



HODOGAYA CHEMICAL CO., LTD.

HODOGAYA



Hodogaya Chemical Group Report
Integrated Report 2024

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.

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).

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 mid- and long-term. We have engaged in dialogue with all our stakeholders, including our shareholders and investors, customers, partner companies, people from local communities and society as well as our officers and personnel. When compiling the report, we work to create one that is easy for stakeholders to understand and depicts the truth about officers and personnel.

This report presents our corporate value creation system and the materiality that the Hodogaya Chemical Group should address for mid- to long-term corporate growth. In light of growing 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 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 expand 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.

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■ Period Covered

This Report generally covers the period from April 2023 to March 2024, 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 2024

■ 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



* The cover page design incorporates three circles, which represent the Hodogaya Chemical Group's three-pronged business model (P.13–15) and three strengths (P.16); the five megatrends that we see in our business strategy roadmap (P.29); and the color green, which represents sustainable management.

Message from the President



Review of the Business Environment in FY2023 and Progress of the Mid-term Management Plan SPEED 25/30

In FY2023, the business environment showed a recovery trend, supported by a steady increase in demand centered on materials for smartphones and the effect of the weak yen. On the other hand, the unstable international situation continues, with Russia’s invasion of Ukraine entering its third year and tensions in the Middle East escalating. As a result, economic security aimed at stabilizing the supply chain for semiconductors and display-related products has become an important issue for our Functional Colorants Segment as well. Additionally, the persistently high energy prices due to the weak yen are affecting our domestic businesses such as Basic Chemicals and Agro-Science.

Even in such an environment, we achieved an increase in both sales and profits, with net sales of 44,261 million yen (up 937 million yen from the previous year) and operating profit of 3,951 million yen (up 250 million yen). Furthermore, I believe it is worth noting that we were able to increase the annual dividend to 75 yen (up 10 yen).

In the Mid-term Management Plan SPEED 25/30, we envisioned the business environment in 2050 and formulated our “ideal figure” in FY2030 and our “target figure” in FY2025 using a backcasting method. In FY2023, which marks the

halfway point of Phase 1 up to FY2025, the Functional Colorants Segment showed remarkable growth, particularly in the OLED materials business, where adoption by major customers further expanded. Also, to promote growth in new business areas such as cutting-edge electronic device materials, we established the Organic & Optical Device Materials Division in April 2023, and set up the Advanced Device Materials Department as a subordinate organization to actively incorporate new areas of business such as semiconductor resist materials. We will also actively expand into materials for perovskite solar cells.

In the Agro-Science Segment, we are working on the development and expansion of agricultural materials, and have completed the first phase of expansion work for oxygen supply materials. In the future, we plan to proceed with data collection on the user side to further expand sales and begin the second phase of expansion work.

Mid-term Management Plan→P. 23

The Increasing Importance of Business in South Korea

The importance of business in Korea is increasing year by year for our Group. With active capital investment in SFC and REXCEL

in Korea, we established the Korea Business Strategy Office under the direct control of the president in July 2023, creating a system that allows for quick management decisions on capital investments and other matters.

At SFC, we are also focusing on the bio business to foster a second pillar of business following OLED materials. In November 2023, we established and started operations at BioPark, a research and development and production base. We aim to enter the biopharmaceutical field by further developing the technology cultivated in materials for PCR diagnostic kits, which was developed as a horizontal expansion of the OLED materials business, with the goal of entering oligonucleotides for nucleic acid medicine, the next generation of pharmaceuticals.

In addition, as the importance of REXCEL, which has played a part in OLED material manufacturing, has increased, we made it a subject of group consolidation from April 2023. To respond to the expansion of production of electronic materials requiring advanced purification technology such as OLED materials, the second plant at the Chungju campus started operations in April 2024. Also, at the Eumseong campus, which is responsible for the synthesis of energy materials and electronic materials, a new plant is under construction and will start operations in September 2024.

Through these efforts, we will further expand and strengthen our business in Korea and enhance our global competitiveness.

Mid-term Management Plan→P. 23
Global Expansion of the Hodogaya Chemical Group→P. 31

Challenges in New Business Areas

In FY2023, the Functional Colorants Segment, which includes the OLED materials business, accounted for 50% of our segment sales ratio, and the imbalance in operating profit by segment is a major issue. While investments in research and development for new product development and advance investments to improve production capacity in the OLED materials business are bearing fruit, some other areas are experiencing delays in development and market size contraction, and we recognize that we are still in the process of reaping the benefits.

We will continue to strengthen our efforts on materials for perovskite solar cells, which could be a solution to future energy problems, and battery materials, in which we have made advance investments in anticipation of the global rise in EV demand, as important themes that will form a new business portfolio. Our stakeholders expect us to achieve sustainable growth and balance a diverse business portfolio through advance investments and technological development in these areas.

We will continue to promote efforts to overcome challenges in new business areas and strengthen our overall business portfolio.

At a Glance→P. 7 Mid-term Management Plan→P. 24

Challenges in Research and Development Contributing to the Realization of a Sustainable Society

R&D expenses for FY2023 were 5,011 million yen, reaching 11.3% of sales. This ratio is high within the chemical sector and is on par with pharmaceutical companies, which are considered to be leaders among research and development-oriented companies. In FY2023, advance investments mainly in OLED material-related areas in Korea bore fruit, resulting in significant sales growth and increased corporate value. It is necessary to invest these profits in advance in the next growth areas to nurture second and third pillars.

As information terminals such as smartphones and tablets have become necessities in daily life, we expect the electronic materials-related business to continue growing in the future. While we will of course continue to grow OLED materials and semiconductor-related materials as one pillar, we are also developing materials for perovskite solar cells, which Japan is urgently working to commercialize, as an extension of the technology we have cultivated so far.

Furthermore, we are also focusing on agro-related businesses. “Food” is the basis of life, and its demand will never disappear. We will continue to research and develop products that respond to climate change and improve productivity, centered on agricultural materials such as oxygen supply materials. In this field, we are also considering entering the global market through partnerships with global companies.

Through these efforts, we will contribute to the realization of a sustainable society and further accelerate our growth.

R&D and Intellectual Property Strategy→P. 29

Aiming for Growth by Focusing on Each Component of the ROIC Tree

To realize our growth strategy, while maintaining financial soundness, we have made capital investments of 10.8 billion yen and R&D investments of 13.8 billion yen over the past three years. In the Mid-term Management Plan SPEED 25/30, we set a target of 9% ROE for FY2025, but the actual result for FY2023 was 5.5%, which we recognize as a major challenge.

I believe that to improve ROE, we need to actively implement measures to improve performance for each component of the ROIC tree. We must clearly define how much each measure contributes or will contribute to the improvement of ROIC and focus on that. For employees, if they can understand which component of the ROIC tree their work corresponds to and how it contributes to value enhancement, it will lead to high motivation in their work.

In Phase 2 of the Mid-term Management Plan SPEED 25/30,

Message from the President

which starts from FY2026, we plan to work on visualizing ROIC. As a preliminary step, to make all employees understand the importance of ROIC and encourage actions that contribute to improving ROIC, we intend to break down each component of the ROIC tree and refine it so that we can clearly explain the challenges that each employee should address.

As improving ROIC directly leads to improving ROE, we recognize it as a challenge that we must tackle to realize our growth strategy.

Financial Strategy → P. 26

Sustainability Management Aimed at Realizing the “Ideal Figure” in FY2030

In FY2023, we achieved the FY2025 targets for energy intensity and carbon dioxide emission intensity (per unit of sales) ahead of schedule due to changes in product composition. In addition, external evaluations have improved, with our FTSE Russell score increasing to 3.6, maintaining the EcoVadis Silver Medal, our CDP (Carbon Disclosure Project) rank rising to B, and our “Integrated Report 2023” receiving the “Excellence Award” at the 3rd Nikkei Integrated Report Awards.

We recognize that these improvements in evaluation are not the result of significantly changing our efforts, but rather the result of enhancing ESG information disclosure, reflecting on the fact that our sincere efforts were not easily visible from the outside. We also believe it is the result of each employee making efforts toward “environmentally friendly manufacturing” with high awareness, even with limited resources.

Our VISION: The corporate image we aim for, advocates “environmentally friendly manufacturing.” This includes two meanings: “creating environmentally friendly products” and “adopting environmentally friendly manufacturing methods.” In Phase 2 of the Mid-term Management Plan SPEED 25/30, we aim to develop products and services that contribute to the harmony between the environment and chemistry, accelerate sustainability efforts, contribute to a sustainable planet and society, and contribute to the creation of an environmentally conscious society, and we will proceed with more in-depth consideration from Phase 1.

Also, as a chemical manufacturer, safe operation is our primary mission. In FY2023, we achieved zero accidents at all business sites. We will continue to further enhance our Responsible Care activities and work towards zero accidents, zero disasters, and safe operations.

Management Philosophy → P. 1 Mid-term Management Plan → P. 22
Hodogaya Chemical Group’s Sustainability → P. 38 Responsible Care → P. 41

Towards Further Advancement of Human Capital Management

Since becoming president in 2016, I have been working to make our Company “a place where personnel can have aspirations, experience job satisfaction and feel happy to work for the Company.” Our aim is to be a company with high productivity and profitability, and consequently high salary levels, as well as a company where people can take pride in their work, which leads to motivation and job satisfaction. Furthermore, I believe that a safe work environment and appropriate work-life balance are necessary, and we have been advancing initiatives in these areas.

Promoting Diversity

As a chemical manufacturer, we face the challenge of having few female recruits, but this is also an opportunity to promote diversity. In overseas chemical companies, the number of female employees active on site is increasing. In our Company too, by actively promoting DX and creating a work environment where we can shift to monitoring and decision-making tasks in instrument rooms, we can expand opportunities for women to play active roles.

We aim to increase the percentage of female managers to 13% by FY2025, and in 2023 we invited a female Outside Director, while in 2024 a female Executive Officer was also appointed. In the future, we want to actively appoint women to positions that participate in management meetings and raise awareness of participation in management.

Education and Global Talent Development

Our Company’s educational programs are comprehensive, providing career education for next-generation management talent and female employees. In FY2023, as a new initiative, we sent young researchers for training in Korea. After the training, the researchers all mentioned the difference in sense of speed. While working environments differ, we plan to send researchers to Korea on a rotation basis for relatively long-term training in the future, not only to feel the difference in speed but also to have a positive influence on their own work methods and to develop a global perspective. Also, for our Company, where 50% of sales come from overseas and we have many overseas bases, developing global talent is essential. In particular, it’s important to develop talent familiar with non-English languages and cultures, such as Chinese and Korean. Overseas business experience is very beneficial for career development, and I hope employees will take on these challenges more and more.

Next-generation Management Talent

The drivers of value creation are those who can learn, think, and act on their own. Providing an environment where people can continue to learn leads to the development of new products and improved productivity. Regarding the development of

talent to lead the next generation of management, we have non-members of the Board of Directors and Management Committee attend as observers to watch and learn from the discussions. Executive Officers attend the Board of Directors meetings, and manager-level personnel attend the Management Committee meetings, participating in case explanations and Q&A sessions as appropriate, making these venues that combine practical experience and education.

Recently, an Outside Director advised me, “You shouldn’t say everything. For the sake of developing talent, it’s better to let others answer.” I once again recognized the importance of meetings as educational venues, also to provide opportunities for Outside Directors to understand the personalities and thinking of next-generation management talent.

Human Resource Strategy → P. 47 Corporate Governance → P. 53

Further Strengthening Group Governance

In overseas subsidiaries, especially in Korea, quick decision-making is often required, which I think is partly due to the national character. Also, in Korea, there seems to be a strong tendency to prioritize investment in research and development over dividends, with the idea of returning value to stakeholders, including shareholders, through corporate growth. In the Hodogaya Chemical Group, for our Korean subsidiaries, in addition to governance based on capital structure, we dispatch and station personnel from Director to Section Manager levels, having them handle practical operations. These individuals are highly trusted by the subsidiary’s management, and through close communication, they confirm the way business is conducted and its direction, acting as a bridge to the Company’s management.

While the importance of governance is increasing globally and external scrutiny of companies is becoming stricter, we aim to ensure the effectiveness of necessary governance while not stifling the uniqueness of our subsidiaries under the name of governance, aiming to enhance the corporate value of the entire Group. I believe this has become our hidden advantage.

To Be Needed by Society for the Next 100 Years

I am now advocating the slogan “Changing Together.” The meaning of this slogan is not just a superficial partial change, but to achieve a “transformation” that changes significantly from within to the target figure and ideal figure set forth in SPEED 25/30, with the aim of continuing to grow as a company for the



next 100 years. On the other hand, there are things we must cherish without changing, such as the DNA of the Group represented by the spirit of Hompo Koshi” (the first one to do so in the country) cultivated as a 100-year-old company, the technologies that have been passed down continuously, and the joy as a manufacturer of developing, producing, and selling high quality products.

The current Mid-term Management Plan SPEED 25/30, which started in April 2021, began preparation two years prior, drawing a growth strategy using a backcasting method from the assumed business environment in 2050, and in the process, we carefully considered what to “change” and what “not to change.” We will soon enter the preparation stage for Phase 2 of the Mid-term Management Plan, but amidst rapidly changing world conditions, we must reconsider how we envision the business environment in 2050. With the management philosophy of “contribute to the creation of an environmentally conscious society” as our axis, we will spend the next two years or so reviewing our “ideal figure” in FY2030, and discuss our vision, corporate image we aim for, and the composition of our business portfolio not only among management but throughout the entire Group.

We must not overly focus on immediate challenges and the current situation, but rather consider how to approach our ideal figure for FY2030.

While discerning carefully what needs to be changed and what should remain unchanged to realize our desired future vision speedily, all members of the Hodogaya Chemical Group will work on our business with great dedication, as a united team.

Lastly, we sincerely appreciate the continued support from all our stakeholders.

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.

Functional Colorants Segment Specialty Polymers Segment Basic Chemicals Segment Agro-Science Segment Logistics Segment

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.



Copiers and laser printers

Our imaging materials are used in an additive of toners.

Copy paper

Hydrogen peroxide is used to bleach paper pulp.

Inner/outer wear

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.




Railway

Our herbicides are used to remove weeds from rail tracks.




Agricultural Land and Facilities

Our oxygen supply materials for agriculture are used to improve soil fertility and prevent moisture damage.



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.



Pharmaceuticals

Our specialty chemicals are used for production of pharmaceutical products.

Endoscopes

Our disinfectant agents are used for cleanings.

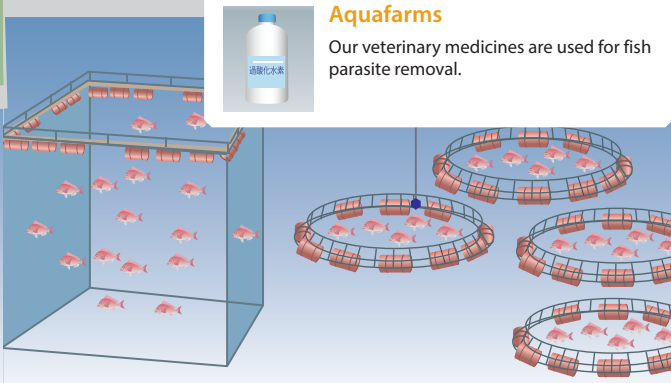
Materials for PCR diagnostic kits

Materials that bond to synthetic DNA are used in the virus detection process.



Aquafarms

Our veterinary medicines are used for fish parasite removal.

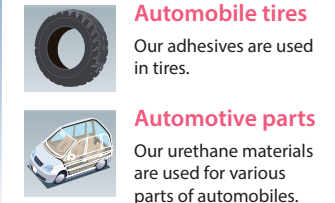


Automobile tires

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.



The Hodogaya Chemical Group's History of Innovation

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

Since its foundation 109 years ago, Hodogaya Chemical has responded to the needs of the times by applying technologies developed over the long years, and through continuous innovation, created a wide range of products from dyes and agricultural chemicals to pharmaceutical intermediates, polyurethane materials and OLED materials, which support people's lifestyles and society.

All members of the Hodogaya Chemical Group are committed to launching SPEED 25/30 as a corporate group that contributes to the development of society through the creation of products and services that benefit people for the next 100 years.

1915
Hodogaya Soda Works founded in present-day Hodogaya Ward, Yokohama City, Kanagawa.

1916
Toyo Soda Co., Ltd. (present-day Koriyama Plant) opened.

1939
Tsurumi Plant (current Yokohama Plant) was established. Name changed to Hodogaya Chemical Co., Ltd.

1967
New York Office opened. (incorporated in 1986)

1971
Nanyo Plant opened.

1978
Hodogaya Vandex Construction Products Co., Ltd. established. (changed its name to Hodogaya Construction Products Co., Ltd. in 2017).

1991
Tsukuba Research Laboratory was established.

1993
Hodogaya Contract Laboratory Co., Ltd. founded.

1994
HODOGAYA AGROTECH Co., Ltd. founded. (Changed its name to HODOGAYA AGROTECH Co., Ltd. in 2011.)

1997
Hodogaya Logistics Co., Ltd. founded. Shanghai Office opened. (Incorporated in 2014)

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.

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.

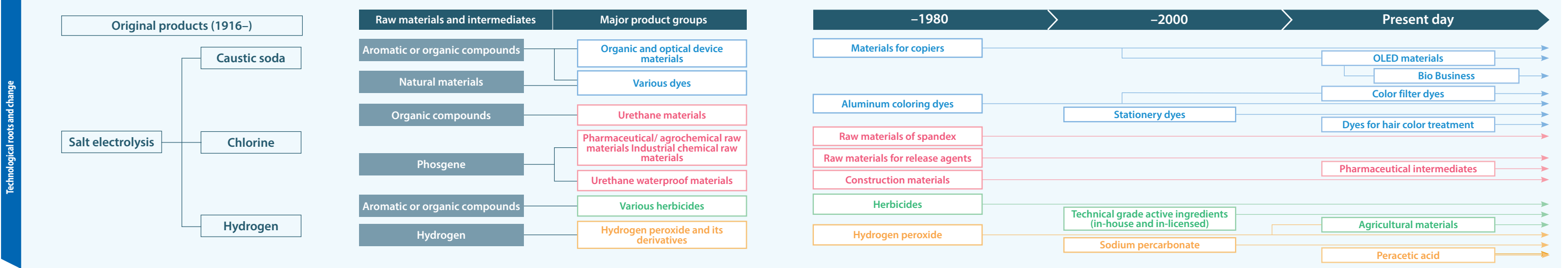
2016
Celebrated its 100th anniversary

2022
Transition to the Prime Market of the Tokyo Stock Exchange. Head office moved (Shiodome)

2023
REXCEL CO., LTD. (Korea) added to scope of consolidation Completed construction of SFC BioPark (South Korea)



	1920	1930	1940	1950	1960	1970	1980	1990	2000	2010	2020	
Products developed	1915 Production of caustic soda using an electrolysis method launched (first for Japan)	1926 Production of phosgene started.		1950 Production of agrochemicals started.	1963 Production of urethane materials (PTG) launched.	1966 Hydrogen peroxide production started.	1978 Production of charge control agents (CCA) for toners launched.	1984 Charge transport materials (CTM) production launched.	2001 Production of OLED materials and hole transport materials (HTM) launched.	2004 OLED materials and electron transport materials (ETM) developed.	2017 Production of OXYATTACK (disinfectant agent for food products), a peracetic acid formulation, started.	
		1927 Dye production launched.			1967 Production of urethane waterproof materials started (first in Japan).						2020 Mass production of materials for PCR diagnostic kits launched.	
Needs of society	1914 World War I	1923 The Great Kanto Earthquake		1939 World War II	1950s Postwar rebuilding	1960s Rapid economic growth	1973 Oil crises	1985 Plaza Accord	1991 Economic bubble burst	2008 The collapse of Lehman Brothers	2011 Great East Japan Earthquake	2020 Novel coronavirus disease (COVID-19)
	Broke free of chemical industry's reliance on imports Founder Otsuke Isomura			Became an integrated chemicals manufacturer as society industrialized and modernized		Developed various products that supported post-war recovery		Expanded business fields to electronic materials with an eye toward the advent of an electronics era		Created an environmentally conscious society through new materials and products with a light environmental burden		



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 catchphrase Your Dream is Our Business.

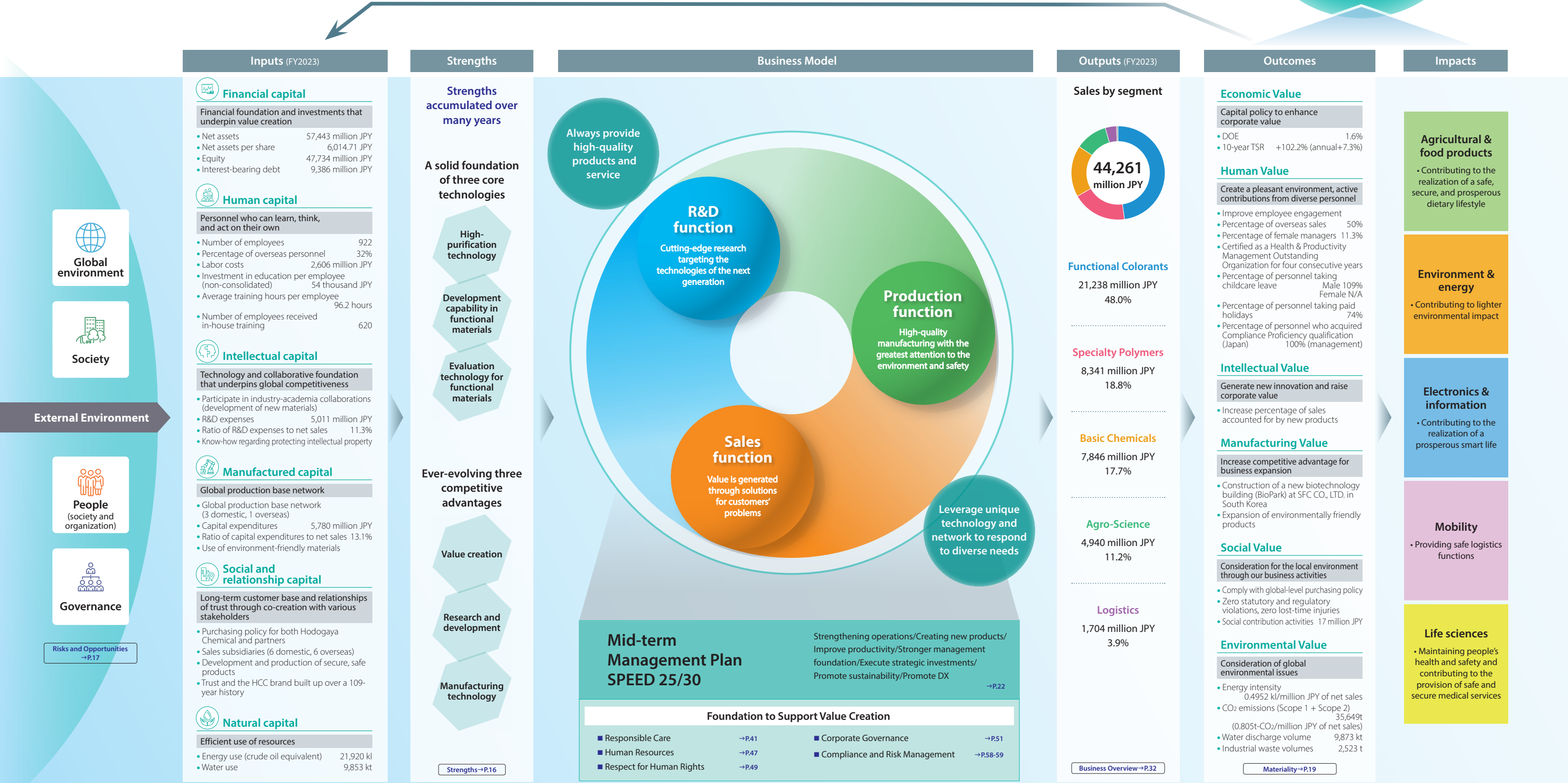
PURPOSE – Management Philosophy –

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 –

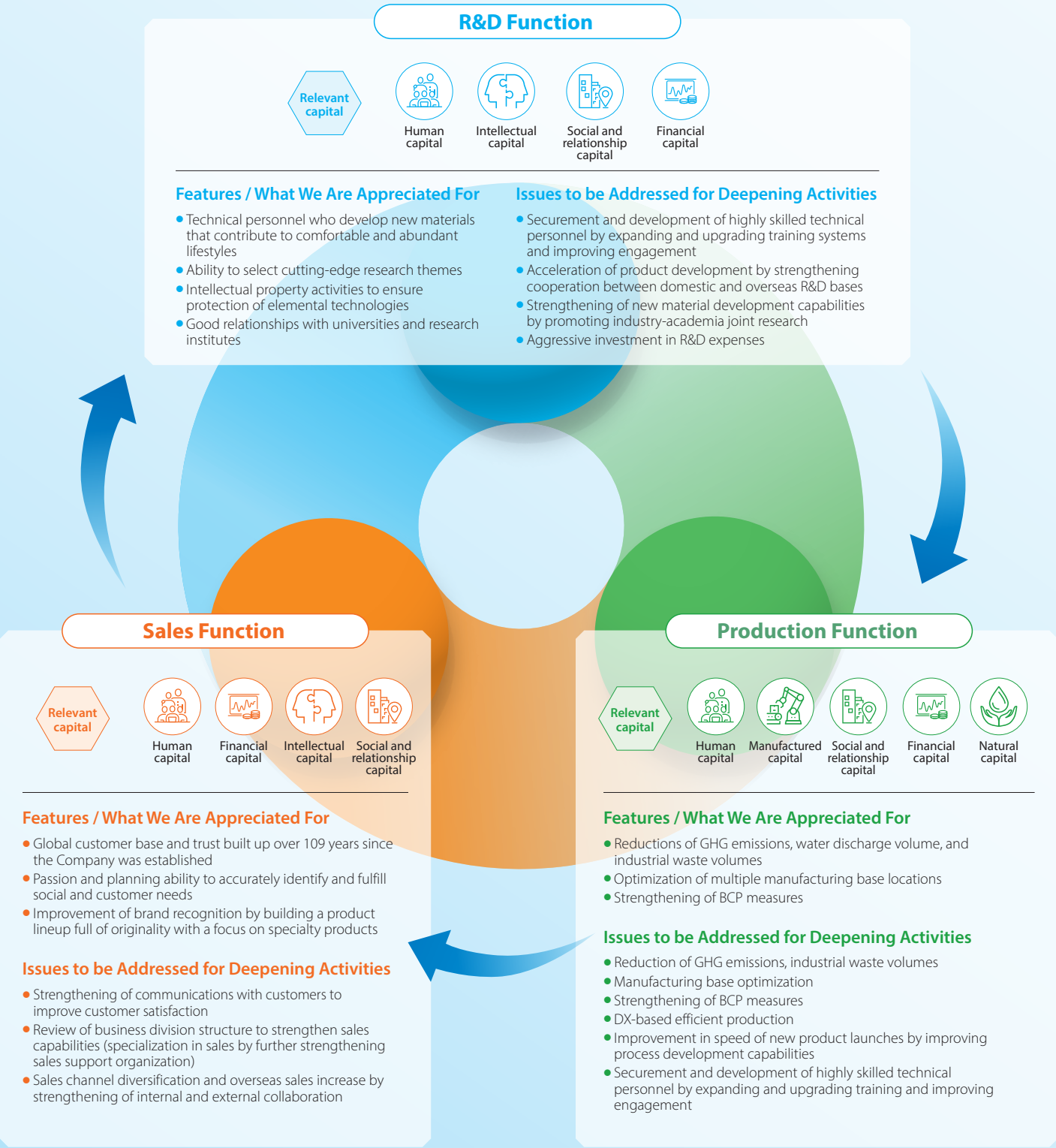
A corporation that contributes to establish a sustainable society by means of our original portfolio and environmentally friendly manufacturing, with a focus on specialty products.



Explanation of Value Creation Process

Business Model

The Hodogaya Chemical Group has built a three-pronged business model in which the R&D, production, and sales functions all collaborate to quickly ascertain the diversifying needs of society and respond quickly to the differing needs of its various customers. Utilizing the Company intranet, the R&D, production, and sales functions share information efficiently and quickly regardless of location, leading to product development. In addition to working to improve efficiency by holding monthly production and sales meetings, we share customer requests and needs obtained by sales departments with business divisions and production bases. We also have in place a system that allows us to quickly select the systems necessary for product improvement and new R&D themes.



Strengths

A Solid Foundation of **Three** Core Technologies

1. 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. The Hodogaya Chemical Group's advanced refining technology solves the most stringent demands and meets customer expectations.

2. 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 will open up all kinds of fresh possibilities for its technology while offering new materials that feature a wide array of functions.

3. Evaluation technology for functional materials



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

The responses to the Hodogaya Chemical Group's products, which are finished with a high degree of sophistication, are reflected in the trust our customers place in us. We transform the results from evaluations into new designs and cutting-edge materials ahead of others.

Ever-evolving **Three** Competitive Advantages

1. Value creation



Creating new value that leads to solutions for all of our customers' issues

The Hodogaya Chemical Group accurately identifies the needs of society and its customers, and then responds with passion and innovation, creating products with high added-value underpinned by its technological expertise and know-how.

2. Research and development



Cutting-edge research targeting the technologies of the next generation

Leveraging state-of-the-art research facilities and advanced research capabilities honed over its long history, the Hodogaya Chemical Group carries out cutting-edge research projects that lead to the creation of entirely new value.

3. Manufacturing technology



High-quality manufacturing with the greatest attention given to the environment and safety

Having built a reputation for dependably supplying high-quality products while ensuring excellent cost competitiveness, the Hodogaya Chemical Group has put in place a manufacturing system that is based on high standards for safety and the environment.

Outcomes / Impacts

As a chemical manufacturer, the Hodogaya Chemical Group aims to be a company that can contribute to the creation of an environmentally conscious society by leveraging its high levels of specialty and originality. To be growing for the next 100 years, we believe that we must realize, in a variety of ways, the Hodogaya Chemical Group's catchphrase: Your Dream Is Our Business. By rapidly responding to global social issues and meeting the expectations of all stakeholders, we aim to increase corporate value and achieve sustainable growth.

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 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.

External environment	Risks	Response to risks
<div>Global environment<ul style="list-style-type: none">Uncertainty regarding the global environment has become a major business issue. We recognize that it is necessary to envision multiple scenarios regarding increases in temperatures and strengthen resilience as part of our management strategy.<p>▶ Adoption of Paris Accord by COP21</p></div>	<ul style="list-style-type: none">Major impact on production activities due to severe natural disasters (human and facilities)Increase in conservation costsSupply chain having less trust in the Group due to lack of consideration for the environmentEconomic losses due to violations of regulations in Japan and abroadLess trust in the companyLoss of social trust or interruption in business due to decline in quality/safety, etc.Major impact of the spread of infectious diseases on the economy and business activitiesLoss of ability to continue business activities due to less trust from regions in which business is conductedUndermining of organizational performance due to a decline in the feeling of motivation to work and ease of work of officers and personnelNot promoting diversity management resulting in the stagnation of organizational capabilities and corporate valueNot promoting health and productivity management and workplace safety and health resulting in the stagnation of organizational capabilities and corporate valueGreater concern that a lack of interest in issues related to business and human rights will result in lawsuits, administrative disciplinary actions, deterioration in reputation, loss of personnel, and other problemsNot being able to quickly and flexibly respond to more sophisticated corporate governance and thus harming corporate value in the medium termSustaining major losses or undermining the survival of the Company as a result of legal violations, scandals, etc.Sustaining major losses or undermining the survival of the Company as a result of not implementing measures to properly reduce risks due to insufficient risk awareness and evaluation	<ul style="list-style-type: none">Conduct inspections of facilities and equipment and make repairsProvide education related to operation standards, etc.Conduct various types of training and make use of safety confirmation systemAchieve environmental targets for energy savings and reducing environmentally hazardous substancesPromote environment management, such as obtaining ISO 14001 certification throughout the companyCreate a regulation compliance systemRegularly check revisions to overseas regulationsStrengthen functions related to educating, thoroughly informing people of, and checking rules related to quality and safety performanceEstablish relationships with multiple suppliersThoroughly implement measures to prevent infectious diseasesContinue and strengthen activities that contribute to the sustainable development of regions where business is conductedDevelop and implement measures to increase engagement through engagement pulse surveysMake use of personnel in a manner that stresses capabilities and skillsCreate an environment in which it is possible for officers and personnel to contribute in a healthy and safe mannerAscertain issues related to business and human rights and appropriately respondImprove and expand governance as a company listed in the Tokyo Stock Exchange's Prime MarketThoroughly implement compliance to prevent legal violations, scandals, defects, etc.Implement appropriate measures to reduce risks through extensive but detailed risk awareness/evaluations
<div>Society<ul style="list-style-type: none">We recognize that responding to the advent of social value is an important issue for corporate management.<p>▶ Geopolitical risk</p><p>▶ Advent of AI and DX</p></div>		
<div>People (society and organization)<ul style="list-style-type: none">We recognize that appropriately responding to the massive changes in the environment that companies and personnel operate in and continually working to increase organization capabilities are important issues.<p>▶ Falling birth rates, graying of society, and shrinking working-age population in advanced countries</p><p>▶ Women playing a more active role in society and greater diversity</p><p>▶ Greater interest in health, including measures to combat infectious disease</p><p>▶ Continuing demands of workplace safety and health management system</p><p>▶ More diverse lifestyles</p><p>▶ Greater respect for human rights and fairer labor practices</p></div>		
<div>Governance<ul style="list-style-type: none">We recognize that continually working to reinforce the corporate governance, compliance, and risk management functions within the corporation is an important issue.<p>▶ Implementation of corporate governance reforms</p><p>▶ Continuing quality-related scandals and serious defects in internal controls at listed companies</p><p>▶ Changes in geopolitical perspective and energy composition and labor supply and demand</p></div>		

Opportunities	Response to opportunities	Materiality
<ul style="list-style-type: none">Expanding demand for climate change mitigation/adaptation productsExpanding demand for products that contribute to lighter environmental impactExpanding demand for products that conform to regulations in various countriesExpanding demand for products that offer the value of quality and safety performanceExpanding demand for products that help maintain healthIncrease corporate value by winning the trust of communities in which business is conducted and stabilizing businessIncrease the feeling of motivation to work and ease of work of officers and personnel as well as increase organizational performanceImprove organization capabilities and increase corporate value by appropriately conducting diversity managementImprove organization capabilities and increase corporate value by appropriately conducting health and productivity management and ensuring workplace safety and healthIncrease corporate value by appropriately responding to issues related to business and human rightsIncrease corporate value by continuing to promote corporate governance compatible with the monitoring modelIncrease corporate value by thoroughly implementing compliance, preventing legal violations, scandals, and defectsExpand business and profit opportunities by uncovering opportunities from related risks while minimizing losses in that risk field	<ul style="list-style-type: none">Develop and sell climate change mitigation/adaptation productsExpand businesses related to purifying water, etc.Promoting green chemistryDevelop and sell products that are compliant with regulations in various countriesDevelop and sell products that offer the value of quality and safety performanceDevelop and sell products that help maintain healthActively undertake exchanges with and contribute to communities in which business is conductedContinually implement measures to increase engagement and verify effectiveness through pulse surveyActively recruit and promote people with capabilities and skills regardless of sex, where they are from, or other attributes, and create an environment in which people can demonstrate their capabilities and skills to the greatest extent possibleImplement a wide range of measures to improve the health and vitality of officers and personnel, raise productivity, and invigorate the organizationAscertain and evaluate human rights violation risks and establish processes for making improvements. Keep in mind the risk of human rights violations in the supply chain.Further increase effectiveness through the appropriate division of duties related to supervision responsibilities of directors and the decision, implementation, and accountabilities of executive officersContinue to provide education to spread compliance and impose disciplinary measures in the case of compliance violationsDiscover business and profit opportunities through extensive but detailed risk awareness/evaluations and risk reduction measures	<ul style="list-style-type: none">Responding to climate changeMaintaining air, water, soil environmentsEnsuring the safety of products and chemical substancesImproving value and reliability of productsHelping maintain healthContributing to communitiesImproving job satisfactionPromoting diversityPromoting health and productivity management and workplace safety and healthRespecting human rightsExpanding corporate governanceSpreading complianceThoroughly spreading risk manage

Materiality

In the process of formulating SPEED 25/30, the Hodogaya Chemical Group identified material issues from its management philosophy-based business activities and set concrete numerical targets. The material issues 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.

STEP 1.
Identify changes in the external environment that will have a major impact on society

STEP 2.
Identify the impact of those changes in the external environment on business

STEP 3.
Identify issues that Hodogaya Chemical should give priority to solving

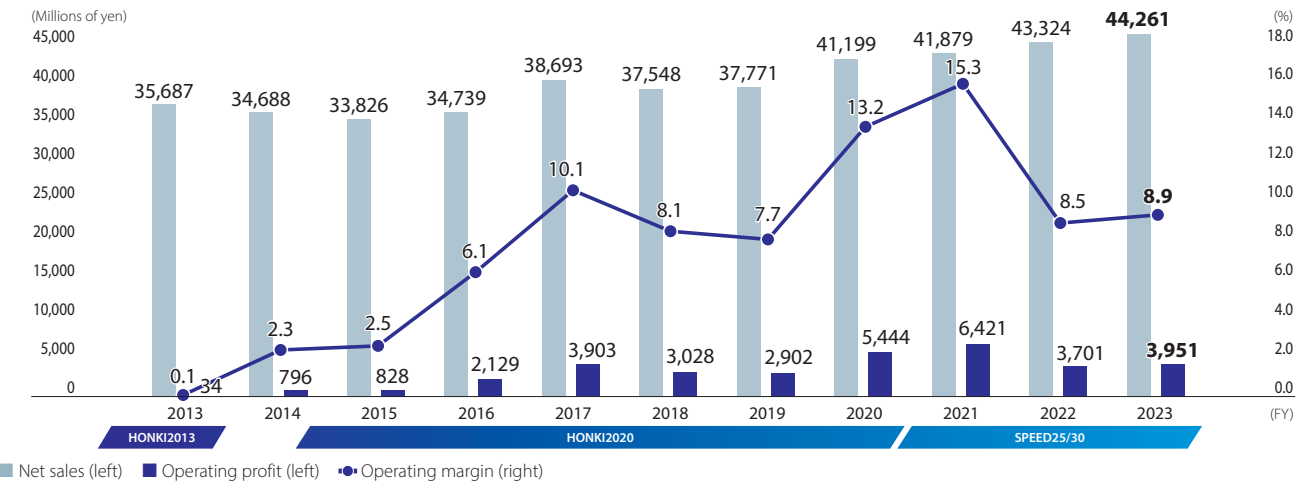
External environment	Materiality	FY2030 ideal figure	
 Global environment	• Responding to climate change	• Contributing to greater agricultural productivity and soil improvement	
		• Contributing to aquaculture as a way to combat the decline in marine resources	
		• Promoting green chemistry	
	• Maintaining air, water, soil environments	• Contributing to society by reducing water resources use and energy use in terms of intensity and total emissions	
		• Winning high praise from society by reducing environmental impact (reduce CO ₂ emission, limit chemical substance discharges, reduce waste, etc.)	
		• Contributing to insuring drinking water using treatment of inland waters	
• Ensuring the safety of products and chemical substances	• 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		
 Society	• Improving value and reliability of products	• 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	
	• Helping maintain health	• Extensively using Group's products to respond to infectious diseases	
		• Contributing to communities	• Having promoted social contribution activities in the offices, the Group is acknowledged and regarded in the community
 People (society and organization)	• Improving job satisfaction	• All officers and personnel feeling job satisfaction	
	• Promoting diversity	• Promoting diversity, fair, and just treatment of personnel to invigorate the workplace and foster a global workforce	
	• Promoting health and productivity management and workplace safety and health	• 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	
		• Respecting human rights	• Thorough awareness of human rights and respect, no incidents of harassment, etc.
 Governance	• Expanding corporate governance		• Sustained growth through "defensive governance" to avoid risks and "offensive governance" to capture upside opportunities
	• Spreading compliance	• Compliance awareness is widespread, and the Group is capable of responding to the changing social norms	
	• Thoroughly spreading risk manage	• Discovering opportunities from related risks while minimizing losses in that area and tying that to business and profit opportunities	

FY2025 KPIs	Initiatives	FY2022 results	SDGs contributed to
—	• Expand into peroxide agricultural materials	• Developed a market for soil improvement agents (including joint development)	
—	• Expand sales and dissemination of veterinary medicines	• Continue sales expansion and dissemination	
—	• Expand Bio-PTGs	• Promoted BIO-PTG sales	
• Energy intensity: 0.606 kJ/million JPY of net sales • CO ₂ emissions: 43,400 tons or intensity: 0.868 tons/million JPY of net sales	• Promotion of energy-saving and resource-saving	• Examined expanding the scope of introducing CO ₂ free electricity • Leveraged ICP	 
• SOx emissions: zero continuing • Volume of industrial waste produced: less than previous year	• Promote reduction of environmental impact	• SOx emissions: zero emissions on an ongoing basis → Achieved • Volume of waste generated: Year-on-year decline → Achieved	  
—	• Introduce new uses of hydrogen peroxide	• Examination of application development in new fields	
• Zero regulation violations	• Enhance the management of chemical substances	• Continue zero violations through legal and regulatory management	
—	• Develop new products and next-generation topics	• Establishment of next-generation core technologies and creation of new businesses	
• Zero quality problems	• Supply safe, high-quality products	• Zero quality problems → Unachieved	
—	• Expand electronic device materials and electronic device equipment materials	• Development of new materials	
—	• Promote CSR in the supply chain	• Implementation of the "Procurement Guidelines Implementation Status Survey"	 
—	• Introduce hydrogen peroxide derivatives, phosgene derivatives, etc.	• Expansion of beverage bottle cleaning and endoscope sterilization	
• Number of contribution activities: more than previous year	• Promote community contribution activities	• Offering plant tours for neighboring high schools and conduct environmental support activities: Achieved greater than previous year	  
• Increase engagement score	• Continue to implement measures to increase engagement	• Implementation of engagement surveys and return of results	
• Percentage of female managers: 13%	• Promote human resource development and vitalization programs	• Conducted training for female personnel / Conducted training for department general managers	 
• Health & Productivity Management Outstanding Organization: certified • Increase percentage of personnel taking paid holidays • Increase percentage of personnel taking refreshment leave	• Promote health and productivity management	• Continued certification as a Health & Productivity Management Outstanding Organization	 
• Zero lost-time injuries	• Thoroughly implement workplace safety and health and disaster prevention	• Zero-lost time injuries → Achieved	 
• FTSE Russell score (Human Rights & Community: 4.0)	• Promote human rights enlightenment activities	• Continuous implementation of human rights education • Received an FTSE Russell score (Human Rights & Community: 3.0)	 
—	• Improve corporate governance	• Noted response to implement management conscious of cost of capital and share price in Corporate Governance Report	 
—	• Spread compliance	• Ongoing compliance training sessions (four times per year)	 
—	• Broadly recognize and evaluate detailed risks and implement appropriate risk reduction measures	• Discussions at Risk Management Committee meetings	 

Looking back at Mid-term Management Plans

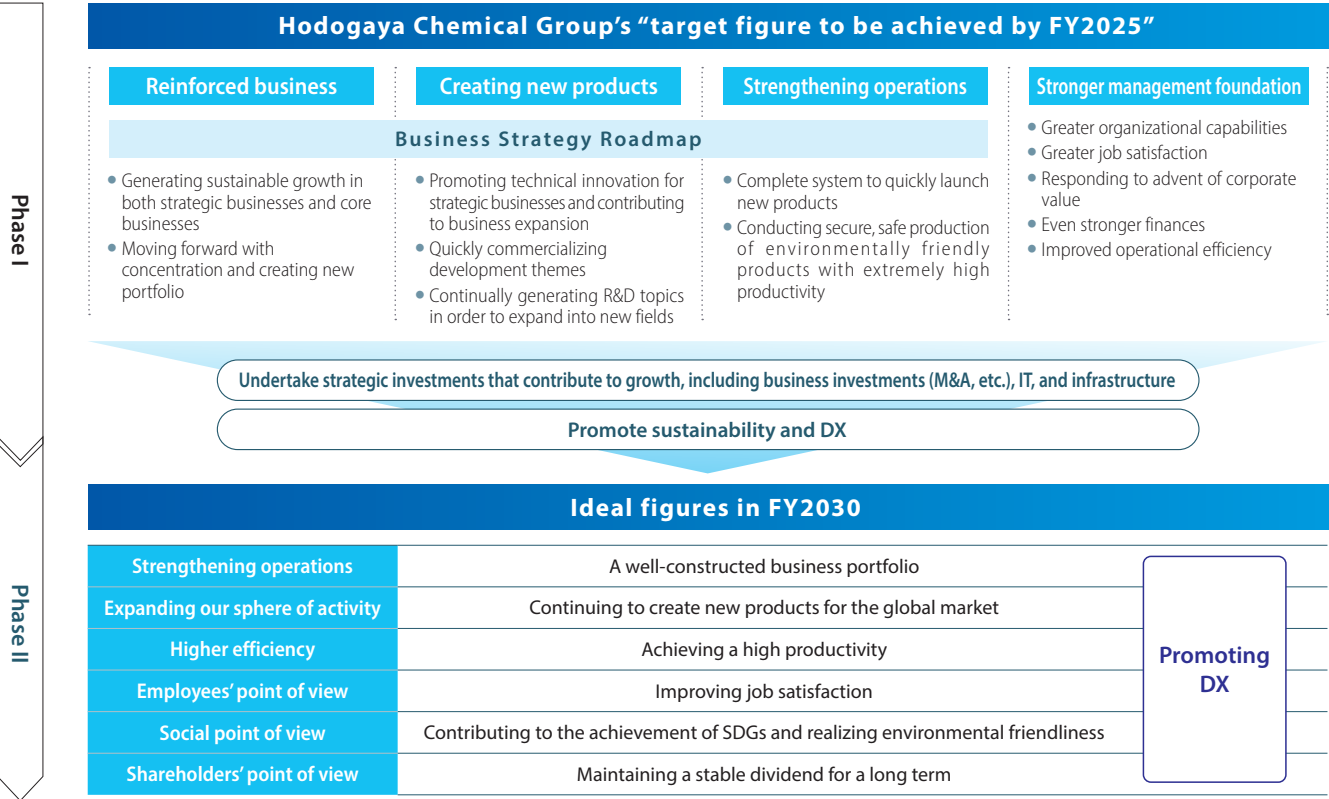
	HONKI 2013 (FY2011 - FY2013) Year of Reconstruction (FY2014)	HONKI 2020 (FY2015 - FY2020)
Vision and positioning	We aim to become a corporation that steadily supplies “Only One and Number One” materials in the global and niche markets in 2016 (Year of 100th anniversary) and to achieve this, we will prepare ourselves for future growth by FY2013. FY2013 targets: Consolidated net sales of 50 billion JPY; Consolidated operating profit of 5 billion JPY; Operating margin of 10.0%	We aim to become a corporation that steadily creates “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 targets: Consolidated net sales of 50 billion JPY; Consolidated operating profit of 5 billion JPY; Operating margin of 10.0%
Project outline	Outline <ul style="list-style-type: none">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 <ul style="list-style-type: none">Strengthening of core businesses that support the CompanyBusiness expansion for future growth/promotion of new business creationFurther reinforcing the global operating systemReinforcement of Corporate Social Responsibility (CSR) initiatives	Outline <ul style="list-style-type: none">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 <ul style="list-style-type: none">Regaining competitiveness and securing a stable revenue base – core businessesEstablishing the Pillars of the Next Generation – growth businessesExpanding business areas by creating new added value – cultivation businesses, creation of new productsFurther reinforcing the global operating system and developing human resourcesStrengthening CSR initiatives
Looking back	<ul style="list-style-type: none">Core businesses Nippon Peroxide Co., Ltd. merged with the Company to strengthen hydrogen peroxide and related products, and promoted cost reduction at the Koriyama Plant.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 gained from existing products.New product development Launched the New Product Exploration Project and while exchanging information with industry, government and academia, 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.Reinforcement of the global operating system In May 2012, the Group consolidated its head office functions to promote integrated Group operations. The Group has enhanced its sales capabilities through the establishment of local subsidiaries in Shanghai and Korea.	<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 continued, including dyes for color filters. Sales of peroxide agricultural materials grew due to extreme weather.Growth Businesses OLED materials grew into a top business as a result of 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 investments<ul style="list-style-type: none">Made Company-wide 10.1 billion JPY of capital investmentOpened new aluminum coloring dye facilitiesEnhanced production and research facilities for OLEDs (at SFC), etc.Further reinforced the global operating system<ul style="list-style-type: none">Newly established development bases and manufacturing bases in South Korea, a leading OLED market, advanced our globalization in terms of R&D and productionEstablished a local subsidiary in Düsseldorf, Germany, to strengthen our sales activities in EuropePromoted the global procurement of raw materials; strengthened efforts to address such issues as China riskReinforcement of CSR initiatives<ul style="list-style-type: none">Committed to CSR by taking into account support for ESG management and contribution to achieving SDGs. External evaluation also improved
Achievements	<ul style="list-style-type: none">Expanded business for future growth and planted seeds for new product creationChanging business environment, a sharp rise in raw material and fuel costs, declining sales volume and unit prices, etc., caused severe problems for the Hodogaya Chemical Group's core businesses and its earnings base deteriorated significantly. In FY2012 and FY2013, in particular, the Company posted two 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.	<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, the 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 achieved with contributions 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 baseExpand business and reap the benefits of new product creationFurther utilization and expansion of overseas business bases	<ul style="list-style-type: none">Searching for and quickly cultivating new growth drivers following the OLED materials businessBuilding a business portfolio that will be able to accommodate the changes that take place in a future environment <div>The Hodogaya Chemical Group's History of Innovation→P.11</div> <ul style="list-style-type: none">Further strengthening the combined three functions of R&D, production, and sales

Performance trends



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: <ul style="list-style-type: none">S Specialty products that construct aP Portfolio built up with great originality;E Engagement improvement that contributes toE ESG management promotion;D Digital transformation-led competitiveness enhancement



Progress of the management targets

	FY2021 results	FY2022 results	FY2023 results	FY2025 targets
Financial targets				
Net sales	41.8 billion JPY	43.3 billion JPY	44.2 billion JPY	50 billion JPY
Operating profit	6.4 billion JPY	3.7 billion JPY	3.9 billion JPY	7.5 billion JPY
Operating margin	15.3%	8.5%	8.9%	15%
ROE	8.1%	5.3%	5.5%	9%
Non-financial targets				
CO ₂ emissions (CO ₂ emission intensity)	49,247t-CO ₂ (1.1759t-CO ₂ /million JPY of net sales)	45,722t-CO ₂ (1.055t-CO ₂ /million JPY of net sales)	35,649t-CO ₂ (0.805t-CO ₂ /million JPY of net sales)	43,400t-CO ₂ (0.868t-CO ₂ /million JPY of net sales)
Energy intensity (per million JPY of net sales)	0.698kl	0.636kl	0.495kl	0.606kl
Industrial waste volumes	2,746 t	3,477t	2,523t	Same level or less than previous FY
ESG evaluation score (FTSE Russell score)	2.7	3.0	3.6	3.7
Engagement score	-	-	-	Gradually raise score
Percentage of female managers	11%	11%	11.3%	13%

Progress of SPEED 25/30 in FY2023

In FY2023, the third year of the Mid-term Management Plan SPEED 25/30, there were signs of recovery in economic activity, resulting in a gradual upward trend in business. However, we undertook business activities under uncertain conditions about the future, including rising energy prices due to continuing unstable international conditions, protracted yen weakness, and higher prices because of that. In this environment, we made strategic investments in order to further increase sales and enhance the manufacturing system for mass production, both of which targeted Korea-based REXCEL, which is responsible for part of the manufacturing of OLED materials and was included in the scope of consolidation starting in April 2023.

FY2023 Progress in Business Terms

Segment	Subsegment	Reinforced business	Creating new products	Strengthening operations	Results	
					Sales by Segment	Operating Profit by Segment
Functional Colorants	OLED Materials Business	<ul style="list-style-type: none"> Strengthening of relationship with customers and introduction of new technology Expansion of new material use Operation of new biotechnology center (BioPark) Strengthening of domestic evaluation base 	<ul style="list-style-type: none"> Promoting development of OLED Promoting research of new ideas: <ul style="list-style-type: none"> Lithium-ion battery material (organic cathode materials) Organic solar cell materials (perovskites) Near-infrared absorption materials Installing special equipment for trial production which contributes to new product development 	Cost-cutting to reduce intensity	48.0% (21.23 billion JPY)	80.9% (3.19 billion JPY)
	Colorants Materials Business	<ul style="list-style-type: none"> Launch of environmentally friendly aluminum coloring dyes into the market 	<ul style="list-style-type: none"> Promoting development of environmentally friendly aluminum coloring dyes 			
Specialty Polymers	Functional Polymers & Specialty Chemicals Business	<ul style="list-style-type: none"> Market launch/sales expansion of new Bio-PTG into the market 	<ul style="list-style-type: none"> Developing special grades Installing bench-scale phosgene derivative equipment 	<ul style="list-style-type: none"> Establishing an increase in production of aluminum coloring dyes 	18.8% (8.34 billion JPY)	-2.4% (-0.09 billion JPY)
	Construction Materials Business	<ul style="list-style-type: none"> Sales expansion of next-generation waterproofing materials 				
Basic Chemicals	Peroxide Business	<ul style="list-style-type: none"> Expansion of uses of peracetic acid (food additive) 		<ul style="list-style-type: none"> Reinforce production capabilities for agricultural material products 	17.7% (7.84 billion JPY)	5.2% (0.2 billion JPY)
Agro-Science	Agrochemical Business	<ul style="list-style-type: none"> Expansion of the peroxide agricultural materials business 			11.2% (4.94 billion JPY)	9.5% (0.37 billion JPY)
Logistics	Logistics Business				3.9% (1.7 billion JPY)	6.3% (0.25 billion JPY)

Progress of Major Measures in FY2023

Stronger management foundation		FY2023 results	FY2025 non-financial targets
Strategic Investments		<ul style="list-style-type: none"> Launch of operations at new Korea SFC biotechnology center (BioPark) Launch of construction of Korea-based REXCEL No. 2 Plant at Chungju Campus and new plant at Eumseong Campus 	—
Improve Engagement	<ul style="list-style-type: none"> Promotion of health and productivity management Utilization of diverse human resources 	<ul style="list-style-type: none"> Certification as Health & Productivity Management Outstanding Organization for the 4th consecutive year Expansion of diversity training Expansion of application of flextime (decided to introduce on trial basis) Introduction of employee stock benefit plan Expansion of multifaced assessments 	<ul style="list-style-type: none"> Gradually raise engagement score Percentage of female managers: 13%
Promote sustainability	<ul style="list-style-type: none"> Reduce CO₂ emissions Reduce energy intensity Reduce industrial waste volumes Reduce power consumption Promote ESG 	<ul style="list-style-type: none"> Reduction in CO₂ emissions: 35,649 t-CO₂ (0.805 t-CO₂/million JPY of net sales) Reduction of energy intensity: 0.4952 kl/million JPY of net sales Reduction in industrial waste emissions: 2,523 t Use of CO₂-free electricity (Yokohama Plant and Tsukuba Research Laboratory) Use of ICP ESG assessment score (FTSE Russell evaluation): 3.6 	<ul style="list-style-type: none"> Reduce CO₂ emissions: 43,400t-CO₂ (0.868t-CO₂/million JPY of net sales) Reduction of energy intensity: 0.606kl/million JPY of net sales Reduce industrial waste volumes: Less than the amount generated in the previous FY ESG evaluation score (FTSE Russell score): 3.7
Promotion of DX/Improved Operational Efficiency	<ul style="list-style-type: none"> Promoting business reforms and various considerations for renewal of core systems 	<ul style="list-style-type: none"> RPA personnel development Promotion of changes to ERP system Streamlining of seal affixing operations 	—

Strategic investment and construction of new business portfolio

Functional colorants segment: REXCEL (Korea)

We are strengthening equipment and enhancing the manufacturing system for mass production in order to address further sales growth.

In addition to constructing the No. 2 Plant at the Chungju Campus, we completed construction of a new plant at the Eumseong Campus in August and launched operation of the plant in September.

Through these two strategic investments, we will not only double production capacity for some OLED materials processes but also move forward with introducing semiconductor materials that make use of our proprietary purification technology and similar activities.



Top: Chungju Campus Bottom: Eumseong Campus

SPEED 25/30 Initiatives from FY2024 Onward

As for strengthening operations, one element of target figure in FY2025, we restructured the organization in April and July of last year in order to furthermore promote global partnerships and achieve sustainable growth for both strategic businesses and core businesses. In addition, since April 2024, we further reinforced strategic business evaluation bases (OLED etc.) in Japan and will catch up with customer demands through more advanced knowledge and meticulous response.

Continuing to steadily implement initiatives to reduce our environmental impact, such as reducing greenhouse gas (GHG) emissions and creating environmentally friendly products through technological innovation, we aim for sustainable growth with a product lineup that is full of originality and environmentally friendly manufacturing.

Major Initiatives

Segment	Subsegment	Reinforced business	Creating new products	Strengthening operations
Functional Colorants	OLED Advanced Materials Business	<ul style="list-style-type: none"> Optimization of global technical service bases (Introduction of technologies/strengthening of relationships with customers) Development and securing of personnel that will contribute to global business New developments in the bio business 	<ul style="list-style-type: none"> Response to next-generation technologies Promoting development of OLED Promoting research of new ideas <ul style="list-style-type: none"> Lithium-ion battery materials (organic cathode materials) Organic solar cell materials (perovskites) 	<ul style="list-style-type: none"> Installation of special equipment (ensuring a stable production base)
	Coloring Material Business	<ul style="list-style-type: none"> Market launch/sales expansion of environmentally friendly aluminum coloring dyes Developing uses (other than food) for natural dyes Expanding sales of halal products 	<ul style="list-style-type: none"> Promoting research of new ideas <ul style="list-style-type: none"> Near-infrared materials Installation of special equipment for trial production which contributes to new product development 	<ul style="list-style-type: none"> Establishing an increase in production of aluminum coloring dyes Establishment of a supply system for environmentally friendly aluminum coloring dyes
Specialty Polymers	Functional Polymers & Specialty Chemicals Business	<ul style="list-style-type: none"> Market launch/sales expansion of new Bio-PTG Strengthen global sales expansion of phosgene derivatives 	<ul style="list-style-type: none"> Developing special grade products Promoting new urethane development Installation of phosgene derivative trial production equipment 	<ul style="list-style-type: none"> Expansion of phosgene derivative production facilities
	Construction Materials Business	<ul style="list-style-type: none"> Expanding sales of next-generation waterproofing materials 		
Basic Chemicals	Peroxide Business	<ul style="list-style-type: none"> Expanding sales in the industrial chemicals field Expanding sales of peracetic acid (disinfectant, food additive) 	<ul style="list-style-type: none"> Developing uses for agricultural and livestock materials 	<ul style="list-style-type: none"> Planned equipment renewal
Agro-Science	Agrochemical & Agricultural Material Business	<ul style="list-style-type: none"> Business expansion through the introduction of new active ingredients Expanding the peroxide agricultural materials business Cultivate demand in new green space business Strengthening relationships with customers in development and sales 	<ul style="list-style-type: none"> Developing new agricultural products, such as compost and oxygen supply material 	<ul style="list-style-type: none"> Increasing production capacity of oxygen supply materials
Logistics	Logistics Business	<ul style="list-style-type: none"> Expansion of ISO tank container storage business 		<ul style="list-style-type: none"> Consider automation and operational efficiency through IT utilization

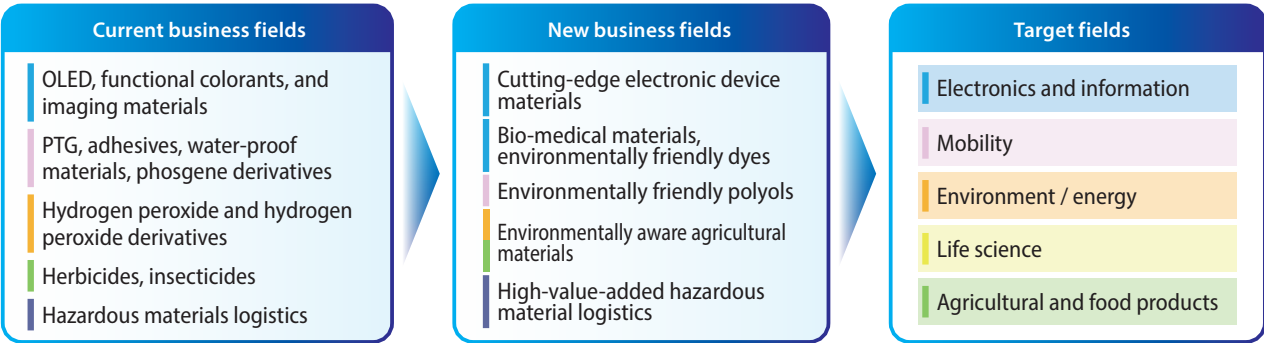
Major Initiatives

Strengthen the Management Base	Content
Strategic investments	<ul style="list-style-type: none"> Completion and launch of operations at the Korea-based REXCEL's No. 2 Plant at Chungju Campus and the new plant at Eumseong Campus Production facility expansion for phosgene derivatives and oxygen supply materials
Improving employee engagement	<ul style="list-style-type: none"> Implementation of various new measures, such as expanding flextime system (trial introduction) and introduction of book summary service. Promote health and productivity management Utilization of diverse human resources Strengthening of human capital investment
Sustainability initiatives	<ul style="list-style-type: none"> Promote ESG Reduce CO₂ emissions Reduce power consumption Reduce industrial waste volumes
Promotion of DX/Improvement of Operational Efficiency	<ul style="list-style-type: none"> Utilization of data accumulated by the Hodogaya Chemical Group Promotion of RPA, DX education, and leader development Promotion of greater operational efficiency (Operation Efficiency Promotion Project)

Development of a new business portfolio

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

The Hodogaya Chemical Group's History of Innovation→P.11 Business Strategy Roadmap→P.29



Financial Strategy



We are currently implementing the Mid-term Management Plan SPEED 25/30 and are approaching the end of phase 1 at the close of FY2025 (March 2026), the halfway point of the plan. Since the start of SPEED 25/30 in FY2021, we have worked to implement various measures with an eye toward achieving a high ROE in the future while balancing growth investments, interest-bearing debt controls, and shareholder return.

Over the past three years, we have generated about 15.5 billion JPY in cash flows from operating activities and have directed about 14.5 billion JPY of that into business investments, mainly the functional colorants segment, the Group's engine of growth. At the same time, we have maintained a D/E ratio of around 0.2 times, ensuring the financial soundness and stability of the Company. In addition, during that time we increased the dividend per share from 50 JPY to 75 JPY (150%) based on our dividend policy that is conscious of improving dividend-on-equity ratio (DOE), our traditional guideline. Research and development is indispensable for the Group's future growth, and the R&D expense ratio (compared to sales) exceeds 10%. We are making steady progress in building a new business portfolio, the most important contribution to growth in SPEED 25/30.

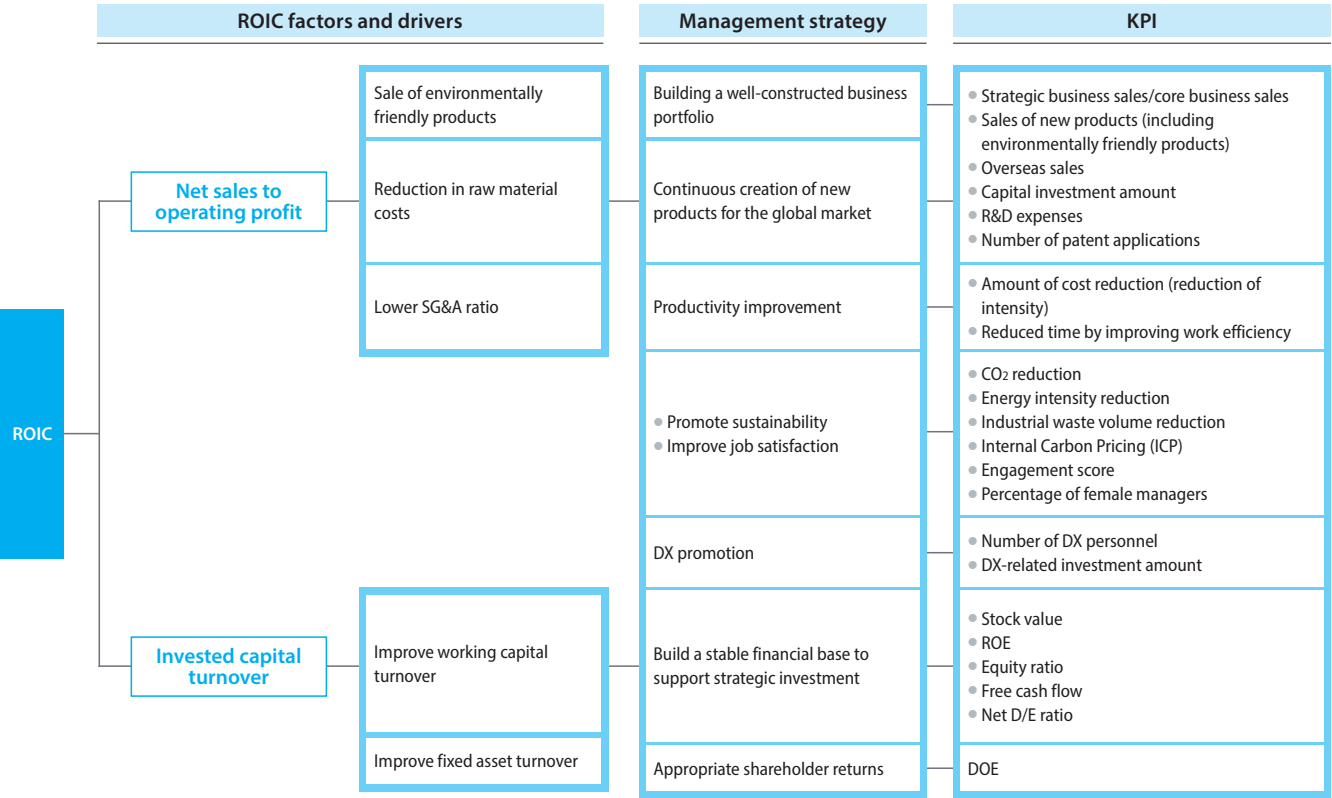
With an eye toward FY2025 (end of phase 1), the midway point for SPEED 25/30, we are aware that in order to achieve our management targets, generate further growth after that, and improve our PBR through these initiatives, we must not only reap the fruit of the various measures executed through FY2023 but also implement new measures. In addition to enhancing shareholder returns, we are committed to creating new value and driving future corporate value growth. To achieve this, we will implement financial and capital strategies aimed at accelerating the sustained growth of our Group. These strategies include more effectively utilizing our current resources, such as interest-bearing debt and shareholders' equity, all while maintaining a certain level of financial stability.

Financial strategy to achieve Mid-term Management Plan targets (management resource allocation)

We will undertake the various types of investments outlined in our ideal figure for FY2030 as part of the Group's Mid-term Management Plan SPEED 25/30. At the same time, we will ascertain and manage the KGIs and KPIs set for these investments by the Company. In specific terms, we will invest in existing businesses to build a well-constructed business portfolio, intellectual property to develop new products for the global market, other areas to improve efficiency in various ways to achieve high productivity, and human capital to enrich our personnel. In particular, we are moving forward with measures to achieve key KGIs and KPIs in SPEED 25/30 by broadly sharing progress and issues with not only the responsible department but also related departments. Aware that the KGIs and KPIs for each department and Group company are tied to growth of the whole Group as depicted in the ROIC tree, we conduct both an annual qualitative and quantitative evaluation of each KPI, decide on the allocation of

management resources for each related measure, and implement those measures. For example, between FY2021 and FY2023, we focused management resources on the functional colorants segment, which is centered on existing and new businesses at the Korean base. Through these investments, we will accelerate the building of a well constructed business portfolio, and key elements of that are the KPIs strategic business sales, sales of new products, and overseas sales, which appear in the Group's ROIC tree. In addition, the non-financial KPIs amount of cost reduction (reduction of intensity), CO2 reduction, and number of DX personnel are important factors that will lead to future growth for the Company. We will appropriately allocate management resources to those. SPEED 25/30 is the mid-term management plan through FY2030, and we will accelerate achieving targets in the plan by appropriately evaluating and verifying KGIs and KPIs each year.

Hodogaya Chemical Group ROIC Tree

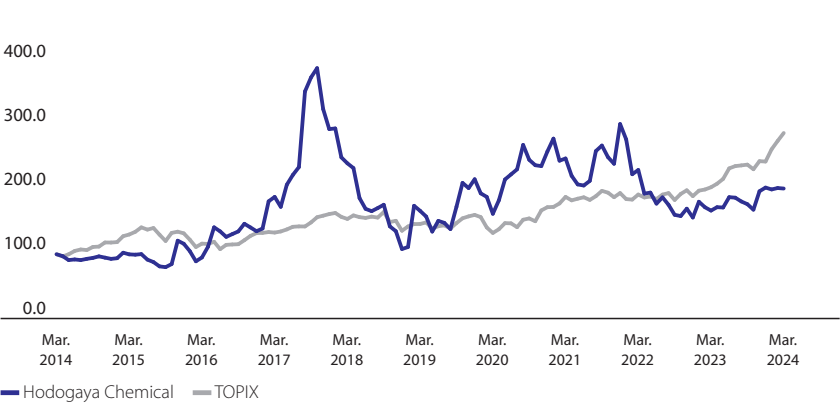


Capital Policy and Shareholder Return Policy

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. 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

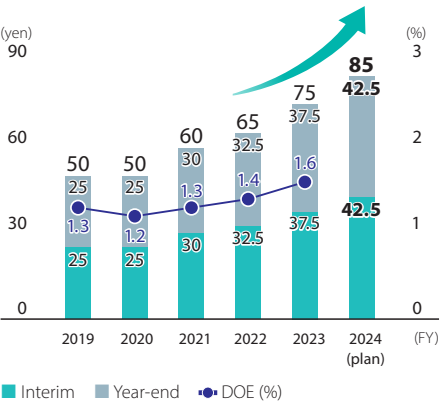
lead to the growth of the Hodogaya Chemical Group, and returning profits to shareholders. Moreover, in our Mid-term Management Plan SPEED 25/30, we have set a goal of achieving stable dividends over the long term as part of our ideal figure in FY2030. Regarding shareholder returns, we will pay dividends to shareholders, while keeping DOE in mind and premised on improving profitability by promoting various measures set out in SPEED 25/30.

TSR



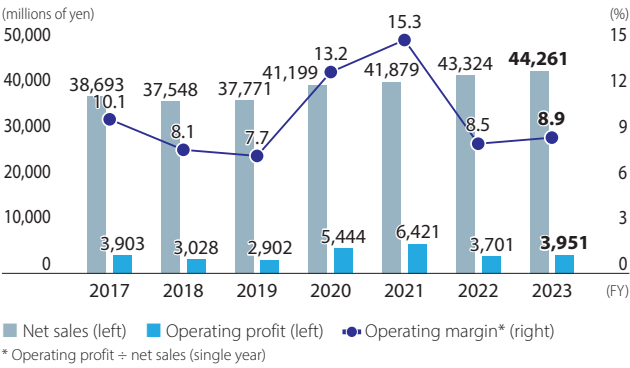
* Total Shareholder Return (TSR): Total return on investment combining capital gains and dividends
* TSR is calculated based on cumulative dividends and stock price fluctuations for Hodogaya Chemical, and TOPIX based on stock price index including dividends (prepared by Hodogaya Chemical based on Bloomberg data, etc.)
* The graph value is the market price index by TSR with the closing price data as of the end of March 2014 as 100 (the holding period is until the end of March 2024)

Dividends per share



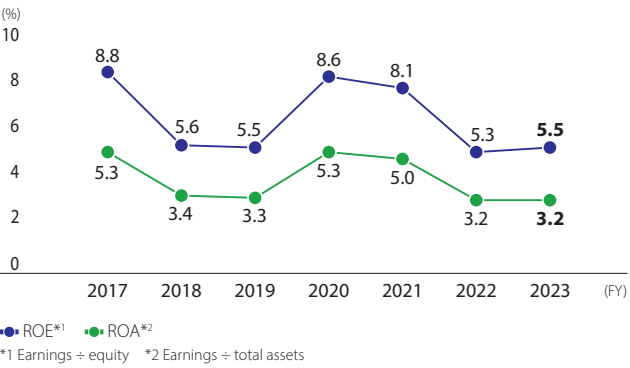
Financial and Non-Financial Highlights (Consolidated)

Net sales, Operating profit, Operating margin



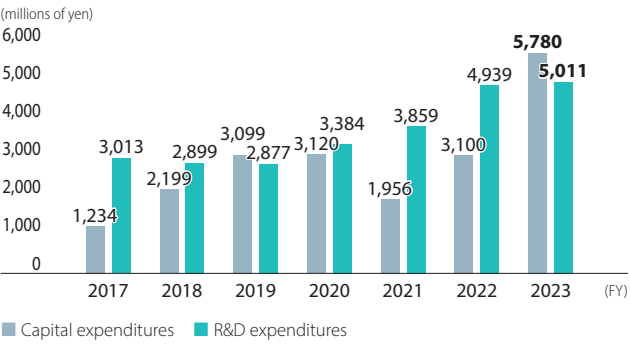
In FY2023, sales rose 937 million JPY (+2.2%) to 44,261 million JPY and operating profit increased 250 million JPY (+6.8%) to 3,951 million JPY as a result of a greater demand for OLED materials and increased sales due to the impact of foreign exchange rates.

ROE, ROA



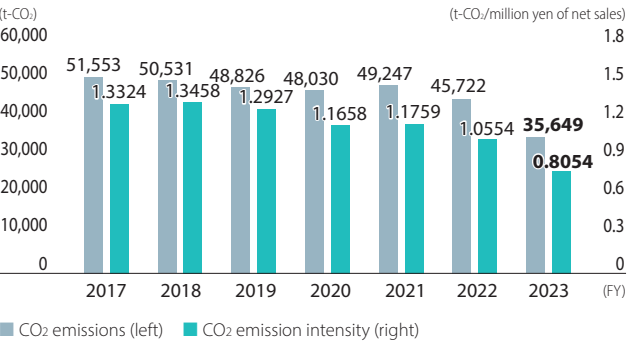
In FY2023, ROE rose as a result of greater profit, but ROA was little changed from the previous fiscal year because of an increase in total assets. We will continue to improve asset efficiency while aiming to the grow profit.

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.

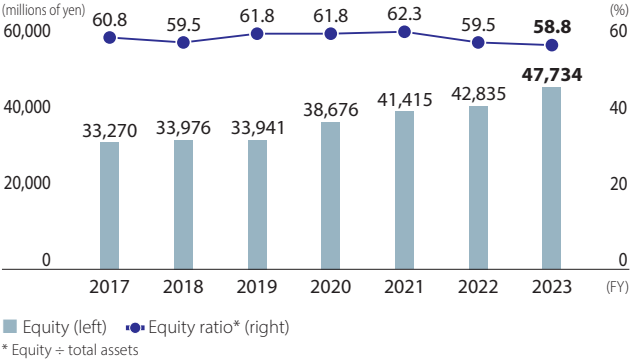
CO₂ emissions, CO₂ emission intensity (Japan)



Most of the greenhouse gases (GHG) emitted by Hodogaya Chemical are energy-derived CO₂. In FY2023, CO₂ emissions were less than in FY2022 as a result of the decrease in energy consumption accompanying less production and introduction of CO₂ free electricity.

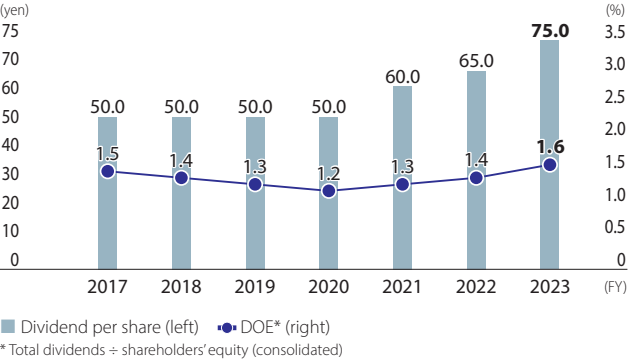
* This does not include CO₂ emissions from non-energy sources.

Equity, Equity ratio



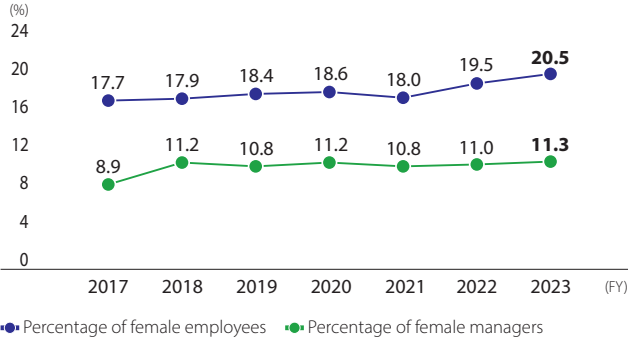
The equity ratio has remained stable at around 60% in recent years. We will continue to increase equity, mainly from profits generated from our businesses, and further stabilize the Group's management foundation.

Dividend per Share, DOE



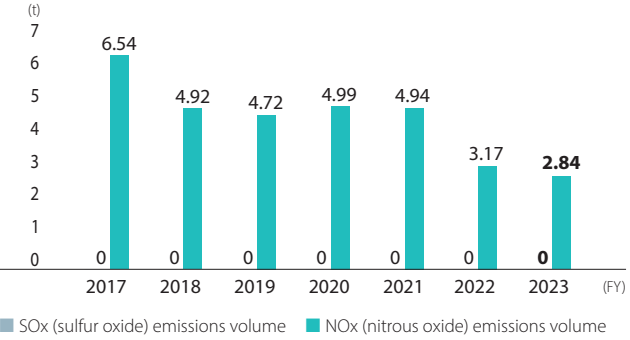
We will consider earnings trends, future business expansion, unforeseen risks and other factors and pay a stable, sustainable and appropriate return to shareholders while being particularly aware of the Dividend on Equity Ratio (DOE).

Percentage of female employees, Percentage of female managers



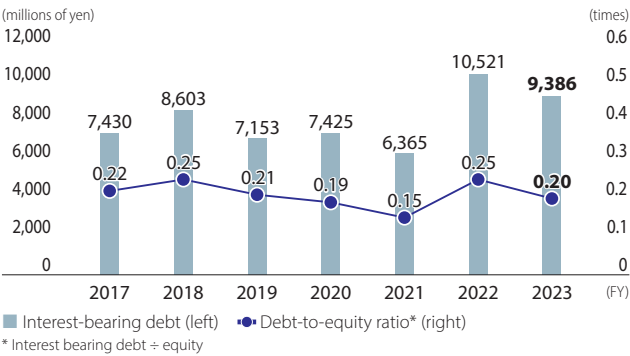
The Hodogaya Chemical Group promotes the active participation of women as one of the Group's key measures. We have achieved the target of 10% or more for female managers since FY2018, and we aim to increase this to 13% or more by FY2025. We are implementing various measures to increase the percentage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

SO_x emissions, NO_x emissions (Japan)



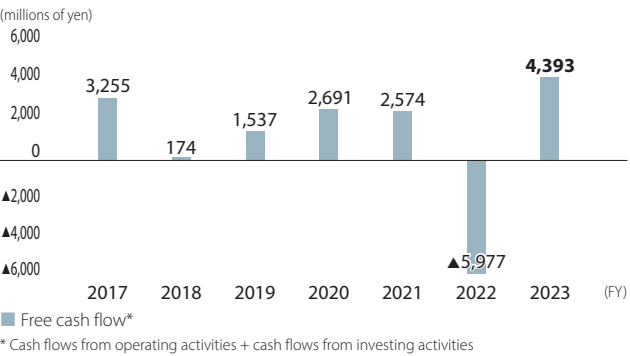
The Hodogaya Chemical Group has promoted the use of city gas as a fuel source for the Group's factories. The Group has continued to maintain zero SO_x emissions since FY2012, having completed the switchover in FY2011. We also implement measures to limit NO_x emissions into the atmosphere.

Interest-bearing Debt, Debt-to-equity ratio



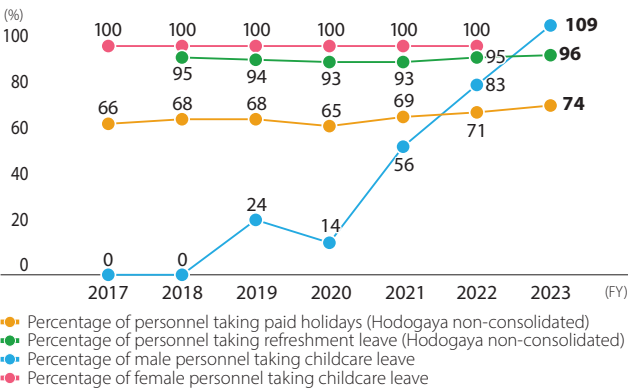
In FY2023, the D/E ratio was 0.20 times. We will maintain our financial health while balancing that with investments for growth.

Free cash flow



Since FY2022, we have invested in strategic businesses, and there was an increase in FY2023 free cash flow. We will continue to conduct operating and investing activities in a balanced manner and prepare for future growth.

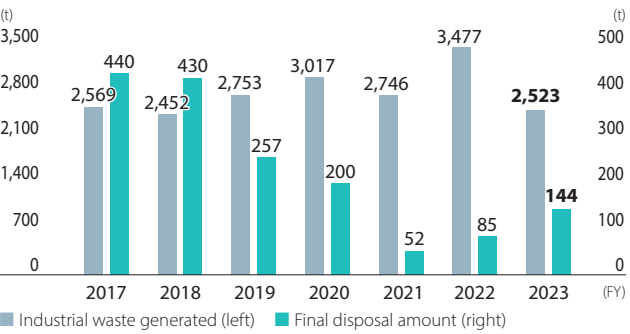
Percentage of personnel taking paid holidays, refreshment leave, and childcare leave



In addition to maintaining a percentage of personnel taking paid holidays in excess of 60% for the past six years, the Hodogaya Chemical Group has put in place a system of refreshment leave, which can be taken for five consecutive business days, since FY2018, so that personnel can physically and psychologically refresh themselves. Moreover, we have conducted internal awareness-raising activities to increase the percentage of male personnel taking childcare leave. The percentage of male personnel taking childcare leave was 109% in FY2023.

* Percentage of personnel taking childcare leave (women) does not include those eligible in FY2023

Industrial waste generated, Final disposal amount (Japan)



The Hodogaya Chemical Group has set a target of generating less industrial waste than the previous fiscal year as a KPI in its Mid-term Management Plan. The total amount of waste generated fell 27% but final disposal rose 69% in FY2023, compared to the previous fiscal year. Notwithstanding the impact of certain factors, including differences in the composition of items produced, we take this increase in final disposal very seriously and will strengthen efforts to reduce industrial waste.

R&D and Intellectual Property Strategy

Message from executive officer in charge of R&D



We will develop new products for the following five fields targeted in the business strategy roadmap: Electronics & Information, Mobility, Environment & Energy, Life Science, and Agricultural & Food. Through the Mid-term Management Plan SPEED 25/30, we will move forward with research and development with flexible thinking while envisioning society in 2050 and ascertaining what 2030 will be like as we move toward 2050. The concrete business fields that we will focus on are advanced organic solar cell material for cutting-edge electronic device materials, organic solar cell materials, near-infrared absorption colorants, environmentally friendly dyes and polyols, bio-medical materials, and environmentally aware agricultural materials.

Norimasa Yokoyama Managing Executive Officer

R&D Strategy Basic Policy

We have formulated the 10-year scenario ideal figure FY2030 and target figure FY2025, the mid-point for that. Through FY2025, the midpoint of the plan, we will implement key measures related to such items as OLEDs and maintain or expand our current business fields. In addition, we will move forward with our search in applied fields. To achieve that, we will quickly identify social needs that are growing extremely diverse and promote research and development that can immediately meet 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

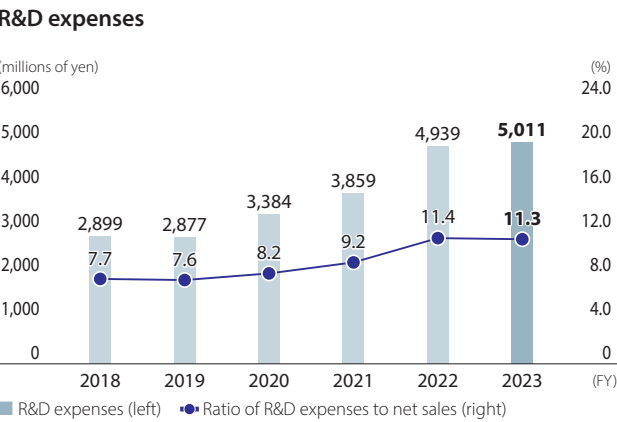
Related Materiality

• Responding to climate change

• Ensuring the safety of products and chemical substances

• Improving value and reliability of products

focus on specialty products. We will encourage innovation by creating specialty products to help achieve SDG goal 9 (Industry, Innovation and Infrastructure).



Basic Strategies in SPEED 25/30

Further development of strategic products while fostering new ideas

Strengthen our R&D structure

• New business creation and growth for functional colorants

• Take new research projects into—and beyond—the development stage

• 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

By applying the technology we have accumulated over the past 100 years, we aim to continue expanding and developing our strategic products under our Mid-term Management Plan SPEED 25/30.

In the fields of Electronics & Information, Mobility, Environment & Energy, Life Sciences, and Agricultural & Food, centered on the New Product Exploration Project, we will also conduct research and investigations to establish R&D strategies based on a long-term perspective. The goal is to create new businesses for the next generation, put in place a system in which R&D, production, and sales functions make a three-pronged effort to respond speedily to the needs of customers. In addition to reinforcing research on OLEDs and their application in the field of Electronics and Information, we also

aim to expand the biotechnology field, primarily through the Korean group company SFC in Life Sciences.

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.

The Development Department of each plant and the Korea-based Group companies SFC and HODOGAYA CHEMICAL KOREA are working together to promote research and development and to quickly respond to customer desires through activities more closely tied to customers, and these activities are centered on the Tsukuba Research Laboratory (Japan).

Initiatives Related to Perovskite Solar Cells

An example of our initiatives related to building next-generation basic technologies and creating new businesses is our research and development of perovskite solar cells.

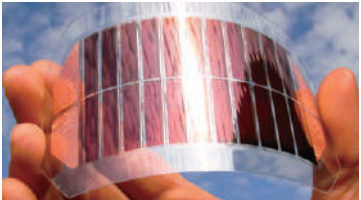
Unlike traditional inorganic silicon solar cells, perovskite solar cells, which use organic compounds, are light, flexible, and inexpensive, and are expected to meet strong social demand as a way to promote a green transformation (GX).

The development of higher performance materials is

necessary for the use of perovskite solar cells to spread. Applying not only advanced organic synthesis technology obtained through many years of R&D related to colorants but also technology and know-how accumulated with imaging materials and OLED materials, we research and develop solar cell materials to meet those needs.

We are also integrating and reinforcing knowledge and technology through not only our own work but also joint research with Toin University of Yokohama Professor Tsutomu Miyasaka, a leading researcher in the field of perovskite solar cells.

Through this R&D, we aim to achieve the envisioned 2050 society and become a corporation that contributes to establishing a sustainable society.



Intellectual Property Strategy Promoting an Intellectual Property Strategy

Keeping in mind our future business portfolio, we are moving forward with quickly filing patents and securing intellectual property rights related to the results of our research and development. Having focused on improving the quality of our patents through the use of patent map and IP education based on information searches and patent analysis, we were ranked 30th for patent value growth in the Nikkei Business's 2023

Intellectual Property Management Ranking. In particular, for IP education, we hold courses for all frontline researchers using the Company's own experiences as case studies based on the principle that it is important to conduct research and development with an eye toward securing rights. We continue to aim to secure firm intellectual property rights both in Japan and overseas in order to respond to our global business expansion.

VOICE

Searching for the bud of new businesses

With New Product Exploration Projects, we conduct research to find the buds of next-generation research themes that can become one of our new businesses in the future. We are also moving forward with research in various fields by periodically confirming the position of search themes being worked on in terms of business and technical feasibility, etc., and replacing those themes when appropriate.

Starting this fiscal year, perovskite solar cell material was selected as a research theme, and we have moved to the fundamental research and development stage. I am extremely happy that the research I am responsible for has been selected as a theme and feel satisfaction that I can contribute to the research that will lead to new business for the Company.

With this New Product Exploration Project, the focus is on research of near-infrared absorption colorants, and I hope that we all unite to tackle the issue so that it leads to a business as quickly as possible.

(Y. S., New Product Exploration Project)

Relevant 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/index-e.html>



Global Expansion of the Hodogaya Chemical Group

Message from executive officer in charge of business



I consider the combination of our strengths, systems, and partners, whether in Japan or overseas, in response to needs as a single element to expand the business, and particularly for global expansion, an important point is creating business models and capturing partners locally.

Through our in-house and external global network, we will move forward with implementing the Mid-Term Management Plan SPEED 25/30 by creating attractive business models and capturing promising partners for each region's needs after taking into full consideration such factors as marketability, future possibility, and profitability.

Takeshi Nakano Managing Executive Officer

State of initiatives

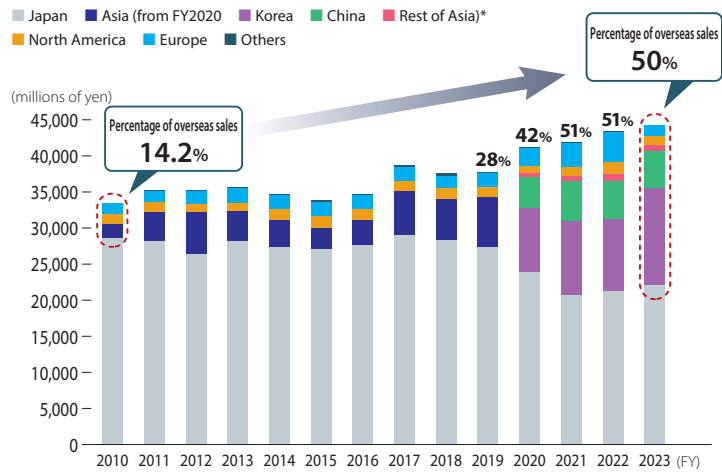
Hodogaya Chemical Group is enhancing its overseas presence to meet the diverse needs of our global customers. We have established local subsidiaries in our key markets, including North America, Europe, and China. Additionally, with the expanding applications of OLED materials, our group company in South Korea is experiencing growth in business scale, resulting in an overseas sales ratio of 50% for the Hodogaya Chemical Group.

As a result of growing exports from Japan and working on expanding our overseas network, our overseas sales of imaging materials, such as charge control agents for toners, aluminum coloring dyes for mobile devices, and OLED materials for displays have increased steadily. Also, sales of materials for PCR diagnostic kits, developed independently by Korea-based SFC as an application technology for OLED materials, have grown

dramatically since FY2020 because of the COVID-19 pandemic. In November 2023, we constructed the new BioPark, which boasts both R&D and production facilities, in Korea in order to further expand the bio business. In these ways we are working to manufacture products in the field of nucleic acid medicine, next generation pharmaceuticals, in addition to diagnostic oligo products. For the specialty polymers business, we are also moving forward with a partnership with a large European chemical company to expand sales of urethane materials and phosgene derivatives based on plant-derived raw materials out of consideration of the environment.

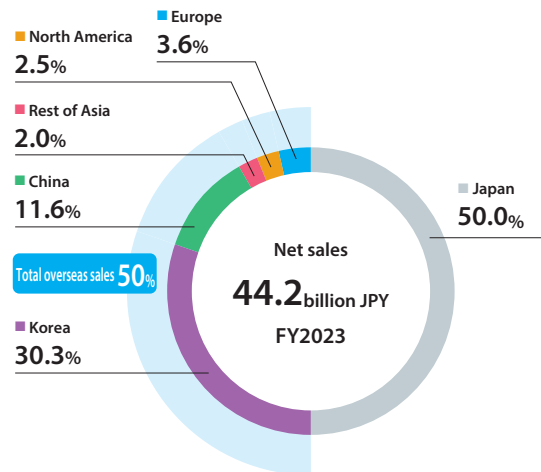
The Group will meet customer needs in Japan and overseas by constantly providing high-quality products and services, taking advantage of its unique technological capabilities and global networks in all fields.

Trends in the Hodogaya Chemical Group's net sales by region



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

Net sales composition by region of the Hodogaya Chemical Group



Related Group company: **REXCEL CO., LTD.**
Description of business: Manufacturing and sales of OLED materials and electronic materials


Location: 51 Megapolliseu-ro, Daesowon-myeon, Chungju-si, Chungcheongbuk-do, Korea 27461
Webpage: <https://www.hodogaya.co.jp/english/company/group/#grp13>



Business Overview of the Hodogaya Chemical Group

Functional Colorants Segment

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



Three Strengths

- 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

Description of Business

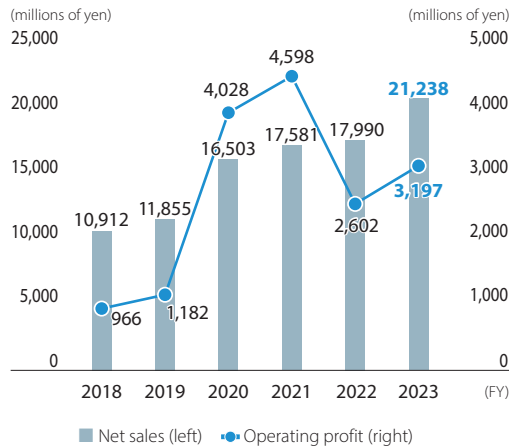
- OLED Materials**
Demand for OLED materials is growing because of their use in displays for smartphones, tablets and smartwatches, and they are also expected to be introduced for TVs and automotive applications. The materials for PCR diagnostic kits have been rated highly, including reporter, quencher 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.)
- Natural food dyes**
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. Natural dyes are also used for coloring mainly home appliances, expanding its environmentally friendly applications.

Progress of the Mid-term Management Plan

For the OLED materials business, sales are growing for various reasons, including broader use of OLED displays and the adoption of our materials in new display models. Further growth in this field is expected due to their broader use, such as for tablets, and we will continue to strengthen research and development because of demands for high performance and low costs as development-related competition with rival companies grows fiercer.

In the colorants materials business, there is both firm overseas demand for textile dyes and strong demand for aluminum coloring dyes. We aim to grow sales through various initiatives, including developing environment-friendly products.

Net sales / Operating profit



Related Group company: **SFC CO., LTD.**
Description of business: Manufacturing and sales of OLED materials and bio materials

Location: 89, Gwahaksaneop 5-ro, Ochang-eup, Cheongwon-gu Cheongju-si, Chungcheongbuk-do, Korea 28122
Webpage: https://sfc-dye.com/?page_id=18997



Business Overview of the Hodogaya Chemical Group



Specialty Polymers Segment

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



Three Strengths

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

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

Environmentally friendly waterproofing materials free of specified chemical substances

Polymer materials, pharmaceutical intermediates and specialty fiber materials leading global market share

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 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.

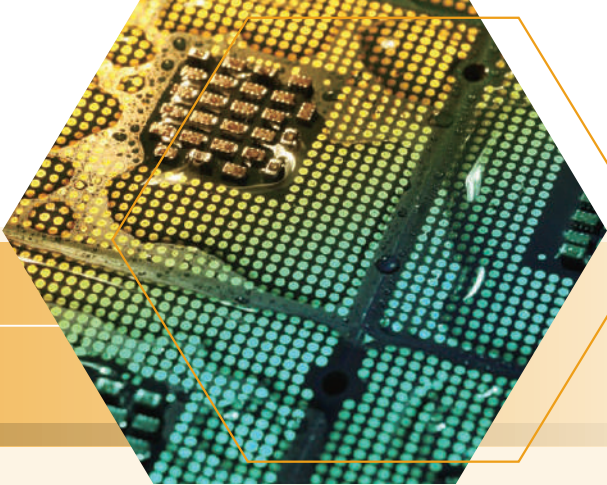
• Specialty chemicals

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.



Basic Chemicals Segment

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



Three Strengths

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

Experience and knowledge on hydrogen peroxide production accumulated over 50 years

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

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

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.

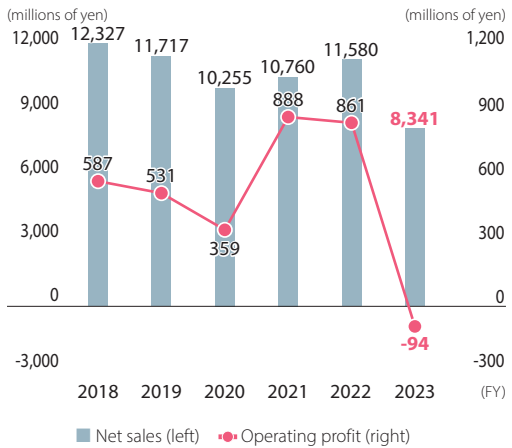
Progress of the Mid-term Management Plan

For the functional polymers business, sales declined as a result of the discontinuation of some products, urethane material inventory adjustments by overseas customers, and similar developments, but we aim to increase sales of bio-based products and similar products.

The specialty chemicals business saw continuing weak demand related to products for both pharmaceuticals and release agents, but we aim to grow sales by reinforcing some facilities and newly installing prototype manufacturing equipment.

Turning to the construction material business, overall sales, particularly of materials, are firm, and we aim to increase sales of such products as next-generation waterproofing materials.

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-cp.com> (Japanese only)

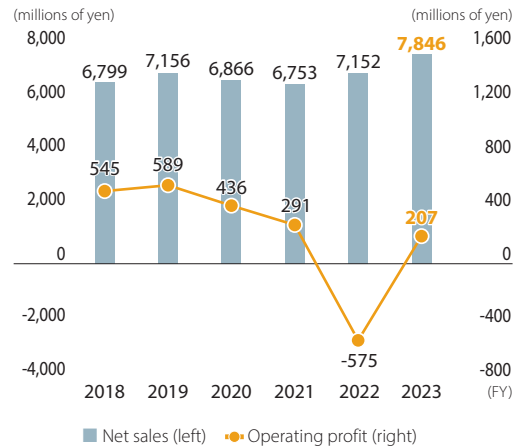


Progress of the Mid-term Management Plan

Sales of hydrogen peroxide were little changed from the previous fiscal year because we passed on cost increases even though demand for some products fell. For sodium percarbonate, sales rose dramatically as a result of not only price pass through but also a recovery in demand and new customers.

Although the impact of higher raw material and fuel prices will likely persist, we aim to improve business earnings by promoting various cost cuts and to capture customers for and expand sales of peracetic acid for food additives, which is expected to be a new market for the products.

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/> (Japanese only)



Business Overview of the Hodogaya Chemical Group

Agro-Science Segment

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



Three Strengths

Ability to develop attractive products based on our formulation techniques

Herbicides for home gardening leading market share in Japan

Strength to constantly propose new products to the market

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

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.
- 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.
- 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.

Logistics Segment

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



Three Strengths

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

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

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

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

Description of Business

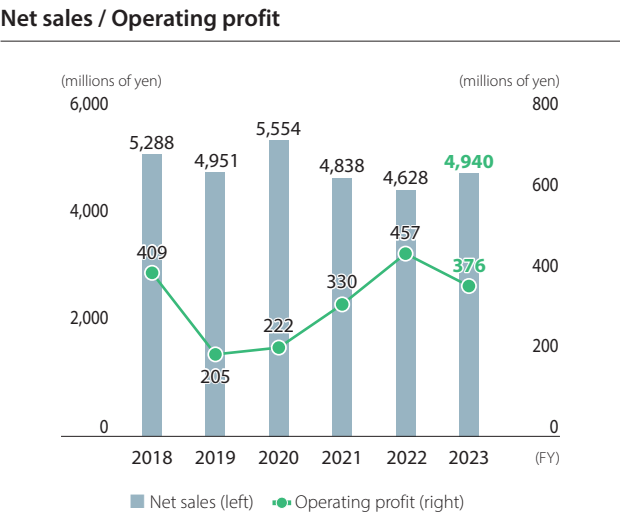
- The logistics business of the Hodogaya Chemical Group has been handling hazardous substances and chemicals for over a century. Drawing on this extensive expertise, it offers services highly regarded by customers in various fields beyond the chemical industry.
- In October 2021, the Nanyo Branch launched a business involving the storage and heating business handling ISO tank containers for hazardous and toxic materials, which is unique in Japan.
- 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.

Progress of the Mid-term Management Plan

Demand for herbicides for home gardening and herbicides for golf course were firm.

In the field spanning the Basic Chemicals and Agro-Science segment, we will jointly develop new composite agricultural materials that incorporate oxygen supply materials that use hydrogen peroxide from Hodogaya Chemical and compost from Asahi Agria Co., Ltd., and will be looking into commercialization going forward as an important measure for new business areas: environmentally friendly agricultural materials.

To maintain or increase business earnings, we will work to introduce attractive products such as peroxide agricultural materials, which could entail partnering with other companies.



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: +81-3-6852-0500 (Main switchboard)
Webpage: <http://www.hodogaya-upl.com/> (Japanese only)



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/> (Japanese only)



Progress of the Mid-term Management Plan

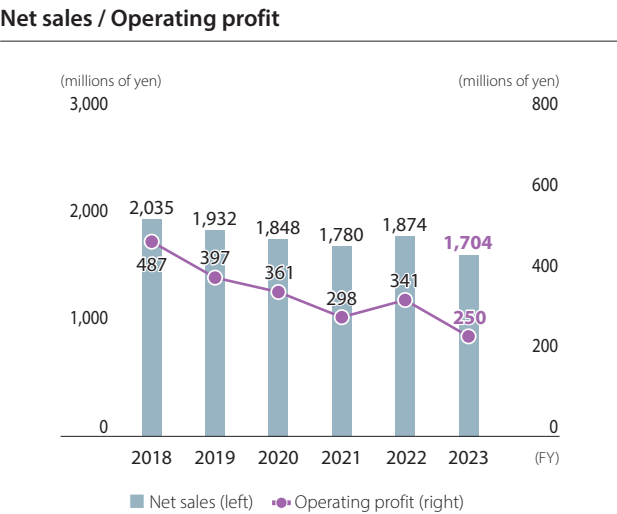
Sales declined due to stagnant exports as a result of weakening economies overseas, including China.

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 also working to acquire more customers.



Warehouse

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/> (Japanese only)



Environmentally Friendly Products and Technologies that Contribute to a Sustainable Future

Natural food dyes

“Natural food dyes” are products made from naturally occurring materials, with consideration for human safety and the environment. Food colorants add color to foods, enriching our dietary lives. Additionally, some products have obtained “Halal certification,” meeting the expectations of customers in Islamic regions. Furthermore, we are advancing the expansion into industrial applications, not limited to food uses.



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. With a proven track record of over 10 years, 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. In addition, we are developing a special grade of plant-derived products.

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.

In addition, in April 2024, we obtained RSPO certification*.

*RSPO: Roundtable on Sustainable Palm Oil



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.



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 materials (Agricultural materials)

In recent years, extreme weather conditions, including torrential rains and typhoons have become more frequent with each passing year. In addition to the direct damage that these events cause to farmland, crop yield are also affected due to moisture damage. As an application of hydrogen peroxide derivatives in the agricultural field, we provide customers with oxygen supply materials that promote healthy growth by supplying oxygen to soil harmed by bad weather and other factors, thereby improving the growing environment for crops as a countermeasure against moisture damage. These are also environmentally friendly products that do not contaminate farm land.



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- to long-term in line with the PURPOSE (Management Philosophy) and VISION (Target Corporate Image).

Sustainability policy

The Hodogaya Chemical Group has formulated the Sustainability Policy as a comprehensive policy on issues surrounding sustainability. This policy outlines our basic approach as well as related policies to each issue.

As a chemical company, we declared our commitment to engaging in responsible care (RC) in 1997 and have been actively and continuously working to protect and improve the global environment. At the same time, the Group has also been addressing with considerable resolve such issues as risk management for natural disasters, etc., the establishment of fair and proper supply chains, human resources management that enhances job satisfaction, and respect for human rights through the established policies and regulations.

Philosophy Structure

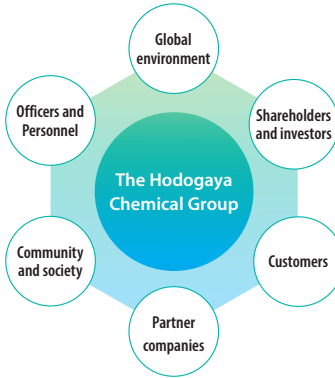


Sustainability Promotion Structure

As an organization working on sustainability-related issues, we view sustainability as an overarching concept that encompasses CSR, ESG, and the SDGs. Therefore, we established the Sustainability Development Committee. In addition to the RC & QM Subcommittee, which deliberates on such issues as the environment, safety, and quality assurance, the Sustainability Development Committee established the Global Environment Subcommittee and the TCFD Subcommittee to address specific issues. Details of Committee agenda items are regularly reported to and deliberated by the Board of Directors and the Management Committee for approval.

Collaborative Value Creation with Stakeholders

In addition to its shareholders, investors, customers, partner companies, personnel, local communities and society, the Hodogaya Chemical Group considers the global environment as one of its stakeholders. We are engaging in a variety of initiatives to promote collaborative creation of value with all stakeholders, which we recognize is indispensable for corporate activities based on our management philosophy as well as contributions to the resolution of social issues.



The Hodogaya Chemical Group’s Stakeholders

Stakeholder	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.
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.
Officers and 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 motivation to work and enjoying a comfortable work environment) for all officers and personnel.

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 fulfill 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 Companywide 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 and 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. We have classified the risks projected from a long-term

perspective, looking ahead to 2030, into TCFD risk categories, are proceeding with climate scenario analysis, and from the results of our analysis, we are promoting new initiatives and opportunities for transition risks and physical risks.

Scenario Analysis

Risks and Opportunities		Risks	Opportunities	Measures	Impact on business
Transitional risk 1.5°C scenario	Policy/Regulation	• Strengthening energy-related laws and regulations	○	• 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	• Strengthening environment management	○	Strengthen the internal structure by leveraging the knowledge gained thus far	Increased cost burden for maintenance and improvement of management system
	Market	• Creation of new technologies for environmental friendliness	○	• 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	• Eco-friendly market formation	○	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	• Stakeholders making environment as important matters	○	Enhancing dialogue with local communities, personnel, and shareholders and securing a system	—
	Acute	• Rise in average temperature	○	Labor saving and automation of manufacturing equipment	[Risks and Opportunities] Response to market changes, especially in the agrochemicals business
		• Increase in earthquakes, typhoons, and floods	○	Promote multiple purchases, strengthen BCP	Shutting down of factories and inability to procure raw materials

Major business opportunities in transition

Segment	Opportunities
Functional Colorants Segment	• 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	• PTG (urethane materials) Promoting green chemistry through biotechnology
Basic Chemicals Segment	• Hydrogen Expanding business opportunities due to the advent of the hydrogen society
Agro-Science Segment	• Hydrogen peroxide and derivatives Expanding applications to the field of agricultural materials

Targets and Indicators

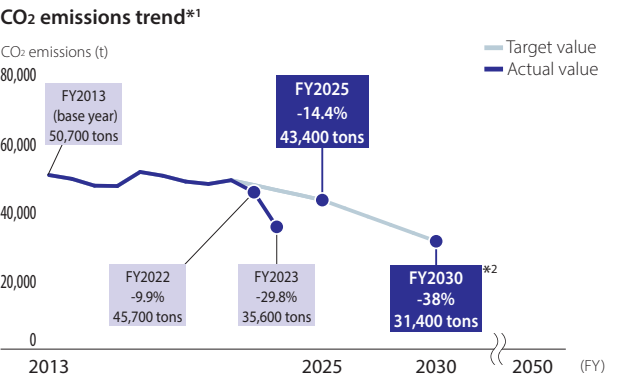
The Hodogaya Chemical Group has set the following non-financial targets (climate change-related) in its Medium-term Management Plan SPEED 25/30:

- Reduction of carbon dioxide emissions (achieve FY2025 target)
- Reduction of energy intensity (achieve FY2025 target)
- Reduction of industrial waste volumes (achieve less than the previous fiscal year's generation)

These are being discussed by the Global Environment Subcommittee, debated in the Sustainability Development Committee, and progress is confirmed by the Board of Directors and Management Committee.

Responding to Climate Change

Most of the greenhouse gases (GHG) emitted by Hodogaya Chemical are carbon dioxide*1. The GHG emissions for FY2023 are 35,600 t-CO₂ (Scope 1*2 + Scope 2*3). In anticipation of increased production volumes in the future, we will address climate change from both mitigation and adaptation perspectives with a long-term view towards FY2030.



*1 Non-energy-originated CO₂ emissions are not included
*2 Reduction targets for FY2030 are based on government-announced reduction targets by industry.

Roadmap for Reducing CO2 Emissions

		2030 Toward achieving future goals	2050 Development of hydrogen society and challenge to carbon neutrality
Promotion of technological innovation	Process	• Efforts to save energy — Promotion of high efficiency through process improvement — Promotion of waste heat recovery (heat pump)	• Study of hydrogen plant CO ₂ recovery and use • External procurement of green hydrogen
Emissions from own production activities (Scope 1)	Steam boiler	• Efforts to save energy — Active use of waste heat	• Improvement of electrification rate of heat source • 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	• Efforts to create energy — Introduction of renewable energy • Efforts to save energy — Promotion of high efficiency • Gradual switch to CO ₂ -free power sources using renewable energy	
Utilizing the ICP system	—	• 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	
Daily improvement through energy saving	—		

Details on TCFD can be found on our website.
<https://www.hodogaya.co.jp/english/csr/eco/tcfd/>

Non-financial Targets

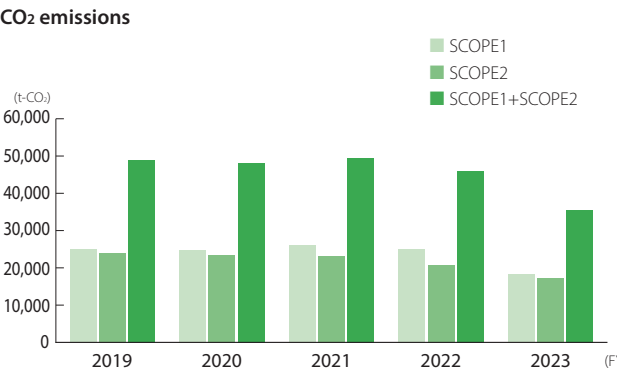
	FY2022 results	FY2023 results	FY2025 management targets
CO ₂ emissions (CO ₂ emission intensity)	45,700 t-CO ₂ (1.055 tons/net sales million JPY)	35,600 t-CO ₂ (0.805t tons/net sales million JPY)	43,400 t-CO ₂ (0.868 tons/net sales million JPY)
Reduction of energy intensity	0.636 kl/net sales million JPY	0.495 kl/net sales million JPY	0.606 kl/net sales million JPY
Reduction of industrial waste volumes	3,477t	2,523t	Less than the amount generated in the previous year

* The CO₂ emission intensity and energy intensity for FY2023 are affected by changes in product composition

To promote the reduction of carbon dioxide emissions, we have also started implementing ICP (Internal Carbon Pricing), which assigns a price to carbon emissions, from FY2022.

We have established a system that can support investment as a response to climate change towards a low-carbon society.

*1 Non-energy-originated CO₂ emissions are not included
*2 Scope 1: Direct emissions
*3 Scope 2: Energy-originated indirect emissions



Responsible Care (RC)

Related Materiality

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

Message from the Executive Officer in charge of Production



The Hodogaya Chemical Group is engaged in all aspects of environmental conservation, security and disaster prevention, workplace safety and health, chemical and product safety, quality assurance, logistics safety, and dialogue with society under the basic philosophy to “ensuring environmental conservation, health and safety, and product quality is fundamental to corporate management and the basis for all business activities.”

In an era where the focus on “environment, safety, and health” is increasingly important, with greater attention paid to global environmental issues and self-directed chemical substance management, we are required to take responsible voluntary actions more than ever before. Against this background, the Hodogaya Chemical Group incorporates the Responsible Care philosophy and basic policies into specific action plans, voluntarily ensures “environment, safety, and health” throughout all processes from the development of chemical substances to manufacturing, logistics, use, final consumption, and disposal, publishes the results of activities, and actively engages in activities to conduct dialogue and communication with society.

Kaoru Kasahara Director and Senior Managing Executive Officer

Environment Basic approach

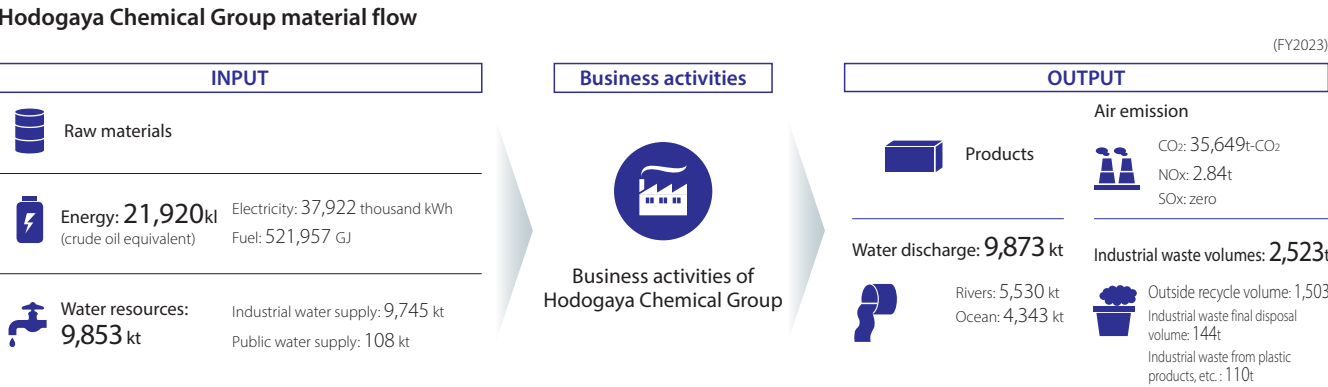
In protecting the environment, the Hodogaya Chemical Group continuously reduces the emission volumes of all chemical substances released into the air, water, and soil, and the volume of waste discharged in the course of its business operations. As its implementation structure, under the Basic Philosophy of Responsible Care (RC) the Group obtained integrated certification for the ISO 14001 environmental management system covering all Hodogaya Chemical offices and Group company offices located in Japan.

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	2001.12.25

Details of environmental data from the past 10 years can be found on our website.

https://www.hodogaya.co.jp/english/csr/eco/environmental_data/



Initiatives to Reduce Greenhouse Gas (GHG) Emissions

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 Mid-term Management Plan.

Most of the GHG emitted by Hodogaya Chemical is CO₂*¹. The GHG emissions for FY2023 are 35,649 t-CO₂ (Scope 1*² + Scope 2*³). We will continue to work on reducing emissions through the

introduction of energy-saving equipment and switching to renewable energy sources based on long-term decarbonization investments to reduce energy intensity. Regarding Scope 3*⁴, we are currently at the stage of gathering information on other companies’ initiatives.

We will continue to grasp our GHG emissions for each Scope, analyze the results, formulate reduction plans, and strive to reduce GHG emissions according to the plans.

*1 Non-energy-originated CO₂ emissions are not included
*2 Scope 1: Direct emissions
*3 Scope 2: Energy-originated indirect emissions
*4 Scope 3: Other indirect emissions, classified into 15 categories

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

Details on PRTR can be found on our website.
https://www.hodogaya.co.jp/english/csr/eco/environmental_data/#a21

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. Taking into consideration the global environment and each of its stakeholders, the Hodogaya Chemical Group strives to lessen the environmental burden accompanying its business activities.

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

Hodogaya Chemical considers the securing of high-quality water resources and the prevention of water pollution from wastewater important for business continuity. 99% of the industrial water used by Hodogaya Chemical is procured from rivers and streams and only a small amount of public water (tap water) is used as drinking water. Furthermore, the Company does not use water from other sources, such as groundwater, which could cause land subsidence, or seawater.

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 thoroughly manage wastewater treatment facilities and work to reduce the environmental impact risks to oceans and rivers where wastewater is discharged.

Environmental accounting initiatives

Of the major expenditures related to environmental conservation in FY2023, the largest expense was resource circulation cost, which amounted to 138 million JPY.

Environmental Accounting Data 2024 P.61

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 with the previous fiscal year, with initiatives underway. The total emissions and final disposal volume for FY2023 decreased by 27% and increased by 69% respectively compared to the previous fiscal year. While there are influences from differences in production item composition, we take seriously the fact that the final disposal volume has increased and will strengthen our efforts to reduce industrial waste.

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. From the perspective of environmental conservation, we will ascertain the actual status of chemical substance emissions and transfers as waste, while continuing to strive to work to reduce the amounts of such substances released and transferred.

Air Emission 20.18t

Water Bodies 1.06t*

Land 0.00t

Landfills 0.00t

Sewage 0.00t

Off-site 111.56t

* Of which 1.06 tons have been sent to the adjacent wastewater treatment facility and released into the public water bodies after being treated.

VOICE

Initiatives for CO₂ Reduction

In recent years, global warming has become a serious issue. As economic activities develop, CO₂ emissions increase, and consequently, the global average temperature rises. As a result, extreme weather events such as concentrated heavy rainfall and high temperatures are occurring worldwide, causing serious impacts.

In light of this situation, the Yokohama Plant has been working on CO₂ reduction by switching to CO₂-free electricity for power trading since April 2022. We are also working on reducing power consumption by replacing mercury lamps and fluorescent lights with LEDs. In our current efforts, we are also responding to external requests for power savings.

While the plant implements various initiatives for “environmentally friendly manufacturing,” I believe the most important thing is for each employee working at the plant to act with awareness. In the future, we would like to continue working on reducing environmental impact throughout the entire plant.

(T.S., Manufacturing Department, Yokohama Plant)

Responsible Care (RC)

Related Materiality

● Improving product value and reliability

● Promoting health and productivity management and workplace safety and health

● Ensuring product and chemical safety

For more information on workplace safety and health and security and disaster prevention, please visit our website
https://www.hodogaya.co.jp/english/csr/eco/safety_health_logistics/

For more information on chemical and product safety, please visit our website
https://www.hodogaya.co.jp/english/csr/eco/chemical_product_safety/

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.

In FY2023, as a result of continuing to strengthen initiatives for each measure, the Hodogaya Chemical Group and subcontracting companies achieved zero lost-time injuries.



Initiatives for Disaster Prevention

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. The Disaster Prevention Rules stipulate that education and training be carried out on a regular basis in preparation for an accident or other emergency. In addition to conducting disaster drills, fire extinguisher training, emergency lifesaving drills jointly with fire departments and other first responders, we are striving to instill an awareness of safety and disaster prevention among all personnel and enhance their ability to sense danger.

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 internal audits 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.

Personnel from plants are active participants in competitions in which teams pit their firefighting and disaster prevention skills against teams from other plants located in the same area.

Occurrence of Lost-time Injuries

	Hodogaya Chemical Group			Subcontracting companies		
FY occurred	2021	2022	2023	2021	2022	2023
Number of accidents / incidents	0	0	0	0	0	0
Number of work-related fatalities and injuries	0	0	0	0	0	0
Frequency rate	0.00	0.00	0.00	0.00	0.00	0.00
Severity rate	0.00	0.00	0.00	0.00	0.00	0.00

Frequency rate = Number of work-related fatalities and injuries / Total work hours x 1,000,000
Severity rate = Total number of working days lost / Total work hours x 1,000

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.



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 in each process, 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, the Hodogaya Chemical Group manages chemical substances in all phases, from development, raw materials procurement, manufacturing, and use to disposal.

To the controlled chemical substances designated under national laws and regulations have been added those requested under customers' RoHS and REACH directive as well as green procurement policies.

The substances are categorized into three groups: prohibited substances, the manufacture, import and use of which are prohibited in principle under domestic law; release-restricted substances, on which domestic laws require that restrictions be placed on their release into the environment or that their environmental impact be reduced; and controlled substances in products, those that customers have requested either not be present in products or that the amounts contained be controlled. Having been made into a database, this system provides integrated management of information on all products, raw materials, and chemical substances handled by the Hodogaya Chemical Group.

We also ensure that information is provided to our customers in a standardized format, including confirmation of legal compliances with national and foreign laws and regulations, the automated production of safety data sheets (SDSs) and product labels in multiple languages as well as the compiling of safety information on the chemicals contained in our products.

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 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.

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. The substances to be subjected to risk assessments are divided into two categories—the risk assessment of operations and the risk assessment of handling chemical substances—to enable the clearer identification of risks and more precise measures to be taken. In addition, based on the recent revision of the Industrial Safety and Health Act, we are working to strengthen our self-directed "chemical substance management system," "information transmission," and "risk assessment" to prevent workplace accidents caused by chemical substances.

VOICE



Turning training into opportunities to imagine and consider potential dangers

We must, above all, keep in mind that errors in production sites can lead to irreversible situations. Precisely because we cannot experience failures, opportunities to imagine and consider through KYT and PYT are important. As a technical staff member, I approach manufacturing department training with a focus on chemical perspectives. I believe that sharing opinions from various viewpoints within each person's position and role leads to a more multifaceted understanding of potential dangers, enhancing safety awareness and sensitivity, and leading to actions that protect our colleagues.

While no two situations in daily life are exactly the same, such training leads to timely communication and caution in our daily activities. Expanding the circle of safety culture, I want to contribute to stakeholders as a chemical manufacturer with a higher safety awareness, always keeping in mind that "safety is the foundation of production activities."

(S.M., Manufacturing Department, Koriyama Plant)

Responsible Care (RC)

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 practices quality assurance activities in accordance with the "RC Basic Philosophy" and "RC Basic Policy."

By carefully grasping facts, judging from facts, and acting based on facts, we can thoroughly implement a quality-focused mindset and provide high-function, high-value-added products and services that meet our customers' trust and satisfaction.

To guarantee customer satisfaction with quality, we have divided quality assurance activities related to products handled by the Hodogaya Chemical Group into four systems by purpose, covering all stages from planning, research and development, production, to sales. We engage in quality assurance activities through necessary reviews, audits, and management systems appropriate for each system, such as creating annual plans aimed at improvement and reporting and discussing results in the RC and QM subcommittees. We are working to raise employees' compliance awareness regarding quality through planned and continuous quality education.

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.

- 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



FY2023 All Company QC Presentation Meeting

Quality Day

November has traditionally been Quality Improvement Month at Hodogaya Chemical, and the Company has generally designated the third Friday of November as Quality Day since 2020 so as to further improve quality management. This was triggered by the organizational restructuring in October 2018, where the Quality Assurance Department was separated from the Environment and Safety & Quality Assurance Department to establish a new department responsible for quality assurance activities, based on the Hodogaya Chemical Group's belief that "quality is the source of trust" and to improve quality management functions and clarify their roles and responsibilities. Quality Day is an activity where all officers and employees of the Hodogaya Chemical Group gather to recite the Quality Pledge, share recognition of quality maintenance, improvement, and compliance, and lead to customer satisfaction.

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 have acquired ISO 9001 certification, the international standard for quality management systems. 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 expanded the scope of certification to include domestic affiliated companies. Our group company, SFC in Korea, has also obtained ISO certification. When renewing the Hodogaya Chemical Group's integrated certification in 2019, we expanded the certification scope to include HODOGAYA CHEMICAL KOREA, our overseas research base, which also obtained ISO certification.

Also, to effectively operate the quality management system, we recognize increasing the number of internal auditors and improving their competence as challenges, and are conducting ISO internal auditor education with external lecturers in addition to in-house education.

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



Procurement Activities Basic approach

The Hodogaya Chemical Group specifies its commitment to the realization of a fair and appropriate supply chain in the Sustainability Policy, and implements the activities of procurement based on the Compliance Action Policy and the Procurement Policy. We have a fair deal with all partner companies in good faith when purchasing raw materials, products/consigned products, and facilities/equipment. We regard them as our good business partners in jointly addressing social issues.

Procurement policies

The Hodogaya Chemical Group has established the Procurement Policy and Procurement Guidelines. In addition to having a fair deal in good faith, the concept of sustainable procurement, that is, giving consideration to the environment while deepening mutual communication was incorporated into the Procurement Policy. The Hodogaya Chemical Group conducts procurement in line with this policy

In the basic purchasing contract concluded when doing business with the Hodogaya Chemical Group, there is a clause that covers compliance with the Procurement Guidelines. By having them comply with the terms of these guidelines, we work with our partner companies to conform with environmental, social, and governance needs, such as reducing the environmental impacts from raw material quality and the management and manufacture of chemical substances as well as respecting human rights throughout the supply chain, health and safety management, and ethics. Thus, the Hodogaya Chemical Group promotes compliance together with its partner companies.

- Procurement Policy
- 1. Compliance with Laws and Regulations and Social Norms
 - 2. Implementation of Environmentally Conscious Procurement Activities
 - 3. Provision of Fair Transaction Opportunities
 - 4. Deepening of Communications with Supply Chain

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



Promotion of Sustainable Procurement

When procuring raw materials, facilities and equipment as well as other items, we endeavor to establish robust supply chains. From a global perspective, we search for financially sound partner companies that are capable of continuous transactions, including respect for human rights and compliance with society's ESG requirements. In particular, we work to secure multiple suppliers for each raw material and to diversify the countries from which we procure.

For those business partner companies whose purchasing transactions exceed a certain amount, we regularly use a Procurement Guidelines Implementation Status Survey Sheet to confirm whether the compliance items listed in the Procurement Guidelines are being properly implemented. In parallel with confirmation by means of the survey sheet, we also conduct visiting audits of business partner companies and work to deepen mutual understanding and establish relationships of trust with them while conducting improvement activities.

The personnel of the Purchasing Department are provided with the training necessary to put sustainable procurement activities into practice.

In April 2024, we obtained RSPO certification and are working on the procurement of sustainable palm oil.

The Hodogaya Chemical Group is also striving for responsible mineral resource procurement. We do not handle conflict minerals that are sources of funding for human rights violations or armed groups.

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



VOICE



Towards realizing a sustainable supply chain

In 2024, Hodogaya Chemical obtained RSPO (Roundtable on Sustainable Palm Oil) certification from ODI. RSPO certification is an international certification system that proves palm oil production is carried out with consideration for environmental protection, workers' rights, and community welfare.

In the process of pursuing RSPO certification, I became more aware as a consumer about not just the products I purchase, but also their background, such as where they come from and whether they are produced in ways that consider the environment and human rights.

Through product sales and production, I want to continue thinking about what we can do to strengthen relationships of trust with our business partners and build a sustainable society together.

(M.K., Functional Chemicals Business Division, Head Office)

Human Resource Strategy

Related Materiality	
● Improving job satisfaction ● Promoting diversity	● Promoting the health and productivity management and workplace safety and health

Message from the Executive Officer in charge of the HR Department



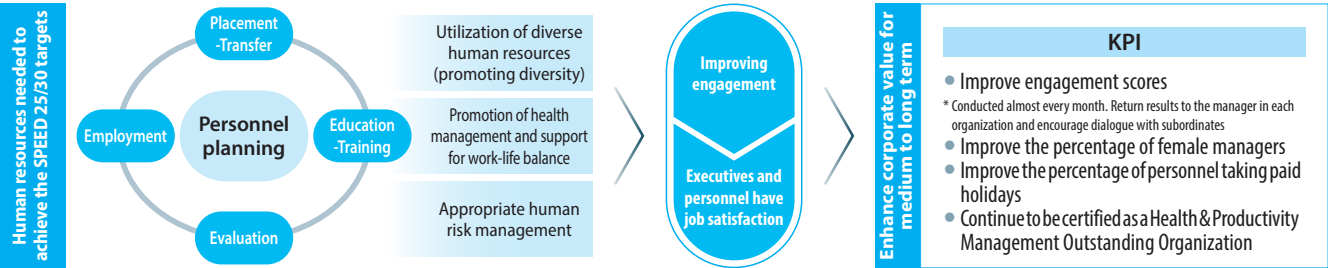
In June 2024, Japan's ranked 38th in world competitiveness according to IMD (International Institute for Management Development, Switzerland), down 3 places from the previous year. The Hodogaya Chemical Group believes that people are the drivers of value creation, and that demonstrating the power of human resources leads to improved competitiveness and mid- to long-term enhancement of corporate value. At the same time, we deeply recognize that demonstrating the power of human resources can solve social issues and contribute to the realization of a sustainable society. We will work to achieve the Mid-term Management Plan SPEED 25/30 by expanding human capital.

Shinichi Sato Director and Managing Executive Officer

Mid-term Management Plan SPEED 25/30 HR Strategy

From the standpoint of maximizing the use of human resources, who are the driving forces behind value creation, we believe it is important to enhance human capital in order to increase corporate value over the medium to long term. Specifically, the Hodogaya Chemical Group is steadily implementing the personnel planning

linked to enhancement of corporate value as shown in the following diagram to promote the hiring and development of personnel who can learn, think and act on their own with a desire to grow, take on challenges, and innovate. We have set the goal of improving engagement, also shown in the diagram that follows. Our strategic goal in the SPEED 25/30 is to ensure that all officers and personnel can feel job satisfaction.




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

To achieve "enhancement of engagement that: all executives and personnel can feel job satisfaction" as stated in SPEED 25/30, we are working on the following measures from the perspectives of feeling of motivation to work and ease of work.

Improving feeling of motivation to work - Utilizing diverse human resources (promoting diversity)

The Hodogaya Chemical Group recognizes that the purpose of promoting diversity is to promote innovation in a challenging competitive environment, flexibly reorganize businesses, and strengthen adaptability to changes in order to enhance corporate value. In particular, to promote the active participation of women, we conduct training for female employees to help them develop their aptitudes and abilities and become aware of their role as leaders, and we also conduct training for male employees to reform their awareness, thereby working to create an organizational culture where both men and women can play active roles without distinction. Regarding mid-career hires, we make appointments based on a comprehensive assessment of experience, abilities, and skills without distinguishing them from new graduate hires. At the same time, we are working to create an environment in which personnel can maximize their individual talents and skills. The

election of a female Outside Director was approved at the Annual General Meeting of Shareholders in June 2023, and in June 2024, we promoted a female Executive Officer from within the company. 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 unify the organization and personnel.



Details can be found on our website.
<https://www.hodogaya.co.jp/english/csr/stakeholder/employee/#a41>

Improving feeling of motivation to work - Initiatives for self-growth

The Hodogaya Chemical Group has established an education system to promote human resource development and support the self-growth of executives and personnel. Recently, as part of fostering a culture of continuous learning in the organization, enhancing intellectual capabilities of executives and personnel, and responding to human capital management, we have rolled out a "book summary service" for executives and personnel who are interested.

Improving ease of work - Promoting health and productivity management, initiatives for work-life balance

The Hodogaya Chemical Group recognizes initiatives to improve the health of executives and personnel as a management issue. By strategically practicing health and productivity management, including guidance and education for health promotion, and collaboration with the Hodogaya Chemical Health Insurance Society and industrial physicians, we were certified as a "Health & Productivity Management Outstanding Organization 2024" in FY2023 (for the fourth consecutive year). We will continue to prioritize the physical and mental health of our executives and personnel.

In addition, we are actively working on work-life balance initiatives, such as increasing the percentage of personnel taking paid holidays and the percentage of male personnel taking childcare leave, a 5-day consecutive refreshment leave system separate from annual paid leave, establishing telework

regulations, and expanding the flex-time system. We will continue to strive to enable all executives and personnel to maximize their abilities and skills by balancing work and life.





Details on the system can be found on our website.
<https://www.hodogaya.co.jp/english/csr/stakeholder/employee#a9>

Human Risk Management

To preserve the corporate value of the Hodogaya Chemical Group, we recognize that the occurrence of human risks (violation of labor laws, harassment, outflow of personnel, individual troubles, etc.) may lead to significant losses in the management of the Hodogaya Chemical Group, and we strive to adequately manage human risks to prevent, avoid, and mitigate future losses.

Key Human Resources Investments and Initiatives through FY2023

• Revision of personnel evaluation system (restructuring of behavior and ability assessment)	• Introduction of a new personnel front system (utilization of HR technology)	• Introduction of training for next-generation management personnel
• Transition to performance-linked bonuses (introduction of a transparent reward method)	• Introduction of the Come-back entry System (Reemployment Applicants Registration)	• Introduction of a multi-assessment system (multifaceted evaluation system) (expanded target in FY2023)
• Establishment of a new education system for managers (improvement of management literacy)	• Measurement of engagement scores and implementation of training to improve engagement	• Introduction of employee stock benefit trust (J-ESOP)
• Revision of retirement benefit system (full transition to defined contribution (DC) pension plan)	• Formulation of telework regulations (compatible with diverse work styles)	• Decision to introduce a "book summary service" (to improve knowledge and skills)
		• Decision to trial expansion of the flex-time system

Human capital investment and measures in FY2023

Implementation of a multi-assessment system (multifaceted evaluation system)

In FY2022, we introduced a multi-assessment system (multifaceted evaluation system) for department heads and above, and in FY2023, we expanded the target to include all managers and above. With the aim of providing new insights to individuals and opportunities for self-transformation, we conducted assessments based on 16 assessment criteria x 10-point scale, provided feedback to individuals on the assessment results and company-wide averages, etc., and then had dialogues between individuals and their immediate supervisors based on the assessment results, leading to insights and fair assessments.

Future Challenges and Countermeasures

The Hodogaya Chemical Group has set enhancement of engagement that: all executives and personnel can feel job satisfaction as a strategic goal, and is planning measures to tackle it. Amid major global structural changes, however, 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).

VOICE



Boldly taking 3 months of childcare leave

In July 2023, my second daughter was born, and I took 3 months of childcare leave. When my first daughter was born by emergency C-section, my wife struggled to even move for a while due to postoperative pain, and considering that we didn't have any relatives nearby to rely on, as well as taking care of our energetic first daughter, I decided to take 3 months off.

I am very grateful to my supervisor who readily agreed and to my colleagues who supported me. I feel that the understanding of men taking childcare leave has deepened to the point where it's already becoming the norm, which greatly contributed to my ability to take it without hesitation.

My wife thanked me, saying, "I'm really grateful that you took childcare leave." In the future, I will support those taking childcare leave as someone who can provide support.

(S.H., Manufacturing Department, Koriyama Plant)

Respect for Human Rights

• Respecting human rights



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



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. Identifying respect for human rights in our Sustainability Policy, we comply with laws and regulations as well as highly ethical and normed behavior, respect the diversity, personality, and individuality of everyone working at the Hodogaya Chemical Group, and ensure a sound and pleasant working environment free of discrimination and harassment, while also paying close attention to respect for human rights regarding partner companies in accordance with the Corporate Action Guidelines and the Compliance Action Policy, which include items described in the United Nations “Guiding Principles on Business and Human Rights.



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



Compliance Action Policy
<https://www.hodogaya.co.jp/english/company/governance/compliance/>



Human Rights Policy

The Hodogaya Chemical Group formulated the Human Rights Policy as part of its Sustainability Policy.

The Hodogaya Chemical Group regards respect for human rights as the basis of its business activities and ensures the following listed items in accordance with the Corporate Action Guidelines, Compliance Action Policy, and Procurement Policy, while also paying close attention to respect for human rights regarding partner companies.

1. Complying with laws and regulations, highly ethical and normed behavior
2. Respect for diversity, personality, and individuality of everyone working at the Hodogaya Chemical Group
3. Creation of a sound and pleasant working environment free of discrimination and harassment



Procurement Policy
<https://www.hodogaya.co.jp/english/company/philosophy/#a8>



Human Rights Due Diligence Initiatives

The Hodogaya Chemical Group identifies human rights risks that may arise through its operations.

We are conducting education and training, upgrading workplace environments and systems, and engaging in supply chain management to address human rights risks and as preventative measures against identified risks.

We also closely monitor these activities to ascertain the effectiveness of preventive measures and to promote improvements on a continuous basis. We regularly conduct surveys of partner companies using the Procurement Guidelines Implementation Status Survey Sheet as part of efforts to monitor the supply chain and to confirm whether compliance items are properly implemented. In addition, we work to improve activities to deepen mutual understanding while building mutual trust with our partner companies.

A grievance mechanism is in place to detect and address risks related to human rights.

Initiatives to Tackle Human Rights Issues in the Supply Chain

The Hodogaya Chemical Group has formulated the Procurement Policy and the Procurement Guidelines and has included clauses on compliance with the Procurement Guidelines in basic contracts with partner companies. In addition to understanding the content of these clauses, we also ask partner companies 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.



Procurement Guidelines
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

The Hodogaya Chemical Group 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.



Inquiries from partner companies
https://www.hodogaya.co.jp/english/eng_cntct/othr_1/



Community and Society

• Contributing to communities



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



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. Most recently, in August 2023, we made a donation through the corporate version of hometown tax to contribute to the regional revitalization of Fukushima Prefecture, which we have always been indebted to.

Passing on Irreplaceable Nature to the Future

The Koriyama Plant participates every year in the “Inawashiro Clean Action,” a cleanup volunteer activity organized by Fukushima Prefecture. Lake Inawashiro is the third largest freshwater lake in Japan and has been ranked first in water quality in Japan, making it a very beautiful lake. However, when you visit the lakeshore, you can see a lot of garbage washed up, and its beauty is being lost. When I participated, I saw a lot of everyday garbage such as snack bags and plastic bottles, and as someone involved in manufacturing, I felt a great responsibility. Through this volunteer activity, not only was I able to contribute to the environmental conservation of Lake Inawashiro, but I also felt that it was very meaningful to realize the impact that people’s lives have on the environment. In order to pass on irreplaceable nature to the future, I would like to continue participating in such activities and consider what I can contribute as an employee of a chemical company in my daily work.

(H.M., Production Technology Department, Koriyama Plant)



Connecting Children’s Curiosity and Spirit of Inquiry to a Sustainable World

As part of its social contribution activities, Hodogaya Chemical participates in the “Summer Vacation Children’s Chemistry Experiment Show” with a theme of creating water-based pens using dyes, which is our strength, and separating colors. We work together, choosing easy-to-understand words while devising ways to effectively convey specialized content. When I see the children listening intently with excitement and their faces filled with surprise and joy when they succeed in separating the mixed colors, I feel glad that we were able to show them the interesting aspects of chemistry. I want to continue to stimulate the curiosity and spirit of inquiry of children who will lead the future and contribute to the creation of a sustainable world.

(Y.S., Tsukuba Research Laboratory, Research and Development Department)



First Head Office Tour

In August 2023, we held our first head office tour, inviting employees’ families. With the aim of deepening understanding of Hodogaya Chemical and each person’s work by seeing the operating office and the employees working there, on the day of the event, participants toured each area of the head office floor, experienced web conferences in the large conference room, and tried the healthy lunches we usually eat.

The title on the name tags and realistic business cards prepared for each participant was “Special Supporter.” For busy employees, having their families understand their work and environment is the greatest support. All employees will continue to strive to do work that we can be proud of to our families, and by extension, to our communities and society.

(R.A., General Affairs Department)



Supporting Career Education for Elementary School Students

As part of the Hodogaya Chemical Group’s sustainability activities, we sponsored the “Children’s Diet 2024 Summer” held in July 2024. This event involves visiting the National Diet Building, children engaging in group work on the theme of “Child-Centered Society,” and finally presenting their ideas for an ideal society to bipartisan members of the Diet.

For the families who participated from Hodogaya Chemical and the employees who served as mentors, it was also a good opportunity to gain surprises and insights from the children’s innocent honesty and the opinions they expressed.

Also, through our sponsorship, we were able to support the creation of opportunities for participating children to take on challenges related to the exciting topics of society and fairness. We will continue to contribute to society through our catchphrase “Your Dream is Our Business.”

(Sustainability Development Department)



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.

Hodogaya Chemical Corporate Governance System
List of Corporate Governance Systems^{*1}

Organizational Design	Company with an Audit & Supervisory Committee
Chairperson of the Board of Directors ^{*2}	President
Number of Directors	7
Number of Outside Directors	3 (42.9%)
Number of female Directors	1
Number of Directors who are Audit & Supervisory Committee Members	4
Chairperson of the Audit & Supervisory Committee	Internal Directors
Number of Audit & Supervisory Committee Members	4
Number of Outside Directors	3
Voluntary Committee	Nominating and Compensation Committee
Chairperson of the Nominating and Compensation Committee	Outside Director
Number of Nominating and Compensation Committee Members	5
Number of Outside Directors	3
Directors' Term of Office	1 year (2 years for Directors who are Audit & Supervisory Committee Members)
Adoption of an executive officer system	Adopted
Introduction of a performance-linked compensation system	Compensation linked to short-term performance and compensation linked to mid- to long-term performance
Financial Auditor	Grant Thornton Taiyo LLC

^{*1} As of June 25, 2024
^{*2} 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.

Initiatives to Strengthen Corporate Governance

June 2003	Introduction of executive officer system
March 2004	Abolishment of directors' retirement benefits program
May 2006	Formulation of Basic Policy on Internal Control
November 2006	Establishment of Internal Control Department
June 2013	Start of appointment of Outside Directors
June 2015	Transition to a Company with an Audit & Supervisory Committee
July 2016	Introduction of stock-based compensation plan
January 2018	Shift into new management structure
June 2019	Establishment of a Nominating and Compensation Committee
March 2021	Respond to the revised Companies Act
May 2021	Release the Board of Directors skills matrix
May 2023	Review of the Board of Directors skills matrix
June 2023	Election of female outside director
June 2024	Election of female executive officer



Link to the Corporate Governance Report
(In Japanese only)
https://www.hodogaya.co.jp/wp/wp-content/uploads/2024/06/corporate_governance_20240626.pdf



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 management strategies, in order to gain understanding of 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 corporate value.


Hodogaya Chemical also establishes measures to ensure shareholders can more easily 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, provision of the Notice of Annual General Meeting of Shareholders in English, and use of electronic voting (smart voting) and an electronic voting platform.

Board of Directors Held 13 times in FY2023


To enable thorough discussions based on diverse opinions and prompt, rational decision-making, the Board of Directors consists of members that satisfy the extensive level of experience and education required by the Company.

In FY2023, the Board of Directors deliberated on authorizing the maintenance of takeover defense measures and introduction of a Board Benefit Trust system (presented as agenda items at the 165th Annual General Meeting of Shareholders) and authorizing quarterly financial results, financial summaries, and year-end reports.

Moreover, the Board received regular reports on the results of monitoring progress in implementing the Mid-term Management Plan SPEED 25/30 from executive departments, as well as reports on the status of progress regarding sustainability, and investment in affiliated companies.



See website for reason director was elected
<https://www.hodogaya.co.jp/english/company/governance/director/>



Nominating & Compensation Committee
Held 14 times in FY2023

In order to strengthen the independence, objectivity, and accountability of the Board of Directors' functions on matters of nomination and compensation, the Nominating & Compensation Committee serves as an advisory body to the Board of Directors and deliberates and submits reports to the Board of Directors on the election and dismissal of Directors and compensation of Directors. The Board of Directors respects the content of such reports.

An Outside Director serves as chairperson. In FY2023, the Nominating & Compensation Committee reported on and gave their opinions regarding primarily the following issues.

In regard to Director election proposals made at the General Meeting of Shareholders, the Committee confirmed the backgrounds and skills of each candidate and found that the proposal was reasonable.

After completing a comparative investigation of major companies in Japan, the Committee found that the compensation of Directors who are not Audit & Supervisory Committee members was in line with the detailed policy and reasonable.

When electing Executive Officers, General Managers of departments, and Presidents of affiliated companies, the Committee confirmed the detailed background of each candidate and conducted interviews when necessary, leading the Committee to express the opinion that the proposal details were reasonable.

Management Committee

The Management Committee is composed of Executive Officers, General Managers of departments, and similar parties.

The committee deliberates and reports on such items as material items that require the President's approval.

In FY2023, the committee's main topics of deliberation were investments in affiliated companies, capital expenditures in factories, and similar items.

Executive Officers

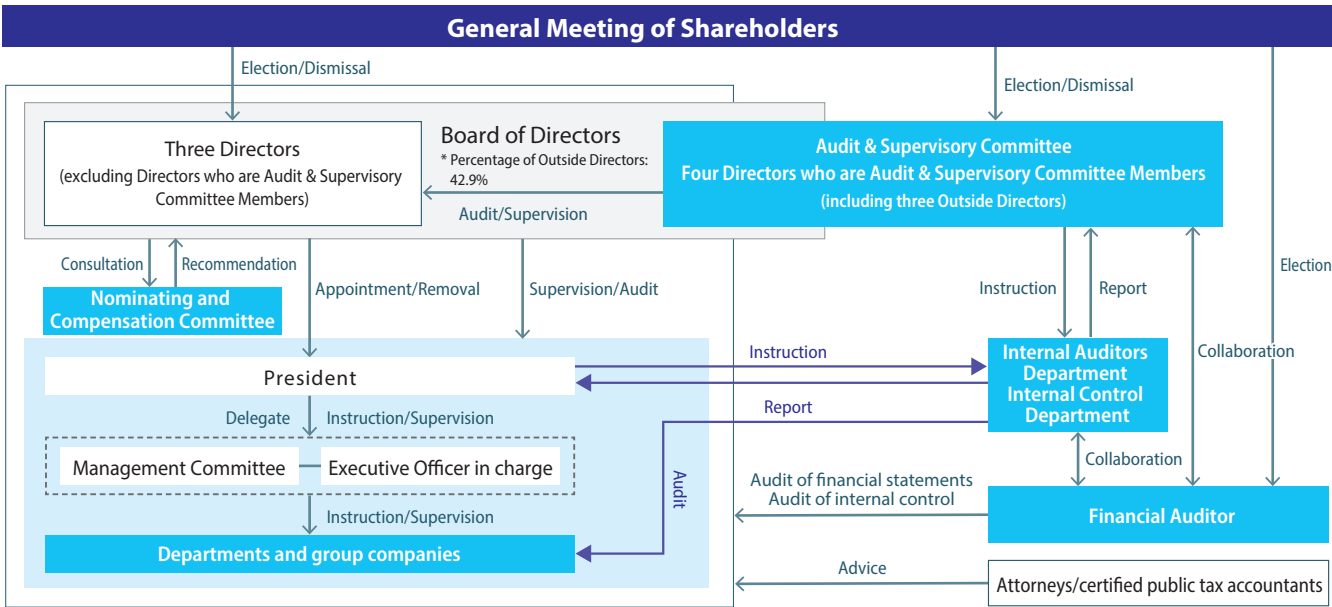
The executive officer system was introduced to achieve several objectives, including promoting management efficiency and enabling quicker decision-making, and the President elects executive officers who can fulfill these goals and puts them in charge of execution of operations in key departments.

Outside Director Activity Status

In FY2023, Outside Directors not only attended Board of Directors meetings, Audit & Supervisory Committee meetings, and Nominating & Compensation Committee meetings, but also did the following.

- Attended management and executive meetings (September 2023 and March 2024)
- Attended executive compliance training (March 2024)
- Communicated with the Financial Auditor (July 2023, March 2024)
- Inspected business sites (plants, research laboratory) (November 2023)

Structure of corporate governance system



Audit & Supervisory Committee Held 14 times in FY2023

The Audit & Supervisory Committee audits the legality of business execution by Directors and Officers, appropriateness of the Company's business operations, internal control, and financial status, etc., through attendance at important meetings and through timely and appropriate reporting.

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

In FY2023, the Audit & Supervisory Committee discussed audit plans, the division of duties among the Audit & Supervisory Committee members, approval of audit compensation for the Financial Auditor, and audit reports from the Financial Auditor.

The Committee also reported on the status of internal controls and internal audits, the Risk Management Committee, and the audit status of affiliated companies.

Corporate Governance

Successor training plan and officer training
Election of Directors

Hodogaya Chemical positions the election of Directors as one of the most important matters for the Company, where the Board of Directors determines the selection criteria for candidates for Internal and Outside directors, and determines the selection of candidates for directors, including the next CEO, based on deliberations by the Nominating and Compensation Committee.

Training Plan for Successors

Hodogaya Chemical has established a policy on the election and dismissal of Directors and the election and dismissal of a Representative Director and of Directors with special titles. In regard to the selection of the Representative Director, the Company emphasizes specific facts, including the qualities required of Director candidates and that the candidates possess a dignified presence as part of senior management. In addition, the Company requires candidates to possess the

ability to engage in management from a commanding perspective and management that captures the trends and changes of the times, where the Board of Directors makes a final decision following deliberations by the Nominating and Compensation Committee.

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 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.

Evaluation of Effectiveness of Board of Directors

Hodogaya Chemical has transitioned to a company with an Audit & Supervisory Committee in June 2015 and delegates 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 FY2023

Evaluation Standards	Status of Initiatives
1. Election of multiple independent Outside Directors	• Implemented. 3 out of 7 directors are independent Outside Directors (42.9%)
2. Narrowing down matters for resolution	• Delegated decisions regarding execution of operations other than those that legally require Board of Directors approval to the President based on the General Meeting of Shareholders and Board of Directors resolution • Voted on FY2023 General Meeting of Shareholders meeting resolutions
3. Establishment of appropriate reporting matters	• Set annual report schedule and submitted reports after expanding items to be reported as stipulated in Board of Directors Rules • Increased efficiency of operation execution reports by compiling individual ones into a Mid-term Promotion Execution Report • Received individual reports and questions and requests from independent Outside Directors, which are separate from resolution and report items
4. Deliberation on agenda items related to personnel affairs and remuneration of Directors	• Deliberated on director nomination proposals tabled at the General Meeting of Shareholders meeting held in June 2024 based on the Nominating & Compensation Committee report
5. Provision of proper explanations beforehand to independent Outside Directors	• Mailed agenda materials several days prior to the Board of Directors' meetings and offered preliminary explanations prior to the meetings
6. Preparation of informative and easy-to-understand materials	• Continued efforts 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 (meeting frequency, time for deliberations, etc.)	• Met 13 times in FY2023, with slightly less than 2 hours for each meeting
8. Implementation of effective and efficient organizational audits	• Implemented an organizational audit as a Company with an Audit & Supervisory Committee • Established the Audit & Supervisory Committee Secretariat as a system to assist the Audit & Supervisory Committee • Audit & Supervisory Committee met 14 times in FY2023, with approximately 1 hour for each meeting
9. Follow up and respond to new trends in corporate governance and the best way to operate the Board of Directors	• Elected female Outside Director in June 2023 and then female executive officer in June 2024 • Reported on state of sustainability promotion in August and December 2023 and March 2024
Overall Evaluation for FY2023	As outlined in the table above, the Board of Directors satisfies the evaluation standards and achieves the following two items, allowing for the conclusion that the Board of Directors' functions as intended (1) Expedited managerial decision-making and business execution (2) Enhanced the Board of Directors' monitoring function
Future Initiatives	• Make a thorough investigation of monitoring activities intended to achieve the Mid-term Management Plan SPEED 25/30 • Provide more accurate, concise, and understandable Board of Directors' meeting materials • Continued to follow new trends, such as Financial Services Agency and advisory board trends and social trends

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

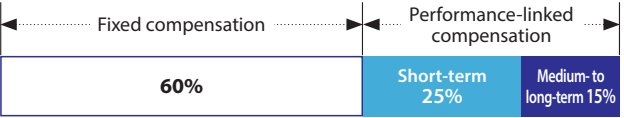
compensation plan for directors that, in addition to the existing compensation linked to short-term performance, adds compensation linked to mid- to long-term performance.

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%.

Compensation linked to medium- and long-term performance will transition to a Board Benefit Trust system starting in October 2023.

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. (FY2023)

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)	99	63	15	19	3
Directors who are Audit & Supervisory Committee Members (excluding Outside Directors)	15	15	—	—	1
Outside Directors	23	23	—	—	4
Total	138	102	15	19	8

* Amounts are rounded down to the nearest million yen.

Dialogue with investors

Hodogaya Chemical distributes the BUSINESS REPORT annually to our shareholders as a means of communicating with them, and of explaining the progress of Hodogaya Chemical's Mid-term Management Plan SPEED 25/30 to our shareholders.

Hodogaya Chemical streams videos on the website to explain the Company's financial results (first-half and year-end) and progress of the Mid-term Management Plan to our shareholders and investors. In addition, the Company makes individual visits to institutional investors.

Furthermore, we have formulated and disclosed Policy for the return of profit to stakeholders. Regarding profits earned, the policy aims to maintain an appropriate balance between allocating profits to internal reserves for investment and other activities that will lead to the growth of the Hodogaya Chemical Group, and returning profits to shareholders.

Considering earnings trends, future business expansion, unforeseen risks, and other factors, we will provide a stable, continuous, and appropriate return to shareholders while being particularly conscious of the divided-on-equity (DOE) ratio. Through FY2020 we paid a dividend of 50 JPY, but based on the above policy, we raised the dividend to 60 JPY for FY2021, to 65 JPY for FY2022, and to 75 JPY for FY2023. In addition, we aim to increase the dividend for the fourth consecutive year and plan to raise the dividend to 85 JPY for FY2024 (disclosed in financial summary for the fiscal year ended March 31, 2024).

Cross-shareholdings

When maintaining and strengthening stable transactional relationships with suppliers and partners has been deemed to contribute to greater corporate value for the Hodogaya Chemical Group, the Company will in some cases hold shares of the said companies for the purpose of maintaining and strengthening the transactional relationship.

The Board of Directors carefully examines and verifies the purpose of each holding, as well as the relative standing between benefits/risks and capital costs coinciding with the holding.

As a result of making a careful examination and verification from this perspective, the Board has determined that current holdings are appropriate.

If the verification reveals that it is less important to hold particular shares and thus no longer rational to do so, we will examine disposing of those shares, taking into consideration such factors as the impact on the market.

Number of issues held as cross-shareholdings

FY	2021	2022	2023
Number of issues (companies)	36	35	34

Messages from Outside Directors



Shuji Kato

Outside Director
(Audit & Supervisory
Committee Member)

As an administrative official of the Ministry of International Trade and Industry (now the Ministry of Economy, Trade and Industry) and as a manager, he has extensive experience and broad knowledge in trade and industry administration, international affairs, and corporate management. He serves as the chairman of the Nominating & Compensation Committee at the Company.

I will deepen my involvement with next-generation management talent with an objective perspective

It has been over 10 years since I was appointed as the Company's first Outside Director in 2013. At the time of my appointment, the Company's performance was challenging, and businesses like SFC's OLED business in South Korea, which now supports the Company's development, were still in their infancy. It was also the final stage of formulating the previous Mid-term Management Plan "HONKI2020" for the 2015-2020 FY period. In the previous plan, I believe the discussions centered on how to nurture new business pillars while firmly protecting the foundation businesses that had already entered maturity.

The current Mid-term Management Plan SPEED 25/30 is

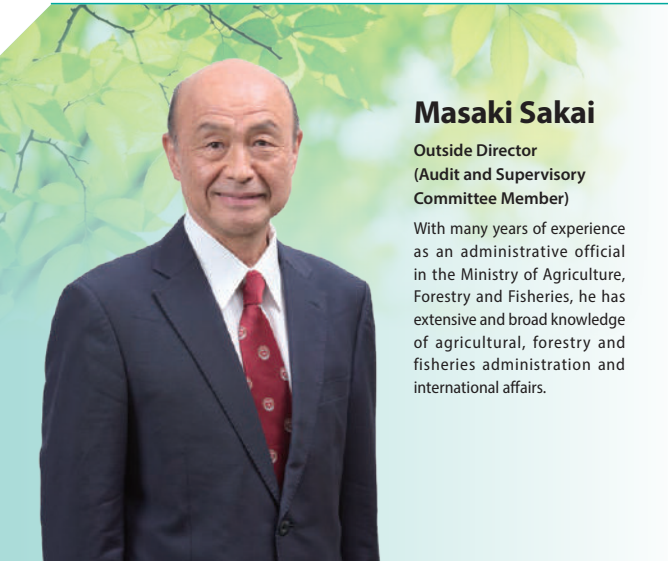
approaching its midpoint year. The shape and results of new businesses that were not clearly visible in the previous Mid-term Plan have come into view, and the need to further develop these while also creating pillars for next-generation businesses is being emphasized. Efforts toward sustainability have also been strengthened. From the perspective of improving Hodogaya Chemical's standalone performance, how to revitalize existing mature businesses is also an important issue.

The Company's governance structure has also made significant progress. In 2015, we transitioned to a company with an Audit and Supervisory Committee, and in 2018, we established the current structure of four full-time Directors and three Outside Directors. Diversity has also progressed, with an increase in female executives, including the appointment of Ms.

Shinobu Fujino as an Outside Director in 2023 and Ms. Miki Tsukui as an executive officer in 2024.

I am speaking slightly out of chronological order, but in 2019, the Nomination and Remuneration Committee was established, and I was selected as the first chairman. I feel an important responsibility to add an objective perspective from an outside standpoint to the selection and remuneration of Officers and department general managers. With the Company's cooperation, I, along with other Outside Directors, have opportunities to exchange opinions with executives, playing a part in selecting next-generation management talent. In the more than ten years since my appointment as an Outside Director, the Hodogaya Chemical Group has transformed significantly into a global, research and development-oriented company.

I expect this trend to continue developing in the future.



Masaki Sakai

Outside Director
(Audit and Supervisory
Committee Member)

With many years of experience as an administrative official in the Ministry of Agriculture, Forestry and Fisheries, he has extensive and broad knowledge of agricultural, forestry and fisheries administration and international affairs.

As diversity in human resources progresses, we aim to realize a creative workplace by building face-to-face relationships

According to a survey by the Ministry of Health, Labour and Welfare, more than 30% of new high school and university graduates leave their jobs within three years. The practice of hiring new graduates en masse is unique to Japan and not seen in Europe or America, and there was an inherent difficulty for students with no social experience to choose the company they would work for until retirement under the lifetime employment system. Around 1980 when I was job hunting, banks and non-life insurance companies were popular among law and economics students, most of whom were not able to determine their own interests and aptitudes, and attracted by

good salaries offered and opportunities provided to be involved in various industries.

It is inevitable that the irrational system of mass hiring of new graduates will collapse, and future workplaces will be composed of diverse human resources in various aspects, including new graduate hires, people from other companies, alumni hires who once left the Company and returned, and in terms of employment periods, those who work until retirement age and those who move to other companies after a certain period. To carry out highly creative work such as developing new customers, developing new products, and launching new businesses in a workplace with increased diversity, an environment where people can freely express their opinions and provide proposals and discuss them is necessary.

To approach this ideal workplace, it is important to promote face-to-face relationships by advancing direct interaction

between people, and exchanging opinions while seeing each other's faces at the same place. Although it takes efforts, subsequent communication via tools like email and chat should become more effective.

Our Company has established spaces for employee interactions following the relocation of our Head Office. Also, executives, including the President, frequently visit domestic and overseas subsidiaries, factories, and research facilities to exchange opinions with employees. I want to further advance these efforts and realize a workplace rich in creativity by building face-to-face relationships that transcend the barriers of age, position, and affiliated sections.



Shinobu Fujino

Outside Director
(Audit and Supervisory
Committee Member)

In addition to many years of business experience in operating companies, she has extensive knowledge and experience in human resource development, organizational development, and diversity promotion as a career counselor and Outside Director.

I will engage in mid- to long-term discussions to continue creating change toward 2030

The operation of the Board of Directors is very well-devised. Although the materials sent in advance are quite voluminous, some agenda items are explained in advance the day before, and on the day, explanations are focused on key points, allowing sufficient time for questions and answers. With a compact meeting body of only seven Directors in total, there is an atmosphere of close discussion, making it a place where questions and opinions can be freely expressed. Regular reports are also made on the progress of the Mid-term Management Plan SPEED 25/30, allowing for timely understanding of the current management situation and future outlook. While there were many short-term perspective

topics this year aimed at the FY2025 targets, I expect that mid- to long-term topics will increase in the future, such as the re-examination of goals toward 2030.

One of the themes of SPEED 25/30 is promoting diversity. I believe that the positive aspects brought by diversity in human resources are essential for future corporate management that constantly demands change. Within the Group, gaining diversity perspectives through exchanges with Korean companies is also a strength. Also, this year saw the emergence of a female executive officer from within the Company. Japanese universities have finally begun initiatives to increase female STEM talent, and I hope that Hodogaya Chemical will also actively work on recruiting women and promoting them to leadership positions, steadily creating organizational change.

In terms of change, strengthening the management foundation through DX promotion is also one of the themes of SPEED 25/30. At the Board of Directors meetings, we also receive regular reports on the progress of the core system SAP renewal project. The project is reportedly progressing according to the initial plan, suggesting that costs and risks have been sufficiently considered in advance before implementation. I expect that the new system will contribute to management with more accurate and rapid data collection and analysis.

Board of Directors



Yuto Matsumoto
Representative Director, President and CEO
Number of Company shares held 8,900 shares
Number of Board of Directors meetings attended in FY2023 13/13
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.



Kaoru Kasahara
Director and Senior Managing Executive Officer
Number of Company shares held 6,100 shares
Number of Board of Directors meetings attended in FY2023 13/13
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 Production Department.



Shinichi Sato
Director and Managing Executive Officer
Number of Company shares held 3,200 shares
Number of Board of Directors meetings attended in FY2023 (after appointed as a Director) -
Brief personal record
Mr. Sato joined the Company in March 2014, and has been engaged in operations of the Internal Control Department and Legal Department of the Group while utilizing his extensive experience and knowledge gained during his time in the banking field. He was appointed Managing Executive Office in June 2024, overseeing promotion of sustainability, accounting, human resources, internal controls, internal audits, and the Secretary Department.



Shinichi Matsuno
Director (Audit & Supervisory Committee Member)
Number of Company shares held 6,200 shares
Number of Board of Directors meetings attended in FY2023 -
Number of Audit & Supervisory Committee meetings attended in FY2023 -
Brief personal record
Mr. Matsuno joined the Company in April 1981 and has been widely involved in the Research & Development, Purchasing, Sales and Corporate Planning Departments. After serving as a Director and Managing Executive Officer since May 2015, he was elected Director in June 2024.



Shuji Kato
Outside Director (Audit & Supervisory Committee Member)
Number of Company shares held 2,000 shares
Number of Board of Directors meetings attended in FY2023 13/13
Number of Audit & Supervisory Committee meetings attended in FY2023 13/14
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.



Masaki Sakai
Outside Director (Audit & Supervisory Committee Member)
Number of Company shares held 700 shares
Number of Board of Directors meetings attended in FY2023 13/13
Number of Audit & Supervisory Committee meetings attended in FY2023 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.



Shinobu Fujino
Outside Director (Audit & Supervisory Committee Member)
Number of Company shares held 100 shares
Number of Board of Directors meetings attended in FY2023 10/10*
Number of Audit & Supervisory Committee meetings attended in FY2023 10/10*
Brief personal record
Ms. Fujino began career counseling business (private practice) in January 2002. She has extensive experience in personnel and organizational development and diversity promotion and was appointed as a Director (Audit & Supervisory Committee Member) of our Company in June 2023.

*She has attended all meetings since taking up position as Director in June 2023.

Board of Directors Skills Matrix

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

- Four skills to perform the basic functions as a Company: "Corporate management", "Law & risk management", "Finance & accounting" and "Human resources strategy"
- 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	Human resources strategy	Business strategy	R&D, technology and production	International business
Yuto Matsumoto	○			○	○	○	○
Kaoru Kasahara	○				○	○	
Shinichi Sato		○	○	○			
Shinichi Matsuno	○			○	○	○	
Shuji Kato (Outside)	○			○	○		○
Masaki Sakai (Outside)				○	○	○	○
Shinobu Fujino (Outside)	○	○		○			

* The skill matrix includes the areas expected for each individual. It is not meant to be a comprehensive list of all forms of expertise and experience they may possess.

Compliance

Related Materiality

- Spreading compliance

Details can be found on our website.
<https://www.hodogaya.co.jp/english/company/governance/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.

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 as required.

Over and above these activities, we have published the Hodogaya Chemical Group Compliance Handbook, which contains data that is closely aligned to the Group's operations. This Handbook is distributed to all officers and personnel in a bid to raise awareness toward compliance.

Internal Reporting System

As for the internal reporting system, the Hodogaya Chemical 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 the Internal Reporting Rules.

In addition, the status of internal reporting, and other matters are reported to the Audit & Supervisory Committee. No internal reports were submitted in FY2023.

Compliance Education

In terms of cultivating and improving compliance awareness, the Hodogaya Chemical Group continuously offers all Group officers and personnel training and independent education using e-Learning as means to thoroughly ensure compliance.

In addition, officers and management personnel (including personnel one step prior to their appointment to management) 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. The percentage of qualified management personnel currently stands at 100% (as of March 31, 2024).



Tax Compliance

The Hodogaya Chemical Group meets the demands and expectation of society by properly fulfilling its obligation to pay taxes in all countries and regions in line with the Corporate Action Guidelines and Compliance Action Policy.

We are working to maintain and improve tax compliance.

Compliance Training Calendar (FY2023)							
Training	July	August		December		February	March
	General training (1)	Issue-based training (1)	Insider trading prevention training	General training (2)	Group company officer training	Issue-based training (2)	Officer training
Eligible participants	All officers and personnel	All officers and personnel	Designated department	All officers and personnel	Group company officers	All officers and personnel	Directors (including Outside Directors) and executive officers
Content	• Compliance basics • Familiarization with rules and regulations • J-SOX • Information security • Respect for human rights • Quality-related scandals • Contract examination and review	• Questions from the assigned materials and the Compliance Handbook	• "Mr. Compla's Insider Trading Regulations Q&A (Japan Exchange Regulations)" was used.	• Compliance basics • Familiarization with rules and regulations • Personal information management • Harassment education • Antisocial forces education • Insider trading	• Scandals at other companies	• Questions from assigned materials	• Recent manufacturing scandals • Revisions to the Financial Instruments and Exchange Act • Proxy advisory firm 2024 policy • General meeting of shareholders related

* For all training, the participation rate was 100%.

* Compliance basics and J-SOX training include information on the prevention of insider trading and whistleblowing.

Efforts Aimed at Eliminating Antisocial Forces

The Hodogaya Chemical Group has put in place specific guidelines to ensure that it avoids forming any kind of relationship with antisocial forces. The Group's approach toward antisocial forces is centralized in and managed by the General Affairs Department.

In addition, we have established a structure and systems to address the issue of antisocial forces. This includes closely collaborating and exchanging information with such outside professionals as the police and lawyers and to disseminate relevant information to each Group office and company.



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 to minimize damages.

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 all officers and personnel and promote risk management by all personnel.

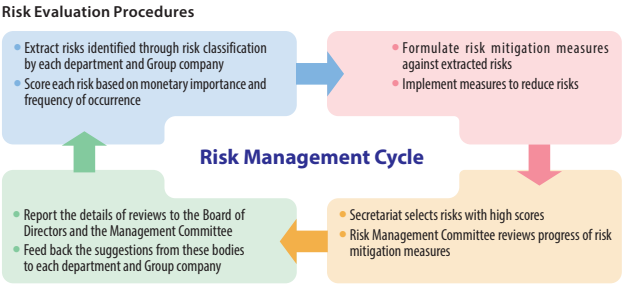
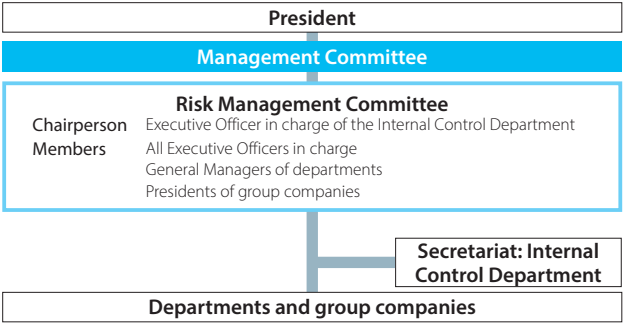
Risk Management Committee

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 based on the Crisis Management Regulations, across the Hodogaya Chemical Group as a whole.

The Committee provides and reports on the details of their discussions to the Board of Directors and the Management Committee.

Risk management structure



* In particular, risks that impede KGI/KPI are recognized as Key Risk Factors (KRFs)

VOICE



To protect what is common sense at Hodogaya Chemical Group

As a member of the IT Planning and Administration Department, I am involved in not only maintaining and operating systems but also raising employees' awareness of information security. Not simply relying on systems countermeasures, we regularly provide information and work to maintain and raise awareness by conducting annual practical training using simulated phishing emails so that each person views information security as something that involves them. In addition, we try to create an environment that makes it possible to promptly respond to events, including emergencies, by making it easy for people to consult and seek advice even regarding minor points during routine operations. We will implement various initiatives with the goal of further improving information security, which supports the Hodogaya Chemical Group's business activities.

(T.M, IT Planning & Administration Department)

6-year Financial Summary

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	37,548	37,771	41,199	41,879	43,324	44,261
Functional Colorants	10,912	11,855	16,503	17,581	17,990	21,238
Specialty Polymers	12,327	11,717	10,255	10,760	11,580	8,341
Basic Chemicals	6,799	7,156	6,866	6,753	7,152	7,846
Agro-Science	5,288	4,951	5,554	4,838	4,628	4,940
Logistics	2,035	1,932	1,848	1,780	1,874	1,704
Operating profit	3,028	2,902	5,444	6,421	3,701	3,951
Functional Colorants	966	1,182	4,028	4,598	2,602	3,197
Specialty Polymers	587	531	359	888	861	(94)
Basic Chemicals	545	589	436	291	(575)	207
Agro-Science	409	205	222	330	457	376
Logistics	487	397	361	298	341	250
Ordinary profit	3,104	3,058	5,841	6,914	4,211	4,711
Profit attributable to owners of parent	1,883	1,858	3,119	3,251	2,223	2,480
Total assets	57,140	54,903	62,609	66,448	72,051	81,157
Net assets	36,860	37,040	43,654	47,912	49,897	57,443
Net assets per share (yen)	4,299.75	4,294.69	4,885.72	5,230.81	5,405.73	6,014.71
Earnings per share (yen)	238.40	235.15	394.25	410.69	280.65	312.63
Equity ratio (%)	59.5	61.8	61.8	62.3	59.5	58.8
ROE	5.6	5.5	8.6	8.1	5.3	5.5
Cash flows from operating activities	2,525	3,597	5,380	6,143	1,058	8,343
Cash flows from investing activities	(2,351)	(2,060)	(2,689)	(3,569)	(7,036)	(3,950)
Cash flows from financing activities	668	(2,049)	(424)	(1,848)	2,288	(2,067)
Dividends per share (yen)	50.0	50.0	50.0	60.0	65.0	75.0
DOE	1.4	1.3	1.2	1.3	1.4	1.6
Dividend payout ratio (%)	20.9	21.2	12.6	14.6	23.1	24.0
PBR	0.75	0.72	0.99	0.84	0.56	0.61

Statement of Authenticity

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

The Hodogaya Chemical Group Integrated Report 2024 includes an explanation of financial and non-financial initiatives aimed at achieving the Hodogaya Chemical Group's vision as steady progress is being made to achieve our target figure (FY2025) and ideal figure (FY2030) appearing in the Mid-Term Management Plan. In addition to explaining the issues that the Hodogaya Chemical Group is currently prioritizing in order to follow our corporate motto of Your Dream is Our Business for the next 100 years, we have presented a value creation story that links sustainability initiatives and other measures to financial value and continue our disclosure of information on our serious efforts to tackle climate change as a chemical company 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.

Director and Managing Executive Officer **Shinichi Sato**

Primary ESG Data

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
FTSE Russell score (published in June of each year)	2.2	2.3	2.4	2.7	3.0	3.6
E						
Energy consumption (kl)	28,129	27,440	27,312	29,215	27,562	21,920
Energy intensity (kl/millions of yen in sales)	0.7491	0.7265	0.6629	0.6976	0.6362	0.4952
Greenhouse gas emissions						
Greenhouse gas emissions Scope 1 (t-CO ₂)	25,794	24,999	24,729	26,093	25,064	18,365
Greenhouse gas emissions Scope 2 (t-CO ₂)	24,737	23,827	23,301	23,154	20,658	17,284
Scope 1 + Scope 2 (t-CO ₂)	50,531	48,826	48,030	49,247	45,722	35,649
Greenhouse gas emission intensity (t-CO ₂ /millions of yen in sales)	1.3458	1.2927	1.1658	1.1759	1.0554	0.8054
Prevention of air pollution						
SOx (sulfur oxide) emissions (t)	0	0	0	0	0	0
NOx (nitrogen oxide) emissions (t)	4.92	4.72	4.99	4.94	3.17	2.84
Dust emissions (t)	0.08	0.04	0.03	0.02	0.00	0.00
Prevention of water pollution						
Water usage (kt)	10,505	10,334	10,552	10,781	10,680	9,853
Water discharge volume (kt)	10,162	9,858	10,130	10,643	10,684	9,873
COD (chemical oxygen demand) emissions (t)	54.3	46.3	54.4	50.8	64.2	54.6
Industrial waste						
Industrial waste volumes (t)	2,452	2,753	3,017	2,746	3,477	2,523
Industrial waste from plastic products (t)	Started calculating from FY2022				126	110
Industrial waste recycle volume (t)	1,471	1,090	1,736	1,615	2,190	1,503
Industrial waste final disposal volume (t)	430	257	200	52	85	144
S						
Employees (persons)	731	739	789	834	890	922
Percentage of female managers (%)	11.0	10.8	11.2	10.8	11.0	11.3
Percentage of female employees (%)	17.9	18.4	18.6	18.0	19.5	20.5
Percentage of non-Japanese employees (%)	18	21	23	26	31	32
Percentage of mid-career hires* (%)	33	32	33	34	35	35
Percentage of disability employment* (%)	1.5	1.9	2.3	2.5	2.6	2.6
Female personnel taking long-term childcare leave* (persons)	1	3	1	6	1	0
Percentage of female personnel taking long-term childcare leave* (%)	100	100	100	100	100	0
Male personnel taking long-term childcare leave* (persons)	0	4	1	9	10	12
Percentage of male personnel taking long-term childcare leave* (%)	0	24	14	56	83	109
Long-term nursing care leave (persons)	0	0	0	0	0	0
Gender wage gap* (%)	Started calculating from FY2022				84.8	82.9
Average monthly overtime per employee* (hours)	11.9	12.0	10.3	11.6	11.3	10.0
Percentage of personnel taking paid holidays* (%)	68	68	65	69	71	74
Percentage of personnel taking refreshment leave* (%)	95	94	93	93	93	96
Average annual training hours per employee* (hours)	Started calculating from FY2021			109.0	106.6	96.2
Separation rate (calculated using number of regular employees who leave the Company during the year and excluding employees who joined the Company during the year)* (%)	1.5	3.2	1.5	3.3	1.6	1.9
G						
Percentage of Outside Directors (%)	42.9	42.9	42.9	42.9	42.9	42.9
Number of Board of Directors meetings	15	17	16	16	12	13
Number of Nominating and Compensation Committee meetings	—	7	10	12	14	14
Number of anticorruption violations	0	0	0	0	0	0
Total amount of political donations (yen)	0	0	0	0	0	0

* Data available for Hodogaya Chemical only

Environmental Accounting Data* (Unit: Million JPY)

	FY2021		FY2022		FY2023	
	Investment	Expense	Investment	Expense	Investment	Expense
Business area cost	120	179	125	230	59	185
(1) Pollution prevention cost	20	43	38	30	14	40
(2) Global environmental conservation cost	100	16	87	11	45	7
(3) Resource circulation cost	—	120	—	189	—	138
Upstream/downstream costs	—	5	—	9	—	7
Administration cost	—	2	—	4	—	5
R&D cost	—	92	—	46	—	22
Social activity cost	—	13	4	15	7	13
Environmental remediation cost	—	—	—	—	—	—
Total	120	291	129	304	66	232

* Based on the “Environmental Accounting Guidelines 2005” of the Ministry of the Environment

Corporate Data

Corporate data (As of March 31, 2024)

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	922 (Consolidated), 489 (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.

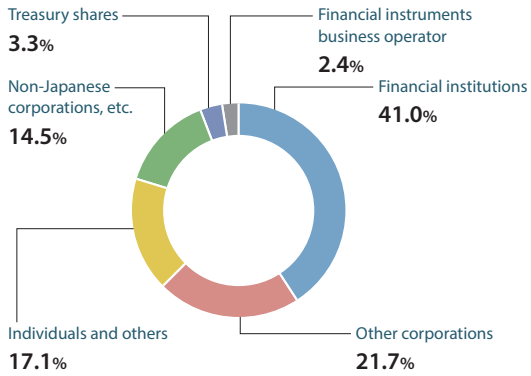
Offices

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, 2024)

- (1) Total number of authorized shares 20,000,000
- (2) Total number of shares issued 8,413,726
(including 274,374 treasury shares)
- (3) Number of shareholders 6,534 (-596 year over year)

Distribution of shares by shareholder



Main independent evaluations

Health & Productivity
Management Outstanding
Organization 2024



Eco Rail Mark

- Received Eco Mark Certification
Hodogaya Chemical Co., Ltd.
Hodogaya Construction Products Co., Ltd.
- Certified Products
Sakana Guard, Peracetic acid, Sodium percarbonate,
Charge control agent TP-415, Chloro-IPC, Eco Proof



FTSE Russel score: 3.0 (FY2023)
(FTSE Blossom Japan Sector Relative Index constituent)



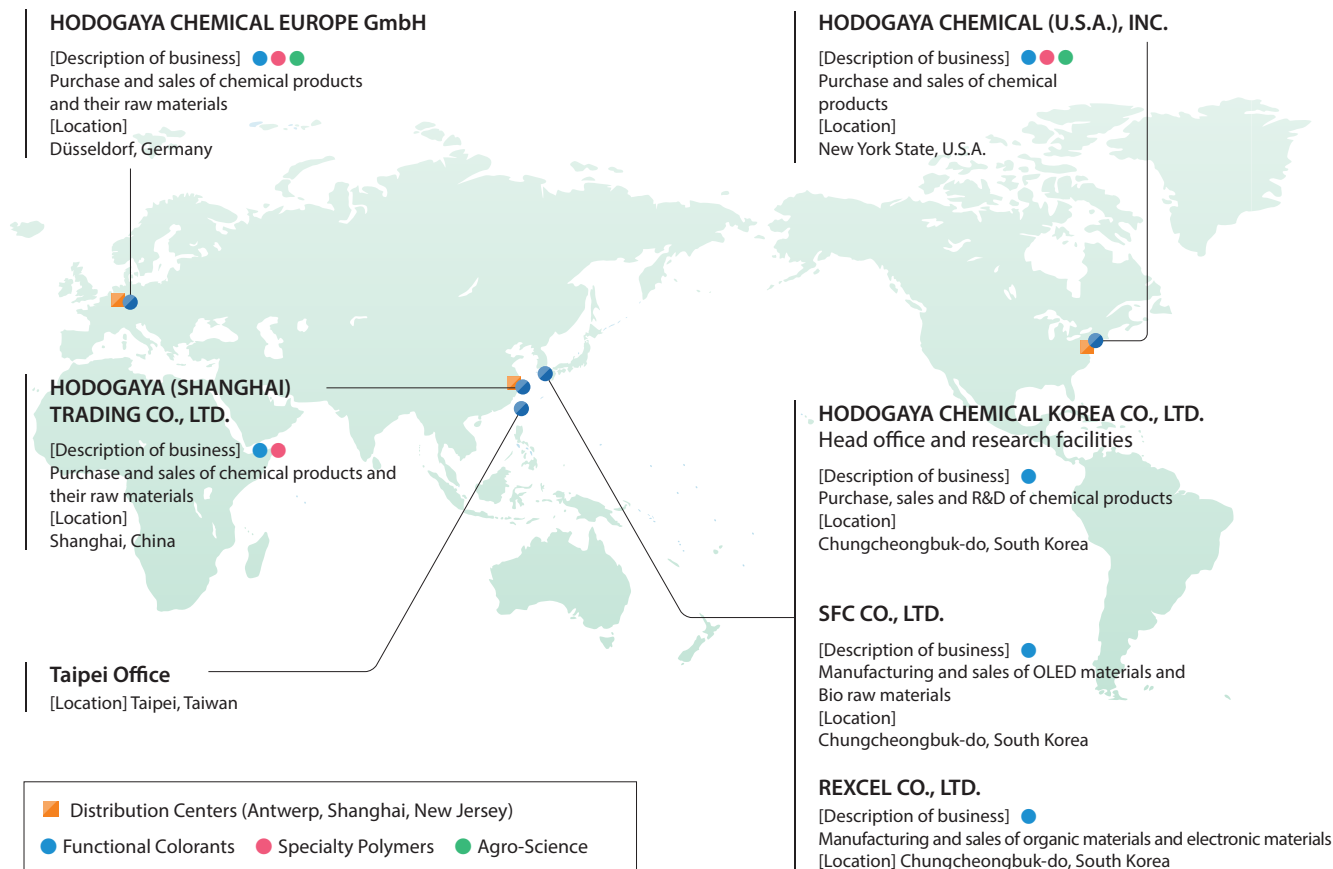
FTSE Russell confirms that Hodogaya Chemical Co., Ltd. has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Sector Relative Index. The FTSE Blossom Japan Sector Relative Index is used by a wide variety of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

* The Company is already included as a constituent stock of the FTSE Blossom Japan Sector Relative Index, too.

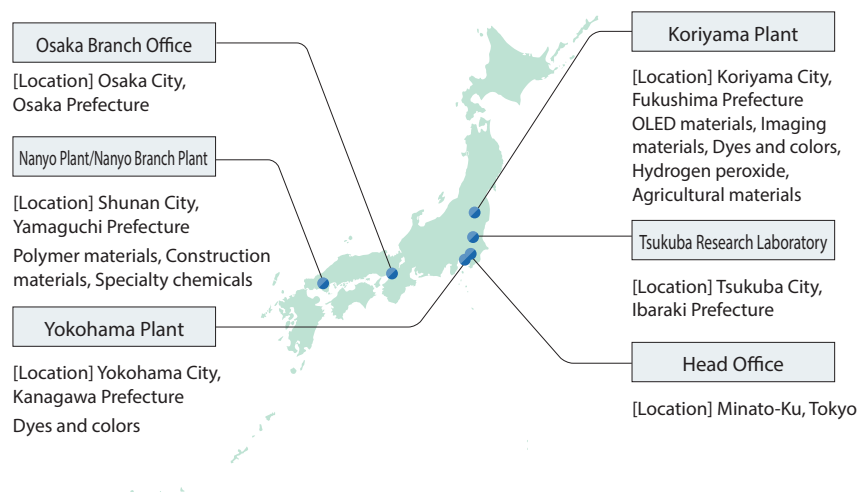
EcoVadis



Overseas Network



Domestic Network



Major Domestic Group Companies

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

* As of March 31, 2024



HODOGAYA CHEMICAL CO., LTD.

1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021 Japan

TEL +81-3-6852-0300 (Main Switchboard)

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

