

# Interim Business Report 2023

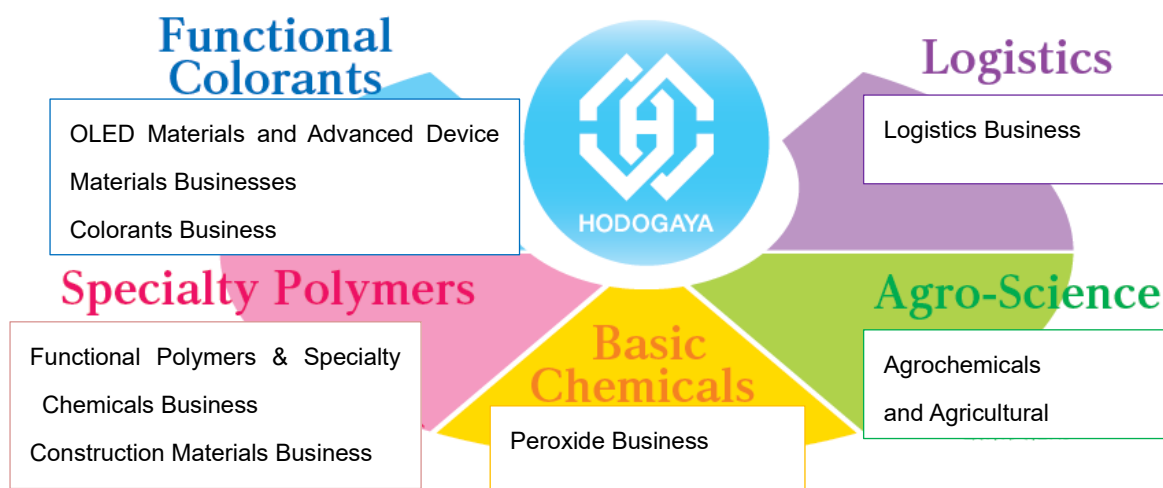
April 1 - September 30, 2023

## 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 2023 Consolidated Results (Millions of Yen)

	FY 2023 Second Quarter Results	Changes Gains/Losses
Net sales	20,451	-0.6%
Operating profit	1,245	-36.6%
Ordinary profit	1,814	-28.2%
Profit attributable to owners of parent	909	-35.0%

## 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

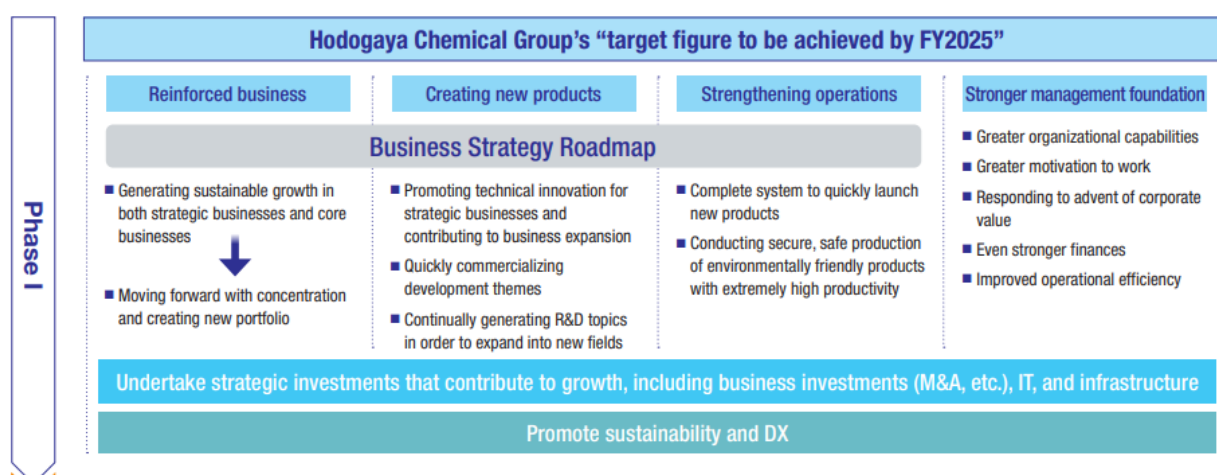
### “SPEED 25/30” message and “FY2030 Ideal Figure” and “Target Figure through FY2025”

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	FY2021 results	FY2022 results	FY2023 forecast	FY2025 management targets
Net sales	¥41.8 billion	¥43.3 billion	¥47.0 billion	¥50.0 billion
Operating profit	¥6.4 billion	¥3.7 billion	¥3.9 billion	¥7.5 billion
Operating margin	15%	9%	8%	15%
ROE	8%	5%	-	9%

## Forecast for FY 2023

(Millions of Yen)

Net sales	47,000
Operating profit	3,900
Ordinary profit	4,300
Profit attributable to owners of parent	2,400

## TOPICS

### — Collaborating and co-creating with local communities, connecting to the future — Contributing to regional revitalization through corporate hometown tax donations

With the aim of returning to society a portion of the profits earned by its OLED materials business, the Hodogaya Chemical Group has donated to a corporate hometown tax program. Manufacturing those OLED materials, our Koriyama Plant is located at the east exit of JR Koriyama Station in Fukushima Prefecture, and donating to the prefecture's corporate version of the hometown tax—named Project to create a sustainable local agricultural model in collaboration with Fukushima University—aids in its recovery. The decision was made for two other reasons: In the hope of countering the misinformation surrounding agricultural products and to thereby contribute to their promotion and, as stated under Hodogaya Chemical's management philosophy, to contribute to the creation of an environmentally conscious society.

To contribute to the regional revitalization of Fukushima Prefecture, to which we are indebted on a daily basis, the Hodogaya Chemical Group will continue to collaborate with all local residents while striving for sustainable regional development.



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.



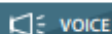
### Promotion of Jointly Developed New Composite Agricultural Materials

Hodogaya Chemical having signed a joint development agreement with ASAHI AGRIC CO., LTD. covering the R&D of new agricultural materials, the two companies decided to develop a new composite material—comprising an oxygen supply material and a compost, in which the focus is on commonality in areas such as soil preparation and soil improvement—and will work together toward its commercialization. A composite material that is expected to have the effect of a fertilizer in soil preparation and soil improvement, prevent moisture damage, increase aerobic microorganisms (biostimulant effect), and improve work efficiency, the two companies aim to make its use more widespread in the years to come. In the belief that this will contribute to the reduction of chemical pesticides and

fertilizers under the Green Food System Strategy advocated by Japan's Ministry of Agriculture, Forestry and Fisheries, both companies will continue to work on developing materials that contribute to sustainable and environmentally.

### EcoVadis 'Silver Medal'

Since its establishment in 2007, EcoVadis has provided sustainability assessment services to more than 100,000 companies of 200 industries, in 175 countries. We received the Silver Medal, which corresponds to companies in the top 25% of the sustainability assessment indicators (Environment, Labour and Human rights, Ethics and Sustainable procurement). Our Group will continue to steadily implement its sustainability initiatives through technological innovation and aims to achieve sustainable growth with a portfolio full of originality and environmentally friendly manufacturing.



#### Contributing to the Hodogaya Chemical Group from the cutting edge of sustainability

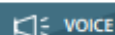
Involvement in analyzing business profitability as well as project management in the Business Promotion Department, I am currently working for HODOGAYA CHEMICAL EUROPE GmbH, based in Düsseldorf, Germany. Sales activities are of course important, but with Europe at the forefront of efforts to address sustainability concerns, including the environment and SDGs, I make it a point to provide useful information to our head office in Japan in a timely manner. In recognition of our efforts to address customer requests, we received the Silver Medal from EcoVadis, an external evaluation organization, in FY2022. In addition to this evaluation, recognition by EcoVadis has been extremely well received by customers, which in turn is contributing to increased sales. I will continue to provide cutting-edge information from Europe and work to improve the sustainability of the Hodogaya Chemical Group.



**Jun Ebisui**  
HODOGAYA CHEMICAL  
EUROPE GmbH

### Promoting an Intellectual Property Strategy

As far as our future business portfolio is concerned, we are promoting the prompt filing and acquisition of intellectual property rights based on R&D results. Based on information searches and patent analyses, we are also currently focusing on improving the quality of patents by using patent maps and intellectual property education. Going forward, we will continue to secure patent rights in Japan and overseas to accommodate global business expansion.



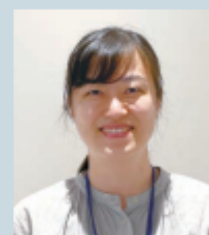
#### Contributing to Business Development by Steadily Securing Intellectual Property Rights

The Intellectual Property Office is mainly responsible for carrying out application procedures and work to acquire rights to ensure that the technologies, products, and brands developed benefit the Company.

My areas of responsibility encompass the practical application of patents and trademarks. Practical patent application gives me access to new technologies and products within the Company. Practical trademark application allows me to be involved in the selection of product names for market launches.

In addition, my position requires not only technical and legal expertise, but also communication skills because the Intellectual Property Department has many opportunities to coordinate with internal and external parties, including technical departments, business departments, and patent offices. For this reason, I strive daily to explain specialized legal systems and techniques in an easy-to-understand manner.

Obtaining rights to patents and trademarks is often not easy, but I intend to make every effort to achieve patent rights and, in turn, contribute to business development.



**Mari Toriya**  
Research & Development  
Department

## Overview By Business Segment

### Functional Colorants

OLED Materials	<p>Hole Transport Materials and other principal components of organic EL displays and lights.</p> <p><b>Strength&gt;&gt;Lineup that makes it possible for total solutions via all the various types of OLED materials</b></p>
Imaging Materials	<p>CCA (Charge Control Agents), a critical component of toner.</p> <p>Materials for the OPC (Organic Photo Conductors) drums that are central to copiers and laser printers.</p> <p>Dyes for ink jet printers</p> <p><b>Strength&gt;&gt; Aluminum coloring dyes leading global market share</b></p>
Color and Dyestuff	<p>Dyes for coloring aluminum, high-end stationery products and various inks.</p> <p>Hair Coloring Agents</p> <p>Colorants for processed foods and cosmetics, etc.</p> <p><b>Strength&gt;&gt; The world's "Only One" hair dyes</b></p>

### Specialty Polymers

Functional Polymers	<p>Materials for clothing, automobiles, industrial components, leisure products, etc.</p> <p>Adhesive</p> <p>Release Agents</p> <p><b>Strength&gt;&gt; Urethane materials that make full use of world-leading organic composite technology</b></p>
Construction Materials	<p>Urethane waterproofing materials (for building and parking structure roofs, etc.)</p> <p>Cementitious waterproofing materials (for sewage facilities, water treatment plants, underground pits, etc.)</p> <p><b>Strength&gt;&gt; Environmentally friendly waterproofing materials free of specified chemical substances</b></p>
Specialty Chemicals	<p>Intermediates for pharmaceuticals, agricultural chemicals, polymers, electronics materials, etc.</p> <p><b>Strength&gt;&gt; Polymer materials and pharmaceutical intermediates leading global market share</b></p>

### Basic Chemicals

Basic Chemicals (Hydrogen peroxide)	Bleaching agent for paper pulp, fibers and clothing, etc. Pollution treatment and other forms of environmental cleanup. Parasitocides for Farmed Fish <b>Strength&gt;&gt; Experience and knowledge on hydrogen peroxide production accumulated over 50 years</b> <b>R&amp;D expertise to produce peracetic acid, veterinary medicines, and various derivatives</b> <b>Creativity to explore new applications such as soil improvement to protect the global environment</b>
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### Agro-Science

Agro-science	Herbicides, pesticides and growth control agents for crop fields, golf courses, green areas, etc. <b>Strength&gt;&gt; Herbicides for home gardening leading market share in Japan</b> <b>Strength to constantly propose new products to the market</b> <b>R&amp;D expertise to develop areas other than herbicides such as agricultural oxidizers</b>
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### Logistics

Logistics	Hazardous materials warehousing <b>Strength&gt;&gt; Hazardous substance handling know-how accumulated as Japan's first manufacturer of caustic soda</b> <b>Storing and transporting services that draw on the locational advantages of Yokohama, Koriyama, and Nanyo</b> <b>Provide door-to-door services tailored to our customers' needs</b>
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**CONSOLIDATED FINANCIAL STATEMENT**  
**CONSOLIDATED BALANCE SHEETS**

	MILLIONS OF YEN	
	2023	2023
	Mar. 31	Sep. 30
<b>ASSETS</b>		
<b>Total Current Assets</b>	36,596	38,465
<b>Total non-current assets</b>	35,454	39,017
Total property, plant and equipment	23,729	26,843
Total intangible assets	241	427
Total investments and other assets	11,483	11,746
<b>Total Assets</b>	72,051	77,482
<b>LIABILITIES</b>		
Total current liabilities	12,972	14,149
Total non-current liabilities	9,181	9,130
<b>Total Liabilities</b>	22,153	23,279
<b>Total shareholders' equity</b>	36,111	36,932
Share Capital	11,196	11,196
Capital surplus	7,943	7,933
Retained earnings	18,612	19,394
Treasury shares	(1,640)	(1,591)
Total accumulated other comprehensive income	6,723	8,491
Non-controlling interests	7,061	8,778
<b>Total net assets</b>	49,897	54,203
<b>Total liabilities and net assets</b>	72,051	77,482



## **CONSOLIDATED STATEMENTS OF INCOME**

	MILLIONS OF YEN	
	FY 2022	FY 2023
	Apr.1-Sep.30	Apr.1- Sep.30
<b>Net Sales</b>	20,579	20,451
<b>Cost of sales</b>	12,271	12,974
<b>Gross profit</b>	8,308	7,476
<b>Selling, general and administrative expenses</b>	6,344	6,231
<b>Operating profit</b>	1,963	1,245
Total non-operating income	625	652
Total non-operating expenses	61	83
<b>Ordinary profit</b>	2,526	1,814
Total extraordinary income	60	0
Total extraordinary losses	46	46
<b>Profit before income taxes</b>	2,540	1,768
<b>Income taxes</b>	597	412
<b>Profit</b>	1,942	1,355
<b>Profit attributable to non-controlling interests</b>	544	446
<b>Profit attributable to owners of parent</b>	1,398	909

**STOCK** (AS of September 30, 2023)

**AUTHORIZED NUMBER OF SHARES**

20,000,000

**NUMBER OF COMMON SHARES ISSUED**

8,413,726

**NUMBER OF SHAREHOLDERS**

7,013

**MAIN SHAREHOLDERS (TOP 10 COMPANIES)**

<b>Shareholder</b>	<b>Number of Shares Held (Thousand)</b>	<b>Percentage of Shares Held (%)</b>
The Master Trust Bank of Japan ,Ltd. (Trust Account)	1,042	12.8
Tosoh Corporation	700	8.6
Custody Bank of Japan, Ltd. (Trust Account)	449	5.5
Mizuho Bank, Ltd.	298	3.7
The Norinchukin Bank	227	2.8
Custody Bank of Japan, Ltd. (Trust E Account)	203	2.5
Meiji Yasuda Life Insurance Company	164	2.0
The Toho Bank, Ltd.	148	1.8
The Yamaguchi Bank Ltd.	130	1.6
MUFG Bank, Ltd.	120	1.5

Treasury stocks (273,899 shares) are not included in the above list.