- 31 Business Overview of the Hodogaya Chemical Group
 - ▶ 31 Functional Colorants Segment
 - ▶ 32 Specialty Polymers Segment
 - ▶ 33 Basic Chemicals Segment
 - ▶ 34 Agro-Science Segment
 - ▶ 35 Logistics Segment
- 36 Global Expansion of Hodogaya Chemical Group
- 37 Research & Development

4. Guaranteeing Our Future

- 39 Environment
- 41 Human Resources
- 43 Security and Safety
- 47 Respect for Human Rights
- 48 Community and Society
- 49 Corporate Governance
- 53 Messages from Outside Directors
- 54 Board of Directors
- 55 Compliance and Risk Management

5. Data

- 56 6-Year Financial Summary/ Statement of Responsibility
- 57 Primary ESG Data
- 58 Corporate Data/Stock Information


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.

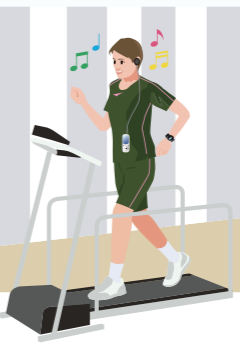


Watches
Our urethane materials are used in wristbands.

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.

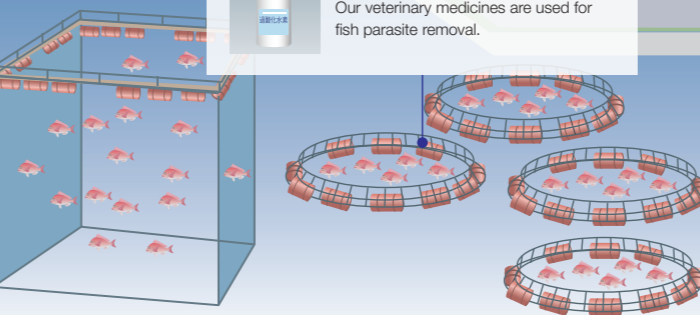
Pharmaceuticals
Our specialty chemicals are used for production of pharmaceutical products.

Endoscopes
Our disinfectant agents are used for cleaning.

Materials for PCR diagnostic 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.

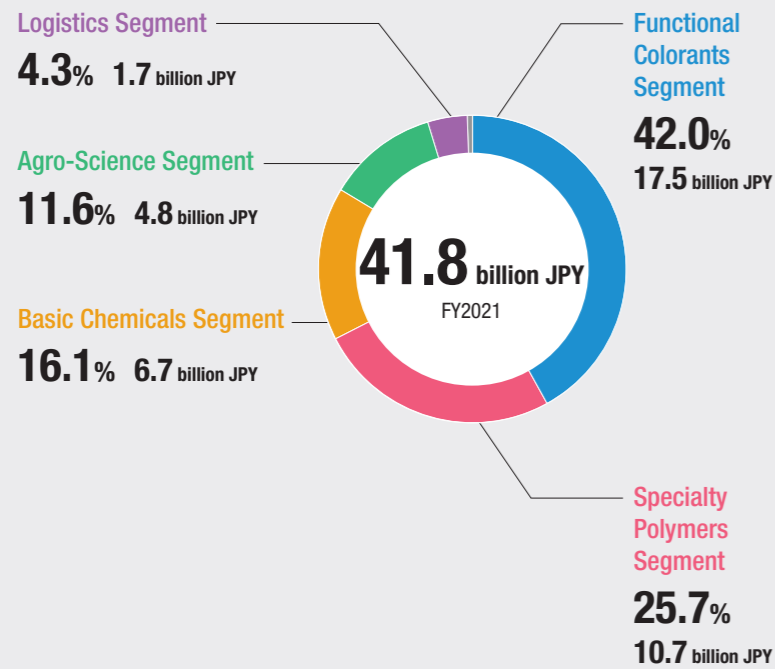
Warehouses
Our Logistics Segment has been providing storage and transportation services for hazardous substances and chemicals.



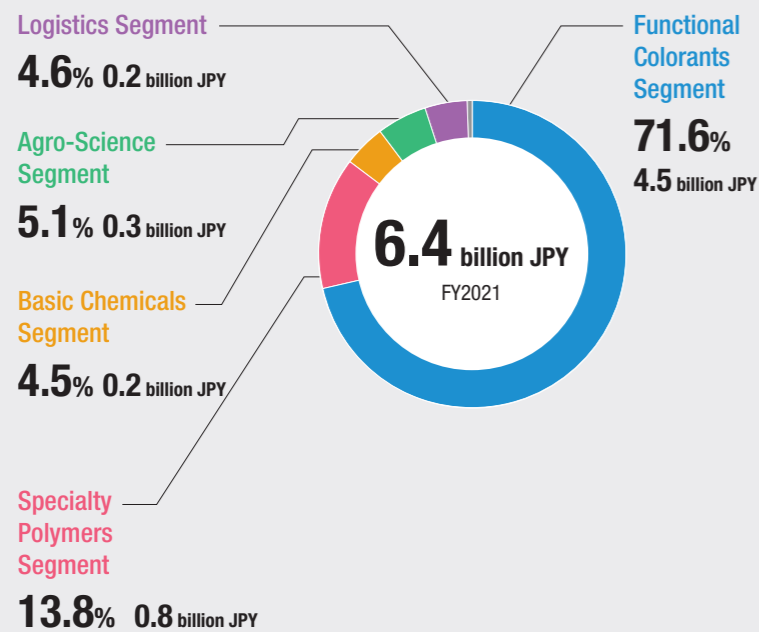
At a Glance

“Five Core Segments” of the Hodogaya Chemical Group

Sales by Segment



Operating Profit by Segment



Functional Colorants Segment



OLED Materials Business

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

Colorants Business

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



Details P.31



Specialty Polymers Segment



Functional Polymers & Specialty Chemicals Business

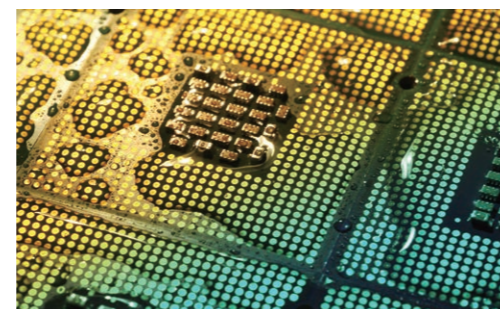
- Urethane materials (PTG, PTG-L, etc.)
- Intermediates for pharmaceutical, functional polymers and electronics
- Adhesives
- Release agents

Construction Materials Business

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



Details P.32



Basic Chemicals Segment



Peroxide Business

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



Details P.33



Agro-Science Segment



Agrochemical Business

- Herbicides
- Pesticides
- Oxygen supply material for agriculture



Details P.34



Logistics Segment



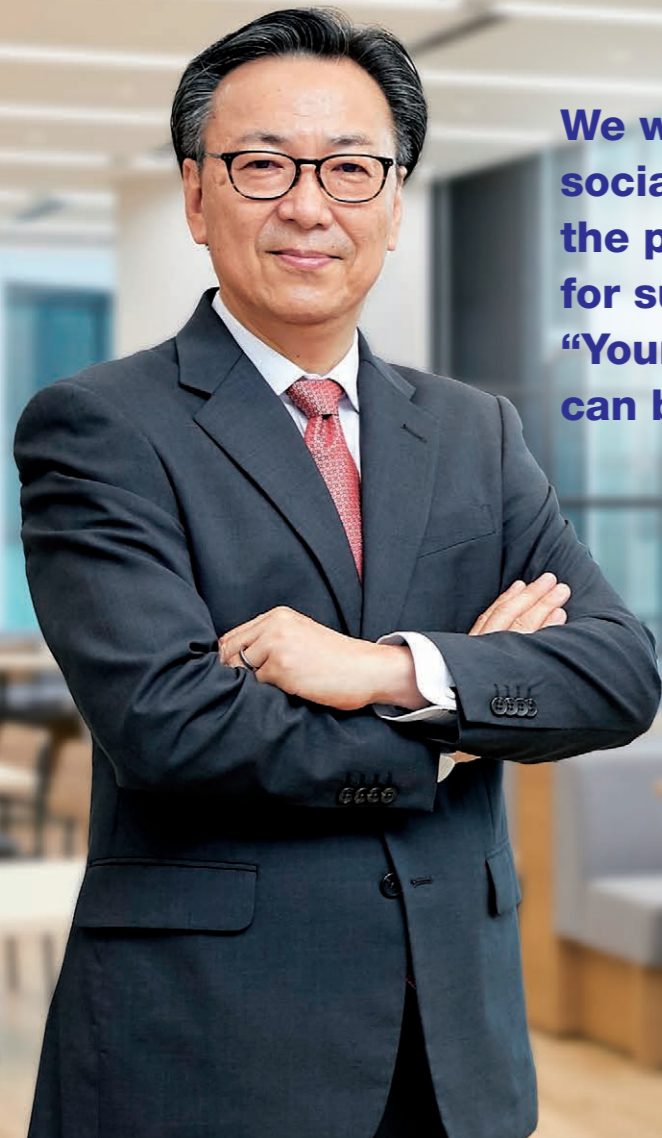
Logistics Business

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



Details P.35

Message from the President



We will contribute by addressing social challenges through the power of chemistry and aim for sustainable growth so that “Your Dream Is Our Business” can be realized even after 100 years

Yuto Matsumoto
President and CEO

soon. However, based on the recognized megatrends, we started taking measures to prepare for the changes, including a multiple purchase system on a global scale to

distribute the risk. This was one of the reasons for our impressive performance in FY2021.

Examine Both Risks and Opportunities for Each Business and Make Bold Decisions

To increase corporate sustainability, it is important to respond quickly to risks and opportunities that are constantly changing along with the business environment. What may be considered a risk for one business may be an opportunity for another. We believe that if we ascertain both the aspects, namely, risks and opportunities, and strengths and weaknesses, and work on business opportunities with an aggressive and bold approach, while addressing risks, the accumulation of such efforts will eventually lead to an increase in the value of the entire company.

One such initiative is Bio-PTG, a type of polyurethane raw material. We were the first company in Japan to develop and market environmentally friendly, high-quality Bio-PTG, in which primary raw materials were switched from petroleum-based to plant-derived. However, until now, demand did not increase due to high costs. However, in recent years, as the promotion of green chemistry is gaining momentum and the cost gap is narrowing due to soaring prices of petrochemical-derived raw materials and fuels, inquiries for Bio-PTG as a highly functional and environmentally friendly product have been gradually

increasing. Our management philosophy is to “contribute to the creation of an environmentally conscious society” through “constant innovation of chemical technology”. The strong performance of Bio-PTG has once again **reinforced our understanding that corporate activities based on our management philosophy will lead to the resolution of social challenges and that the process of resolving these challenges will create corporate value.**

Companies must make very challenging maneuvers in today’s significantly changing business environment. As awareness of the SDGs and the demand for ESG investment are increasing, initiatives to address social issues and environmental initiatives taken by companies are being closely monitored. At the same time, companies must continue to generate profits based on trends in a business environment where the pace of change is accelerating. We will continue to **select and focus on business activities in line with the changes in the environment and make appropriate changes to our business portfolio as we strive to implement the strategies of the SPEED 25/30 and achieve its goals.**

First Year of The Mid-term Management Plan SPEED 25/30, Put into Action Amidst a Significantly Changing Environment

In FY2021, the first year of the Mid-term Management Plan SPEED 25/30, our business activities had to be carried out in rough times where two external factors, the spread of the new coronavirus epidemic and the invasion of Ukraine by Russia, had a global impact. Under such circumstances, due to increased revenue in major segments, **the net sales increased 1.6% year on year to 41.8 billion JPY while operating profit increased 17.9% year on year to 6.4 billion JPY, despite negative factors such as the application of the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29). Therefore, both sales and profit increased, exceeding the target. Also, the operating margin was 15.3%, exceeding that of the previous fiscal year, achieving the management target of 15% for FY2025, the midpoint of the mid-term management plan, ahead of schedule.**

Preliminary study started in FY2018 to establish SPEED 25/30, now in its second year, and members from different job categories, including a working group primarily composed of younger personnel, were involved in its formulation. We recognized major environmental changes up to FY2050 as megatrends and set our ideal figure for FY2030 and depicted growth scenarios to achieve our target figure through FY2025 through backcasting. The three megatrends were “Change in international order”, “Change in industrial structure” and “Change in social structure”. When we looked back on the first year of SPEED 25/30, the spread of the novel coronavirus pandemic and invasion of Ukraine by Russia can be broadly considered megatrends. Having said that, when we were discussing the mid-term management plan, we were aware that “there is a high degree of certainty of similar incidents occurring in the future”, but we did not expect it to happen so

Initiatives and Business Outlook for FY2022

China is planning to expand its OLED panel business across the country. The Hodogaya Chemical Group is considering establishing a center to provide technical services for OLED materials in China, timed to coincide with the expansion of facilities of panel manufacturers in China. The center will enable us to respond quickly to research and development requirements and provide support tailored to local needs. The company will work towards the early commercialization of R&D themes for “Creating new products” defined in SPEED 25/30. We will also work on the expansion of strategic businesses and core businesses outlined in “Strengthening operations” by taking initiatives to strengthen the R&D system and expanding the production facilities and establish a system that can quickly respond to the rapidly changing business environment.

Meanwhile, the business environment surrounding the Hodogaya Chemical Group continues to remain highly

challenging, with factors such as soaring raw materials and fuel prices, disruptions in logistics, depreciation of the Japanese yen (JPY), and rising prices contributing to an increase in cost that directly affects our business over a wide range of areas. The Hodogaya Chemical Group will prioritize addressing the soaring raw material and fuel prices and strive to secure profits, while revising product prices appropriately. **However, for FY2022, we forecast an increase in sales and a decrease in profits due to subdued demand for materials for PCR diagnostic kits and the continued high prices of raw materials and fuel.**

Regarding dividends, **we consider the improving DOE (dividend on equity ratio), one of our performance indicators, to be a long-term challenge for the Hodogaya Chemical Group, and we plan to increase the dividend by 5 JPY this fiscal year to provide a stable, continuous, and fair return to the shareholders.**

Message from the President

Continue to Fulfill Our Responsibilities as a Manufacturer with an Awareness of a Significant Shift in Values

In response to the growing social demand to tackle environmental issues, we recognize that our environmental initiatives are directly linked to our sustainability as the Hodogaya Chemical Group is a business that handles chemicals. As a chemical manufacturer closely involved in CO₂ emissions, we have continued our efforts to reduce CO₂ emissions for many years. As a result, **we have reduced our CO₂ emissions to one-tenth of the levels in the 1990s, mainly by reorganizing our business portfolio.**

In October 2021, we established the Sustainability Development Committee, with the Global Environment Subcommittee and TCFD Subcommittee under it. The discussions of the committee and its subcommittees are reported to the Management Committee and the Board of Directors. The management team works as a single entity promoting initiatives to address environmental and climate change issues. Our company has also **implemented an**

Internal Carbon Pricing (ICP) system that sets the price for our carbon emissions. The ICP system allows investment decisions on decarbonization to be made from a long-term perspective by determining whether it is economically rational to reduce CO₂ emissions further, even if a high investment is required for the equipment that effectively reduces CO₂ emissions and power consumption. We look forward to using this system to increase awareness of and promote initiatives for decarbonization throughout the company.

The elementary school syllabus includes “Education for Sustainable Development (ESD)”, which teaches the children values emphasizing sustainability. We are at present amid such a shift in values. As sustainability plays a more significant role in our daily lives, the Hodogaya Chemical Group will continue to promote business activities with a greater awareness of these values.

resources are the pillar of mid- to long-term growth, and **we consider measures to improve engagement of human resources to be a pressing matter.** Since FY2021, the Hodogaya Chemical Group in Japan has been conducting an Engagement Survey every month.

One of the results of this survey is the extremely high level of understanding of management philosophy among executives and personnel. We believe this is the result of the dissemination of SPEED 25/30 and the collective efforts of the entire group. **By ensuring that all personnel maintain and further enhances their awareness of the company’s business activities, we can achieve improved productivity and become a company that can sustainably offer new products, goods and services, even in times of rapid change.**

We relocated our head office in May 2022 to improve work-life balance and engagement, increase operational efficiency, and ensure our ability to continue operations in the event of a major earthquake, storm, or flood damage. We introduced “Work from Home (WFH) Policy” so that WFH is not just a temporary measure in response to the COVID-19 pandemic but a permanent option, thus creating a more comfortable work environment.



We will continue to focus on creating a system that enables personnel to achieve better work-life balance, such as balancing work with childcare so that personnel with competency and skills can continue to play an active role in the company, irrespective of their work style, gender or background.

Initiatives to Strengthen Management Base

Strengthening the corporate governance system

With increasing uncertainty in the business environment due to various factors, having a stable management base to achieve sustainable growth is even more important now. In FY2015, the Hodogaya Chemical Group became one of the first companies to transition to a “Company with an Audit & Supervisory Committee”, and in FY2018, the number of Directors who were not in the Audit & Supervisory Committee was significantly reduced from seven to three to strengthen supervisory and executive functions, and achieve quicker decision-making. As a result of these measures, **the ratio of Outside Directors is now 42.9%.**

In addition, the **Nominating and Compensation Committee of the Hodogaya Chemical Group is extensively involved in developing and evaluating core personnel.** Specifically, in addition to having core personnel attend Management Committee meetings to help in their development, meetings with Outside Directors are attended by different core personnel to provide them with an opportunity to develop a management perspective and help the Outside Directors understand the personality of core personnel better. We will continue actively promoting these initiatives as part of the succession plan.

With increasing importance on ensuring diversity among the Board of Directors, we are aware that one of our management issues is the skewed ratio of men to women on the Board of Directors of the Hodogaya Chemical Group. In contrast, the Hodogaya Chemical Group is characterized by a relatively high ratio of women as core personnel in management positions, compared to other chemical manufacturers. **We will consider internal promotions and/or recruitment from outside the company for female management personnel, prioritizing those who can contribute to business management.**

Improve engagement

Securing and developing human resources and generating business profits are essential to continue sustainable growth. However, according to a report “New Industrial Structure Vision (Mirai Jinzai Kaigi)” by the Ministry of Economy, Trade and Industry, to study future human resource policies focusing on the transformation of the industrial structure of Japan in 2030 and 2050, the Personnel Engagement Index of Japanese companies were the lowest in the world, at just 5% compared to the global average of 20%. A low Engagement Index also impacts productivity and performance. Human

Toward “Your Dream is Our Business” for over the Next 100 Years

For many years, the management philosophy of the Hodogaya Chemical Group has been to “contribute to the creation of an environmentally conscious society”. In recent years, we have been reminded of the importance of this management philosophy when we consider the SDGs and the role that companies are expected to play in society.

Enhancing corporate value over the medium- to long-term and contributing to creating a sustainable society are not separate concepts but rather the purpose we aim to achieve as the Hodogaya Chemical Group. To realize the ideal figure and target figure given in SPEED 25/30, the R&D, Production and Sales Divisions are required to work as a single entity, and the five business segments should continue to engage in corporate activities demonstrating a high degree of specialization in their respective fields. For the Hodogaya Chemical Group, which has celebrated its 100th anniversary, to grow over the next 100 years, we need to create a vision of the future in which our corporate motto, “Your Dream is Our Business”, is realized in various ways. While dreams may seem like something in the distant future, the future is merely an uninterrupted

continuation of the present. Personnel who joined us this year will transform into core personnel 30 years from now, in 2050. What can we do to successfully pass the baton to these personnel who will be the face of the company in the future? **We can offer our customers products and services that contribute to establishing a sustainable society. We also believe that engagement of personnel must be improved by creating an organization and corporate culture in which personnel can have aspirations, find their work rewarding, and feel happy to work for the company.**

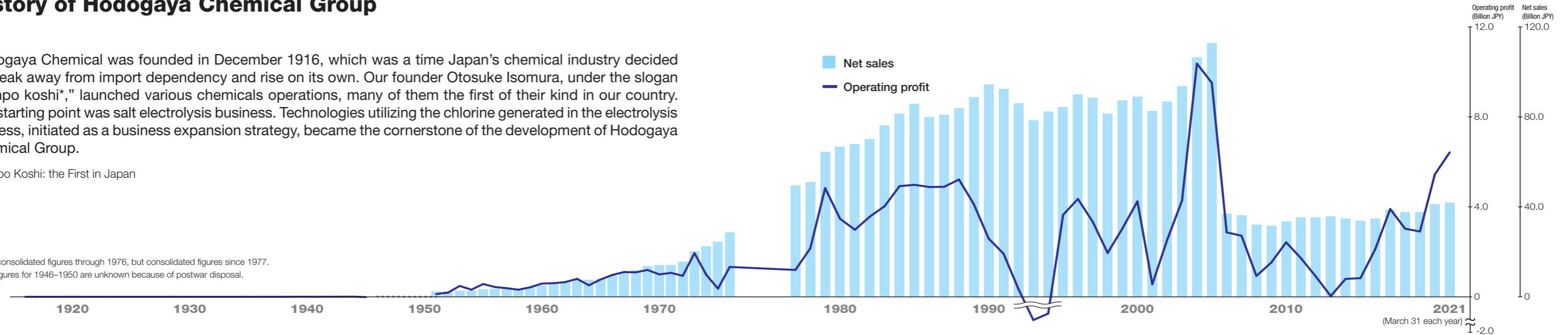
To realize the ideal figure for FY2030, the Hodogaya Chemical Group will focus on the various measures outlined in our mid-term management plan to contribute to creating a sustainable society, thereby continuously enhancing our corporate value over the long term. I thank all stakeholders for your understanding and look forward to your support for the Hodogaya Chemical Group.

History of Hodogaya Chemical Group


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

* Honpo Koshi: the First in Japan








* Non-consolidated figures through 1976, but consolidated figures since 1977.
* The figures for 1946-1950 are unknown because of postwar disposal.



Products developed


<p>1915 Production of caustic soda using an electrolysis method launched (first for Japan).</p> 	<p>1926 Production of phosgene started. 1927 Dye production launched.</p> 	<p>1950 Production of agrochemicals started.</p> 	<p>1963 Production of urethane materials (PTG) launched. 1966 Hydrogen peroxide production started. 1967 Production of urethane waterproof materials started (first in Japan).</p> 	<p>1978 Production of charge control agents (CCA) for toners launched.</p> 	<p>1984 Charge transport materials (CTM) production launched.</p> 	<p>2001 Production of OLED materials and hole transport materials (HTM) launched.</p> 	<p>2004 OLED materials and electron transport materials (ETM) developed.</p>	<p>2017 Production of OXYATTACK (disinfectant agent for food products), a peracetic acid formulation, started. Urethane waterproof material Sugomaku production launched. 2020 Mass production of materials for PCR diagnostic kits launched.</p>
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Growth history

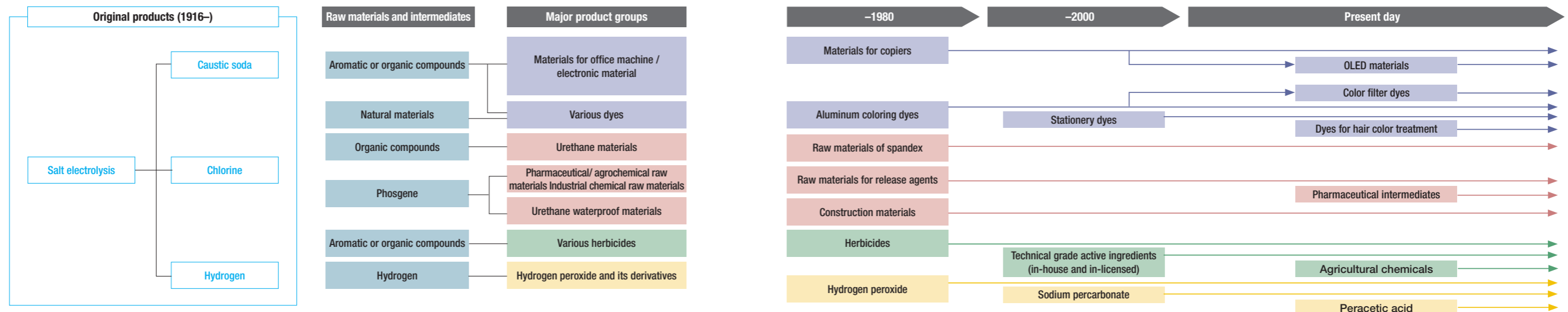
<p>1915 Hodogaya Soda Works founded in present-day Hodogaya Ward, Yokohama City, Kanagawa.</p> 	<p>1916 Toyo Soda Co., Ltd. (present-day Koriyama Plant) opened.</p> 	<p>1939 Tsurumi Plant (current Yokohama Plant) was established. Name changed to Hodogaya Chemical Co., Ltd.</p> 	<p>1967 New York Office opened. (incorporated in 1986)</p> 	<p>1971 Nanyo Plant opened.</p> 	<p>1978 Hodogaya Vandex Construction Products Co., Ltd. established. (changed its name to Hodogaya Construction Products Co., Ltd. in 2017).</p> 	<p>1991 Tsukuba Research Laboratory was established.</p> 	<p>1993 Hodogaya Contract Laboratory Co., Ltd. founded. 1994 HODOGAYA AGROTECH Co., Ltd. founded.* 1997 Hodogaya Logistics Co., Ltd. founded. Shanghai Office opened.**</p>	<p>2006 Some of the shares of Nippon Polyurethane Industry Co., Ltd. sold. (all shares sold off in 2012.) 2008 Office in Korea opened (incorporated in 2011). HODOGAYA UPL Co., Ltd. established.</p>	<p>2010 Düsseldorf Office opened. (incorporated in 2018) Taipei Office opened. Shares of SFC Co. Ltd. (Korea) acquired. 2015 Company transitioned to one with Audit & Supervisory Committee. 2016 Celebrated its 100th anniversary</p>
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*1 Changed its name to HODOGAYA AGROTECH Co., Ltd. in 2011.
*2 Incorporated in 2014

Needs of society

<p>Broke free of chemical industry's reliance on imports Founder Otosuke Isomura</p> 	<p>Became an integrated chemicals manufacturer as society industrialized and modernized</p>	<p>Developed various products that supported post-war recovery</p>	<p>Expanded business fields to electronic materials with an eye toward the advent of an electronics era</p>	<p>Created an environmentally conscious society through new materials and products with a light environmental burden</p>
<p>● 1914 World War I</p>	<p>● 1923 The Great Kanto Earthquake</p>	<p>● 1939 World War II</p>	<p>● 1950s Postwar rebuilding</p> <p>● 1960s Rapid economic growth</p> <p>● 1973 Oil crises</p>	<p>● 1985 Plaza Accord</p> <p>● 1991 Economic bubble burst</p> <p>● 2008 The collapse of Lehman Brothers</p> <p>● 2011 Great East Japan Earthquake</p> <p>● 2020 Novel coronavirus disease (COVID-19)</p>

Technological roots and change



Hodogaya Chemical Group Value Creation Process

The Hodogaya Chemical Group, based on changes in the internal and external environment as well as the demands of our stakeholders, has established a corporate image that we aspire to be: "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". We will continue to solve social issues and contribute to the realization of a sustainable society through the value created by our business activities under the corporate message of "Your Dream is Our Business".

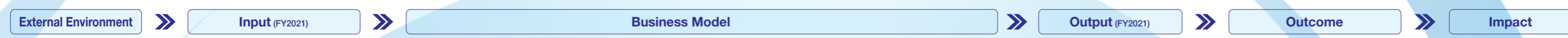
VISION

– 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.

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.



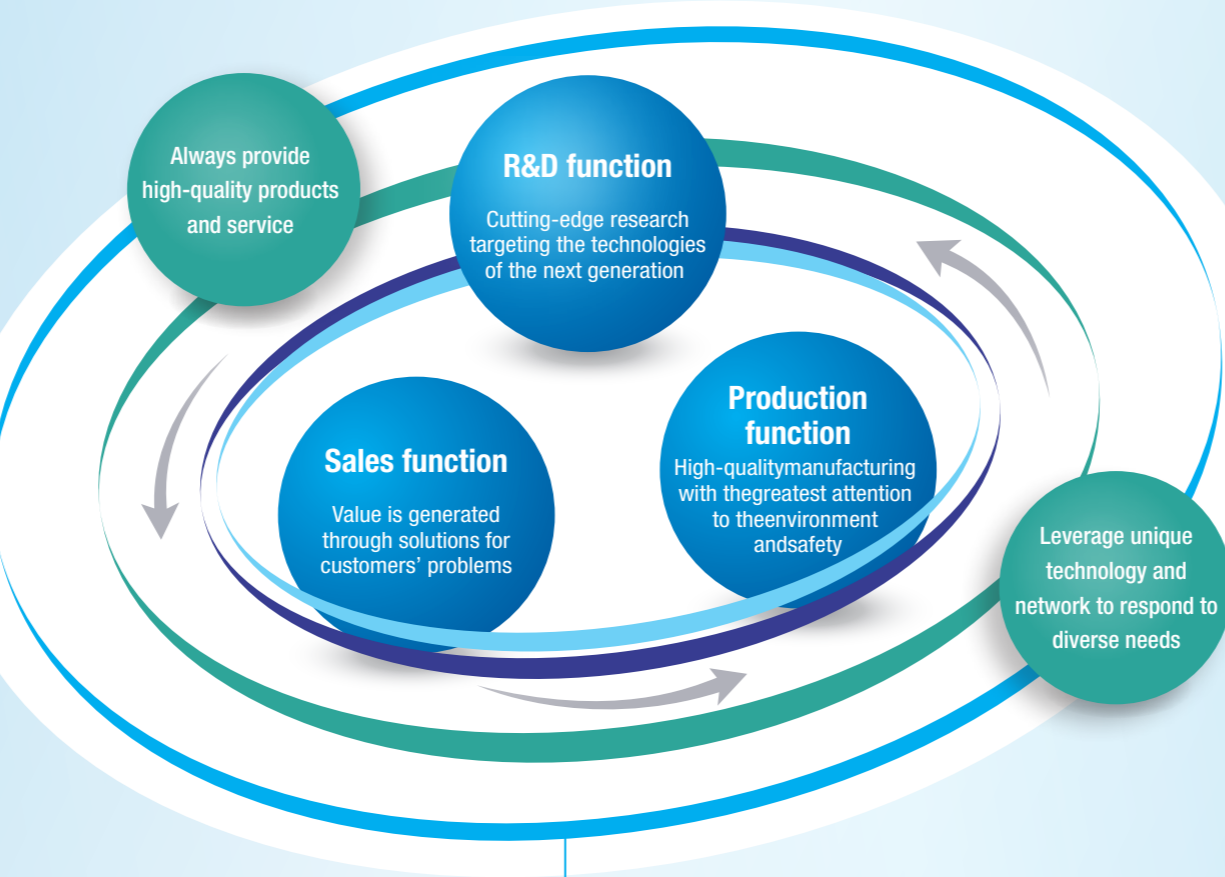
External Environment

- Global environment**
- Society**
- People (society and organization)**
- Governance**

Risks and Opportunities P.15-16

Input (FY2021)

- Financial capital**
 - Net assets: 47,912 million JPY
 - Net assets per share: 5,231 JPY
- Human capital**
 - Independent human resources
 - Number of employees: 834
 - Percentage of female: 18%
 - Percentage who are non-Japanese: 26%
 - Labor costs: 2,295 million JPY
- Intellectual capital**
 - Participate in industry-academia collaborations (development of new materials)
 - R&D expenses: 3.86 billion JPY
 - As percentage of sales: 9.2%
 - Know-how regarding protecting intellectual property
 - 3 core technologies (development capability in functional materials, high-purification technology, and evaluation technology for functional materials)
- Manufactured capital**
 - Global production base network (3 domestic, 1 overseas)
 - Capital expenditures: 2.0 billion JPY
 - As percentage of sales: 4.7%
 - Introduction of energy-saving equipment
 - Introduction of the ICP
 - Use of environment-friendly materials
- Social and relationship capital**
 - Purchasing policy for both Hodogaya Chemical and partners
 - Development and production of secure, safe products
 - Sales subsidiaries (6 domestic, 4 overseas)
- Natural capital**
 - Energy use (crude oil equivalent): 29,215 kt
 - Water use: 10,781 kt



Output (FY2021)

Sales by segment

Logistics	1.7 billion JPY	4.3%	Functional Colorants	17.5 billion JPY	42.0%
Agro-Science	4.8 billion JPY	11.6%	Specialty Polymers	10.7 billion JPY	25.7%
Basic Chemicals	6.7 billion JPY	16.1%			

41.8 billion JPY

Business Overview P.31-35

Outcome

- Financial capital**
 - Sound financial foundation
 - DOE: 1.34%
- Human capital**
 - Create pleasant environment to achieve employee welfare
 - Improve employee engagement
 - Percentage of management positions held by women: 11%
 - Rate of usage of paid holidays: 69%
 - Percentage who are non-Japanese: 26%
- Intellectual capital**
 - Generate new innovation and raise corporate value
 - Increase percentage of sales accounted for by new products
- Social and relationship capital**
 - Establish trust as a company and realize transparent management
 - Comply with global-level purchasing policy
 - Zero violations, no disasters, and lost-time injuries
- Natural capital**
 - Provide through environmentally friendly products and production system and reduce environmental burden
 - GHG emissions (Scope 1+ Scope 2): 49,247 t-CO₂
 - Water discharge volume: 10,643 kt
 - Industrial waste volumes: 2,746 t

Materiality P.17-18

- IT and Telecommunications**
 - Contributing to the realization of a prosperous smart life
- Medicine and Healthcare**
 - Maintaining people's health and safety and contributing to the provision of safe and secure medical services
- Building and Infrastructure**
 - Improving the safety and durability of buildings through the provision of building materials
- Food Production**
 - Contributing to the realization of a safe, secure, and prosperous dietary lifestyle
- Daily Necessities**
 - Supporting safe, secure, and comfortable living
- Transportation and Logistics**
 - Providing safe logistics functions

Mid-term Management Plan SPEED 25/30

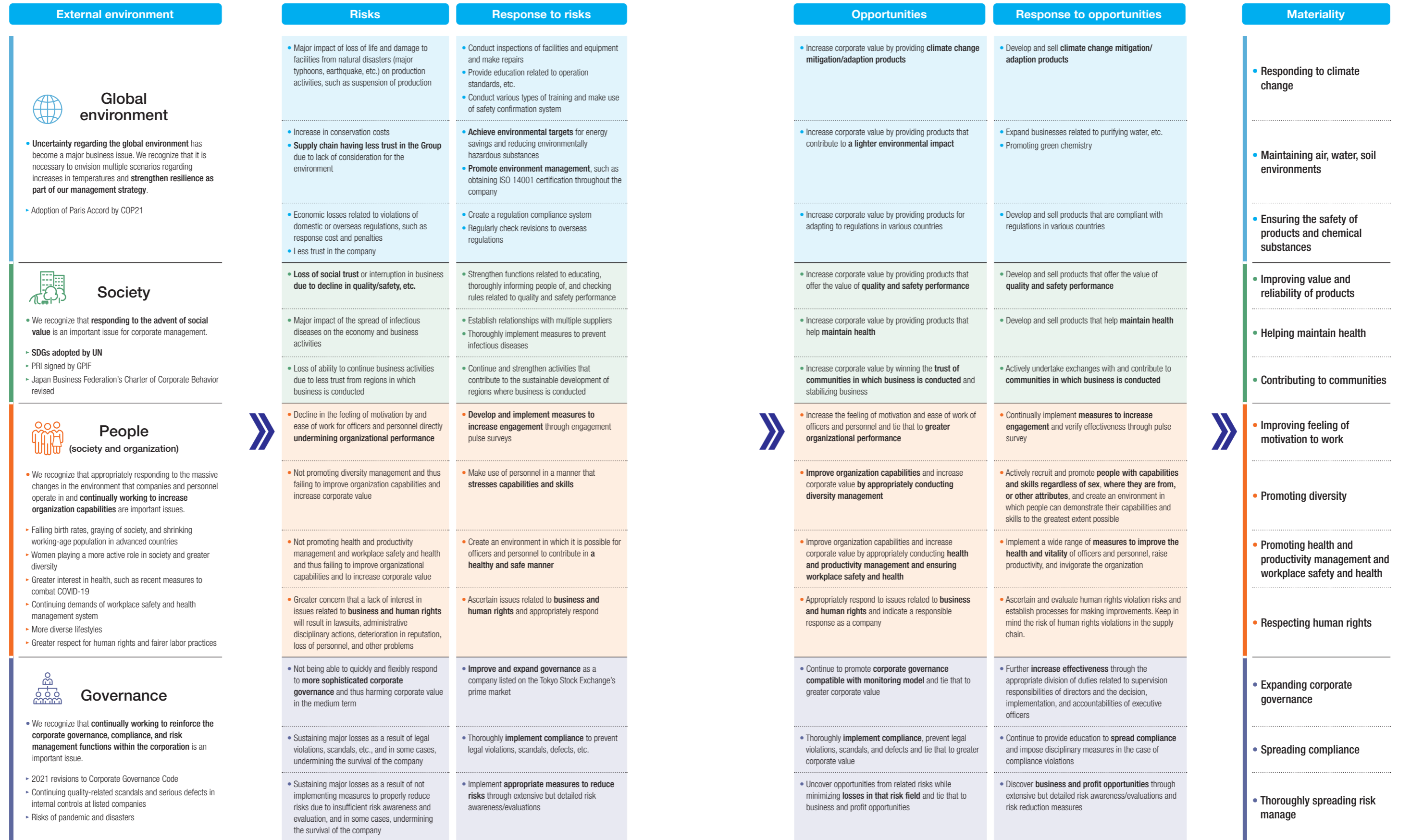
Strengthening operations/Reinforcing business/Creating new products
Stronger management foundation/Initiatives regarding response to new workstyles/Promote DX

Foundation to support Value Creation	Environment	Human Resources	Security and Safety	Corporate Governance	Compliance and Risk Management
	P.39	P.41	P.43	P.49	P.55

Risks and Opportunities

Based on changes in the external environment, the Hodogaya Chemical Group has identified key social issues that will affect our medium- and long-term value creation, as well as the associated risks and opportunities. By clarifying these risks and opportunities, we have identified material issues (materiality) that must be





addressed. We will address social problems by responding appropriately to risks and taking advantage of opportunities, leading to the realization of further value creation.



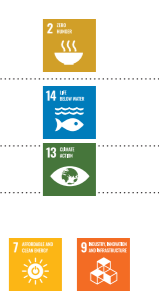



Materiality

In the process of formulating SPEED 25/30, the Hodogaya Chemical Group identified issues of materiality from its management philosophy-based business activities and set concrete numerical targets. The materiality we have identified are the premise for the basic strategy of SPEED 25/30. We are committed to addressing them

as a medium- to long-term business issues on a company-wide basis, together with the FY2030 ideal figure formulated under SPEED 25/30.

	External environment	Materiality	FY2030 ideal figure
<p>STEP 1. Identify changes in the external environment that will have a major impact on society</p>	<p> Global environment</p>	<ul style="list-style-type: none"> Responding to climate change 	<ul style="list-style-type: none"> Contributing to greater agricultural productivity and soil improvement Contributing to aquaculture as a way to combat the decline in marine resources Promoting green chemistry Contributing to society by reducing water resources use and energy use in terms of intensity and total emissions
		<ul style="list-style-type: none"> Maintaining air, water, soil environments 	<ul style="list-style-type: none"> Winning high praise from society by reducing environmental impact (reduce CO₂ emission, limit chemical substance discharges, reduce waste, etc.) Contributing to insuring drinking water using treated inland waters
		<ul style="list-style-type: none"> Ensuring the safety of products and chemical substances 	<ul style="list-style-type: none"> Complying with laws and regulations on chemical substances, and appropriately managing chemical substances Developing and propagating products that contribute to the environment and society, the Group is regarded by partner companies
<p>STEP 2. Identify the impact of those changes in the external environment on business</p>	<p> Society</p>	<ul style="list-style-type: none"> Improving value and reliability of products 	<ul style="list-style-type: none"> Continuing to supply safe, high-quality products, the Group is regarded by partner companies Supporting DX and providing environment-friendly infrastructure material Working with clients to conduct purchasing that promotes CSR activities in line with Procurement Guidelines
		<ul style="list-style-type: none"> Helping maintain health 	<ul style="list-style-type: none"> Extensively using Group's products to respond to infectious diseases
		<ul style="list-style-type: none"> Contributing to communities 	<ul style="list-style-type: none"> Having promoted social contribution activities in the offices, the Group is acknowledged and regarded in the community
<p>STEP 3. Identify issues that Hodogaya Chemical should give priority to solving</p>	<p> People (society and organization)</p>	<ul style="list-style-type: none"> Improving feeling of motivation to work 	<ul style="list-style-type: none"> All officers and personnel feeling job satisfaction
		<ul style="list-style-type: none"> Promoting diversity 	<ul style="list-style-type: none"> Promoting diversity, fair, and just treatment of personnel to invigorate the workplace and foster a global workforce
		<ul style="list-style-type: none"> Promoting health and productivity management and workplace safety and health 	<ul style="list-style-type: none"> Having promoted work-life balance, personnel are successfully combining work and daily living (including child-raising and nursing care) Continuing to achieve accident-free, disaster-free operation, the Group is trusted by society
<p>STEP 3. Identify issues that Hodogaya Chemical should give priority to solving</p>	<p> Governance</p>	<ul style="list-style-type: none"> Respecting human rights 	<ul style="list-style-type: none"> Thorough awareness of human rights and respect, no incidents of harassment, etc.
		<ul style="list-style-type: none"> Expanding corporate governance 	<ul style="list-style-type: none"> Sustained growth through "defensive governance" to avoid risks and "offensive governance" to capture upside opportunities
		<ul style="list-style-type: none"> Thoroughly spreading risk manage 	<ul style="list-style-type: none"> Compliance awareness is widespread, and the Group is capable of responding to the changing social norms Discovering opportunities from related risks while minimizing losses in that area and tying that to business and profit opportunities



Initiative	FY2021 results	KPI	SDGs contributed to
<ul style="list-style-type: none"> Expand into peroxide agricultural materials Expand sales and dissemination of veterinary medicines Expand Bio-PTGs Promotion of energy-saving and resource-saving 	<ul style="list-style-type: none"> Market development of soil improvement agents Continue sales expansion and dissemination Sales expansion of Bio-PTGs Decision to adopt ICP 	<ul style="list-style-type: none"> Energy intensity: 0.606 kJ/million JPY of net sales CO₂ emissions: 4.34 million tons or intensity: 0.868 tons per million JPY of sales 	
<ul style="list-style-type: none"> Promote reduction of environmental impact Introduce new uses of hydrogen peroxide Enhance the management of chemical substances Develop new products and next-generation topics 	<ul style="list-style-type: none"> Achieving the target of industrial waste volumes (less than previous year) Examination of application development in new fields Continue zero violations through legal and regulatory management Establishment of next-generation core technologies and creation of new businesses 	<ul style="list-style-type: none"> SOx emissions: zero continuing Volume of industrial waste produced: less than previous year Zero regulation violations 	
<ul style="list-style-type: none"> Supply safe, high-quality products Expand electronic device materials and electronic device equipment materials Promote CSR in the supply chain Introduce hydrogen peroxide derivatives, phosgene derivatives, etc. Promote community contribution activities 	<ul style="list-style-type: none"> Achieving zero quality problems Development of new materials Implementation of the "Procurement Guidelines Implementation Status Survey" Expansion of beverage bottle cleaning and endoscope sterilization Resumption of visiting classes at nearby elementary schools, and resumption of environmental support activities 	<ul style="list-style-type: none"> Zero quality problems 	
<ul style="list-style-type: none"> Continue to implement measures to increase engagement Promote human resource development and vitalization programs Promote health and productivity management 	<ul style="list-style-type: none"> Implementation of engagement surveys and return of results Training for women personnel Certified as a Health & Productivity Management Outstanding Organization in FY2021 	<ul style="list-style-type: none"> Increase engagement score Percentage of managers who are women: 13% Health & Productivity Management Outstanding Organization: certified Increase rate of usage of paid holidays Increase rate of usage of refreshment leave 	
<ul style="list-style-type: none"> Thoroughly implement workplace safety and health and disaster prevention Promote human rights enlightenment activities 	<ul style="list-style-type: none"> Achieved zero lost-time injuries Continuous implementation of human rights education 	<ul style="list-style-type: none"> Zero lost-time injuries FTSE Russell score (Human Rights & Community: 4.0) 	
<ul style="list-style-type: none"> Improve corporate governance Spread compliance Broadly recognize and evaluate detailed risks and implement appropriate risk reduction measures 	<ul style="list-style-type: none"> Public disclosure of Corporate Governance Report Ongoing compliance training sessions (four times per year) Discussions at Risk Management Committee meetings 	<ul style="list-style-type: none"> — — — 	

Hodogaya Chemical Group's Sustainability

Basic approach

The Hodogaya Chemical Group actively promotes sustainability activities based on the concept of “balancing the pursuit of economic value and solutions to social issues and providing value to all stakeholders” to fulfill its responsibility to realize a sustainable world and society in the medium- and long- term in line with the PURPOSE (Management Philosophy) and VISION (Target Corporate Image).

Sustainability policy

As a chemical company, the Hodogaya Chemical Group has been proactively addressing the issue of sustainability by establishing the “RC Basic Philosophy” and “RC Basic Policy” with respect to “efforts to protect and improve the global environment”. At the same time, the Group has also been addressing issues such as “risk management for natural disasters, etc.” “establishment of fair and proper supply chains,” “human resources management that enhances job satisfaction,” and “respect for human rights” through the established “Corporate Action Guidelines,” “Compliance Action Policy,” “Human Resources Management Policy,” “Crisis Management Regulations,” etc.

The “Sustainability Policy,” established in November 2021 as a comprehensive policy to address the above issues, describes our basic approach and related policies, etc. to each issue.

Philosophy Structure



Sustainability promotion structure

As an organization working on sustainability-related issues, we view sustainability as an overarching concept that encompasses CSR, ESG, and SDGs. Therefore, 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, which

was a subcommittee of the CSR Committee, the Global Environment Subcommittee and TCFD Subcommittee were newly set up as subcommittees of the Sustainability Development Committee to respond to concrete issues related to sustainability.

Progress in Mid-term Management Plan

The “reduction of energy intensity” and “decrease of CO₂ emissions” set as non-financial targets in the Mid-term Management Plan SPEED 25/30 were discussed in the newly established Global Environment Subcommittee. From a long-term, mitigation and adaptation perspective, a roadmap for

reduction of CO₂ emissions was formulated, and concrete numerical targets for FY2025 were set. These were discussed at the Sustainability Development Committee and approved by the Board of Directors and the Management Committee.

Disclosure of information related to climate change based on TCFD **P.27**

Non-financial targets		FY2021 results	FY2025 management targets
Energy intensity (per million JPY of net sales)	P.39	0.698kl	0.606kl
CO ₂ emissions (CO ₂ emission intensity)	P.39	49,247t-CO ₂ (1.1759t-CO ₂ /million JPY of net sales)	43,400t-CO ₂ (0.868t-CO ₂ /million JPY of net sales)
Industrial waste volumes	P.40	2,746 t	Same level or less than previous FY
ESG evaluation score (FTSE Russell score)	P.57	2.4	3.7
Engagement score	P.41	-	Gradually raise score
Percentage of management positions held by women	P.41	11%	13%

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 personnel 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/



Collaborative value creation with stakeholders

For the Hodogaya Chemical Group to contribute to the resolution of social issues through its management philosophy-based business activities, collaborative value

creation with all stakeholders, including the global environment, shareholders and investors, customers, partner companies, personnel, communities, and society, is essential.

Stakeholders	Basic approach
Global environment	We are committed to continuous improvement and regard it as an important responsibility of a chemical manufacturer to continuously reduce the amount of all chemical substances discharged into the earth and the amount of waste generated during our business activities.
Shareholders and investors	In order to maintain and improve the trust of all of our stakeholder groups in the future, we have positioned ourselves to ensure the soundness and legality of management, improving efficiency as one of the most important management issues. We are working to enhance and strengthen corporate governance.
Customers	In addition to providing a stable supply of safe and reliable products, we are committed to providing new products and services that meet our customers' expectations for a safe, secure, comfortable, and prosperous life.
Partner companies	As a good partner of the Hodogaya Chemical Group, we work together to address social issues, not only in the purchase of raw materials, products, and consignment goods, but also in the purchase of facilities and equipment.
Personnel	In order to achieve the Hodogaya Chemical Group PURPOSE (Management Philosophy) and VISION (Target Corporate Image) while also boosting corporate value, we aim to facilitate job satisfaction (feeling motivated and enjoying a comfortable work environment) for all officers and personnel.
Community and Society	In the course of the Hodogaya Chemical Group's business activities, we consider contribution to the sustainable development of communities an important activity as a corporate citizen, and are engaged in various community contribution activities.

Hodogaya Chemical Group Stakeholders

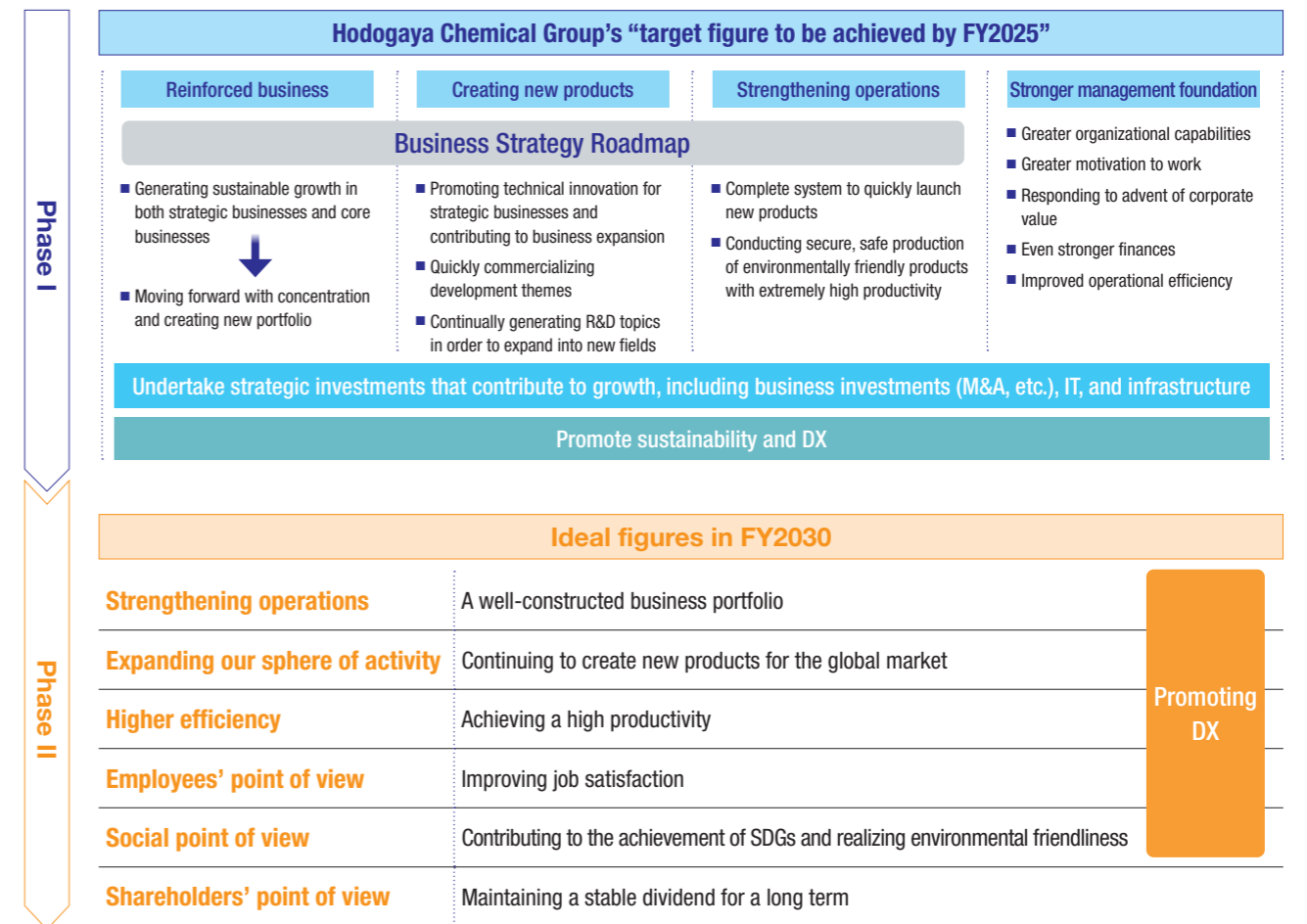


Looking back at Mid-term Management Plans

	"HONKI 2013" (FY2011 - FY2013) Year of Reconstruction (FY2014)	"HONKI 2020" (FY2015 - FY2020)
Vision and positioning	We aim to become a corporation that steadily supplies "Only One and Number One" materials in the global and niche markets in 2016 (Year of 100th anniversary) and to achieve this, we will prepare ourselves for future growth by FY2013. FY2013: Consolidated net sales of 50.0 billion JPY Consolidated operating profit of 5.0 billion JPY; Operating margin of 10.0%	We aim to become a corporation that steadily supplies "Only One and Number One" specialty products in the global and niche markets in FY2020, and to achieve this, we will prepare ourselves for future growth. FY2020: Consolidated net sales of 50.0 billion JPY Consolidated operating profit of 5.0 billion JPY; Operating margin of 10.0%
Project outline	Outline • Each business is classified into one of the four stages of growth, and we focus on strengthening core businesses while enhancing and cultivating the businesses of the future. Measures • Strengthening of core businesses that support the company. • Business expansion for future growth/promotion of new business creation. • Further reinforcing global operating system. • Reinforcement of CSR (Corporate Social Responsibility) initiative.	Outline • Each business is classified into one of the four stages of growth, and we focus on strengthening core businesses while enhancing and cultivating the businesses of the future. Measures • Regaining competitiveness and "securing a stable revenue base" – core businesses. • Establishing the "Pillars of the Next Generation" – growth businesses. • Expanding business areas by creating "new added value" – cultivation businesses, creation of new products. • Reinforcing global operating system further. • Develop human resources capable of responding to an increasingly diverse society. • Strengthening CSR (Corporate Social Responsibility) initiative.
Looking back	<ul style="list-style-type: none"> Operational summary <ul style="list-style-type: none"> In the core businesses, Japan Peroxide Co., Ltd. merged with the Company to strengthen hydrogen peroxide and related products, and promoted cost reduction at the Koriyama Plant. In the growth businesses, we strengthened the production system of SFC CO., LTD (Korea) to further develop the OLED material business. Cultivation businesses Developed CCA for color, toner peripheral materials, and new polyol through the project as a business development utilizing the knowledge of existing products. New product development Launched the "New Product Exploration Project" at our Tsukuba Research Laboratory, and while exchanging information with national institutions and universities, we worked on a variety of research themes based on the keywords: environment and energy. Major capital investment Made capital investment of approx. 10 billion JPY, mainly in the OLED field. Strengthening corporate structure and global system In May 2012, the Group consolidated its head office functions to promote integrated Group operations. The Group has strengthened its corporate structure from various perspectives, including the establishment of local subsidiaries in Shanghai and Korea to enhance our sales capabilities, and also established a business alliance with the Jai Research Foundation in India. 	<ul style="list-style-type: none"> Operational summary <ul style="list-style-type: none"> Core Businesses: Progress was made in preparations for future expansion of aluminum coloring dyes and phosgene derivatives, including creating new facilities. Cultivation Businesses: Cultivation for next-generation pillars has continued, including dyes for color filters. Sales of oxidant agricultural materials grew due to extreme weather. Growth Businesses: OLED materials grew into a top business as a result of the higher sales and profit. New product development: New products sales reached 3.4 billion JPY in FY2020, mainly in OLED materials and agro-science businesses (excluding those at SFC). Major capital investment <ul style="list-style-type: none"> Made company-wide 10.1 billion JPY of capital investment. Opened new aluminum coloring dye facilities. Enhanced production and research facilities for OLEDs (at SFC), etc. Further reinforced global operating system <ul style="list-style-type: none"> Newly established development bases and manufacturing bases in South Korea, a leading OLED market in the world, have advanced our globalization 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 in response to factors such as the "China risk." Corporate Governance Steadily strengthening governance. Enhancing our commitment to CSR We have committed to CSR by taking into account support for ESG management and contribution to achieving SDGs. External evaluation also improved.
Achievements	Financial results FY2013: Consolidated net sales of 35.6 billion JPY Consolidated operating profit of 30 million JPY; Operating margin of 0.1% FY2014: Consolidated net sales of 34.6 billion JPY Operating profit of 700 million JPY; Operating margin of 2.3% <ul style="list-style-type: none"> Expanded business for future growth and planted seeds for new product creation. Changing business environment, a sharp rise in raw material and fuel costs, declining sales volume and unit prices, etc., have caused severe problems for the Hodogaya Chemical Group's core businesses and its earnings base has deteriorated significantly. In FY2012 and FY2013, in particular, the company posted 2 consecutive fiscal years of consolidated net losses, and the situation became critical. FY2014 was positioned as a "Year of Reconstruction", with the goal of achieving profitability in all profit categories, which was achieved as a result of the concerted efforts of all personnel. 	Financial results FY2020: Consolidated net sales of 41.1 billion JPY Consolidated operating profit of 5.4 billion JPY; Operating margin of 13.2% <ul style="list-style-type: none"> Consolidated net sales Although annual growth rate was 4% during the period due to expansion of OLED business and other factors, but target of 50 billion JPY was not achieved. Consolidated operating profit Profit increased due to special demand for materials for PCR diagnostic kits, and the target was achieved. Consolidated operating margin Target was achieved with contribution from OLED business and materials for PCR diagnostic kits.
Issues	<ul style="list-style-type: none"> Expand sales, reduce costs, and launch products that meet customer needs to secure a stable revenue base. Expand business and reap the benefits of new product creation. Further utilization and expansion of overseas business bases. Development of human resources capable of responding to an increasingly diverse society. Active participation in various activities to contribute to society. 	<ul style="list-style-type: none"> Searching for and quickly cultivating new growth drivers following the OLED materials business. Building a business portfolio that will be able to accommodate the changes that take place in a future environment. Further strengthening the combined three functions of R&D, production, and sales. Establishing a system that enables us to monitor progress toward achieving targets as well as respond to environmental changes appropriately.

Progress of the Mid-term Management Plan SPEED 25/30 (FY2021–FY2030)

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



Management targets

Financial targets	FY2020 results*	FY2021 results	FY2025 targets
Net sales	41.1 billion JPY	41.8 billion JPY	50.0 billion JPY
Operating profit	5.4 billion JPY	6.4 billion JPY	7.5 billion JPY
Operating margin	13.2%	15.3%	15%
ROE	8.6%	8.1%	9%

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

Mid-term Management Plan SPEED 25/30 (FY2021–FY2030)

Progress of strategic businesses in FY2021

	FY2021 – Realized results	FY2021 – Ongoing initiatives
Functional Colorants	<ul style="list-style-type: none"> ■ OLED materials · Expand sales through new product development 	<ul style="list-style-type: none"> ■ Dyes for color filters · Expand product development and sales according to needs ■ Aluminum coloring dyes · Expand sales through development of environmentally friendly products ■ Bio business expansion · Expand from diagnostics applications to therapeutic applications
Specialty Polymers	<ul style="list-style-type: none"> ■ Promote green chemistry by switching all PTGs to plant-derived PTGs 	<ul style="list-style-type: none"> ■ Launch new polyols into the market
Basic Chemicals	<ul style="list-style-type: none"> ■ Peracetic acid: expand food additive uses (*core businesses) 	<ul style="list-style-type: none"> ■ Reinforce production capabilities for agricultural material products
Agro-science	<ul style="list-style-type: none"> ■ Reinforce expansion into the herbicides field for non-crop lands 	<ul style="list-style-type: none"> ■ Expansion of agricultural material products
Logistics	<ul style="list-style-type: none"> ■ Expand ISO tank container storage and heating business for hazardous/poisonous and deleterious substances 	

Key policies of FY2022

<p>Reinforced business</p> <ul style="list-style-type: none"> ■ OLED: Establishing of technical service bases (strengthening relationships with customers, introduction of technologies) ■ Launching environmentally friendly aluminum coloring dyes into the market ■ Launching new Bio-PTG into the market ■ Expanding the oxidant agricultural materials business 	<p>Strengthening operations</p> <ul style="list-style-type: none"> ■ Establishing an increase in production of aluminum coloring dyes ■ Expansion and promotion of phosgene derivatives ■ Installation of special equipment for trial production which contributes to new product development ■ Cost-cutting to reduce intensity
<p>Creating new products</p> <ul style="list-style-type: none"> ■ Promoting development of OLED, environmentally friendly aluminum coloring dyes, new polyols ■ Promoting research of new ideas for organic cathode materials, organic solar cell materials, and near-infrared absorption materials 	<p>Stronger management foundation (promoting DX)</p> <ul style="list-style-type: none"> ■ Promoting business reforms and various considerations for renewal of core systems

Financial strategy for Mid-term Management Plan

Hodogaya Chemical Group's Mid-term Management Plan SPEED 25/30 includes "even stronger finances" in target figure through FY2025, we have also set targets for ROE, in addition to net sales, operating profit and operating margin. While aiming to improve sales and profits by promoting business strategies, we also aim to achieve our targets by promoting "even stronger finances" by improving capital

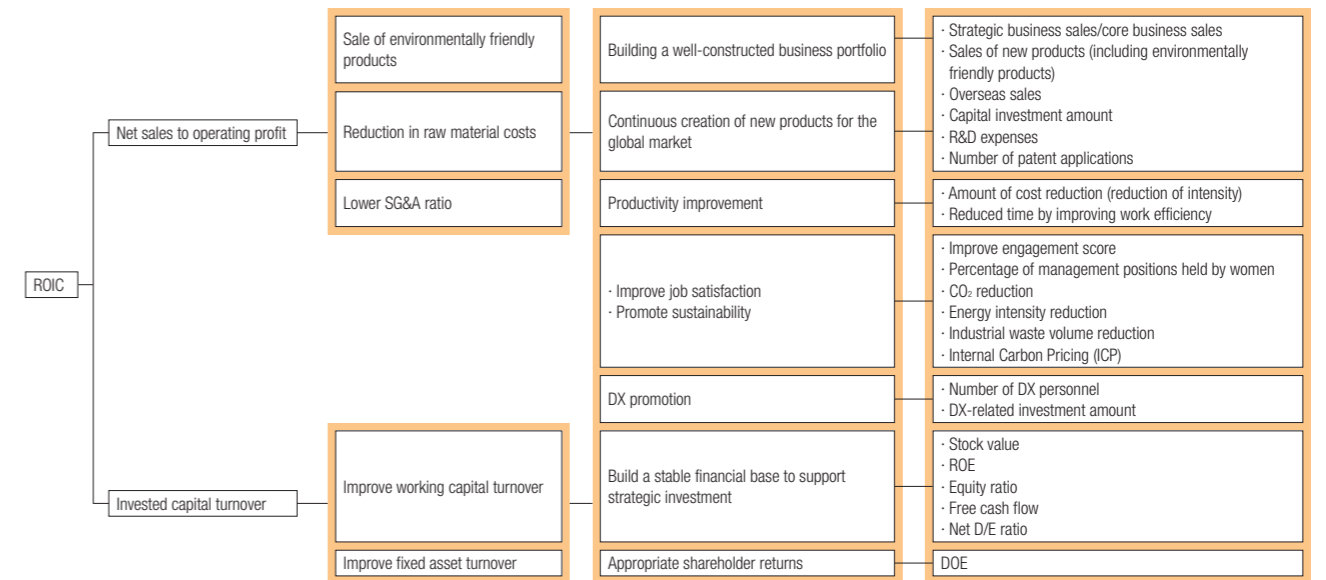
efficiency and maintaining a sound financial position. Regarding the improvement of capital efficiency, we calculate the weighted average cost of capital (WACC). We have set targets related to earnings plans and capital policies based on the interest-bearing costs and cost of capital (using the capital asset pricing model: CAPM), and we will steadily allocate management resources to achieve these targets.

Investment strategy for Mid-term Management Plan

Our ideal figure in FY2030 as in our Medium-term Management Plan SPEED 25/30, we will invest in existing businesses to build a well-constructed business portfolio and make R&D investments aimed at developing new products for the global market. We will also improve efficiency in various ways to achieve high productivity. All these investments will be conducted in an appropriate manner while constantly grasping and managing the KGIs and KPIs

set internally. Regarding funds necessary for investment, we ensure the liquidity of funds through cash flows from operating activities and financing through borrowing from financial institutions. In principle, consolidated subsidiaries do not procure funds from outside sources, and centralize funding within the parent company to improve the efficiency of funding for the entire group.

Hodogaya Chemical Group ROIC Tree



Capital policy

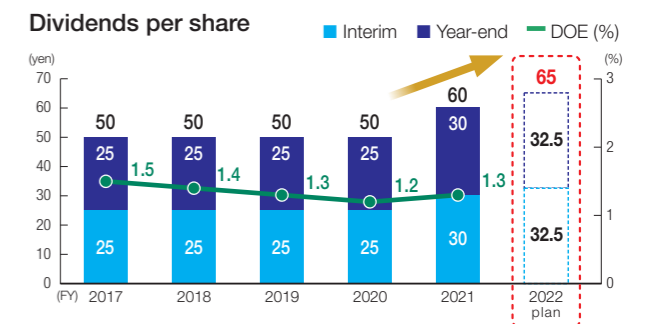
The Hodogaya Chemical Group builds a sound and stable management foundation and continuously improves corporate value through appropriate cooperation with various stakeholders such as shareholders, investors, customers, business partners,

local communities, society, and personnel. Our basic policy is to strike an appropriate balance between using the profits we earn to support the growth of the Hodogaya Chemical Group and returning profits to our shareholders.

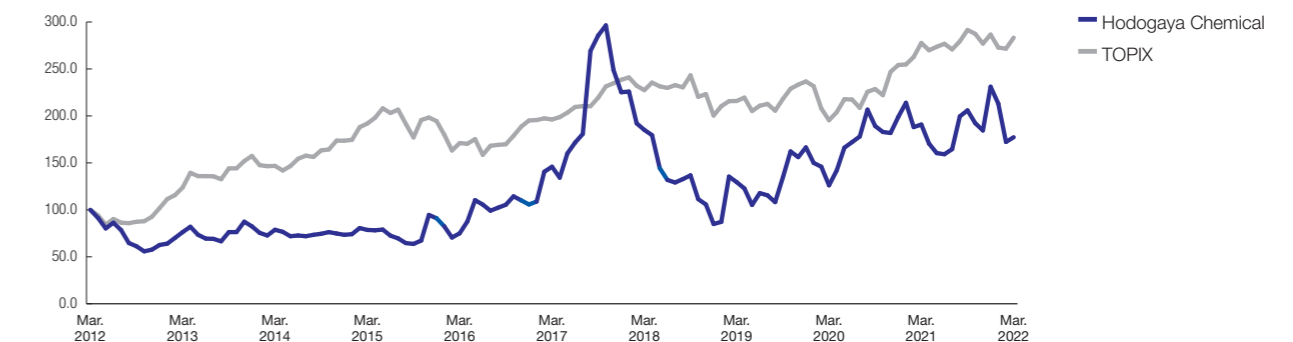
Shareholder return policy

The Hodogaya Chemical Group strives to build a sound and stable management foundation while continuously improving corporate value through appropriate cooperation with various stakeholders including shareholders. Furthermore, regarding profits earned, we will strive to maintain an appropriate balance between, our basic policy, which is to use internal reserves for investment and other activities that will lead to the growth of the Hodogaya Chemical Group, and returning profits to shareholders. In our Mid-term Management Plan SPEED 25/30, we have set a goal of achieving stable dividends over the long term as part of our ideal figure in FY2030. Regarding shareholder returns, we will pay dividends to shareholders, while keeping DOE in mind and premised on

improving profitability by promoting various measures set out in SPEED 25/30.



TSR



* Total Shareholder Return (TSR). Total return on investment combining capital gains and dividends
 * TSR is calculated based on cumulative dividends and stock price fluctuations for Hodogaya Chemical, and TOPIX based on stock price index including dividends (prepared by Hodogaya Chemical based on Bloomberg data, etc.)
 * The graph value is the market price index by TSR with the closing price data as of the end of March 2012 as 100 (holding period is until the end of March 2022)

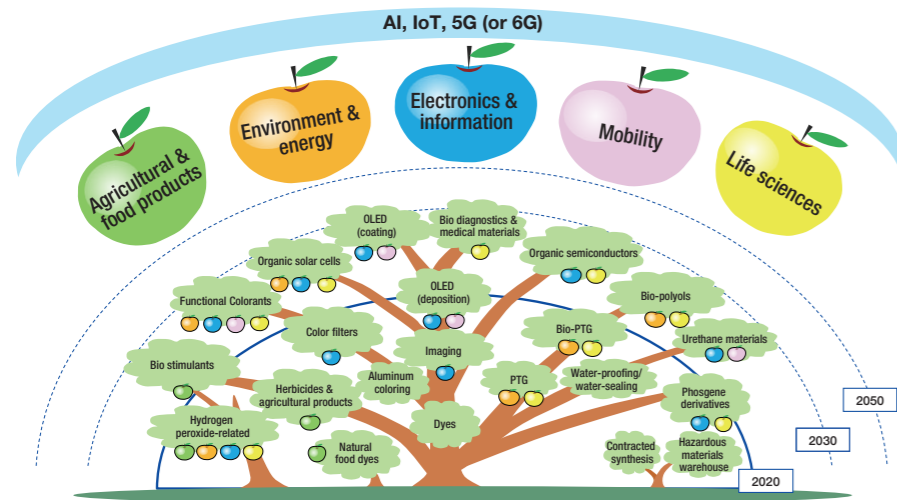
Contribute to the Creation of an Environmentally Conscious Society



- Responding to climate change
- Improving the value and reliability of products
- Maintaining air, water, and soil environments

The Hodogaya Chemical Group will develop new business areas using the technologies cultivated in its current business areas of functional colorants, specialty polymers, basic chemicals and herbicides. The Group will also conduct research and development from a long-term perspective in each segment with the keywords “Agricultural & food products”, “Environment & energy”, “Electronics & information”, “Life sciences” and “Mobility”.

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.

Functional Colorants Segment

We are accelerating the development of OLED materials by developing the technology of charge control agents for toner and charge transport materials, which we are developing in our business as functional colorants.

We will combine the Hodogaya Chemical Group's hole and electron transport materials technology and SFC Co., Ltd.'s light-emitting materials technologies to develop new materials and promote the development of functional colorants for other applications.

Active research and development are being conducted for functional colorants, including OLED materials, which are expected to find applications in various fields, including semiconductors, solar cells and various sensor materials.

We will use these developments to expand into “Environment & energy”, “Electronics & Information” and “Life sciences”.

Specialty Polymers Segment

Development of Bio-PTG using 100% plant-derived raw materials instead of petroleum-based raw materials is progressing for PTG, a polyol used as a raw material for polyurethane. We will also further develop bio-specialty polyols. We are promoting the development of environmentally friendly urethane waterproofing materials for buildings and are

also developing intermediate materials for pharmaceuticals, agricultural chemicals and electronic materials in specialty chemicals. We will use bio raw materials to contribute to environmental friendliness and sustainability and expand into “Environment & energy”, “Life sciences” and “Mobility”.

Basic Chemicals and Agro-Science Segments

The Hodogaya Chemical Group is promoting the development of applications for hydrogen peroxide and its derivatives in new fields, such as hydrogen peroxide for veterinary medicine, disinfection of medical instruments, and peracetic acid for food additives. In particular, the Group is proactively working on developing peracetic acid for food additives using its high sterilizing power.

We are also promoting the development of hydrogen peroxide and its derivatives by applying their oxygen-supplying capability to agricultural materials.

Hydrogen peroxide is an environmentally friendly material as it decomposes into oxygen and water. We will expand into “Agricultural & food products” through applications such as soil improvement and sterilization, making the best use of these characteristics.

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.

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.



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 friendly product that has won the approval of customers.

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, and other events, 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 friendly products that do not contaminate farm land.



Disclosure of Information Related to Climate Change Based on TCFD

Basic approach

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 (Target Corporate Image) appearing in the Mid-term Management Plan SPEED 25/30, which started from FY2021.

As a chemical company, Hodogaya Chemical is resolutely confronting climate change in accordance with the guidance by the TCFD, while proactively striving for information disclosure.

Governance and risk management

The Sustainability Development Committee is a committee organization that actively promotes responsibility toward the realization of a sustainable earth and society in accordance with the "Management Philosophy" and "Corporate Action Guidelines." We 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, in addition to the conventional RC/QM Subcommittee.

The Risk Management Committee discusses company-wide risk recognition, evaluation and mitigation measures. The Risk Management Committee also discuss environmental

risks, such as climate-related risks, opportunities and countermeasures recognized by the TCFD Subcommittee.

The content of discussions in each committee and subcommittee is submitted and reported to the Board of Directors and Management Committee.



Strategies – risk analysis

In pursuing the Mid-term Management Plan SPEED 25/30 business strategy of developing a new portfolio, we expect production volume to increase, but we have classified the risks projected from a long-term perspective, looking ahead to 2030, into TCFD risk categories and are proceeding with climate scenario analysis. We analyzed the risks associated

with the transition to a decarbonized society as the "1.5°C scenario" and the risks associated with the intensification of climate change as the "4°C scenario." From the results of scenario analysis, we will promote response measures and opportunities for transitional risks and physical risks, while envisioning new initiatives.

Scenario	Key Risks and Impacts
1.5°C scenario	<ul style="list-style-type: none"> Policies, laws and regulations on climate change Carbon taxes have been introduced globally, and strict regulations to deal with climate change will be enforced worldwide Climate change As a result of the above, climate change will be curbed, and the occurrence of natural disasters will not increase significantly from the present The procurement of raw materials will be greatly affected by the significant increase in energy costs
4°C scenario	<ul style="list-style-type: none"> Policies, laws and regulations on climate change Developed countries in the West are expected to become stricter, but in developing countries, policies and laws and regulations will not be strengthened (= GHG emission reductions will not be sufficient) Climate change As a result of the situation mentioned, the impact on climate change will continue (= natural disasters occurring more frequently) There will be a limit on the rise in energy costs and will not have a large impact

Scenario analysis

Risks and Opportunities	Risk	Opportunities	Measures	Impact on business
Transitional risk 1.5°C scenario	Policy/Regulation	○	<ul style="list-style-type: none"> Promoting energy saving Use of renewable energy Review of manufacturing process 	Increase in energy costs and raw material procurement costs due to the introduction of a carbon tax, etc.
	Technology	○	Strengthen the internal structure by leveraging the knowledge gained thus far	Increased cost burden for maintenance and improvement of management system
	Market	○	<ul style="list-style-type: none"> Strengthen R&D to meet demands Strengthen production technology capabilities by reviewing manufacturing processes, etc. 	[Risk] Increase in R&D and manufacturing costs [Opportunity] Maintain and expand market share by providing products and services that meet demand
	Reputation	○	Revise and strengthen business strategies by deepening market and customer needs, and improve R&D and manufacturing technology capabilities corresponding to them	[Risk] Increase in R&D and manufacturing costs [Opportunity] Maintain and expand market share by providing products and services that meet demand
Physical risk 4°C scenario	Chronic	○	Enhancing dialogue with local communities, personnel, and shareholders and securing a system	—
	Acute	○	<ul style="list-style-type: none"> Labor saving and automation of manufacturing equipment Promote multiple purchases, strengthen BCP 	[Risks and Opportunities] Response to market changes, especially in the agrochemicals business Shutting down of factories and inability to procure raw materials

Major business opportunities in transition

Segment	Opportunity
Functional Colorants Segment	<ul style="list-style-type: none"> Aluminum coloring dyes Expand sales by developing eco-friendly products Bio business Expansion from materials for PCR diagnostic kits to medical use
Specialty Polymers Segment	<ul style="list-style-type: none"> PTG (urethane materials) Promoting green chemistry through biotechnology
Basic Chemicals Segment	<ul style="list-style-type: none"> Hydrogen Expanding business opportunities due to the advent of the hydrogen society
Agro-Science Segment	<ul style="list-style-type: none"> Hydrogen peroxide and derivatives Expanding applications to the field of agricultural materials

Target and indicators

The Hodogaya Chemical Group has set the non-financial targets shown on the right for FY2025 in its Mid-term Management Plan SPEED25/30.

Regarding CO₂ emissions, we have set targets for both volume and intensity reductions, taking into account changes in emissions due to increases and decreases in production volume. These are examined by the Global Environment Subcommittee, discussed by the Sustainability Development Committee, and progress is confirmed by the Board of Directors and Management Committee.

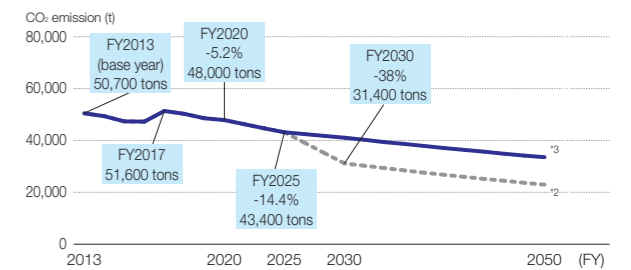
Non-financial targets	
CO ₂ reduction	43,400 tons (0.868 tons/sales million JPY)
Reduction of energy intensity	0.606kl/sales million JPY
Reduction of industrial waste volumes	Less than the amount generated in the previous year

Roadmap for reducing CO₂ emissions

Most of the greenhouse gases emitted by Hodogaya Chemical are energy-derived CO₂. As production is expected to increase in the future, we will address climate change from both mitigation and adaptation perspectives and from a long-term perspective looking toward FY2030.

To promote CO₂ reduction, in addition to Hodogaya Chemical's technology, we will introduce the Internal Carbon Pricing (ICP) in FY2022. It will allow us to price our own carbon emissions along with energy saving and energy creation initiatives and renewable energy. Hodogaya Chemical is aiming for a 38% reduction*1 in FY2030 by creating a system that can support investment as a response to climate change toward a low-carbon society.

CO₂ emission



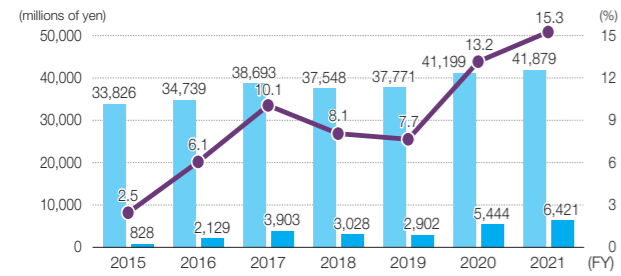
*1 Of the 46% reduction target announced by the government in April 2021, the target value is 38% allocated to the industrial sector.
*2 The dotted line after FY2030 is an unconfirmed value.
*3 The solid line after FY2025 is the expected decrease of 1% from the previous year.



Initiative	Process	2030 Goals	2050 Goals
Promotion of technological innovation	Process	<ul style="list-style-type: none"> Efforts to save energy — Promotion of high efficiency through process improvement Promotion of waste heat recovery (heat pump) 	<ul style="list-style-type: none"> Study of hydrogen plant CO₂ recovery and use External procurement of green hydrogen
	Steam boiler	<ul style="list-style-type: none"> Efforts to save energy — Active use of waste heat Improvement of electrification rate of heat source 	<ul style="list-style-type: none"> External procurement of green hydrogen Fuel conversion (LNG → hydrogen) — Hydrogen-fired boilers introduced at all plants Introduction of cogeneration (hydrogen mixture → hydrogen-only combustion)
Expansion of use of renewable energy	Electricity	<ul style="list-style-type: none"> Efforts to create energy — Introduction of renewable energy Efforts to save energy — Promotion of high efficiency Gradual switch to CO₂-free power sources using renewable energy 	
Utilizing the ICP system	Daily improvement through energy saving	<ul style="list-style-type: none"> Promoting ICP system Continue switching to LED lighting equipment Continue to introduce top-runner equipment Reduction of heat loss through appropriate management of heat insulating materials and traps Efficient operation 	

Financial and Non-Financial Highlights (Consolidated)

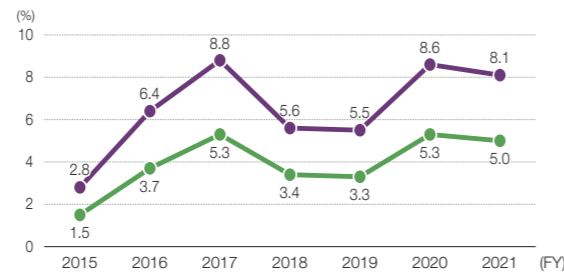
Net sales, operating profit, operating margin



■ Net sales (left) ■ Operating profit (left) ● Operating margin* (right)
* Operating profit ÷ net sales (single year)

Net sales totaled 41,879 million JPY, slightly up 1.6% year on year, while operating profit was 6,421 million JPY, up 17.9% year on year, with an operating margin of 15.3%, the highest for the most recent seven years. Special demand for materials for PCR diagnostic kits in the Functional Colorants segment slowed down; however, steady sales could be maintained.

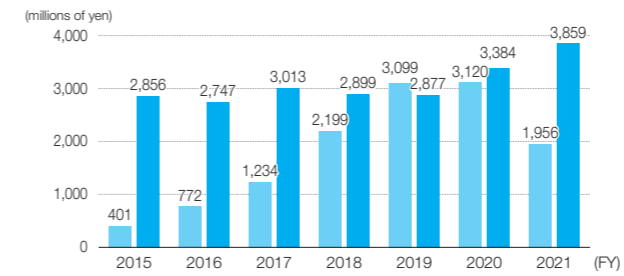
ROE, ROA



● ROE¹ ● ROA²
¹ Earnings ÷ equity
² Earnings ÷ total assets

In FY2021, ROE and ROA maintained their highest level in recent years. We will continue to aim to increase profits while making more efficient use of our assets.

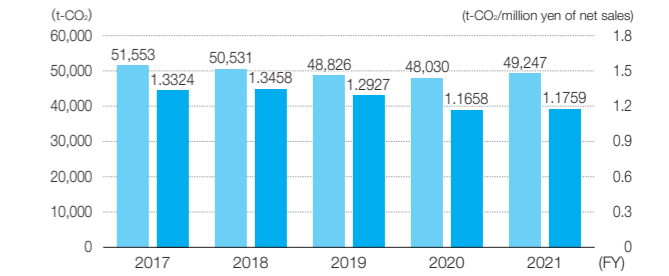
Capital expenditures, R&D expenditures



■ Capital expenditures ■ R&D expenditures

Our focus is primarily on capital expenditure and R&D in the Functional Colorants segment, which is the Hodogaya Chemical Group's growth driver. We will continue investments and undertake activities that contribute to future growth.

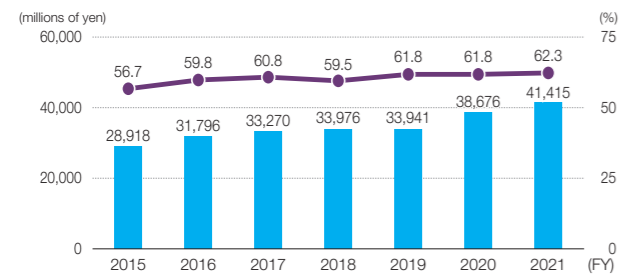
CO₂ emissions, CO₂ emission intensity (Japan)



■ CO₂ emissions (left) ■ CO₂ emission intensity (right)

Most of the greenhouse gases (GHG) emitted by Hodogaya Chemical are energy-derived CO₂. GHG emissions in FY2021 increased, compared to FY2020, due to increased energy use as manufacturing recovered.

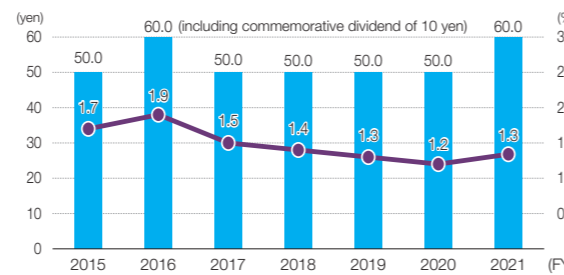
Equity, equity ratio



■ Equity (left) ● Equity ratio* (right)
* Equity ÷ total assets

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

Dividend per share, DOE

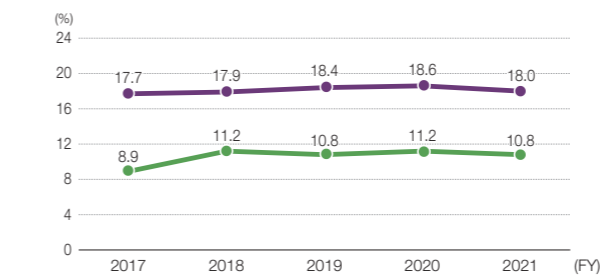


■ Dividend per share (left) ● DOE* (right)
* Total dividends ÷ shareholders' equity (consolidated)

We will consider earnings trends, future business expansion, unforeseen risks and other factors and pay a stable, sustainable and appropriate return to shareholders while being particularly aware of the "Dividend on Equity Ratio (DOE)".

* The Hodogaya Chemical Group conducted a 10-1 reverse stock split of common shares effective October 1, 2016. Accompanying this split, net assets per share, earnings per share, and dividends per share were calculated based on the assumption that the reverse stock split was conducted at the beginning of FY2015.

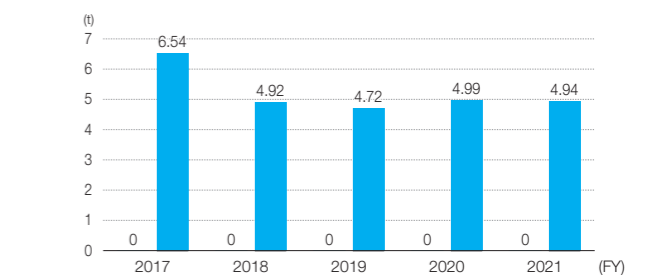
Percentage of employees who are women, percentage of managers who are women



● Percentage of employees who are women
● Percentage of managers who are women

The Hodogaya Chemical Group promotes the active participation of women as one of the Group's key measures. We achieved the target of 10% for women as managers between FY2018 and FY 2021, and we aim to increase this to 13% or more by FY2025. We are implementing various measures to increase the percentage of women managers.

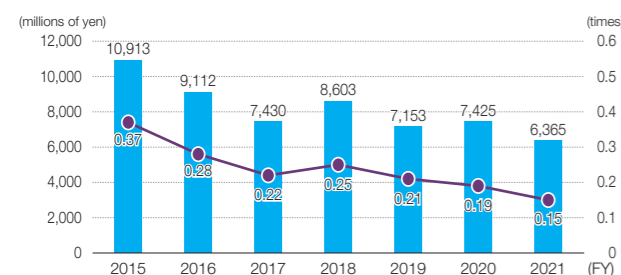
SOx emissions, NOx emissions (Japan)



■ SOx (sulfur oxide) emissions volume
■ NOx (nitrous oxide) emissions volume

The Hodogaya Chemical Group has promoted the use of city gas as a fuel source for the Group's factories. The Group continues to maintain zero SOx emissions since FY2012, having completed the switchover in FY2011. We also implement measures to limit NOx emissions into the atmosphere.

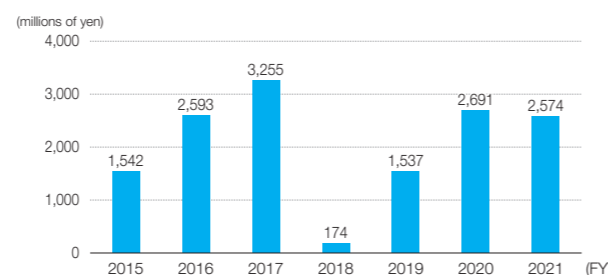
Interest-bearing debt, debt-to-equity ratio



■ Interest-bearing debt (left) ● Debt-to-equity ratio* (right)
* Interest bearing debt ÷ equity

Interest-bearing debt has gradually reduced, and the D/E ratio improved by 0.04 points year on year to 0.15 times.

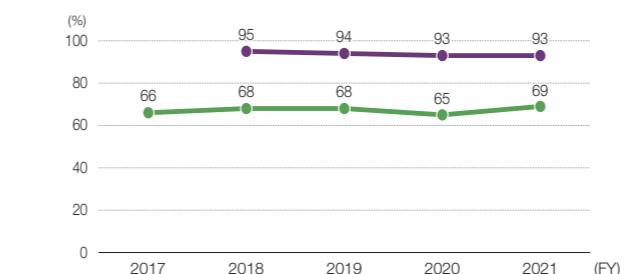
Free cash flow



■ Free cash flow*
* Cash flows from operating activities + cash flows from investing activities

Since FY2018, free cash flow has been on an upward trend despite investments of more than 2 billion JPY. We will continue to perform operating and investing activities in a balanced manner to prepare for future growth.

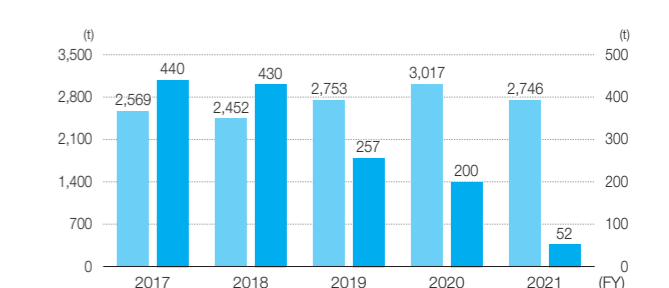
Rate of usage of paid holidays, rate of usage of refreshment leaves



● Rate of usage of paid holidays (Hodogaya non-consolidated)
● Rate of usage of refreshment leaves (Hodogaya non-consolidated)

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 personnel can physically and psychologically refresh themselves.

Industrial waste generated, final disposal amount (Japan)



■ Industrial waste generated (left) ■ Final disposal amount (right)

The Hodogaya Chemical Group has set a target of "generating less industrial waste than the previous fiscal year" as a KPI in the Mid-term Management Plan. The industrial waste generated in FY2021 is less than that generated in FY2020 due to measures such as promoting 3R + Renewable in the annual RC plan.

Business Overview of the Hodogaya Chemical Group

Functional Colorants Segment



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



Description of Business »

- **OLED materials** Demand for OLED materials is growing because of their use in displays for smartphones, tablets and smartwatches, and they are also expected to be introduced for TVs and automotive applications. The materials for PCR diagnostic kits have been rated highly, including reporter, quencher dyes, and probes. The materials were developed independently by the Hodogaya Chemical Group as an application of OLED material technology, and the Group is expanding into new fields.
- **Imaging materials** They are essential for copiers and printers to function, helping to enhance precision in the office automation environment.
- **Dyes and colors** Our products, developed with unique technologies, are highly regarded as high-quality products in Japan and worldwide. (Mainly used for aluminum coloring, stationery ink, hair dyes, color filters, etc.)
- **Food additives** Play an important role in making food appear more appetizing by adding color to food products. As a pioneer in this field, the Hodogaya Chemical Group 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

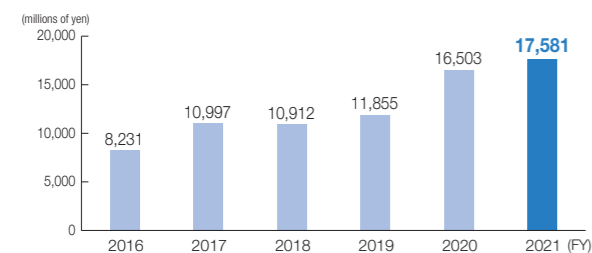
Expand from diagnostics applications to therapeutic applications

Progress of the Mid-term Management Plan

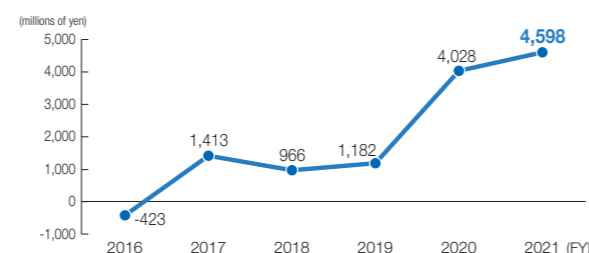
- Sales of OLED materials are increasing due to the expansion of applications for OLED displays and their adoption in new products. We will work to further enhance our research and development as competition with competing companies is highly intense, and high performance and low cost are required.
- We have started the development of environmentally friendly products for aluminum coloring dyes and will step up efforts to bring them to market.

- The materials for PCR diagnostic kits, developed as an application technology for OLED materials, have been well received by kit manufacturers and continue stable sales. In the future, we will also promote expansion from in-vitro diagnostics to medical uses in the same business.

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://sunfc1123.inames.kr/>



Specialty Polymers Segment



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



Description of Business »

- **Polymer materials** Polymer materials consist mainly of a material called PTG, which is required to give urethane ductility and elasticity (characteristics like those of rubber). Urethane is used in many fields, including clothing, automotive parts and leisure products. In addition, we are focusing on Bio-PTG, whose main raw materials were switched from petroleum-derived to plant-derived, as a product that possesses a quality similar to that of the traditional PTG but is environmentally friendly.
- **Construction materials** The mainstay of construction materials is urethane waterproofing. Our urethane waterproofing materials are used widely to waterproof the roofs of office buildings, schools, and multi-story parking buildings of large-scale retail facilities.
- **Specialty chemicals** Specialty chemicals include intermediates and additives, fully using our organic composite technology and unique phosgenation technology accumulated over many years. We supply products tailored to customers' specific requests 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 chemistry by switching all PTGs to plant-derived

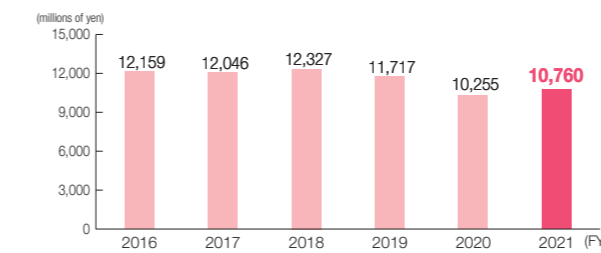
Develop and capture orders for new customized products using phosgene derivatives

Progress of the Mid-term Management Plan

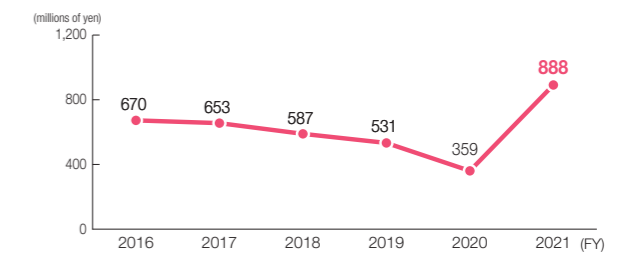
- For polymer materials, we will promote green chemistry, such as further development of environmentally-conscious bio-based PTG, which is a raw material of urethane, and launch new polyols.
- Sales of materials are performing well in the construction materials business. We will aim to increase sales of the products launched in 2019 for the material sales business.

- The specialty chemicals business grew significantly due to robust sales of products for pharmaceuticals and release agents.
- There is intense price competition, and we will continue to take initiatives to secure market share and profits.

Net sales



Operating profit



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

Location: 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021 Japan
TEL: +81-3-6852-0478 (Main switchboard)

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



Business Overview of the Hodogaya Chemical Group

Basic Chemicals Segment



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

Description of Business »

Hodogaya Chemical has been engaged in the development, manufacturing and sales of hydrogen peroxide and its derivatives for over 50 years. Hydrogen peroxide decomposes into water and oxygen, and this property supports our everyday lives as clean and environmentally friendly products for a variety of uses. Hydrogen peroxide has been used for paper pulp bleaching and industrial chemicals, but in recent years, we have aggressively expanded the sales into new fields such as veterinary medicines. Derivatives of hydrogen peroxide include sodium percarbonate and peracetic acid. Sodium percarbonate is used for bleaching agents and detergents. As for peracetic acid, we were the first in Japan to obtain approval for the production for use in food production applications, and we are working to accelerate its use.

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

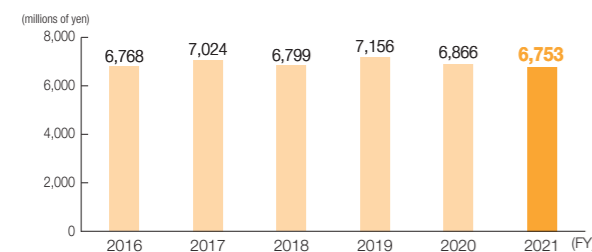
Hydrogen
Conduct basic studies in preparation for the advent of a hydrogen society

Progress of the Mid-term Management Plan

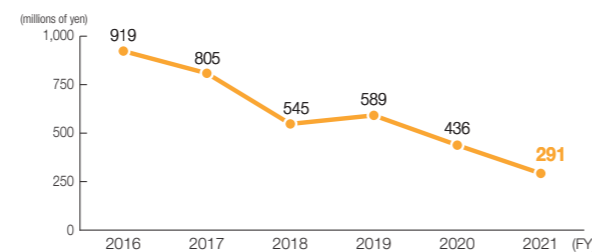
Hydrogen peroxide sales increased significantly as demand for paper-pulp and other applications recovered following the COVID-19 pandemic, and demand for industrial chemicals, particularly in the semiconductor market, was robust, resulting in a significant increase in sales. On the other hand, hydrogen peroxide derivatives used for cleaning beverage bottles and sterilizing endoscopes recovered from the decline in demand following the COVID-19 pandemic, but the production of

bleach used for clothes and household cleaning agents was affected by a drop in production volume due to restrictions on some facilities. In the future, despite the impact of soaring raw materials and fuel prices, we will aim to acquire new customers and increase sales of peracetic acid for food additives, potentially opening up new markets.

Net sales



Operating profit



Related group company: **KATSURA SANGYO CO., LTD.**
Description of business: Sales and marketing of chemical products

Location: 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021 Japan
TEL: +81-3-6852-0490 (Main switchboard)
Webpage: <http://www.katsura-ks.co.jp/>



Agro-Science Segment



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

Description of Business »

The products offered by the Agro-Science segment are used in a 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, and other factors, 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

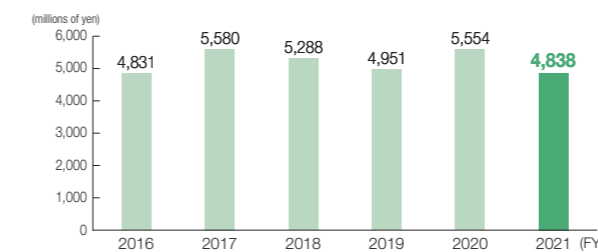
Reinforce production capabilities for agricultural material products

Progress of the Mid-term Management Plan

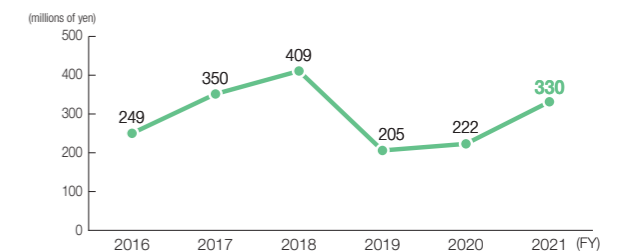
Demand for herbicides used in homes and gardens continues to grow, but sales of herbicides for golf courses remained flat, mainly due to a decline in sales as customers adjusted their inventory. We are also focusing on enhancing our development of herbicides for non-crop areas and expanding sales of oxygenators using proprietary hydrogen peroxide

of Hodogaya Chemical Group in the field of agricultural materials. We will continue with initiatives to introduce attractive products to regain market share while maintaining profitability.

Net sales



Operating profit



Related group company: **HODOGAYA UPL Co., Ltd.**
Description of business: Manufacturing and sales of agricultural chemicals
Location: 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021 Japan
TEL: +82-3-6852 0500 (Main switchboard)
Webpage: <http://www.hodogaya-upl.com/>



Related group company: **HODOGAYA AGROTECH Co., Ltd.**
Description of business: Manufacturing and sales of agricultural chemicals
Location: 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021 Japan
TEL: +82-3-6852-0510 (Main switchboard)
Webpage: <http://www.hodogaya-agrotech.co.jp/>



Business Overview of the Hodogaya Chemical Group

Logistics Segment



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



Description of Business

The logistics business of the Hodogaya Chemical Group has been handling hazardous substances and chemicals. Drawing on its extensive expertise over a century, it offers services highly regarded by customers in various fields beyond the chemical industry. We have large-scale facilities in Yokohama, Koriyama and Nanyo. In particular, the Yokohama Branch is conveniently located close to Japan's leading port of Yokohama and is used by many customers as a base for imports and exports. Our Koriyama and Nanyo distribution sites also offer storage and transportation services optimized for chemical products, heavy cargo, machinery and plants. In October 2021, the Nanyo Branch launched a business involving the storage and heating business handling ISO tank containers for hazardous and toxic materials, which is unique in Japan.

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

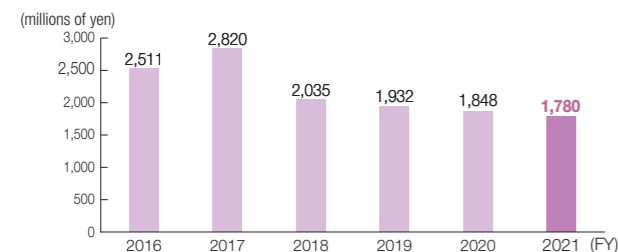
- Leverage distinguishing aspects of the Group's hazardous material logistic bases to provide and reinforce storage services in a wide range of fields
- Further expand the international logistics business through internal system that integrates storage, customs, and international/domestic shipping
-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

Progress of the Mid-term Management Plan

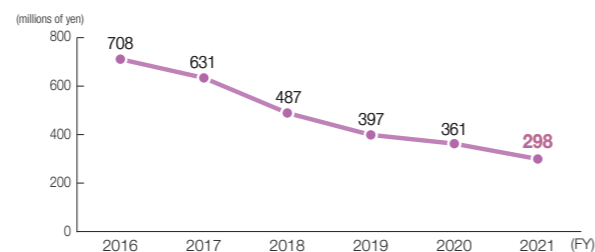
With the resumption of economic activities following the COVID-19 pandemic, the volume of exports handled remained steady and on par with the previous year. As a logistics business for chemical manufacturers, we started

operating an ISO tank container storage business in October 2021, utilizing our expertise in handling hazardous and toxic materials. We are taking the initiative to acquire more customers.

Net sales



Operating profit



Related group company: **Hodogaya Logistics Co., Ltd.**
Description of business: Warehousing and logistics

Location: 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021 Japan
TEL: +81-3-6852-0520 (Main switchboard)
Webpage: <http://www.hodogaya.co.jp/hlc/>



Global Expansion of Hodogaya Chemical Group

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

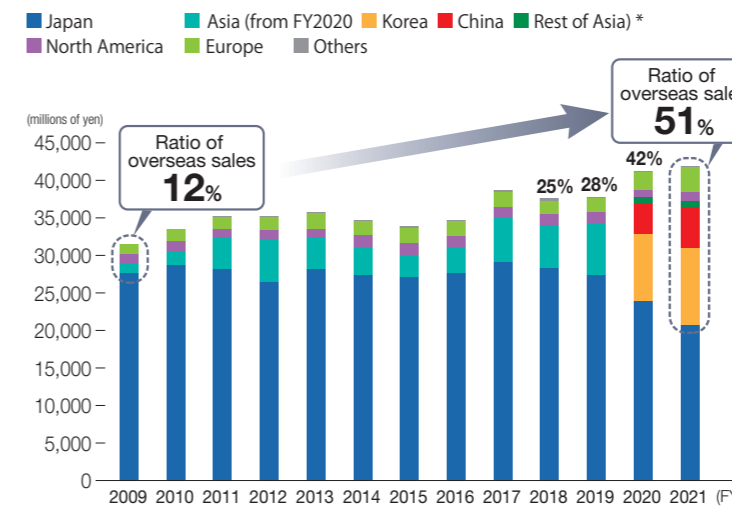
The Hodogaya Chemical Group is enhancing its overseas bases to respond to the diverse needs of global customers. We have already established our subsidiaries in North America, Europe, and China, which are our primary markets. In the field of OLED materials, we invested in a South Korean company with a 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 on expanding our overseas network, our overseas sales of imaging materials, such as charge control agents for toners and dyes for aluminum coloring of mobile devices, have increased steadily. Hodogaya Chemicals' sales of OLED

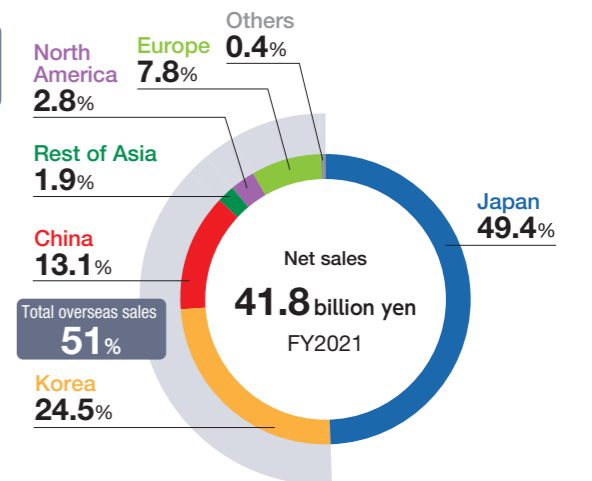
materials remained robust along with the expansion of applications for OLED products. Also, sales of materials for PCR diagnostic kits, developed independently by a Korean subsidiary as an application technology for OLED materials from FY2020 under the COVID-19 pandemic, increased. The overseas sales ratio for the Hodogaya Chemical Group rose to 51% because of strong sales of urethane materials which use bio-based raw materials and have gained attention as environmentally friendly products, and polymer materials used for adhesives.

The Group will respond to customer needs 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 composition by region of Hodogaya Chemical Group



* Sales in "Korea" and "China," which were included in "Asia" until FY2019, are now listed independently as these markets have increased in importance.



Utilizing the experience of working at an overseas research institute

After conducting research and development in the "New Project Exploration", which searches for next-generation themes, I was involved in the research and development of OLED materials at "Hodogaya Chemical Korea Co., Ltd", an overseas research and development base. During my overseas assignment I had the opportunity to interact with colleagues who speak different languages and are from diverse cultural backgrounds and values. I learned how to achieve results through trial and error, which led to significant personal growth and helped me acquire different perspectives and ways of thinking. Currently, I am working in the "Global Strategy Promotion Group, Business Promotion Department", and my work concerns business planning and management in Japan and overseas. I want to use my global perspective gained through my overseas assignment to create new values for the Hodogaya Chemical Group.

Research & Development

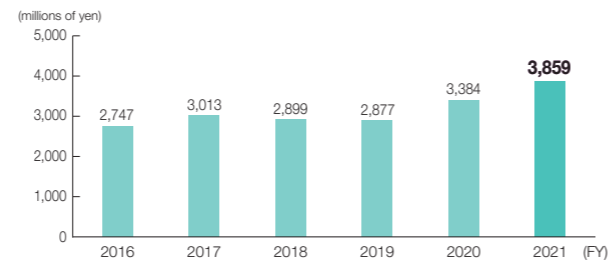
- Related materiality
- Responding to climate change
 - Ensuring the safety of products and chemical substances
 - Improving value and reliability of products

Basic policy

In the Mid-term Management Plan SPEED 25/30, we have formulated a 10-year scenario “ideal figure for FY2030” and “target figure for FY2025” as an intermediate point, anticipating the possible megatrends in 2050. Our goal up to FY2025 is to develop our current business area by implementing necessary measures for OLEDs and expand and develop our business into new areas. To achieve the goal, we will quickly identify the constantly changing needs of society and promote research and development that can quickly respond to the different needs of various customers.

The Hodogaya Chemical Group gives form to the skills and know-how from the technology we have cultivated over our long history to develop products and production technology with all-new functions. We also engage in research and development to become “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.” We will encourage innovation by creating specialty products to help achieve SDG goal 9 (Industry, Innovation and Infrastructure).

R&D expenses



Core technologies supporting innovation of the Hodogaya Chemical Group

High-purification technology

[Leveraging advanced refining technologies that achieve a higher level of purification]

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



Tsukuba Research Laboratory (Ibaraki)

HCK Research Center (S. Korea)

Development capability in functional materials

[Developing materials with new functionality that leads to comfortable and abundant lifestyles]

The goal is to fulfill 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, to open up all kinds of fresh possibilities for their use while offering new materials that feature a wide array of functions. Our R&D spending

including investment in intellectual property, trends around 3 billion JPY, with the R&D expenses-to-sales ratio remaining at 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 ahead of others.



Progress of the Mid-term Management Plan

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

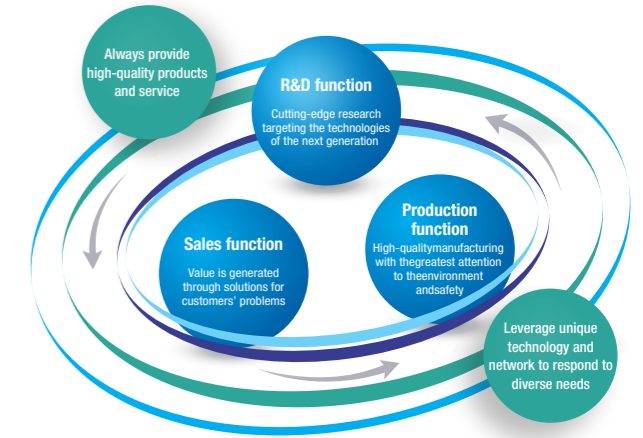
Strengthen our R&D structure

- Expand our sustainable creation of new research projects
- Establish an organizational structure able to swiftly move from research to mass production

Further development of strategic products while fostering new ideas

On the back of the achievements of the previous Mid-term Management Plan HONKI 2020, the Hodogaya Chemical Group aims to reap the rewards of these achievements in the Mid-term Management Plan SPEED 25/30 as well.

We will also conduct research and investigations to establish R&D strategies based on a long-term perspective with the keywords “Agricultural & food products,” “Environment & energy,” “Electronics & information,” “Life sciences,” and “Mobility.” The goal is to create new businesses for the next generation, put in place a system in which development, production, and sales functions make a tripartite effort to respond speedily to the needs of customers. We are also actively promoting joint frameworks with industry, government, and academia and working to build next-generation basic technologies and create new businesses.

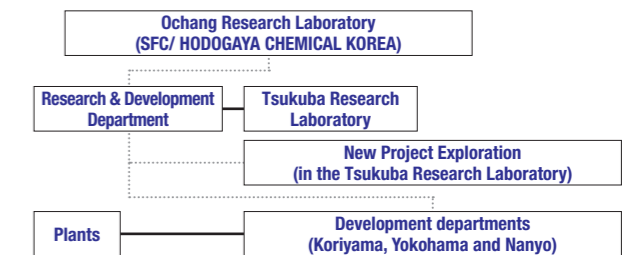


Strengthen our R&D structure

The Hodogaya Chemical Group promotes cutting-edge R&D for the future with a global R&D system that extends from Japan to overseas.

With the Tsukuba Research Laboratory in Japan as the main center, the R&D departments of each plant and Korean group companies, SFC CO., LTD. and HODOGAYA CHEMICAL KOREA CO., LTD., work together to promote R&D and quickly respond to customer requests.

R&D structure



Management Support Division
SFC CO., LTD.
Kim Sang Ho

Launch of new SFC Website

Hello. I am pleased to announce the launch of a new website for SFC. The purpose of the website is to showcase the leading position of SFC in the field of OLED materials and, simultaneously, to showcase our competitiveness in business areas such as biotechnology, semiconductors, batteries, and energy. For about 24 years, SFC has been developing and supplying high-performance organic materials using its experience in R&D and promoting diversified businesses focusing on these materials. The ultimate goal of creating the website is to convey the message of making the world a better place by incorporating the cultural flexibility and customer-oriented mindsets that are the source of SFC's unparalleled competitive advantage.

Please see our website for details. ▼
<http://sunfc1123.inames.kr/>



Related group company: **Hodogaya Contract Laboratory Co., Ltd.**
Description of business: Contract based custom synthesis, analysis and development

Location: 45 Miyukigaoka Tsukuba City Ibaraki Pref. 305-0841 Japan
TEL: +81-29-858-6886 (Main switchboard)
Webpage: <http://www.h-contractlabo.co.jp/>



Environment



- Responding to climate change
- Maintaining air, water, soil environments

Basic approach

The Hodogaya Chemical Group conducts its operations based on the principle that ensuring environmental conservation, safety and health, and product quality across the product life cycle is fundamental to corporate management and the basis for all business activities. In protecting the environment, we 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. We established the Environmental Management System (EMS) under the Basic Philosophy of Responsible Care (RC) and obtained ISO 14001 integrated certification as the Hodogaya Chemical Group. We use the ISO 14001 management system as a means (tool) for environmental conservation and work continuously to reduce our 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. We have been actively promoting initiatives to reduce greenhouse gas (GHG) emissions, in order to fulfill our responsibilities toward the realization of a sustainable planet and society as set forth in the VISION of our Medium-term Management Plan.

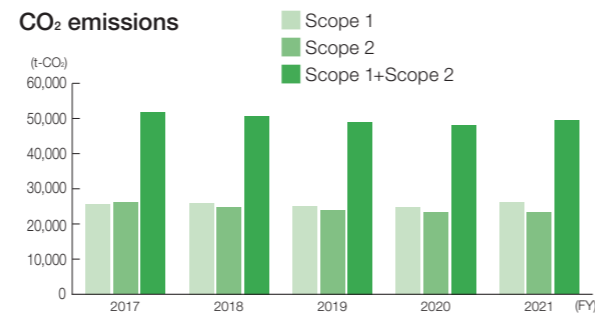
Nearly all of GHG emitted by Hodogaya Chemical are CO₂ from energy-related sources. Total GHG (Scopes 1*¹ and 2*²) emitted in FY2021 were approximately 49,000 tons.

Although this level of GHG emissions has increased compared to FY2020, due to the increase in production volume, the average change for the most recent five years has decreased.

Going forward, we will continue our efforts to reduce emissions by adopting energy-saving equipment and switching to renewable energy sources through decarbonization investment from a long-term perspective using the ICP introduced in FY2021, in order to continuously improve energy intensity. Furthermore, we have yet to formulate a GHG reduction plan with respect to Scope 3*³,

and are currently compiling data. At present, our identification of Scope 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 to grasp all GHG emissions 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



Hodogaya Chemical Group material flow



Environmental accounting initiatives

Since FY2021, the Hodogaya Chemical Group has adopted environmental accounting and data compilation in order to quantify the resources we invest in the environment and use them for environmental management.

Of the major expenditures related to environmental conservation in FY2021, the largest expense was resource circulation cost, which amounted to 120 million JPY.

Environmental accounting data 2021 P.57

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 to impact the global environment. The Group aims to minimize the 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 oxides), NO_x (nitrogen oxides), 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 could 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

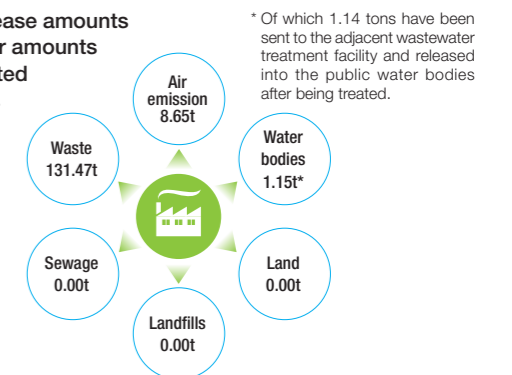
The Hodogaya Chemical Group promotes the 3R+Renewable initiative (reduce, reuse, recycle, renewable) and we have set

a target to reduce the volume of industrial waste generated compared to the previous fiscal year, with initiatives underway. We have achieved our goal of reducing the total amount of industrial waste generated in FY2021 by 9% compared to the previous year. The final disposal volume has also decreased by 74% compared to the previous year as a result of measures such as promotion of resource recycling. Additionally, based on the Plastic Resource Circulation Act, which went into effect on April 1, 2022, we will strive to properly assess and reduce industrial waste of plastic products generated in the course of our business activities.

PRTR

Based on 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), which is the legal regulation of chemical substances, Hodogaya Chemical manages the release and transfer of PRTR listed substances that are manufactured or used, and reports them to the national authorities. We handle 48 of the 462 Class 1 Designated Chemical Substances stipulated in the PRTR Act. We work to reduce the release and transfer of such substances from the perspective of environmental conservation.

FY2021 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

Koriyama Plant
Seiya Hirayama

As an Energy Manager at the Koriyama Plant

Until now, energy conservation has been implemented mainly for cost reduction reasons. While this practice hasn't changed until today, it is becoming more and more important as a means of solving social issues such as the prevention of global warming and ensuring a stable supply of energy. Energy, such as fuel and electricity, is indispensable for manufacturing products. The Koriyama Plant in particular, consumes a large amount of energy, and according to calculations based on the Energy Conservation Act, it accounts for approximately 70% of the energy consumption of our three domestic plants.

As an energy manager, my role is to improve the efficiency of energy use, that is, to promote energy conservation. With the introduction of highly-efficient equipment and the reduction and reuse of waste energy as measures related to production, all workplaces are working together to fulfil their social responsibility by focusing on energy conservation of daily usage not directly linked to production, such as lighting and air-conditioning.

Human Resources



- Improving feeling of motivation to work
- Promoting diversity
- Promoting the health and productivity management and workplace safety and health

A message from the HR Manager

Managing Executive Officer **Shinichi Sato**

In 2022, Japan's global competitiveness ranking (IMD publication) including Hodogaya Chemical, was ranked 34th, the lowest ever. Investment in human resources is an urgent need to increase competitiveness and improve corporate value over the medium to long term. In the human resources department, we are focusing on hiring and developing personnel who can learn, think and act on their own with a desire to grow, take on challenges, and innovate. Through these human resources actively responding to customer needs, we will achieve the Mid-term Management Plan SPEED 25/30 and work to ensure the sustainable growth of human resources and the Hodogaya Chemical Group.

Previous Mid-term Management Plan HONKI 2020 HR policy and accomplishments

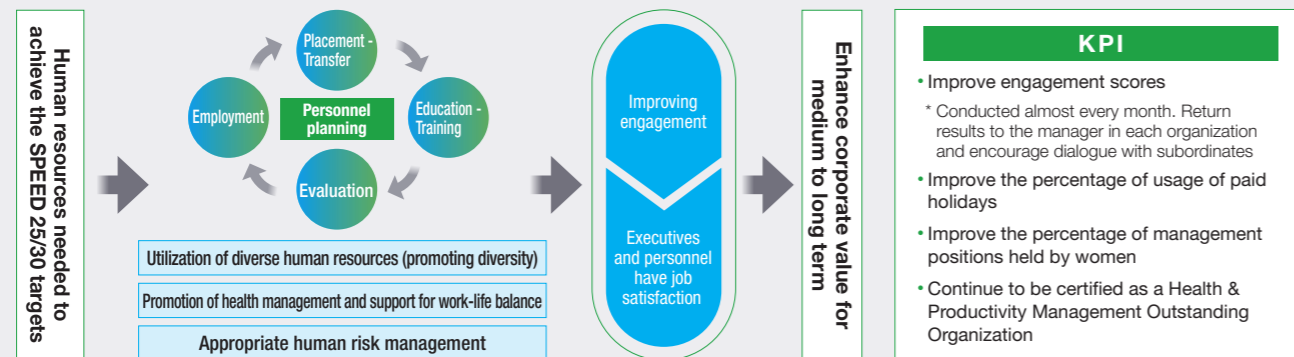
The Hodogaya Chemical Group deeply recognizes that human resources are the source of corporate value creation and are essential for sustainable growth. Under HONKI 2020, human resource development was a priority issue, and we achieved results in the main measures shown on the right.

- Revision of personnel evaluation system (restructuring of behavior and ability assessment)
- Transition to performance-linked bonuses (introduction of a transparent performance-linked reward method)
- Establishment of a new education system for managers (improvement of management literacy)
- Revision of retirement benefit system (full transition to defined contribution (DC) pension plan)
- Introduction of a new personnel front system (utilization of HR technology)

Mid-term Management Plan SPEED 25/30 HR strategy

Under the Mid-term Management Plan SPEED 25/30, from the standpoint of maximizing the value of human resources, who are the driving forces behind value creation, and increasing corporate value over the medium to long term, we

have set a goal of improve engagement, as shown in the diagram below. Our strategic goal is all executives and personnel achieve and feel a sense of job satisfaction.



Main Policies in the Mid-term Management Plan SPEED 25/30

Execution of basic human resource planning process

The Hodogaya Chemical Group is steadily implementing the personnel planning linked to enhancement of corporate value as shown in the above diagram. Which is, the process of:

- (1) Recruiting personnel who can learn, think, and act on their own
- (2) Placing and transferring the right person to the right place
- (3) Education and training that leads to ability and skills

- improvement and career development
- (4) Fairness and a sense of job satisfaction for the personnel

Please refer to the homepage for details of the system ▼
<https://www.hodogaya.co.jp/english/csr/stakeholder/employee#a31>

Utilizing diverse personnel (diversity promotion)

The Hodogaya Chemical Group recognizes that the purpose of promoting diversity is to enhance corporate value by promoting innovation in a highly competitive environment, flexibly reconfiguring businesses, and strengthening the ability

to respond to change. To this end, we actively hire personnel with diverse experiences and values, including women, professionals with experience in other industries, and non-Japanese people. At the same time, we are working to create

an environment in which each personnel can maximize his or her individual talents and skills.

Although Hodogaya Chemical currently does not have a female director, we appoint directors considering their abilities, skills, experience, and other factors. We believe that the current size and composition of the Board of Directors is appropriate. We will continue to actively consider ways to ensure diversity which includes women.

In addition, promoting diversity will increase the number of

personnel with diverse personalities and values to help expand the diversity of the organization; hence, it is important to unify the organization and personnel. We believe that the Hodogaya Chemical Group's PURPOSE (Management Philosophy) and VISION (Target Corporate Image) can fully unite them.

Please refer to the website for details of the situation ▼
<https://www.hodogaya.co.jp/english/csr/stakeholder/employee#a41>

Promoting health and productivity management, and work-life balance initiatives

The Hodogaya Chemical Group considers physical and mental health of its executives and personnel a top priority. One way to enhance the engagement is to promote health as a management issue and strategically implement health management.

The executive officer in charge of the Personnel Department is also the person responsible for personnel health management and works with the Hodogaya Chemical Health Insurance Society to actively support and promote personnel health.

We work to achieve 100% consultation rates for health and mental stress checkups. We strive to improve health conditions, or prevent deterioration, by having our industrial physicians share the health conditions of personnel with the Company.

The Group further conducts "health enhancement training" for

all personnel with an aim to deepen their understanding of health management.

These activities have received recognition and in FY2021 we were designated by the 2022 Certified Health & Productivity Management Outstanding Organizations. Going forward, one of our targets is to continue improving our evaluation in this area.



Please refer to the homepage for details of the system ▼
<https://www.hodogaya.co.jp/english/csr/stakeholder/employee#a9>

Human risk management

To preserve the corporate value of the Hodogaya Chemical Group, the occurrence of human risks (violation of labor laws, harassment, outflow of personnel, individual troubles, etc.) is a serious obstacle to the continued and stable growth of the

Hodogaya Chemical Group. Recognizing that there is a risk, we strive to appropriately and adequately manage human risk, prevent, avoid, and mitigate future losses.

Future challenges and countermeasures

As mentioned above, the Hodogaya Chemical Group has set enhancement of engagement that: all executives and personnel can feel job satisfaction as a strategic goal and are planning measures to tackle it. However, in the age of VUCA, changes in the external environment are rapid, and it is possible that values regarding human resources will change. By keeping our antennas high to collect information, we can grasp changes in human resource management trends in a timely manner, and respond to changes based on the Hodogaya Chemical Group's PURPOSE (Management

Philosophy) and VISION (Target Corporate Image). The Human Resources department is the driving force behind these measures. They carefully grasps the operational issues of each department and company of the Hodogaya Chemical Group, the characteristics of the organization, and the engagement status of officers and personnel. We recognize that it is necessary to provide solutions and support for solving problems in the field. As the Human Resources department, we will work together with each department and company to meet these expectations.

The next step of the process is the customer

Yokohama Plant Administration Manager
Chikako Katsuyama

Hodogaya Chemical implements various programs and policies to enable personnel to achieve a highly productive work style and successfully combine work and daily life (work-life balance). Due to the revision of the Child Care and Family Care Leave Act (enforced on April 1, 2022), a consulting service for childcare leave was established to facilitate the acquisition of childcare leave. To avoid the anxiety caused by availing the childcare leave, I value communication and will strive to make use of my experience as a coordinator. In addition, through education, we will work to create a workplace that is easy to work in, where personnel can reduce their workload and deepen their knowledge, improve their work efficiency, and play an active role. Remember "the next step of the process is the customer".

Security and Safety



- Improving value and reliability of products
- Ensuring the safety of products and chemical substances
- Promoting health and productivity management and workplace safety and health

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 customers and 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, assessing the 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 four systems (see right) 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. We 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.

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.

The Hodogaya Chemical Group 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

Quality management

Today, corporate quality management systems with international qualities and standards have come to be recognized as the norm. Each of the Hodogaya Chemical offices has acquired ISO 9001 certification, 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 the certification was renewed.

Under a more stringent quality management system, the

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



FY2021 All Company QC Presentation Meeting

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

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

Hodogaya Chemical Group has united to undertake quality improvement activities.

We have also made similar efforts for our environmental management system and have obtained an international standard ISO14001 certification.

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

Risk assessment of chemicals

The Hodogaya Chemical Group formulates procedures for risk assessments to prevent accidents and disasters, and measures to reduce risks based on the assessment results. The Group also 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,

Compliance with global laws and regulations

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

With an eye on expanding its business globally, the Hodogaya Chemical Group not only works in close collaboration with foreign affiliate companies and representative

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



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

With an eye on 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 to be prepared to respond in a timely manner.

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.

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 to be prepared to respond in a timely manner.

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




Quality Assurance Department
Makoto Koike

Aiming to establish a "true Hodogaya brand"

The Quality Assurance Department strengthens the quality control and assurance system of the Hodogaya Chemical Group, focuses on "quality from the customer's perspective", and aims to establish the "true Hodogaya brand." We will strive to "eliminate quality complaints" by always maintaining close cooperation with plants and business divisions and strengthening activities with a focus on prevention. As part of these initiatives, every year, the company observes a day called "Quality Day" to maintain and improve awareness on quality compliance. All personnel gather together to read aloud the "Quality Pledge" and demonstrate the Hodogaya Chemical Group's commitment to maintaining quality. By doing so, we will continue to make efforts to establish the "true Hodogaya brand" in the future.

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



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 personnel. The aim is to engage both personnel and employers to collaborate in ensuring the safety and health of all personnel in the workplace, and to promote creating a more comfortable work environment, while streamlining operations and contributing to improving productivity.

Furthermore, the Group has designated February 3 as the Group’s annual Safety Day to prevent personnel forgetting the fire accident at the Yokohama Plant on February 3, 2012, and

the lessons learned from it, to enhance the culture of safety, and to spread among all personnel 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 personnel 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 (place, thing, fact, principle, rule) to implement safety measures and safety education that include mechanism and law principles, and rules such as routines and orders.

In FY2021, as a result of continuing to strengthen initiatives for each measure, both Hodogaya Chemical Group personnel and subcontracting companies’ personnel achieved zero lost-time injuries.

Occurrence of lost-time injuries

		FY2017	FY2018	FY2019	FY2020	FY2021	Five-year average
Hodogaya Chemical Group	Number of accidents/incidents	4	0	0	1	0	1.0
	Number of work-related fatalities and injuries	4	0	0	1	0	1.0
	Frequency rate of lost-time injuries*	3.90	0.00	0.00	0.92	0.00	0.96
Subcontracting companies	Number of accidents/incidents	0	0	0	0	0	0
	Number of work-related fatalities and injuries	0	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 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* 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.



* 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.

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 policies

The Hodogaya Chemical Group has set forth the “Procurement Policy” and the “Procurement Guidelines.” While signing a basic contract, we ask our partner companies to comply with our Procurement Guidelines. Based on Hodogaya Chemical Group’s Procurement Policy, we work with our partner companies to conform with environmental, social, and governance needs such as management of chemical


substances and reduction of the environmental impact of the raw materials, and respect for human rights throughout the supply chain.

We conduct visiting audits and questionnaire surveys, and work to deepen mutual understanding and establish mutual trust with our partner companies and conduct improve procurement activities.

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. To this end, the personnel of the Purchasing Department are provided with the necessary training.



Challenge of accident-free, disaster-free operations

As part of our efforts to achieve zero accidents and zero occupational injuries, we hold safety and health meetings every month at each workplace. The purpose of the meetings is to share and discuss the agenda, materials (near-miss accidents, examples of past accidents and disasters, etc.), and opinions raised by the Safety and Health Promotion Committee. With regard to near-miss accidents, we are not only focusing on what we have previously experienced, but also disseminating examples of potentially dangerous near-miss accidents to increase personnel sensitivity to risks. At the meetings, the focus is on in-depth discussions and exchanges of opinions, and by sharing points to be noted when working, we can deepen understanding of the process and allow veteran workers to pass on their skills and knowledge to younger workers. We will continue to build safe and secure workplaces to achieve accident-free, and disaster-free operations.

Nanyo Plant
Toshikazu Kuramoto

Respect for Human Rights



Basic approach

The Hodogaya Chemical Group believes that respect for human rights as stipulated in the Constitution of Japan is a fundamental matter in carrying out its business activities. The “Corporate Action Guidelines” and the “Compliance Action Policy” include items described in the United Nations “Guiding Principles on Business and Human Rights,” and call for complying with laws and regulations, highly ethical and normed behavior, respect for diversity, personality, and individuality of everyone working at the Hodogaya Chemical Group and the creation of a sound and pleasant working environment free of discrimination and harassment.

In addition, from FY2021, we have begun considering human rights due diligence (a system for identifying human rights violations, including those involving business partners, and taking preventive measures).

Development of a company-wide comprehensive guideline on human rights

“Respect for the individuality and personality of personnel” 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 personnel, 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 the compliance clauses in the basic contract and to undertake initiatives to tackle human rights issues that are 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 Standards.

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 conflict minerals such as tin, tantalum, tungsten, or gold. Conflict minerals are minerals that are mined in African countries and other regions affected by conflict and serve as sources of funds for armed groups.

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



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 be considered as 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 and establishing internal human rights due diligence. During “Compliance Training,” personnel are regularly educated on the prevention of various types of harassment and about consultation desks, and by continuing to do so, we will ensure a work environment that respects human rights.

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



Community and Society



Basic approach

The Hodogaya Chemical Group believes that as corporate citizens contributing to the sustainable development of the community is an important activity in carrying out its business. We are engaged in various community contributions 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 is designated as a major disaster by the Cabinet Office, 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 major disaster, we donated money to Fukushima Prefecture to support reconstruction.

Tree planting activities in the Minamisoma district

Koriyama Plant Takeshi Nemoto

In 2020, the Koriyama Plant participated in the Corporate Afforestation initiative, and from FY2021, started tree-planting activities aimed at regenerating ‘coastal disaster prevention’ forests in the Minamisoma district. This activity is a five-year plan, in which 750 black pine trees were planted in the first and second years, and a total of 3,750 black pine trees will be planted over 0.75ha of land over the remaining three years.

In the first year, 30 personnel from the plant participated, and in the second year, 16 personnel participated. Over the course

of two days, we planted trees and cleared undergrowth as part of the afforestation activities.

I participated in both the first and second years and carefully planted each tree. I believe that we were able to contribute to environmental conservation through our tree planting activities. I would like to continue to undertake activities that contribute to the environment and society.



Shedding light on the Honeybee Friendship Project

Yokohama Plant Taizo Osanai

The “Honeybee Friendship Project” is an activity for cultivating flowers with the objective of protecting honeybees and other flower-visiting insects. Starting with the Yokohama Plant, it is being expanded to vacant lots and flowerbeds at the Koriyama Plant, Nanyo Plant and Tsukuba Research Laboratory (total cultivation area: about 600m²).

We started with making flower beds while researching on the internet, watching gardening programs, and referring to the well-maintained sidewalks. We were thinking of how much fun it would be to have so many flowers in bloom that you could feel the different seasons. While growing plants from seeds,

there are types that can grow well even when planted directly in the soil, and types that are grown in nurseries and transferred to soil when their roots and leaves become firm. Some of the seedlings were damaged by mold in the nursery, but

we had a fun time plowing the soil and weeding the plants. Many trucks go in and out of the Yokohama Plant every day. I hope it will become a place where those truck drivers will look forward to seeing the flowerbeds and say, “Ah! The flowers are in full bloom again today.”



Taking on the challenge of revitalizing Satoyama with the power of chemistry

Hodogaya Chemical, in collaboration with Utsunomiya University and the *Satoyama Ogisu wo Aisuru Kai* (Association for Lovers of Satoyama Ogisu), is participating in the Satochi/Satoyama Revitalization Project (approved by the Cabinet Office). This is an industry-government-academia initiative that utilizes the Corporate Version of Hometown Tax system in Nasukarasuyama City, Tochigi Prefecture.



a demonstration test that utilize its own chemicals and technologies.

The Ogisu district, the target of the project, has beautiful traditional Satoyama scenery. However, as in other mountainous regions in Japan, the natural environment has become overgrown with weeds due to the declining birthrate, aging population and depopulation, as well as the increase in idle farmland and the deterioration of forests. Weed management by residents has already reached its limits, and the weed problem has become the largest concern in the community.

Through this project, which was launched to solve such problems through industry-government-academia collaboration, Hodogaya Chemical aims to contribute to the revitalization of Satochi and Satoyama, as well as to local communities and society, through

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

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 the Representative Director and President, 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.

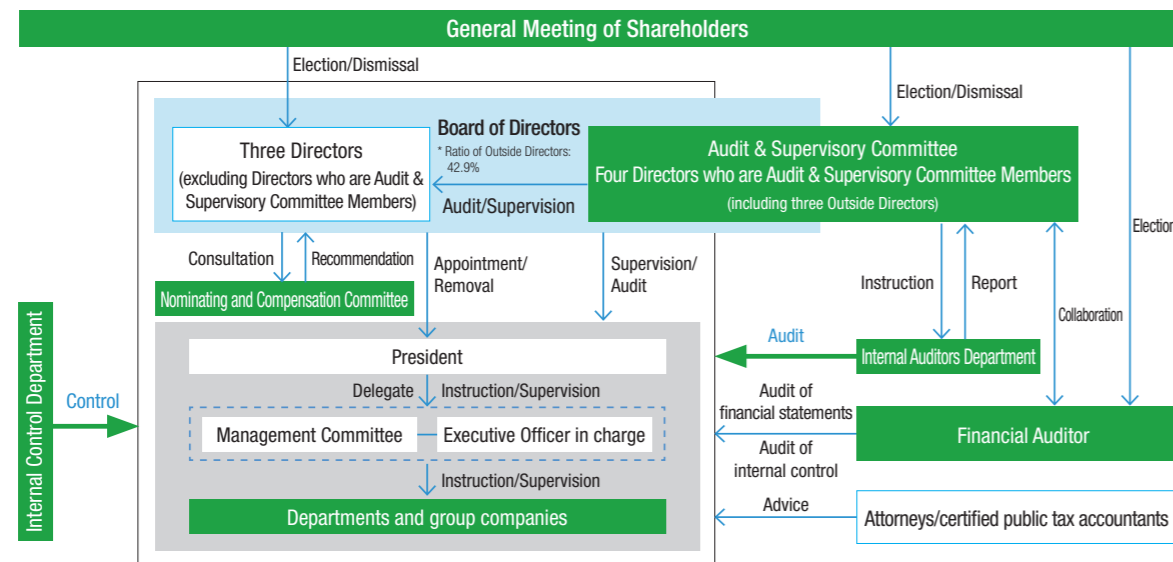
The Board of Directors consists of the following seven members:

Representative Director, President: Yuto Matsumoto
 Directors: Kaoru Kasahara, Kenji Tsujitsugu
 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.

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%.

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 of its business activities. 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.

Hodogaya Chemical also establishes measures to encourage shareholders to attend the General Meeting of Shareholders, such as avoiding dates on which many companies hold 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, and use of electronic voting (smart voting) and a voting platform.

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.

Nominating and Compensation Committee

In order to strengthen the independence, objectivity, and accountability of the Board of Directors' functions on matters of nomination and compensation, Hodogaya Chemical established the Nominating and Compensation Committee in June 2019 as an advisory body to the Board of Directors chaired by an independent Outside Director, which is made up of a majority of independent Outside Directors.

The Nominating and Compensation Committee, consisting of five Directors (including three independent Outside Directors), shall deliberate and submit a report to the Board of Directors on the election and dismissal of Directors and compensation of Directors. The Board of Directors shall respect the content of such reports.

Executive Officers

The executive officer system at Hodogaya Chemical was introduced to

- promote management efficiency
- enable quicker decision-making
- specialize functions
- strengthen supervisory and monitoring functions
- strengthen our business management

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

Financial Auditor

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

Appointment of Directors

Criteria for appointing inside directors include having personal qualities befitting a company manager and possessing rich experience and learning. 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 being appointed candidates for director.

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

Link to the Corporate Governance Report (Japanese text only) ▶
https://www.hodogaya.co.jp/wp/wp-content/uploads/2022/06/corporate_governance_20220624.pdf

Corporate Governance

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

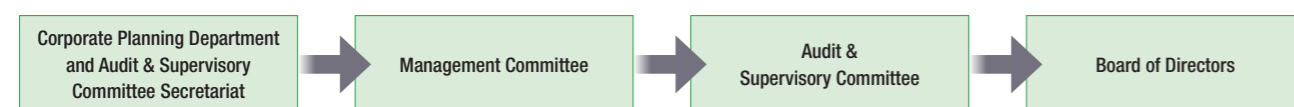
Furthermore, the Company does not have any transactional relationships with the three Outside Directors.

Evaluation of effectiveness of Board of Directors

Hodogaya Chemical has transitioned to a company with an Audit & Supervisory Committee in June 2015 and has already delegated decisions on matters other than those specified in the Companies Act to the President. In other words, the Hodogaya Chemical Board of Directors focuses on a

monitoring model that emphasizes supervision. In order to verify whether the Board of Directors is fulfilling this monitoring function, the Audit & Supervisory Committee and the Board of Directors conduct evaluations every year based on the following nine evaluation criteria.

Evaluation process



Evaluation results for FY2021 (including continuation of past maintenance items)

Evaluation Standards	Status of Initiatives
1. Appointment of multiple independent Outside Directors	Implemented. 3 out of 7 directors are independent Outside Directors (42.9%)
2. Narrowing down matters for resolution	Decisions on matters other than matters stipulated in the Companies Act have been delegated to the President. In practice, board resolutions are limited
3. Establishment of appropriate reporting matters	In order to appropriately monitor the status of business execution, the company's status and direction are discussed in substance, with more detailed reporting matters
4. Deliberation on agenda items related to personnel affairs and remuneration of Directors	Based on the reports of the Nominating and Compensation Committee, at the meeting of the Board of Directors resolving earning results, the Board of Directors deliberates and resolves proposals for the appointment of Directors, to be submitted to the Annual General Meeting of Shareholders
5. Provision of proper explanations beforehand to independent Outside Directors	Appropriate information is provided in advance regarding industry conditions, company conditions, individual projects, etc. so that Outside Directors can make accurate management decisions.
6. Preparation of informative and easy-to-understand materials	Efforts are made to create materials with attention to the comprehensiveness and ease of understanding of the information so that Outside Directors can make accurate management decisions.
7. Appropriate time management (holding meetings at appropriate intervals, ensuring enough time for deliberations, etc.)	Meetings are held at appropriate intervals, taking into account the burden of attendance on Outside Directors to allow for thorough deliberations
8. Implementation of effective and efficient organizational audits	The Audit & Supervisory Committee Secretariat was established as a system to assist the Audit & Supervisory Committee. At the same time, one full-time Audit & Supervisory Committee member (Internal Director) has been appointed to achieve effective and efficient organization of audits, such as sharing awareness among the entire Audit & Supervisory Committee when conducting audits
9. Follow up and respond to new trends in corporate governance and the best way to operate the Board of Directors	So far, the Company has established a Nominating and Compensation Committee (a voluntary committee), responded to the amended Companies Act, released the Board of Directors skill matrix, and established a system to promote sustainability.

Training plan for successors

At Hodogaya Chemical, the Board of Directors determines the selection criteria for candidates for Internal and Outside directors, and determines candidates for directors, including

Training for Directors

Upon assuming office, the Internal Directors of Hodogaya Chemical are provided with training to acquire knowledge of the roles and responsibilities expected of directors, laws and regulations, as well as compliance.

Independent Outside Directors are also provided explanations of Hodogaya Chemical's business, finances, organization, and other aspects, so that they can fulfill the

the next CEO, based on deliberations by the Nominating and Compensation Committee.

roles and responsibilities expected of them when they assume office. Thereafter, they deepen their understanding of the company by visiting offices in Japan and overseas to check on the situation.

Additionally, training sessions for directors by outside attorneys are held on a regular basis.

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.

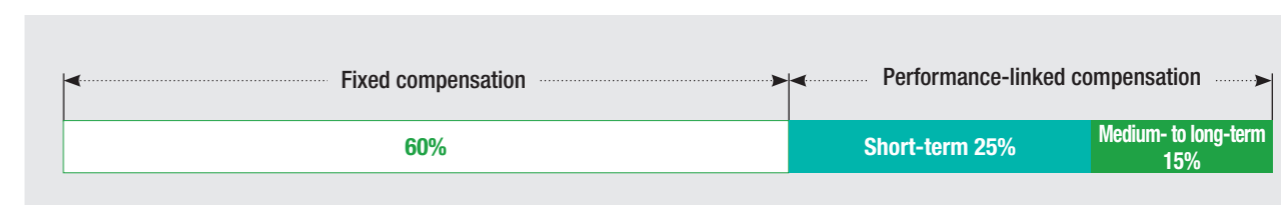
Determinations on the individual compensation of directors (excluding directors who are Audit & Supervisory Committee members) are made by resolution of the Board of Directors at the discretion of representative directors; however, bylaws stipulate that representative directors shall determine compensation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

Specifically, in order to appropriately incentivize contributions to the Company's sustainable growth, since FY2016, 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.

Composition of director compensation



Total director compensation, etc. (FY2021)

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)	112	66	19	26	3
Directors who are Audit & Supervisory Committee Members (excluding Outside Directors)	15	15	—	—	1
Outside Directors	21	21	—	—	3
Total	149	103	19	26	7

Messages from Outside Directors



Shuji Kato Outside Director

Looking Forward to Aggressive Investment for Growth in Global Markets

The consolidated overseas sales ratio of our Group has reached 50%. Since we cannot expect the market in Japan to grow significantly in the future, global business expansion remains an essential aspect of SPEED 25/30. The most significant and successful global expansion by our Group, until now, is the business of SFC Co., Ltd. (SFC) in South Korea, which includes OLED materials. The question is how to promote the overseas business expansion following SFC's lead by 2030. After seeking out M&A and other business and investment opportunities worldwide, and conducting thorough feasibility studies, we believe that making bold decisions is the ultimate key. Our Group, with its dedicated workforce, believes it takes courage more than anything else to spread our wings worldwide.

- 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)



Nobuhiro Yamamoto Outside Director

Detecting Changes Quickly and Responding Proactively to Risks is Important

The Risk Management Committee of our Group identifies risks across the company and discusses measures to evaluate and mitigate the risks, the results of which are promptly reported to the management. Therefore, we have a risk management system that is reasonably well-developed. However, risks are constantly changing due to increasingly uncertain external factors. Quickly detecting such changes and accurately identifying the uncertain events that may occur is extremely important for our Group to steadily implement the Mid-term Management Plan SPEED 25/30 and ensure continued growth and development. That is why I believe that it is necessary for each executive and personnel to be alert and detect information quickly, (raising risk awareness), as well as to proactively control risks (further improve the level of the risk management system).

- 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)



Masaki Sakai Outside Director

Foster a Culture of Complementing and Nurturing Personnel to Revitalize the Company Further

According to a Gallup poll, the percentage of highly motivated and enthusiastic personnel is only 5% in Japan as opposed to 34% in the U.S. and Canada. I believe this is one of the reasons the low productivity of Japanese companies. I had the opportunity to participate in events at the public school my kids attended while working in the United States. I saw how the children were encouraged with applause and awards, even for small achievements, and were given incentives to work harder. I felt that this was different from the education in Japan, where children tend to get criticized for being different from others or for making mistakes. Our Group proactively develops human resources and improves the workplace by promoting systematic training and introducing engagement surveys. I believe it is necessary to strive for further revitalization of the company by fostering a culture which complements and nurtures personnel. This can be done by enhancing the commendation system.

- 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 Sampo Japan Nipponkoa Insurance Inc. (currently Sampo 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)

Board of Directors



1 Yuto Matsumoto
Representative Director,
President and CEO

Number of Company shares held
7,800 shares

Number of Board of Directors meetings attended in FY2021
16/16

Brief personal record
Mr. Matsumoto joined the Company in April 1983 and worked in the R&D department, followed by the sales department, which included overseas. He was appointed as the Company's Representative Director, President and CEO in November 2016.

4 Satoshi Ebisui
Director (Audit & Supervisory
Committee Member)

Number of Company shares held
8,500 shares

Number of Board of Directors meetings attended in FY2021
16/16

Number of Audit & Supervisory Committee meetings attended in FY2021
14/14

Brief personal record
Mr. Ebisui joined the Company in April 1973 and worked in the Corporate Planning and Sales Departments. He served as a Director and Senior Managing Executive Officer since June 2010 and was appointed a Director (Audit & Supervisory Committee Member) in June 2015.

2 Kaoru Kasahara
Director and Senior Managing
Executive Officer

Number of Company shares held
5,000 shares

Number of Board of Directors meetings attended in FY2021
16/16

Brief personal record
Mr. Kasahara joined the Company in April 1981 and worked in the R&D and production department operations. He was appointed a Director and Senior Managing Executive Officer of the Company in June 2020, overseeing the Group's R&D and Production Departments.

5 Shuji Kato
Outside Director (Audit &
Supervisory Committee Member)

Number of Company shares held
1,700 shares

Number of Board of Directors meetings attended in FY2021
16/16

Number of Audit & Supervisory Committee meetings attended in FY2021
14/14

Brief personal record
Mr. Kato joined the Ministry of International Trade and Industry (now Ministry of Economy, Trade and Industry) in April 1975. He was extensively involved in the administration of trade and industry and international affairs in the same ministry and served on the board of directors of a private company before he was appointed a Director (Audit & Supervisory Committee Member) of our Company in June 2015.

3 Kenji Tsujitsugu
Director and Managing Executive
Officer

Number of Company shares held
400 shares

Number of Board of Directors meetings attended in FY2021
-

Brief personal record
Mr. Tsujitsugu joined the Company in April 2021. Mr. Tsujitsugu utilized his extensive experience and knowledge gained from his previous experience in banking and securities and worked in the Group's corporate planning and accounting operations. He was appointed as Director in June 2022.

6 Nobuhiro Yamamoto
Outside Director (Audit &
Supervisory Committee Member)

Number of Company shares held
1,100 shares

Number of Board of Directors meetings attended in FY2021
16/16

Number of Audit & Supervisory Committee meetings attended in FY2021
14/14

Brief personal record
Mr. Yamamoto joined The Norinchukin Bank in April 1979. He has extensive experience in risk management, finance and accounting operations and was appointed as a Director (Audit & Supervisory Committee Member) of our Company in June 2015.

7 Masaki Sakai
Outside Director (Audit &
Supervisory Committee Member)

Number of Company shares held
300 shares

Number of Board of Directors meetings attended in FY2021
16/16

Number of Audit & Supervisory Committee meetings attended in FY2021
14/14

Brief personal record
Mr. Sakai joined the Ministry of Agriculture, Forestry and Fisheries in 1981. He was extensively involved in the administration of agriculture, forestry and fisheries, and international affairs in the same ministry. He was appointed as a Director (Audit & Supervisory Committee Member) of our Company in June 2019.

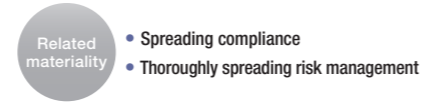
Board of Directors Skills Matrix

The following six skills were selected for the Board of Directors Skill Matrix for achieving the SPEED 25/30 Mid-term Management Plan.

- Three skills to perform the basic functions as a Company: "Corporate management", "Law & risk management" and "Finance & accounting"
- Two skills to support the three pillars (Research and Development, Production and Sales) of our Company: "Business strategy" and "R&D, technology and production"
- One skill to support the Company's business field that extends beyond borders: "International business"

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

Compliance and Risk Management



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 personnel 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 personnel and officers compliance training sessions (four times/year for personnel, 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.

In addition, the status of internal reporting, and other matters are reported to the Audit & Supervisory Committee.

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 personnel and promote risk management by all personnel.

Risk Management Committee

The Hodogaya Chemical Group has a Risk Management Committee in place, in accordance with the Risk Management Committee Rules.

The Committee holds regular meetings to 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.

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



6-year Financial Summary

(millions of yen)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Net sales	34,739	38,693	37,548	37,771	41,199	41,879
Functional Colorants	8,231	10,997	10,912	11,855	16,503	17,581
Specialty Polymers	12,159	12,046	12,327	11,717	10,255	10,760
Basic Chemicals	6,768	7,024	6,799	7,156	6,866	6,753
Agro-Science	4,831	5,580	5,288	4,951	5,554	4,838
Logistics	2,511	2,820	2,035	1,932	1,848	1,780
Operating profit	2,129	3,903	3,028	2,902	5,444	6,421
Functional Colorants	(423)	1,413	966	1,182	4,028	4,598
Specialty Polymers	670	653	587	531	359	888
Basic Chemicals	919	805	545	589	436	291
Agro-Science	249	350	409	205	222	330
Logistics	708	631	487	397	361	298
Ordinary profit	2,094	4,169	3,104	3,058	5,841	6,914
Profit attributable to owners of parent	1,951	2,862	1,883	1,858	3,119	3,251
Total assets	53,159	54,737	57,140	54,903	62,609	66,448
Net assets	33,857	35,869	36,860	37,040	43,654	47,912
Net assets per share (yen)	4,023.85	4,210.82	4,299.75	4,294.69	4,885.72	5,230.81
Earnings per share (yen)	246.86	362.29	238.40	235.15	394.25	410.69
Equity ratio (%)	59.8	60.8	59.5	61.8	61.8	62.3
Cash flows from operating activities	3,100	4,215	2,525	3,597	5,380	6,143
Cash flows from investing activities	(507)	(960)	(2,351)	(2,060)	(2,689)	(3,569)
Cash flows from financing activities	(2,241)	(3,210)	668	(2,049)	(424)	(1,848)
Dividends per share (yen)	60.0	50.0	50.0	50.0	50.0	60.0
Dividend payout ratio (%)	24.3	13.8	20.9	21.2	12.6	14.6

Statement of Responsibility

The Hodogaya Chemical Group has been publishing an integrated report since FY2017 in order to enable all our stakeholders to better understand our medium- to long-term growth and improvement of corporate value.

The "Hodogaya Chemical Group Integrated Report 2022" introduces the financial and non-financial initiatives aimed at realizing the vision of the Hodogaya Chemical Group, based on the progress of the second year of our Mid-Term Management Plan. In addition to explaining the issues that the Hodogaya Chemical Group should currently prioritize in order to follow our corporate motto of "Your Dream is Our Business" for the next 100 years, we have expanded our disclosure of information in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to fulfill our responsibilities as a chemical manufacturer.

As the officer charged with overall responsibility for the production of this report, I hereby declare that the production process is legitimate, and the information contained herein is accurate.

We hope that this report will help all our stakeholders, including shareholders and investors, to understand the Hodogaya Chemical Group's efforts to achieve sustainable growth and a realize a sustainable society.

Managing Executive Officer **Shinichi Sato**

Primary ESG Data

	FY2017	FY2018	FY2019	FY2020	FY2021
FTSE Russell score (published in June of each year)	—	—	2.2	2.3	2.4
E					
Energy consumption (kl)	28,510	28,129	27,440	27,312	29,215
Energy intensity (kl/millions of yen in sales)	0.7368	0.7491	0.7265	0.6629	0.6976
Greenhouse gas emissions					
Greenhouse gas emissions Scope 1 (t-CO ₂)	25,554	25,794	24,999	24,729	26,093
Greenhouse gas emissions Scope 2 (t-CO ₂)	25,999	24,737	23,827	23,301	23,154
Scope 1 + Scope 2 (t-CO ₂)	51,553	50,531	48,826	48,030	49,247
Greenhouse gas emission intensity (t-CO ₂ /millions of yen in sales)	1.3324	1.3458	1.2927	1.1658	1.1759
Prevention of air pollution					
SOx (sulfur oxide) emissions (t)	0	0	0	0	0
NOx (nitrogen oxide) emissions (t)	6.54	4.92	4.72	4.99	4.94
Dust emissions (t)	0.08	0.08	0.04	0.03	0.02
Prevention of water pollution					
Water usage (Unit: kiloton)	10,794	10,505	10,334	10,552	10,781
Water discharge volume (Unit: kiloton)	10,519	10,162	9,858	10,130	10,643
COD (chemical oxygen demand) emissions (t)	55.0	54.3	46.3	54.4	50.8
Industrial waste					
Industrial waste volumes (t)	2,569	2,452	2,753	3,017	2,746
Industrial waste final disposal volume (t)	440	430	257	200	52
S					
Employees (persons)	719	731	739	789	834
Ratio of disability employment* (%)	1.5	1.8	2.3	2.6	2.5
Percentage of management positions held by women (%)	8.9	11.2	10.8	11.2	10.8
Percentage of employees who are women (%)	17.7	17.9	18.4	18.6	18.0
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)* (%)	0.7	1.5	3.2	1.5	3.3
Average monthly overtime per employee* (hours)	11.2	11.9	12.0	10.3	11.6
Average annual training hours per employee* (hours)	17	18	21	23	26
Percentage who are non-Japanese (%)	32	33	32	33	34
Percentage of mid-career hires* (%)	0	0	4	1	9
Long-term childcare leave men (persons)	0	0	24	14	56
Rate of usage of long-term childcare leave men (%)	0	0	24	14	56
Long-term childcare leave women (persons)	2	1	3	1	6
Rate of usage of long-term childcare leave women (%)	100	100	100	100	100
Long-term nursing care leave (persons)	0	0	0	0	0
Usage of paid holidays* (%)	66	68	68	65	69
Usage of refreshment leave* (%)	—	95	94	93	93
G					
Percentage of directors who are outside directors (%)	37.8	42.9	42.9	42.9	42.9
Number of Board of Directors meetings	16	15	17	16	16
Number of Nominating and Compensation Committee meetings	—	—	7	10	12
Number of anticorruption violations	0	0	0	0	0
Total amount of political donations (yen)	0	0	0	0	0

* Data available for Hodogaya Chemical only

Environmental Accounting* (FY2021, Unit: Million JPY)

	Investment	Expense
Business area cost	120	179
(1) Pollution prevention cost	20	43
(2) Global environmental conservation cost	100	16
(3) Resource circulation cost	—	120
Upstream/downstream costs	—	5
Administration cost	—	2
R&D cost	—	92
Social activity cost	—	13
Environmental remediation cost	—	—
Total	120	291

* Based on the "Environmental Accounting Guidelines 2005" of the Ministry of the Environment

Corporate Data / Stock Information

Corporate data (As of March 31, 2022)

Company Name	Hodogaya Chemical Co., Ltd.
Head Office	1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021 Japan TEL +81-3-6852-0300 (Main Switchboard)
Foundation	December 11, 1916
Paid-in Capital	11,196 million yen
Employees	834 (Consolidated), 466 (Hodogaya non-consolidated)

Description of business

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

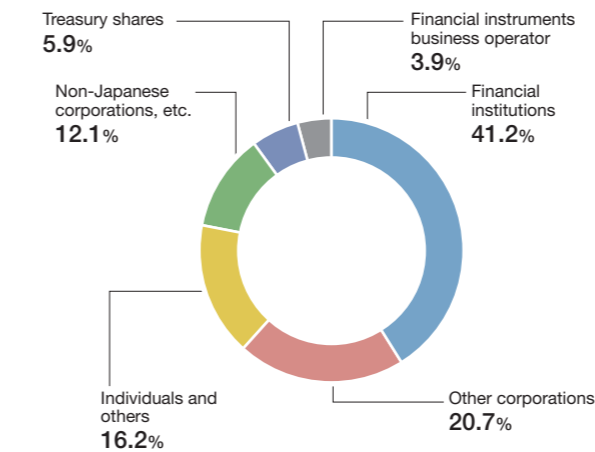
Offices

Head Office (Minato-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), Taipei Office (Taipei, Taiwan)

Stock information (as of March 31, 2022)

- Total number of authorized shares 20,000,000
- Total number of shares issued 8,413,726
(including 496,038 treasury shares)
- Number of shareholders 6,542 (-857 year over year)

Distribution of shares by shareholder



Main shareholders (Top 10 Companies)

Name of shareholder	Number of shares held	Percentage of shares held
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,033,200	13.0
Tosoh Corporation	700,000	8.8
Custody Bank of Japan, Ltd. (Trust Account)	615,000	7.8
Mizuho Bank, Ltd.	298,704	3.8
The Norinchukin Bank	227,430	2.9
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG / JASDEC / FIM / LUXEMBOURG FUNDS / UCITS ASSETS	200,000	2.5
JPMorgan Securities Japan Co., Ltd.	172,409	2.2
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

* Hodogaya Chemical holds treasury shares (496,038) but is not included in the above list of main shareholders
* The percentage of shares held is calculated after deducting treasury shares.

Main independent evaluations

Health & Productivity
Management Outstanding
Organization 2022



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 Russell score June 2022: 2.7
(FTSE Blossom Japan Sector Relative Index constituent)



**FTSE Blossom
Japan Sector
Relative Index**

FTSE Russell confirms that Hodogaya Chemical Co., Ltd. has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Sector Relative Index. The FTSE Blossom Japan Sector Relative Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

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

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

▶ Taipei Office

[Location] Taipei, Taiwan

SFC CO., LTD.

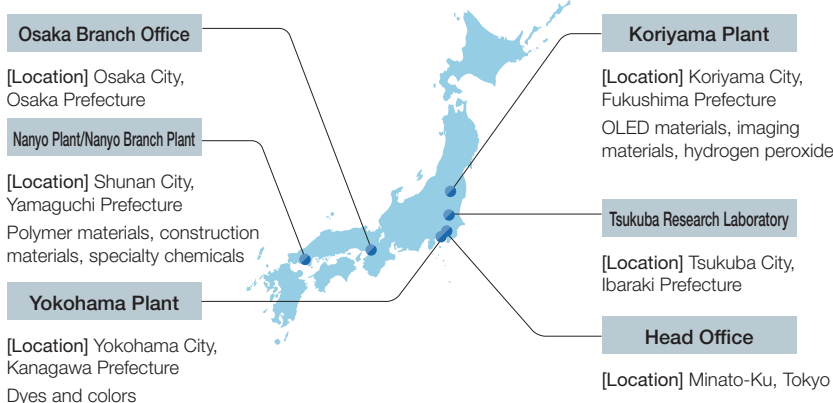
[Description of business] ●
Manufacturing and sales of OLED materials and fine chemicals
[Location] Chungcheongbuk-do, South Korea

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, 2022



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