

Interim Business Report 2024

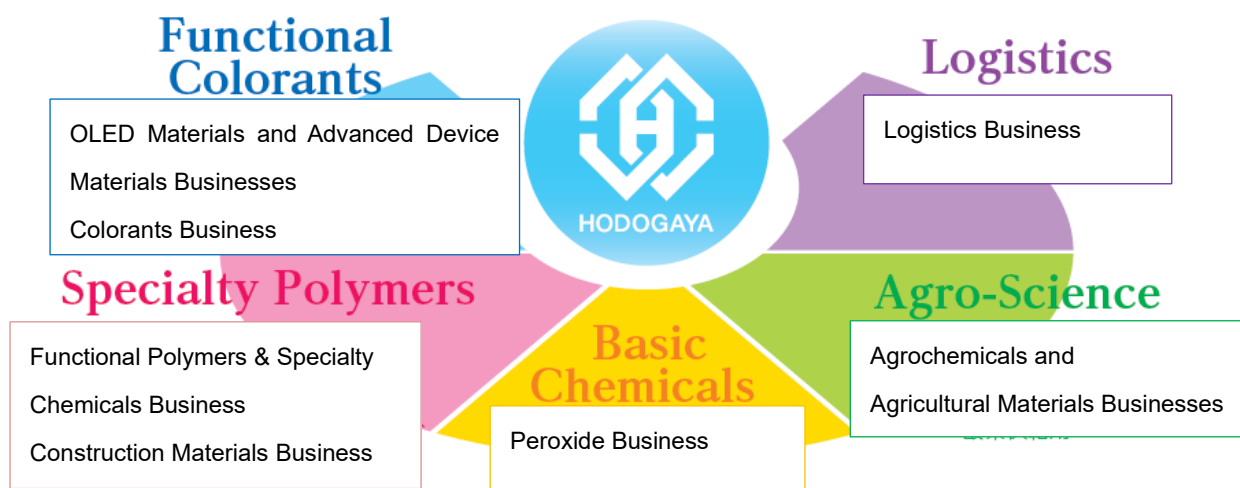
April 1 - September 30, 2024

Hodogaya Chemical Group: Management Philosophy

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

Business Overview

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



Second Quarter 2024 Consolidated Results (Millions of Yen)

	FY2024 Second Quarter Results	Changes Gains/Losses
Net sales	26,607	30.1%
Operating profit	4,354	249.7%
Ordinary profit	4,413	143.2%
Profit attributable to owners of parent	2,549	180.3%

New Mid-term Management Plan

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

PURPOSE [Management Philosophy]

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

VISION [Target Corporate Image]

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

[VISION for the Mid-term Management Plan]

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

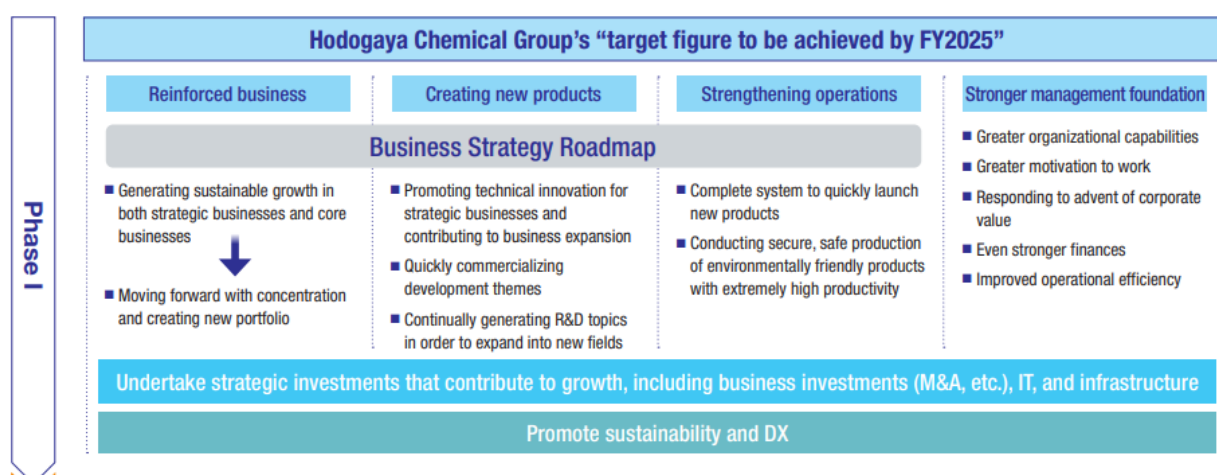
“SPEED 25/30” message and “FY2030 Ideal Figure” and “Target Figure through FY2025”

Mid-term Management Plan [FY2021 from FY2030]

“SPEED 25/30”

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

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



Management Targets (Financial)

(Billions of Yen)

Financial target	FY2021 results	FY2022 results	FY2023 forecast	FY2025 management targets
Net sales	41.8	43.3	50.0	50.0
Operating profit	6.4	3.7	5.5	7.5
Operating margin	15%	9%	8%	15%
ROE	8%	5%	-	9%

Forecast for FY2024

(Millions of Yen)

Net sales	50,000
Operating profit	5,500
Ordinary profit	5,500
Profit attributable to owners of parent	3,300

Sales of OLED materials in the functional colorants segment have significantly increased, and the cumulative performance for the second quarter has greatly exceeded the initial forecasts, so net sales, operating profit, ordinary profit, and profit attributable to owners of parent for the fiscal year ending March 2025 are expected to see an increase compared to the previous announcement. As a result, the Company has announced an upward revision of the full year forecast previously announced on May 15, 2024.

Main independent evaluations

Our group actively engages in ESG (Environmental, Social, Governance) activities to create corporate value and achieve 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. We would like to introduce external evaluations of our Group's efforts.

Received the NIKKEI Integrated Report Award (February 2024)

The Hodogaya Chemical Group Integrated Report 2023 has won the "Excellent Award" at the 3rd NIKKEI Integrated Report Award, organized by Nikkei Inc. Our integrated report aims to be a booklet that provides a comprehensive understanding of our company. We published the inaugural issue in 2017. Since then, we have been steadily improving it every year, and the award-winning 2023 edition is the 7th issue in the series. The predecessor of this award was started in 1998, targeting annual reports for investors, and it has a history of over 20 years. In the fiscal year 2023, there were 475 companies that entered, and out of those, 55 companies won awards. We will continue to make efforts in disclosing information that will help further deepen your understanding of our company in the future.



FTSE Russell evaluation (June 2024) : 3.6

This index is created by FTSE Russell, a global index provider wholly owned by London Stock Exchange Group, and is designed to measure the performance of companies that demonstrate excellent practices in environmental, social, and governance (ESG) areas. It is widely used in the creation and evaluation of sustainable investment funds and other financial products. The "FTSE Blossom Japan Index" and "FTSE Blossom Japan Sector Relative Index" have also been selected as ESG indices for the Government Pension Investment Fund (GPIF) of Japan. Our company is included in the constituents of both indices.

The constituents of the FTSE Blossom Japan Index	The constituents of the FTSE Blossom Japan Sector Relative Index
ESG score of 3.3 or higher	Top 50% of each sector and have an ESG score of 2.0 or higher.

EcoVadis 'Silver Medal' (August, 2024)

Since its establishment in 2007, EcoVadis has provided sustainability assessment services to more than 100,000 companies of 200 industries, in 175 countries. We received the Silver Medal for the third consecutive year, which corresponds to companies in the top 15% of the sustainability assessment indicators (Environment, Labour and Human rights, Ethics and Sustainable procurement). Our Group will continue to steadily implement its sustainability initiatives through technological innovation and aims to achieve sustainable growth with a portfolio full of originality and environmentally friendly manufacturing.



TOPICS

Weeding at the Nita Honke Sake Brewery.

At the Koriyama plant, we participated in the weeding volunteer activity at Nita Honke Sake Brewery for the second time in June 2024, following last year. This year, 20 employees participated, and we had the opportunity to weed the rice fields together with the local community members. We were taught the tips for weeding by the people from Nita Honke Sake Brewery, and we were able to enjoy the work while interacting with the local community members. We will continue to actively participate in CSR activities and contribute to the local community and society.



Sponsored the Children's Parliament.

As part of Hodogaya Chemical Group's sustainability initiatives, we sponsored the "Children's Congress 2024 Summer" held in July 2024. This event involved a tour of the National Diet Building, where children engaged in group work on the theme of "Children in the Center of Society." At the end, they had the opportunity to share their ideal visions with bipartisan members of parliament. It was a great opportunity for the employees who participated from our company, as well as for their families and mentors, to gain surprises and insights from the sincere gaze and opinions of the children. Furthermore, through our sponsorship, we were able to support the creation of opportunities for the participating children to experience an exciting society and to challenge themselves fairly. Through our company's catchphrase, "Your Dream is our Business," we will continue to contribute to society.



Holding outreach lessons

In September 2024, the Nanyo Plant visited two nearby elementary schools and conducted outreach lessons. Since the start of the COVID-19 pandemic, it had been several years since the last event, so we made careful preparations to convey the fascinating aspects of chemistry to the children. We provided them with the opportunity to experience two chemistry experiments that we also use in our daily work. The first experiment involved submerging ink written on filter paper in water to separate the colors and create a picture of Mount Fuji. The children were amazed and fascinated as they watched the colors gradually separate into different shades. The second experiment involved creating flags using three colored liquids with different densities. The children enthusiastically mixed and blended the completed flags, creating a messy but enjoyable sight. It was very impressive to see them having so much fun with it. Through the smiles and reactions of the children, we once again realized that even the seemingly difficult field of chemistry can be learned with enjoyment. We will continue these efforts to serve as a catalyst for children to develop an interest in chemistry.



Overview By Business Segment

Functional Colorants

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

Specialty Polymers

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

Basic Chemicals

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

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

Logistics	Hazardous materials warehousing Strength>> 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
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CONSOLIDATED FINANCIAL STATEMENT
CONSOLIDATED BALANCE SHEETS

	MILLIONS OF YEN	
	2024 Mar. 31	2024 Sep. 30
ASSETS		
Total Current Assets	38,675	38,863
Total non-current assets	42,482	43,798
Total property, plant and equipment	28,665	30,052
Total intangible assets	558	803
Total investments and other assets	13,258	12,942
Total Assets	81,157	82,662
LIABILITIES		
Total current liabilities	14,770	14,622
Total non-current liabilities	8,943	8,110
Total Liabilities	23,714	22,732
Total shareholders' equity	38,197	40,476
Share Capital	11,196	11,196
Capital surplus	7,933	7,933
Retained earnings	20,660	22,904
Treasury shares	(1,593)	(1,558)
Total accumulated other comprehensive income	9,537	8,829
Non-controlling interests	9,708	10,623
Total net assets	57,443	59,929
Total liabilities and net assets	81,157	82,662

CONSOLIDATED STATEMENTS OF INCOME

	MILLIONS OF YEN	
	FY 2023	FY 2024
	Apr.1- Sep.30	Apr.1- Sep.30
Net Sales	20,451	26,607
Cost of sales	12,974	14,889
Gross profit	7,476	11,718
Selling, general and administrative expenses	6,231	7,363
Operating profit	1,245	4,354
Total non-operating income	652	361
Total non-operating expenses	83	302
Ordinary profit	1,814	4,413
Total extraordinary income	0	142
Total extraordinary losses	46	65
Profit before income taxes	1,768	4,489
Income taxes	412	549
Profit	1,355	3,940
Profit attributable to non-controlling interests	446	1,391
Profit attributable to owners of parent	909	2,549

STOCK (AS of September 30, 2024)

AUTHORIZED NUMBER OF SHARES

20,000,000

NUMBER OF COMMON SHARES ISSUED

8,413,726

NUMBER OF SHAREHOLDERS

6,349

MAIN SHAREHOLDERS (TOP 10 COMPANIES)

Shareholder	Number of Shares Held (Thousand)	Percentage of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	933	11.5
Tosoh Corporation	700	8.6
Mizuho Bank, Ltd.	298	3.7
The Norinchukin Bank	227	2.8
Custody Bank of Japan, Ltd. (Trust Account)	215	2.6
Custody Bank of Japan, Ltd. (Trust E Account)	191	2.4
Meiji Yasuda Life Insurance Company	164	2.0
The Toho Bank, Ltd.	148	1.8
JPMorgan Securities Japan Co., Ltd.	138	1.7
The Yamaguchi Bank Ltd.	130	1.6

Treasury stocks (274,820 shares) are not included in the above list.