

Interim Business Report 2022

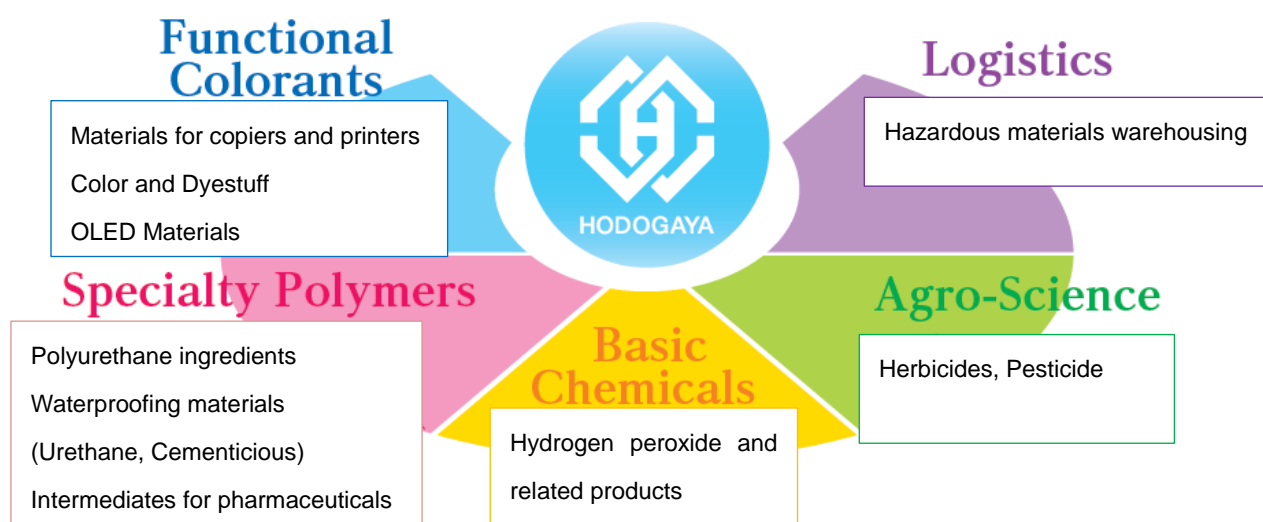
April 1 - September 30, 2022

Hodogaya Chemical Group: 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.

Business Overview

One of the things that make the Hodogaya Chemical group unique is that in each sector, whether it is Functional Colorants, Specialty Polymers, Basic Chemicals, Agro-Science, or Logistics, etc., there is a highly specialized group company. With Research & Development, Manufacturing, and Sales working together in a Trilateral Business Plan, we are able to meet the various needs of our customers quickly, and with products and service of the highest quality.



Second Quarter 2022 Consolidated Results (Millions of Yen)

	FY 2022 Second Quarter Results	Changes Gains/Losses
Net sales	20,579	+1.2%
Operating profit	1,963	-41.6%
Ordinary profit	2,526	-27.8%
Profit attributable to owners of parent	1,398	-20.9%

New Mid-term Management Plan

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

PURPOSE [Management Philosophy]

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

VISION [Target Corporate Image]

New mid-term management plan “SPEED 25/30” FY2021 – 2030

[VISION for the Mid-term Management Plan]

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

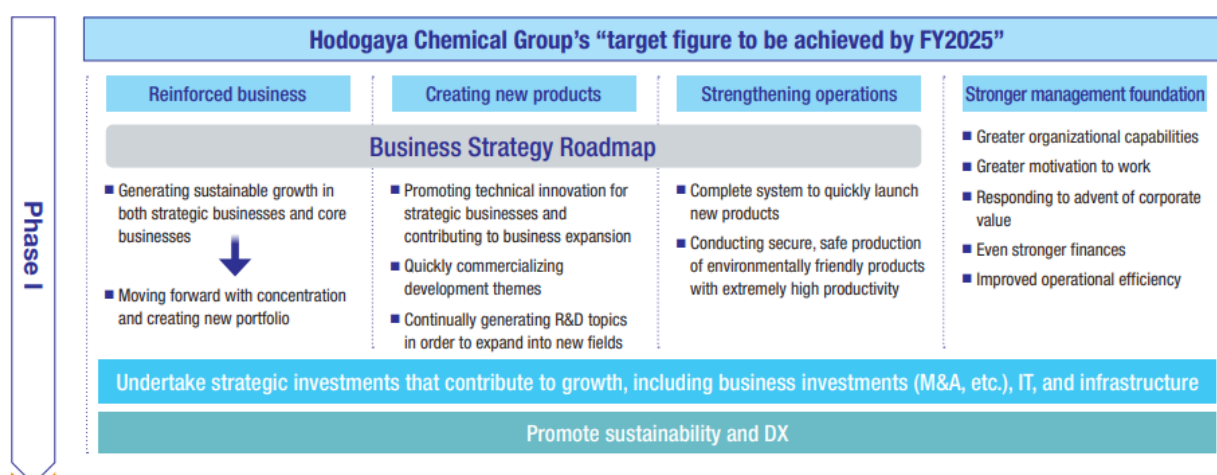
“SPEED 25/30” message and “FY2030 Ideal Figure” and “Target Figure through FY2025”

Mid-term Management Plan [FY2021 from FY2030]

“SPEED 25/30”

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

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



Management Targets (Financial)

Financial target	FY2020 results*	FY2021 results	FY2022 forecast	FY2025 management targets
Net sales	¥41.1 billion	¥41.8 billion	¥44.0 billion	¥50.0 billion
Operating profit	¥5.4 billion	¥6.4 billion	¥4.3 billion	¥7.5 billion
Operating margin	13%	15%	9%	15%
ROE	8%	8%	-	9%

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

Forecast for FY 2022

(Millions of Yen)

Net sales	44,000
Operating profit	4,300
Ordinary profit	4,300
Profit attributable to owners of parent	2,400

Hodogaya Chemical Group's Sustainability

Basic approach

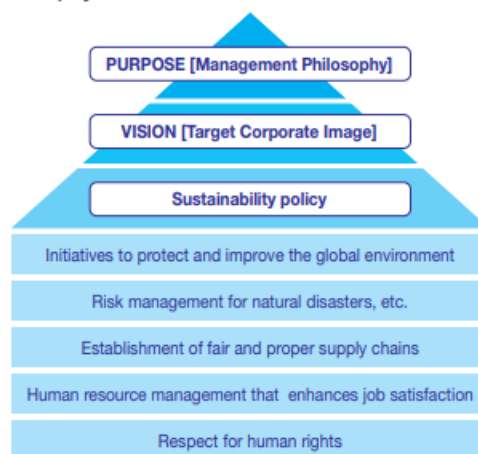
The Hodogaya Chemical Group actively promotes sustainability activities based on the concept of "balancing the pursuit of economic value and solutions to social issues and providing value to all stakeholders" to fulfill its responsibility to realize a sustainable world and society in the medium- and 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



Management Targets (Non-financial)

Non-financial target	FY2021 results	FY2025 management targets
Energy intensity	0.698kl	0.606kl
CO ₂ emissions	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	2,746t	Same level or less than previous FY
ESG evaluation score	2.4	3.7
Employees engagement score	-	Gradually raise score
Percentage of managers who are women	11%	13%

Endorsement of the TCFD Recommendations

In line with the Task Force on Climate-related Financial Disclosures (hereafter TCFD) recommendations, Hodogaya Chemical Group declares its endorsement of TCFD recommendations on 9 November 2022.



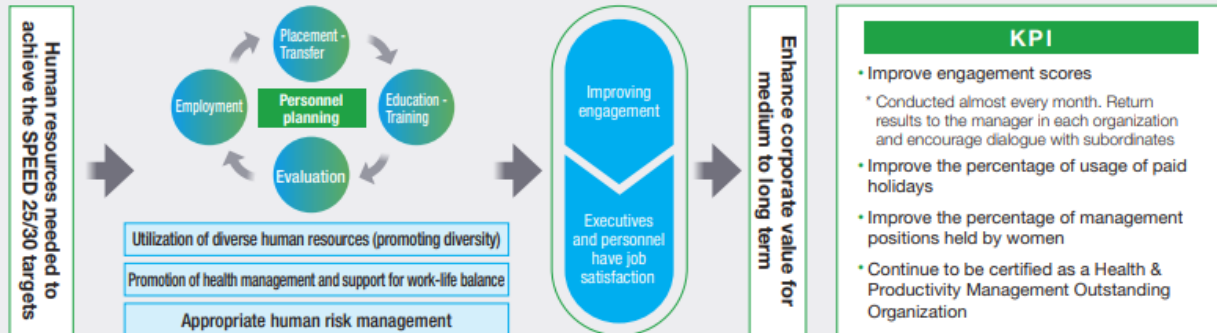
In response to the TCFD recommendations that require companies to disclose information on their responses to climate change to investors and all the stakeholders, as a chemical company, we confront climate change and implement initiatives to reduce our environmental impact by "reducing greenhouse gas (GHG) emissions" and "creating environmentally friendly products" through technological innovation, proactively disclosing information which we have on our website and in the integrated report 2022.

Human Resources

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
- Utilizing diverse personnel (diversity promotion)
- Promoting health and productivity management, and work-life balance initiatives
- Human risk management

TOPICS

The Group of companies, SFC CO., LTD. (HQ; Korea, Hereafter SFC) has decided to build a new biotechnology building with R&D and production facilities, which includes some head office functions, in Ochang-eup Cheongju-si Chungcheongbuk-do, Korea, for the purpose of further expanding its biotechnology business with a view to next-generation business.



SFC has expanded its biotechnology business with the 'diagnostic oligo products', adopted to the several PCR diagnostic kit materials, which used in diagnosis of COVID-19. Those oligo

products which developed, manufactured, and marketed by SFC, are expected to expand in the future while shifting to pharmaceutical Oligo sector.

Specifically, applying the technology cultivated in R&D and manufacture of diagnostic oligo products, we aim to produce products in the sector of nucleic acid medicine, the next generation of pharmaceuticals. The market for pharmaceutical oligos (nucleic acid medicines) is expected to expand globally and we intend to develop it as a second pillar after OLED business so that it contributes to the growth of the Group.

FTSE Russel 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.

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.



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

a demonstration test that utilize its own chemicals and technologies.

Overview By Business Segment

Functional Colorants

OLED Materials	Hole Transport Materials and other principal components of organic EL displays and lights.
Imaging Materials	CCA (Charge Control Agents), a critical component of toner. Materials for the OPC (Organic Photo Conductors) drums that are central to copiers and laser printers. Dyes for ink jet printers
Color and Dyestuff	Dyes for coloring aluminum, high-end stationery products and various inks. Hair Coloring Agents Colorants for processed foods and cosmetics, etc.

Specialty Polymers

Functional Polymers	Materials for clothing, automobiles, industrial components, leisure products, etc. Adhesive Release Agents
Construction Materials	Urethane waterproofing materials (for building and parking structure roofs, etc.) Cementitious waterproofing materials (for sewage facilities, water treatment plants, underground pits, etc.)
Specialty Chemicals	Intermediates for pharmaceuticals, agricultural chemicals, polymers, electronics materials, etc.

Basic Chemicals

Basic Chemicals (Hydrogen peroxide)	Bleaching agent for paper pulp, fibers and clothing, etc. Pollution treatment and other forms of environmental cleanup. Parasiticides for Farmed Fish
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Agro-Science

Agro-science	Herbicides, pesticides and growth control agents for crop fields, golf courses, green areas, etc.
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Logistics

Logistics	Hazardous materials warehousing
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CONSOLIDATED FINANCIAL STATEMENT
CONSOLIDATED BALANCE SHEETS

	MILLIONS OF YEN	
	2022	2022
	Mar. 31	Sep. 30
ASSETS		
Total Current Assets	34,013	34,364
Total non-current assets	32,435	32,831
Total property, plant and equipment	22,449	23,191
Total intangible assets	243	262
Total investments and other assets	9,741	9,377
Total Assets	66,448	67,196
LIABILITIES		
Total current liabilities	11,487	12,407
Total non-current liabilities	7,048	6,410
Total Liabilities	18,535	18,818
Total shareholders' equity	35,131	35,544
Share Capital	11,196	11,196
Capital surplus	8,718	7,948
Retained earnings	16,883	18,044
Treasury shares	(1,666)	(1,644)
Total accumulated other comprehensive income	6,284	6,298
Non-controlling interests	6,496	6,534
Total net assets	47,912	48,377
Total liabilities and net assets	66,448	67,196

CONSOLIDATED STATEMENTS OF INCOME

	MILLIONS OF YEN	
	FY 2021	FY 2022
	Apr.1-Sep.30	Apr.1- Sep.30
Net Sales	20,329	20,579
Cost of sales	11,609	12,271
Gross profit	8,719	8,308
Selling, general and administrative expenses	5,358	6,344
Operating profit	3,361	1,963
Total non-operating income	230	625
Total non-operating expenses	93	61
Ordinary profit	3,498	2,526
Total extraordinary income	-	60
Total extraordinary losses	1	46
Profit before income taxes	3,496	2,540
Income taxes	873	597
Profit	2,623	1,942
Profit attributable to non-controlling interests	856	544
Profit attributable to owners of parent	1,767	1,398

STOCK (AS of September 30, 2022)

AUTHORIZED NUMBER OF SHARES

20,000,000

NUMBER OF COMMON SHARES ISSUED

8,413,726

NUMBER OF SHAREHOLDERS

7,270

MAIN SHAREHOLDERS (TOP 10 COMPANIES)

Shareholder	Number of Shares Held (Thousand)	Percentage of Shares Held (%)
The Master Trust Bank of Japan ,Ltd. (Trust Account)	954	12.0
Tosoh Corporation	700	8.8
Custody Bank of Japan, Ltd. (Trust Account)	511	6.4
Mizuho Bank, Ltd.	298	3.8
The Norinchukin Bank	227	2.9
Meiji Yasuda Life Insurance Company	164	2.1
The Toho Bank, Ltd.	148	1.9
Mitsui Sumitomo Insurance Co., Ltd.	141	1.8
The Yamaguchi Bank Ltd.	130	1.6
MUFG Bank, Ltd.	120	1.5

Treasury stocks (489 thousand shares) are not included in the above list.