



**Hodogaya Chemical Group Report
Integrated Report 2023**

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 medium- and long-term. We have engaged in dialogue with all our stakeholders, including our shareholders and investors, customers, partner companies, people from the local communities and society as well as our personnel.

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

Also, detailed information regarding products, financial matters and ESG, as well as the details of the group companies, which could not be included in this report, are available on our website. To easily access the applicable reference information on our website, please use the QR codes or the addresses (URLs) provided in this report.

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

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

■ Period Covered

This Report generally covers the period from April 2022 to March 2023, 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 2023

■ 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

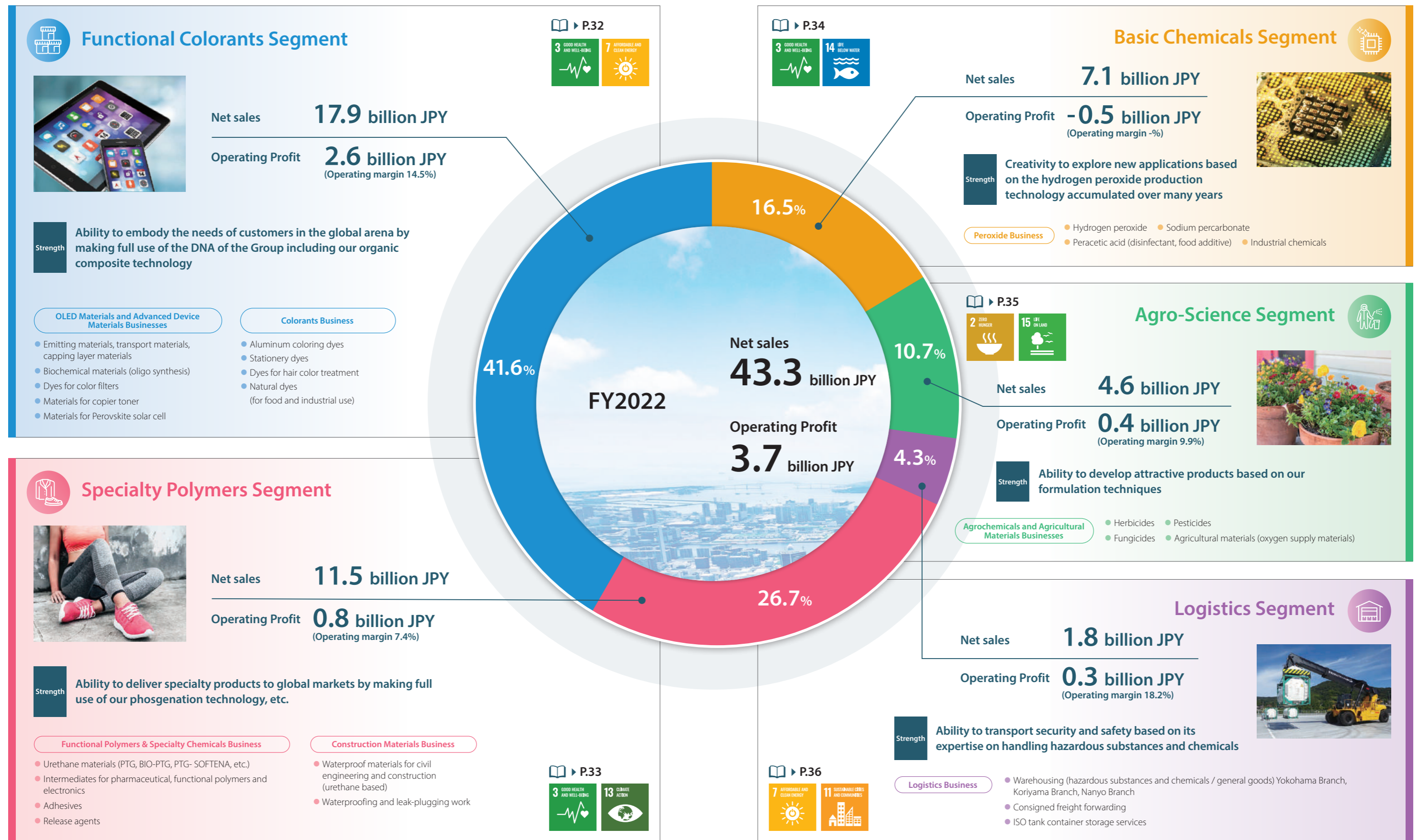


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At a Glance

“Five Core Segments” of the Hodogaya Chemical Group



* Sales ratio of the Other segment was 0.2%.

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.

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 cleaning.

Materials for PCR diagnostic kits
Materials that bond to synthetic DNA are used in the virus detection process.

Aquafarms
Our veterinary medicines are used for fish parasite removal.

Automobile tires
Our adhesives are used in tires.

Automotive parts
Our urethane materials are used for various parts of automobiles.

Buildings
Our waterproofing materials are used for rooftops and balconies.

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

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. For over 100 years, 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.

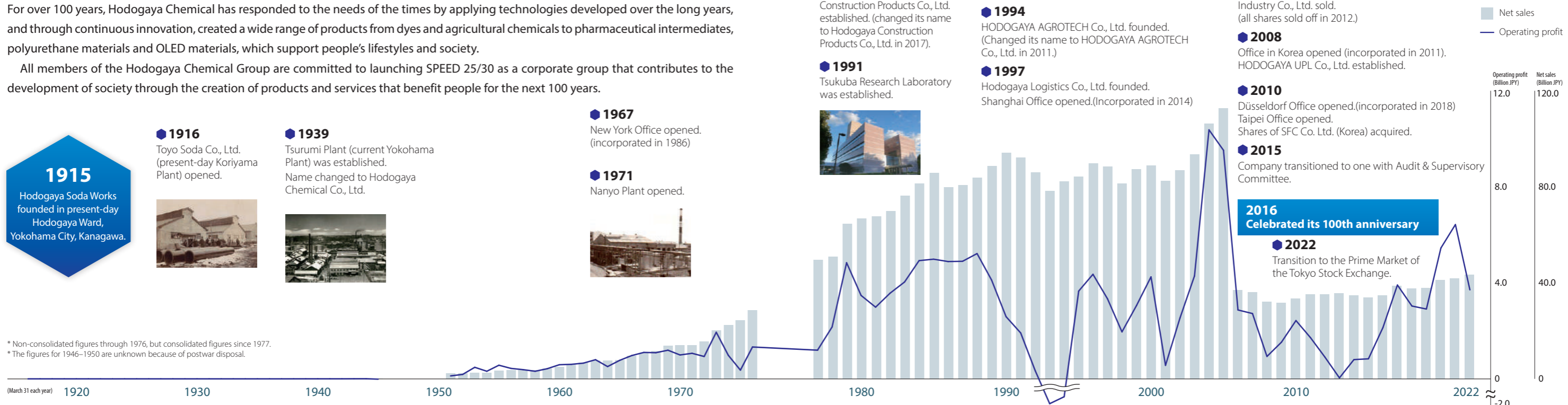
2010
Düsseldorf Office opened. (incorporated in 2018) Taipei Office opened. Shares of SFC Co. Ltd. (Korea) acquired.

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.

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



1920 1930 1940 1950 1960 1970 1980 1990 2000 2010 2020

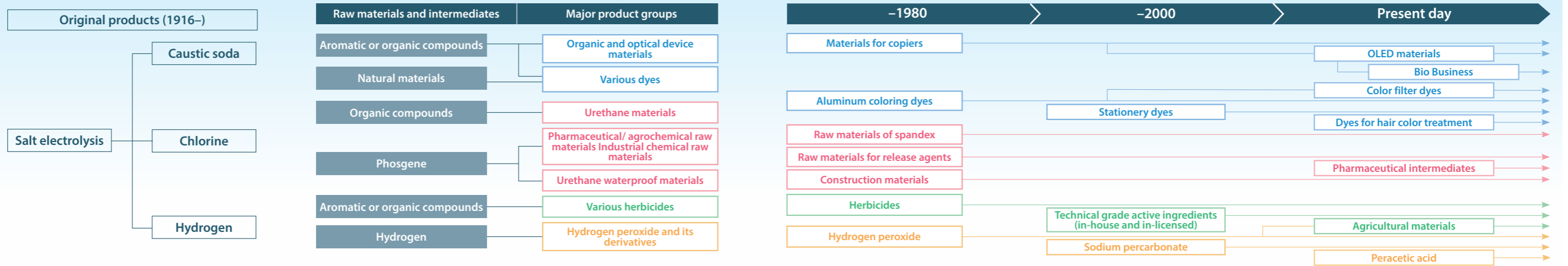
Products developed

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

<p>1914 World War I</p> <p>1923 The Great Kanto Earthquake</p>	<p>1939 World War II</p>	<p>1950s Postwar rebuilding</p> <p>1960s Rapid economic growth</p> <p>1973 Oil crises</p>	<p>1985 Plaza Accord</p> <p>1991 Economic bubble burst</p>	<p>2008 The collapse of Lehman Brothers</p> <p>2011 Great East Japan Earthquake</p> <p>2020 Novel coronavirus disease (COVID-19)</p>
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Technological roots and change



Message from the President



In the spirit of “Changing Together,” we will become a company that is essential to the realization of a sustainable society over the next 100 years.

Yuto Matsumoto
President and CEO

Progress, Evaluation, and Pending Issues in the Second Year of the Mid-term Management Plan SPEED 25/30

Despite the increase in economic activity as the spread of COVID-19 began to subside, conditions throughout FY2022 were significantly impacted by the surge in energy prices owing to such factors as the prolonged conflict between Russia and Ukraine. In the fiscal year under review, net sales increased 3.5% year on year, to 43.3 billion JPY, due to higher sales in the Company's mainstay businesses and the effects of the weak yen. In contrast, operating profit decreased 42.4% year on year, to 3.7 billion JPY. In addition to the substantial decline in materials for PCR diagnostic kit demand, this downturn in profit was attributable to a variety of factors,

including the surge in raw material and fuel prices as well as the increase in research and development expenses.

Under its Mid-term Management Plan SPEED 25/30, the Hodogaya Chemical Group has set net sales of 50.0 billion JPY, operating profit of 7.5 billion JPY, and an operating margin of 15.0% as its management targets in FY2025. While achieving this operating margin target in FY2021, our operating margin fell below the target at 8.5% in FY2022 owing to the decline in PCR-related sales. **In order to achieve our targets for FY2025, we recognize the need to strengthen existing businesses while building a new business portfolio.**

Building a New Business Portfolio

The Hodogaya Chemical Group restructured certain business divisions and established the Advanced Device Materials Department in April 2023. Reporting to the Organic & Optical Materials Device Division, the Advanced Device Materials Department is responsible for expanding sales of dyes for color filters and promptly commercializing new products, including near-infrared absorption materials and perovskite solar cells*1.

Meanwhile, the Group's business in Korea is becoming increasingly important with each passing year. In addition to

South Korea's growth potential and importance as a market for the OLED material business, our subsidiary SFC CO., LTD. develops materials for PCR diagnostic kits as an extension of the OLED material business, which contributed significantly to earnings through to FY2021.

Looking ahead, we will apply proprietary technologies to the development of Oligonucleotide medicine, while considering entry into the biopharmaceutical field from diagnostic pharmaceuticals. In the fall of 2023, a Biotechnology

center under construction near SFC's headquarters will be completed. We anticipate this will contribute to the expansion of our bio business.

Furthermore, REXCEL CO., LTD. (Chungcheongbuk-do, South Korea), in which we have maintained an equity interest since 2018, will be included in the scope of the Company's consolidation as a subsidiary from FY2023. REXCEL, which has largely specialized in the refining of OLED materials, has decided to apply this expertise to engage in the ultra-high purity refining of cutting-edge semiconductor resist materials. The latest semiconductors require extremely levels of resist material purity to produce ultra-fine circuits. Recognizing this as an opportunity, REXCEL is currently working to expand its facilities.

In July 2023, we established the Korea Business Strategy

Department as an organization under the direct control of the President in order to flexibly and promptly consider and promote business strategies for further growth of our business in South Korea, where expectations of a significant leap forward are high.

In addition to the aforementioned, **we will take steps to build a new business portfolio by accelerating the development of products that are essential to the realization of a sustainable society** in the fields of the environment and energy as well as agriculture and food in our core and strategic businesses.

[Mid-term Management Plan](#) [P.22](#)

*1 Perovskite solar cells: Solar cells made from perovskite, which has a crystal structure that converts light into electricity. Expectations of reduced costs through coating and printing technologies that enable mass production.

Contribution to Help Realize a Sustainable Society through Our Business

The Group's vision is to contribute to a sustainable society through its business. The Hodogaya Chemical Group placed considerable emphasis on Responsible Care (RC) activities well before environmental issues became a major issue. We position sustainability management as an extension of these activities. Meanwhile, we established the Sustainability Development Committee in 2021 to fulfill functions and roles that differ from RC activities. Activities of this committee are conducted through an organization structure that includes the TCFD*2 Subcommittee and the Global Environment Subcommittee.

In addition to our RC activities since 1997, our FTSE Russell*3 score has improved each year on the back of our proactive information disclosure efforts under our sustainability promotion system. In FY2022, we were selected as a constituent of the FTSE Blossom Japan Sector Relative Index*4 and received the Silver Medal presented by EcoVadis*5. We see this as **proof that the Group's ESG management has received a certain**

level of recognition. Our environmentally friendly and other products that use environmentally friendly raw materials have attracted considerable attention. As an example, our soil improvement oxygen supply materials, bio-based urethane materials, and release agents have been included in the FTSE Green Revenues Data Model*6. These products accounted for about 3% of Hodogaya Chemical's (non-consolidated) sales in FY2015. With this figure climbing to 12% in FY2022, we are becoming increasingly aware of the contributions that our businesses make to realizing a sustainable society.

[Hodogaya Chemical Group's Sustainability](#) [P.38](#)

*2 TCFD: Task Force on Climate-related Financial Disclosures
*3 FTSE Russell: UK-based company that provides indexes.
*4 FTSE Blossom Japan Sector Relative Index: An index provided by FTSE Russell that reflect the performance of Japanese companies that excel in responding to environmental, social and governance (ESG) concerns in their respective sectors.
*5 EcoVadis: A platform for evaluating corporate social responsibility and sustainable procurement.
*6 Green Revenues Data Model: A model that identifies companies that derive revenue from green products and services and classifies the greenness of their products.

Addressing Environmental Issues

The Hodogaya Chemical Group expressed its support for the TCFD recommendations in November 2022. We are now required to report the carbon footprint of individual products, including differences in raw materials, and will work to proactively disclose information, including our Scope 3 efforts going forward. We have already introduced CO₂-free electricity at several plants and offices. In FY2022, we introduced Internal Carbon Pricing (ICP) as a method for estimating carbon price within the Group to promote low-carbon investments and measures as well as energy conservation.

The Group nevertheless continues to face some issues. For example, CO₂ is generated in the process of producing hydrogen

from natural gas, which is necessary for the manufacture of hydrogen peroxide and its derivatives, one of our core businesses. Should green hydrogen*7 and blue hydrogen*8 become readily available at a low cost in the near future, we are confident we will be able to reduce CO₂ emissions. Moreover, the use of our hydrogen infrastructure will significantly contribute to the hydrogen society advocated by the government.

[TCFD Disclosure](#) [P.39](#)

*7 Green hydrogen: Hydrogen produced using renewable energy sources.
*8 Blue hydrogen: Hydrogen produced from such fossil resources as petroleum or natural gas that has been treated so that no CO₂ is emitted into the atmosphere during production.

Human Capital Initiatives

I believe that our personnel are the most important resource, or capital, to achieve sustainable growth. Based on this understanding, I have placed considerable emphasis on promoting human capital management, since my appointment as President in 2016, in the belief that it will lead to the Company's growth. In my initial address as President, I stated that we have a legacy to carry forward as a company that has celebrated its 100th anniversary. Over and above such tangible capital as the Group's businesses, products, technologies, production bases, customers, and business partners, we are also charged with the responsibility of fine-tuning our legacy by incorporating the intangible and important contributions born from our personnel, including the joy of developing and selling products as a manufacturer, the vision set forth in our Mid-term Management Plan, and the gratitude we feel toward our customers and all other stakeholders. Recently, we have taken steps to put in place a flexible workstyle framework to provide all officers and personnel with a greater sense of fulfillment in their work. This framework includes further entrenching the Group's teleworking system, the Come-back Entry Program, a reemployment registration system, the ability to take annual paid holidays on an hourly basis, refreshment leave, and allowing personnel to dress more freely. As a result, Hodogaya Chemical has been certified as a Health & Productivity Management Outstanding Organization since FY2021. In order to improve personnel satisfaction, we have also endeavored

to gauge the level of engagement from both the qualitative and quantitative perspectives by regularly measuring engagement scores from FY2021.

With overseas sales accounting for half of the Group's total sales, we recognize that the development of global talent is a pressing issue. Hodogaya Chemical introduced an overseas trainee program in 1989 and has worked diligently to develop personnel on a continuous basis. As a member of the first batch of personnel to participate in this program, I was dispatched to the United States. On a personal note, this initiative helped highlight the importance of not only learning a new language, but also experiencing first hand local business practices and cultural differences. In addition to Europe and the U.S., we are currently expanding this dispatch program to Chinese- and Korean-speaking countries.

New initiatives are underway in the areas of personnel evaluation and remuneration. We began providing performance-linked bonuses from FY2019. We also introduced a multifaceted evaluation system for certain department general managers, including evaluations from peers and subordinates. More recently, we launched a personnel stock compensation plan for management personnel in April 2023 to realize the sustainable improvement and growth of both corporate value and personnel.

Human Resources  P.47

Strengthening Corporate Governance

Hodogaya Chemical was quick to reform its corporate governance structure and systems. We transitioned to a Company with an Audit & Supervisory committee in 2015 and introduced a stock-based compensation plan for officers in 2016. A female Outside Director with expertise in personnel strategies was appointed in June 2023, increasing the diversity of the Board of Directors and broadening its skill set. Moving forward, we will look to appoint female Directors from within the Company as well to further increase the diversity of the Board of Directors.

Succession planning is another important issue. I believe that a person who understands Hodogaya Chemical's corporate culture and has a strong desire to manage the Company would be a suitable successor. In addition to conducting executive training for selected members, we also have General Managers of departments

attend Management Committee meetings where they can explain the operations of their own departments, learn about the kind of information management requires, and gain an understanding of the committee's deliberations. In addition, we provide opportunities for

dialogue with Outside Directors so that Board members can gain an insight into the next generation of candidates.

Corporate Governance  P.51

Green Innovation to Realize a Sustainable Society

An issue that I believe the Group must definitively address over the long term is Green Transformation (GX).

In addition to the development and manufacture of battery materials, we are undertaking research on perovskite solar cells as part of our technological development activities to promote GX. Perovskite solar cells use organic compounds as an alternative to silicon, an area in which the Japanese government is also focusing its research efforts. Hodogaya Chemical is endeavoring to contribute to early commercialization by providing highly durable and highly efficient materials.

Moreover, we will focus on the promotion of digital transformation (DX), an important issue under SPEED 25/30, as we believe that the accelerated promotion of GX will help secure our competitiveness by promoting innovation through the use of digital technology.

Our goals are also to develop sustainable products that reduce the environmental impact, especially in the

agricultural and food fields as an extension of our technologies. Building on our collaboration with ASAHI AGRICULTURE CO., LTD. announced in February 2023, we will focus on the similarities between our soil preparation and soil improvement technologies to develop a composite material of compost and oxygen supply materials that is expected to generate fertilizer effects, prevent moisture damage, and improve efficiency. We believe this initiative will contribute to the efficiency and stability of crop cultivation. We also see this as a significant step toward the reduction of chemical pesticides and fertilizers. More than just a pipe dream, we strongly believe that this business will help address the global social issue of food shortages attributable to population growth as it gets off the ground and expands through Asia to the rest of the world.

Research & Development  P.29

The Mission and Purpose of the Hodogaya Chemical Group

Guided by its PURPOSE – Management Philosophy -, the Hodogaya Chemical Group aims to contribute to a sustainable society by making chemical technology useful. Our catchphrase, Your Dream is Our Business, encapsulates not only the development of products that meet the needs of customers, but also the continuous development and provision of products and services that help realize a sustainable society from a social perspective. The value of any company is ultimately determined by its personnel. **In order to realize our management philosophy and ensure the Company's profitability, we are committed to maximizing the potential of our personnel and then channeling this potential toward the sustainable growth of our corporate value. At the same time, we will return profits to shareholders through improvements in PBR*9 on the back of a higher ROE*10 and efforts to lift DOE*11.**

The role of the organization's leaders is to clarify the

Group's vision and targets and to then exert their influence to promote increased awareness in a bid to foster a corporate climate and culture in which all officers and personnel work passionately to achieve established goals. In the spirit of "Changing Together," we will become a company that is essential to the realization of a sustainable society over the next 100 years. Moving forward, we will ensure our harmonious coexistence with all stakeholders, including customers, investors, personnel, and local communities. I thank all stakeholders for their understanding and look forward to their support for the Hodogaya Chemical Group.

*9 Price book-value ratio (PBR): An indicator that measures the number of times the stock price is equal to net assets per share (PBR = Stock price / Net assets per share).

*10 Return on equity (ROE): An indicator that measures a company's ability to efficiently utilize its capital and generate profits (ROE = Earnings / Equity).

*11 Dividend on equity ratio (DOE): An indicator that measures how much a company pays out in dividends to shareholders' equity (DOE = Total annual dividends / Shareholders' equity x 100%).



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 – Manage-

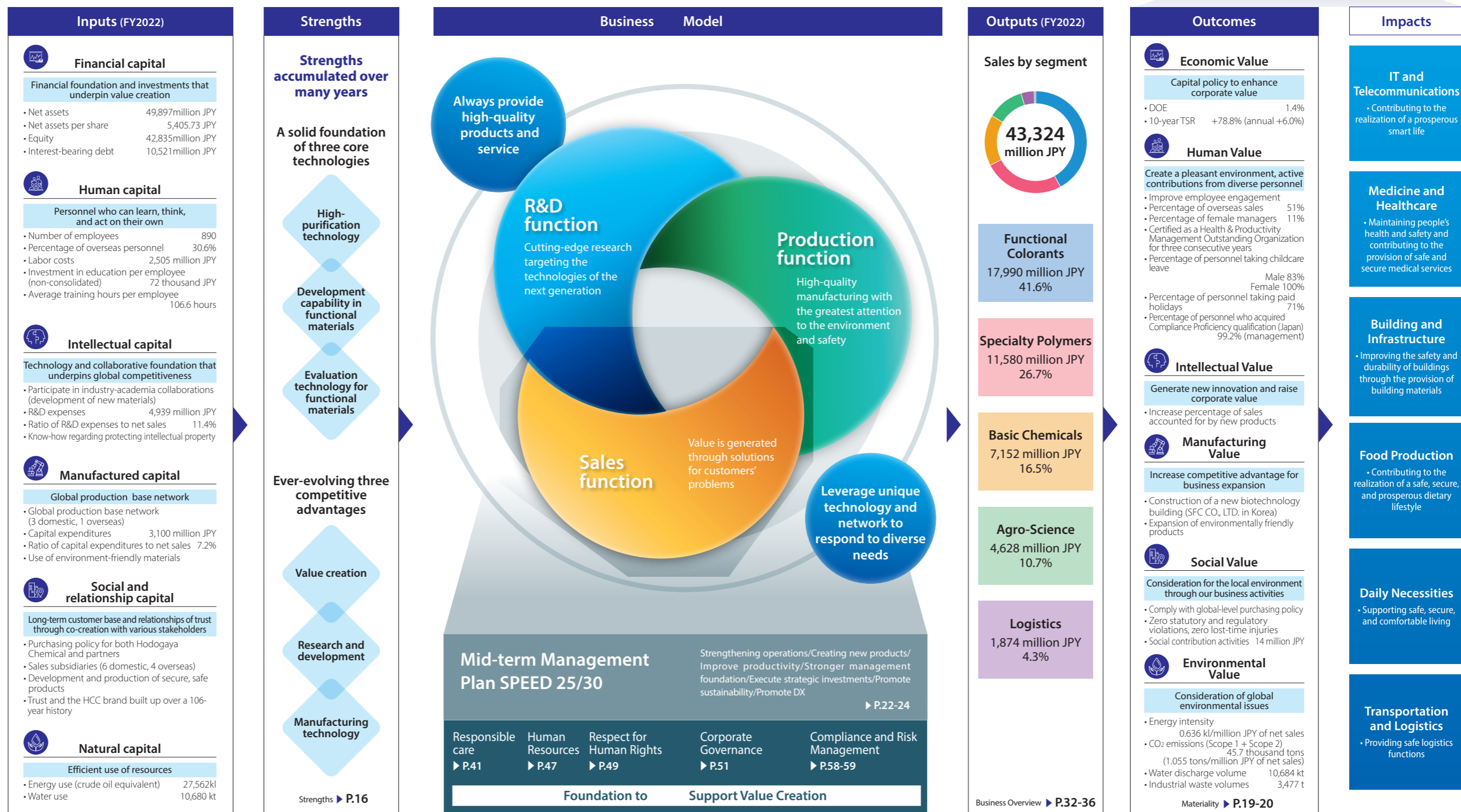
ment Philosophy –
Through constant innovation of high-quality products and services creation of an environmentally

ment Philosophy –

chemical technology, we will provide throughout the world and contribute to the 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 corporate message: 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 (materiality) that must be addressed. We will address social problems by responding appropriately to risks and taking advantage of opportunities, leading to the realization of further value creation.

External environment	Risks	Response to risks	Opportunities	Response to opportunities	Materiality
 <p>Global environment</p> <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>	<ul style="list-style-type: none"> • Major impact on production activities due to severe natural disasters (human and facilities) • Increase in conservation costs • Supply chain having less trust in the Group due to lack of consideration for the environment • Economic losses due to violations of regulations in Japan and abroad • Less trust in the company • Loss 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 activities • Loss of ability to continue business activities due to less trust from regions in which business is conducted 	<ul style="list-style-type: none"> • Conduct inspections of facilities and equipment and make repairs • Provide education related to operation standards, etc. • Conduct various types of training and make use of safety confirmation system • Achieve environmental targets for energy savings and reducing environmentally hazardous substances • Promote environment management, such as obtaining ISO 14001 certification throughout the company • Create a regulation compliance system • Regularly check revisions to overseas regulations • Strengthen functions related to educating, thoroughly informing people of, and checking rules related to quality and safety performance • Establish relationships with multiple suppliers • Thoroughly implement measures to prevent infectious diseases • Continue and strengthen activities that contribute to the sustainable development of regions where business is conducted 	<ul style="list-style-type: none"> • Expanding demand for climate change mitigation/adaptation products • Expanding demand for products that contribute to lighter environmental impact • Expanding demand for products that conform to regulations in various countries • Expanding demand for products that offer the value of quality and safety performance • Expanding demand for products that help maintain health • Increase corporate value by winning the trust of communities in which business is conducted and stabilizing business 	<ul style="list-style-type: none"> • Develop and sell climate change mitigation/adaptation products • Expand businesses related to purifying water, etc. • Promoting green chemistry • Develop and sell products that are compliant with regulations in various countries • Develop and sell products that offer the value of quality and safety performance • Develop and sell products that help maintain health • Actively undertake exchanges with and contribute to communities in which business is conducted • Continually implement measures to increase engagement and verify effectiveness through pulse survey 	<ul style="list-style-type: none"> • Responding to climate change • Maintaining air, water, soil environments • Ensuring the safety of products and chemical substances
 <p>Society</p> <ul style="list-style-type: none"> • We recognize that responding to the advent of social value is an important issue for corporate management. <p>▶ SDGs adopted by UN</p> <p>▶ PRI signed by GPIF</p> <p>▶ Japan Business Federation's Charter of Corporate Behavior revised</p>	<ul style="list-style-type: none"> • Undermining of organizational performance due to a decline in the feeling of motivation by and ease of work for officers and personnel • Not promoting diversity management resulting in the stagnation of organizational capabilities and corporate value • Not promoting health and productivity management and workplace safety and health resulting in the stagnation of organizational capabilities and corporate value • Greater 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 problems 	<ul style="list-style-type: none"> • Develop and implement measures to increase engagement through engagement pulse surveys • Make use of personnel in a manner that stresses capabilities and skills • Create an environment in which it is possible for officers and personnel to contribute in a healthy and safe manner • Ascertain issues related to business and human rights and appropriately respond 	<ul style="list-style-type: none"> • Increase the feeling of motivation and ease of work of officers and personnel as well as increase organizational performance • Improve organization capabilities and increase corporate value by appropriately conducting diversity management • Improve organization capabilities and increase corporate value by appropriately conducting health and productivity management and ensuring workplace safety and health • Increase corporate value by appropriately responding to issues related to business and human rights 	<ul style="list-style-type: none"> • Actively 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 possible • Implement a wide range of measures to improve the health and vitality of officers and personnel, raise productivity, and invigorate the organization • Ascertain 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. 	<ul style="list-style-type: none"> • Improving value and reliability of products • Helping maintain health • Contributing to communities • Improving feeling of motivation to work • Promoting diversity • Promoting health and productivity management and workplace safety and health • Respecting human rights
 <p>Governance</p> <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>▶ 2021 revisions to Corporate Governance Code</p> <p>▶ Continuing quality-related scandals and serious defects in internal controls at listed companies</p> <p>▶ Risks of pandemic and disasters</p>	<ul style="list-style-type: none"> • Not being able to quickly and flexibly respond to more sophisticated corporate governance and thus harming corporate value in the medium term • Sustaining 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"> • Improve and expand governance as a company listed in the Tokyo Stock Exchange's Prime Market • Thoroughly implement compliance to prevent legal violations, scandals, defects, etc. • Implement appropriate measures to reduce risks through extensive but detailed risk awareness/evaluations 	<ul style="list-style-type: none"> • Increase corporate value by continuing to promote corporate governance compatible with the monitoring model • Increase corporate value by thoroughly implementing compliance, preventing legal violations, scandals, and defects • Expand business and profit opportunities by uncovering opportunities from related risks while minimizing losses in that risk field 	<ul style="list-style-type: none"> • Further increase effectiveness through the appropriate division of duties related to supervision responsibilities of directors and the decision, implementation, and accountabilities of executive officers • Continue to provide education to spread compliance and impose disciplinary measures in the case of compliance violations • Discover business and profit opportunities through extensive but detailed risk awareness/evaluations and risk reduction measures 	<ul style="list-style-type: none"> • Expanding corporate governance • Spreading compliance • Thoroughly spreading risk manage

Materiality

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

strategy of SPEED 25/30. We are committed to addressing them as a medium- to long-term business issues on a company-wide basis, together with the FY2030 ideal figure formulated under SPEED 25/30.

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

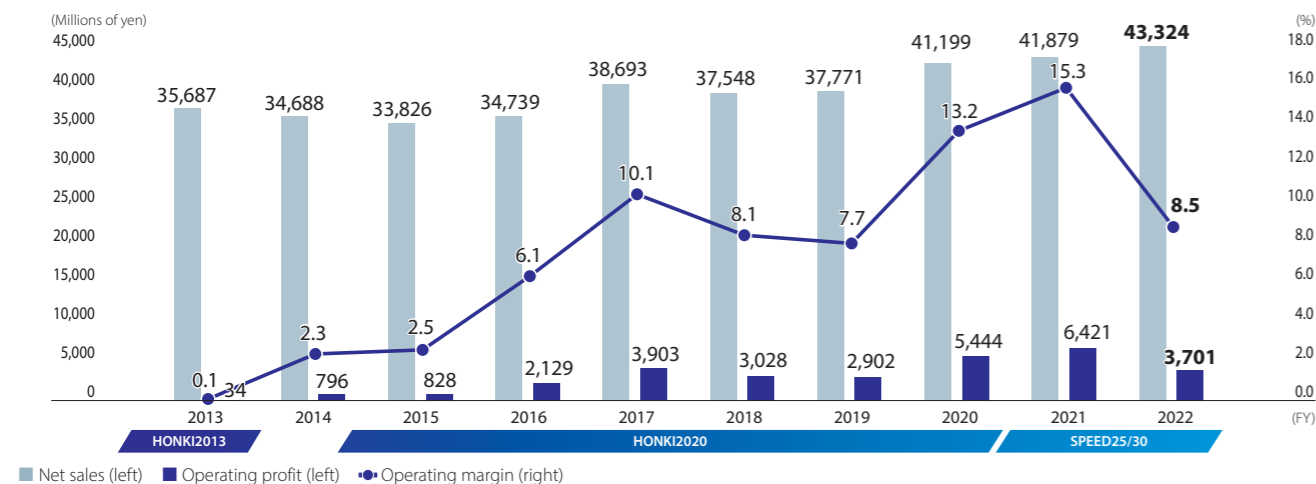


FY2025 KPIs	Initiatives	FY2022 results	SDGs contributed to
—	Expand into peroxide agricultural materials	Developed a market for soil improvement agents (including joint development)	
—	Expand sales and dissemination of veterinary medicines	Continue sales expansion and dissemination	
—	Expand Bio-PTGs	Sales expansion of Bio-PTGs	
<ul style="list-style-type: none"> Energy intensity: 0.606 kl/million JPY of net sales CO₂ emissions: 43,400 tons or intensity: 0.868 tons/million JPY of net sales 	Promotion of energy-saving and resource-saving	<ul style="list-style-type: none"> Switched to CO₂-free electric power Internal Carbon Pricing (ICP): Secured investment results 	 
<ul style="list-style-type: none"> SOx emissions: zero continuing Volume of industrial waste produced: less than previous year 	Promote reduction of environmental impact	<ul style="list-style-type: none"> SOx emissions: zero emissions on an ongoing basis → Achieved Volume of industrial waste produced: Less than the previous fiscal year → Not 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	Achieving zero quality problems	
—	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	Resumption of visiting classes at nearby elementary schools, and resumption of environmental support activities	  
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	 
<ul style="list-style-type: none"> 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	Achieved zero lost-time injuries	 
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	Public disclosure of 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 Each business is classified into one of the four stages of growth, and we focus on strengthening core businesses while enhancing and cultivating the businesses of the future. Measures Strengthening of core businesses that support the Company Business expansion for future growth/promotion of new business creation Further reinforcing the global operating system Reinforcement of Corporate Social Responsibility (CSR) initiatives	Outline Each business is classified into one of the four stages of growth, and we focus on strengthening core businesses while enhancing and cultivating the businesses of the future. Measures Regaining competitiveness and securing a stable revenue base – core businesses Establishing the Pillars of the Next Generation – growth businesses Expanding business areas by creating new added value – cultivation businesses, creation of new products Further reinforcing the global operating system and developing human resources Strengthening CSR initiatives
Looking back	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.	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 Made Company-wide 10.1 billion JPY of capital investment Opened new aluminum coloring dye facilities Enhanced production and research facilities for OLEDs (at SFC), etc. Further reinforced the global operating system Newly established development bases and manufacturing bases in South Korea, a leading OLED market, advanced our globalization in terms of R&D and production Established a local subsidiary in Düsseldorf, Germany, to strengthen our sales activities in Europe Promoted the global procurement of raw materials; strengthened efforts to address such issues as China risk Reinforcement of CSR initiatives Committed to CSR by taking into account support for ESG management and contribution to achieving SDGs. External evaluation also improved
Achievements	Expanded business for future growth and planted seeds for new product creation Changing business environment, a sharp rise in raw material and fuel costs, declining sales volume and unit prices, etc., 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.	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	Expand sales, reduce costs, and launch products that meet customer needs to secure a stable revenue base Expand business and reap the benefits of new product creation Further utilization and expansion of overseas business bases	Searching for and quickly cultivating new growth drivers following the OLED materials business Building a business portfolio that will be able to accommodate the changes that take place in a future environment Further strengthening the combined three functions of R&D, production, and sales

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

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

Hodogaya Chemical Group's "target figure to be achieved by FY2025"

Reinforced business	Creating new products	Strengthening operations	Stronger management foundation
<ul style="list-style-type: none"> Generating sustainable growth in both strategic businesses and core businesses Moving forward with concentration and creating new portfolio 	<ul style="list-style-type: none"> Promoting technical innovation for strategic businesses and contributing to business expansion Quickly commercializing development themes Continually generating R&D topics in order to expand into new fields 	<ul style="list-style-type: none"> Complete system to quickly launch new products Conducting secure, safe production of environmentally friendly products with extremely high productivity 	<ul style="list-style-type: none"> Greater organizational capabilities Greater motivation to work Responding to advent of corporate value Even stronger finances Improved operational efficiency

Undertake strategic investments that contribute to growth, including business investments (M&A, etc.), IT, and infrastructure

Promote sustainability and DX

Ideal figures in FY2030	
Strengthening operations	A well-constructed business portfolio
Expanding our sphere of activity	Continuing to create new products for the global market
Higher efficiency	Achieving a high productivity
Employees' point of view	Improving job satisfaction
Social point of view	Contributing to the achievement of SDGs and realizing environmental friendliness
Shareholders' point of view	Maintaining a stable dividend for a long term

Promoting DX

Progress of the management targets

	FY2021 results	FY2022 results	FY2025 targets	
Financial targets	Net sales	41.8 billion JPY	43.3 billion JPY	50 billion JPY
	Operating profit	6.4 billion JPY	3.7 billion JPY	7.5 billion JPY
	Operating margin	15.3%	8.5%	15%
	ROE	8.1%	5.3%	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)	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	0.606kl
	Industrial waste volumes	2,746 t	3,477t	Same level or less than previous FY
	ESG evaluation score (FTSE Russell score)	2.7	3.0	3.7
	Engagement score	-	-	Gradually raise score
	Percentage of female managers	11%	11%	13%

Progress of SPEED 25/30 in FY2022

Although some signs of a recovery in economic activity were seen due to the relaxation of the movement restrictions that had been caused by the COVID-19 pandemic, there were many causes for concern in FY2022, the second year of the Mid-term Management Plan SPEED 25/30. Those causes for concern included the protracted Russia-Ukraine conflict, soaring raw material and fuel prices, rising commodity prices, and a weak yen, all of which led to business activities being conducted in the face of an uncertain future. In contrast, the Company made significant progress in projects such as the joint development of a new agricultural material with ASAHI AGRIA CO., LTD. and the construction of a new biotechnology building (for advancing into the field of nucleic acid medicine) at SFC CO., LTD. in South Korea.

FY2022 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	• Consideration given to the establishment of technical service bases (Strengthening relationships with customers, introduction of technologies)	• Promoting development of OLED • Promoting research of new ideas: – Organic cathode materials – Organic solar cell materials – Near-infrared absorption materials	• Installation of special equipment for trial production which contributes to new product development	41.6% (17.9 billion JPY)	70.3% (2.6 billion JPY)
	Colorants Materials Business	• Launch of environmentally friendly aluminum coloring dyes into the market	• Promoting development of environmentally friendly aluminum coloring dyes	• Establishing an increase in production of aluminum coloring dyes		
Specialty Polymers	Functional Polymers & Specialty Chemicals Business	• Market launch/sales expansion of new Bio-PTG into the market	• Development of special products (PTG)	• Expansion and promotion of phosgene derivative production facilities	26.7% (11.5 billion JPY)	23.3% (0.86 billion JPY)
	Construction Materials Business	• Sales expansion of next-generation waterproofing materials				
Basic Chemicals	Peroxide Business	• Expansion of uses of peracetic acid (food additive)		• Reinforce production capabilities for agricultural material products	16.5% (7.1 billion JPY)	-15.5% (-0.57 billion JPY)
Agro-Science	Agrochemical Business	• Expansion of the peroxide agricultural materials business			10.7% (4.6 billion JPY)	12.3% (0.45 billion JPY)
Logistics	Logistics Business				4.3% (1.8 billion JPY)	9.2% (0.34 billion JPY)

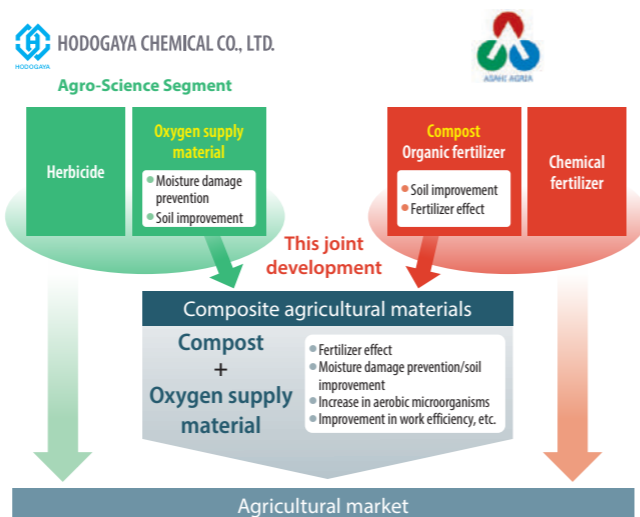
Progress of Major Measures in FY2022

Stronger management foundation	FY2022 results	FY2025 non-financial targets
Strategic Investments • SFC CO., LTD. in South Korea Construction of a new biotechnology building	• SFC CO., LTD. in South Korea Construction of a new biotechnology building begins	—
Improve Engagement • Promotion of health and productivity management • Utilization of diverse human resources	• Certified as a Health & Productivity Management Outstanding Organization for three consecutive years • Process to make telecommuting system permanent • Expansion and upgrading of diversity training sessions • Decision to introduce employee stock benefit plan	• Gradually raise engagement score • Percentage of female managers: 13%
Promote sustainability • Reduce CO ₂ emissions • Reduce energy intensity • Reduce industrial waste volumes • Reduce power consumption • Promote ESG	• Reduce CO ₂ emissions: 45,722t-CO ₂ (1.055t-CO ₂ /million JPY of net sales) • Reduction of energy intensity: 0.636kl • Reduction in industrial waste volumes: 3,477t • CO ₂ -free power consumption (Yokohama Plant, Tsukuba Research Institute) • Adoption of ICP (Koriyama Plant)	• Reduce CO ₂ emissions: 43,400t-CO ₂ (0.868t-CO ₂ /million JPY of net sales) • Reduction of energy intensity: 0.606kl • 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 • Promoting business reforms and various considerations for renewal of core systems	• RPA personnel development • ERP system renewal plan formulation • Promotion of paperless operations • Building of remote work infrastructure facilities • Streamlining of expense settlement tasks • Streamlining of seal affixing operations	—

Promotion of Jointly Developed New Composite Agricultural Materials

Hodogaya Chemical having signed a joint development agreement with ASAHI AGRIA CO., LTD. covering the R&D of new agricultural materials, the two companies decided to develop a new composite material—comprising an oxygen supply material and a compost, in which the focus is on commonality in areas such as soil preparation and soil improvement—and will work together toward its commercialization. A composite material that is expected to have the effect of a fertilizer in soil preparation and soil improvement, prevent moisture damage, increase aerobic microorganisms (biostimulant effect), and improve work efficiency, the two companies aim to make its use more widespread in the years to come. In the belief that this will contribute to the reduction of chemical pesticides and fertilizers under the Green Food System Strategy advocated by Japan's Ministry of Agriculture, Forestry and Fisheries, both companies will continue to work on developing materials that contribute to sustainable and environmentally friendly agricultural production and supplying them to the market.

Graphic Representation of Collaboration



SPEED 25/30 Initiatives from FY2023 Onward

Effective April 1, 2023, Hodogaya Chemical reorganized its OLED Materials Business Department and Color & Imaging Materials Department as the **Organic & Optical Device Materials Division** and **Coloring Materials Division**, respectively. Accelerating the building of our new business portfolio, we will respond promptly to customer requests on such matters as quality, supply, and sustainability with more advanced knowledge and detailed responses. To flexibly and efficiently execute business strategies for the further growth of our OLED-centered business in South Korea, we also newly established a **Korea Business Strategy Department** on July 1, 2023. We will further promote global collaboration through our three-pronged (R&D, production, and sales) system.

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.

Business Initiatives

Segment	Subsegment	Reinforced business	Creating new products	Strengthening operations
Functional Colorants	OLED Advanced Materials Business	• 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	• Response to next-generation technologies • Promoting development of OLED	• Installation of special equipment (ensuring a stable production base)
	Coloring Material Business	• Market launch/sales expansion of environmentally friendly aluminum coloring dyes • Developing uses (other than food) for natural dyes • Expanding sales of halal products	• Promoting research of new ideas – Lithium-ion battery materials (organic cathode materials) – Near-infrared absorption materials – Organic solar cell materials (perovskites)	• Planned equipment renewal • Installation of special equipment for trial production which contributes to new product development • 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	• Market launch/sales expansion of new Bio-PTG • Strengthen global sales expansion of phosgene derivatives	• Development of special products (PTG)	• Installation of phosgene derivative trial production equipment • Expansion of phosgene derivative production facilities
	Construction Materials Business	• Expanding sales of next-generation waterproofing materials		
Basic Chemicals	Peroxide Business	• Expanding sales in the industrial chemicals field • Expanding sales of peracetic acid (disinfectant, food additive)	• Developing uses for agricultural and livestock materials	• Planned equipment renewal
Agro-Science	Agrochemical & Agricultural Material Business	• 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	• Development of the composite agricultural materials of compost and oxygen supply materials	• Increasing production capacity of oxygen supply materials
Logistics	Logistics Business	• Early expansion of the ISO tank container storage business		• Consider automation and operational efficiency through IT utilization

Major Measure Initiatives

Strengthen the Management Base	Content
Strategic investments	• Completion and operation of the new biotechnology building at SFC CO., LTD. in South Korea • Phosgene, agro-science (oxygen supply materials) production facility expansion
Increase engagement	• Implementation of various new measures, such as encouraging men to take childcare leave, office casual attire, Employee Stock Ownership Plan (J-ESOP), multi-assessment program, etc. • Promote health and productivity management • Utilization of diverse human resources • Strengthening of human capital investment
Promote sustainability	• Reduce CO ₂ emissions • Reduce power consumption • Reduce industrial waste volumes • Promote ESG
Promotion of DX/Improvement of Operational Efficiency	• Utilization of data accumulated by the Hodogaya Chemical Group • Promotion of RPA, DX education, and leader development

Toward Achieving the Mid-term Management Plan SPEED 25/30

FY2023 being the halfway point of SPEED 25/30 Phase 1, this will be an important year for achieving the management target of FY2025 and realizing our target figure to be achieved by FY2025. In addition to steadily implementing the abovementioned important measures and investing in R&D, which we have been focusing on until now, we will appropriately invest in personnel (human capital) that will support the Hodogaya Chemical Group. Despite the rapid changes in the environment, we will once again return to the FY2030 ideal figure adopted for SPEED 25/30 and work together as a Group to implement the various measures.

Financial Strategy



We will practice value creation management with the goal of realizing highly efficient operations that can achieve a high ROE.

Kenji Tsujitsugu Director and Managing Executive Officer

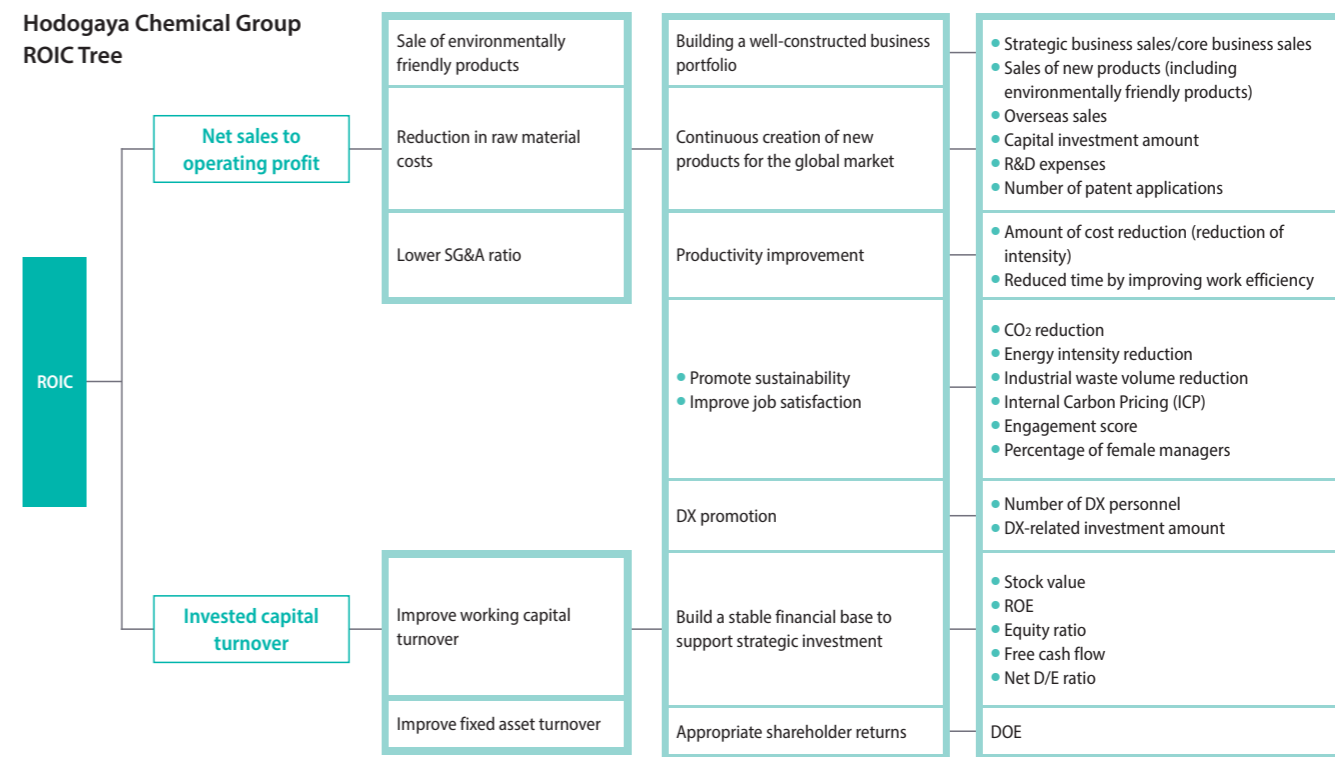
Toward Greater Corporate Value –Initiatives to Improve PBR–

The Hodogaya Chemical Group aims to achieve a high ROE, a management target under the Group's Mid-term Management Plan SPEED 25/30, with an emphasis on growth investments, interest-bearing debt control, and shareholder returns. At the same time, we will practice value creation management in line with highly strategic balance sheet management.

Taking into consideration the Group's net interest-bearing debt, shareholders' equity, and shareholders' equity ratio in FY2022, Hodogaya Chemical's financial health and security currently stands at a high level. We will therefore pursue efforts to further bolster profitability, as well as those to enhance the ability to generate cash that coincides with greater profitability. We will create new value by selecting investment areas with our sights set on the coming future, engaging in the required degree of risk-taking, and executing appropriate resource allocations in a timely manner. Similarly, we aim to connect the outcomes of these efforts to greater corporate value in the future.

In addition, we remain conscious of our shareholders' equity as a risk buffer that allows us to invest in future growth while simultaneously promoting the policy of upgrading and expanding shareholder returns. As far as the return of profits to shareholders is concerned, we will work to provide shareholder returns in a stable, continuous manner, while reducing short-term performance volatility. Similarly, we will execute returns with an awareness of the Dividend on Equity Ratio (DOE). Our goal is to firmly maintain a balance between the three aspects of growth investments, interest-bearing debt control, and shareholder returns as part of our efforts to engage in highly efficient operations in a bid to realize a high ROE. In order to achieve this goal, we also recognize the importance of implementing financial and capital strategies in an ongoing manner that enable consistent growth in earnings per share (EPS).

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.

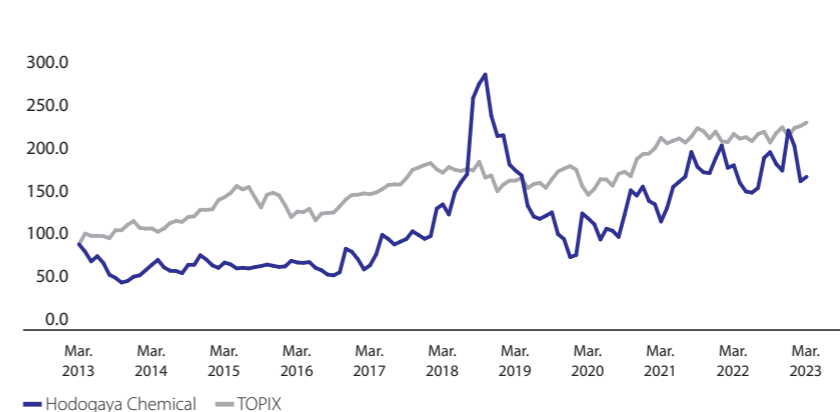
Growth Investments and Financial Strategies under the Mid-term Management Plan

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 in an appropriate manner. At the same time, we will grasp and manage the KGLs 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, including R&D 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. Regarding funds necessary for investment, we ensure the liquidity of funds through cash flows from operating activities and financing through borrowing from financial institutions. In principle, consolidated subsidiaries do not procure funds from outside sources, and centralize funding within the parent company to

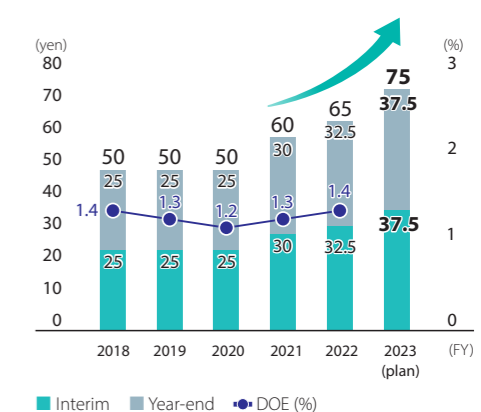
improve the efficiency of funding for the entire group.

Moreover, Hodogaya Chemical Group's Mid-term Management Plan SPEED 25/30 includes even stronger finances in target figure through FY2025, we have also set targets for ROE, in addition to net sales, operating profit and operating margin. While aiming to improve sales and profits by promoting business strategies, we also aim to achieve our targets by promoting even stronger finances by improving capital efficiency and maintaining a sound financial position. Regarding the improvement of capital efficiency, we calculate the weighted average cost of capital (WACC). We have also set targets related to earnings plans and capital policies based on the interest-bearing debt costs and cost of capital (using the capital asset pricing model: CAPM), and we will steadily allocate management resources to achieve these targets.

TSR



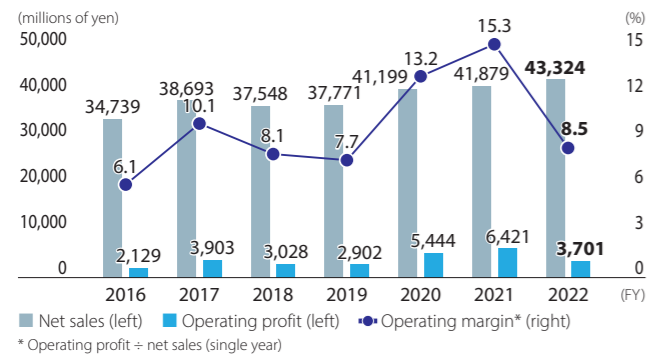
Dividends per share



* 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 2013 as 100 (the holding period is until the end of March 2023)

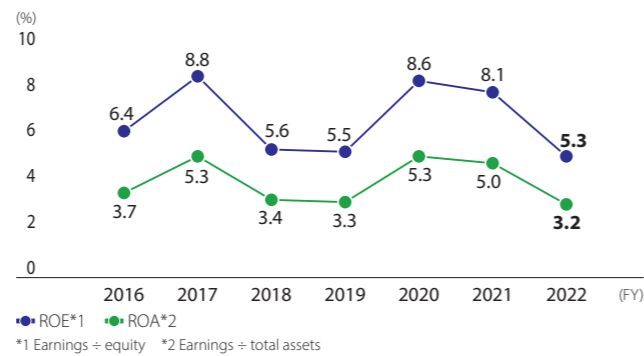
Financial and Non-Financial Highlights (Consolidated)

Net sales, Operating profit, Operating margin



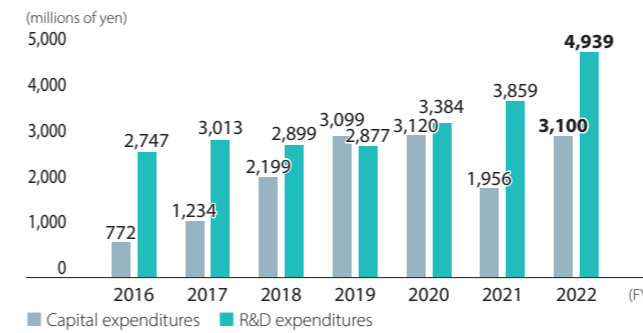
Net sales totaled 43,324 million JPY, up 3.5% year on year. In contrast, operating profit was 3,701 million JPY, down 42.4% year on year on an operating margin of 8.5%. While demand for OLED materials increased in the Functional Colorants segment, demand for materials for PCR diagnostic kits declined substantially.

ROE, ROA



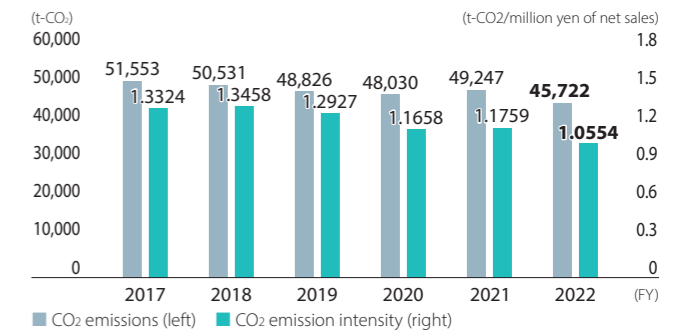
In FY2022, ROE and ROA declined owing to the downturn in profit. Moving forward, we will endeavor to make more efficient use of our assets while continuing to increase profits.

Capital expenditures, R&D expenditures



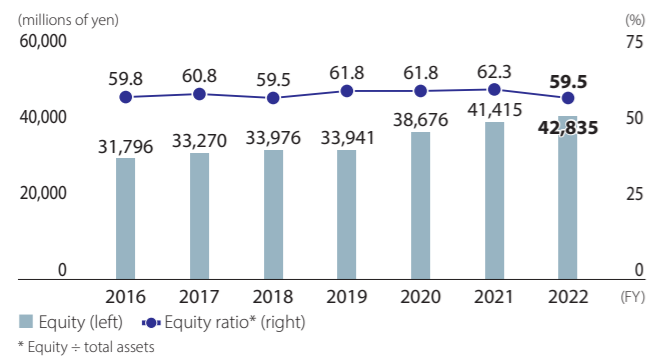
Our focus is primarily on capital expenditure and R&D in the Functional Colorants segment, which is the Hodogaya Chemical Group's growth driver. We will continue investments and undertake activities that contribute to future growth.

CO2 emissions, CO2 emission intensity (Japan)



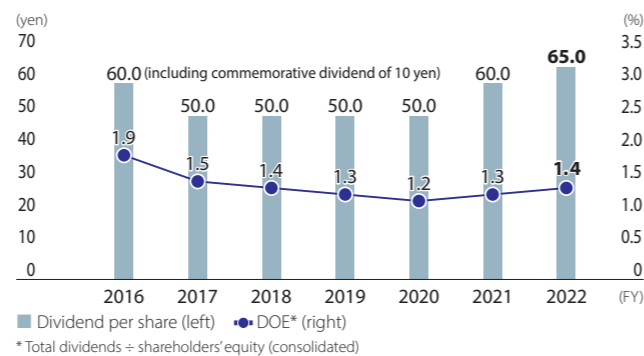
Most of the greenhouse gases (GHG) emitted by Hodogaya Chemical are energy-derived CO2. In FY2022, CO2 emissions were less than in FY2021 due to lower energy use in line with the decrease in production and the purchase of CO2-free electric power.

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.

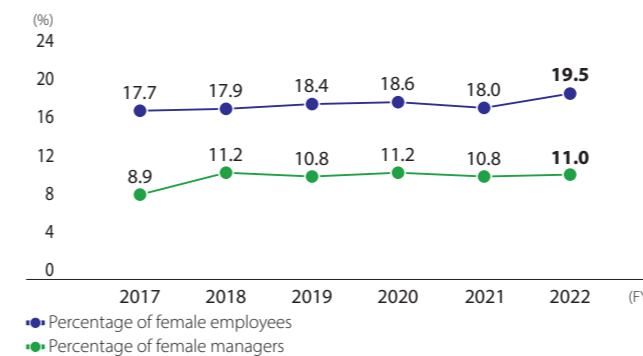
Dividend per Share, DOE



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).

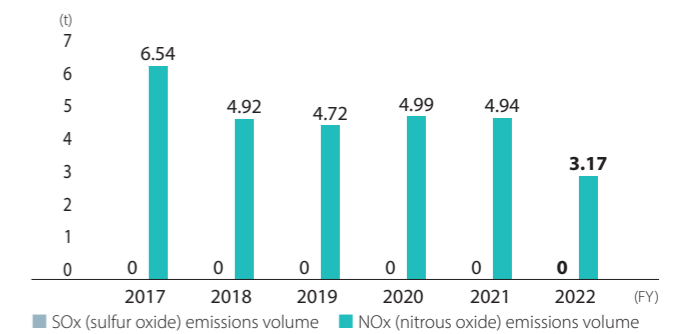
* The Hodogaya Chemical Group conducted a 10-1 reverse stock split of common shares effective October 1, 2016.

Percentage of female employees, Percentage of female managers



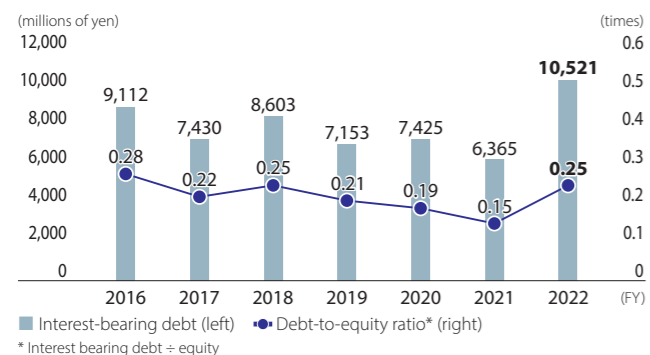
The Hodogaya Chemical Group promotes the active participation of women as one of the Group's key measures. We have achieved the target of 10% or more for female managers since FY2018, and we aim to increase this to 13% or more by FY2025. We are implementing various measures to increase the percentage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

SOx emissions, NOx emissions (Japan)



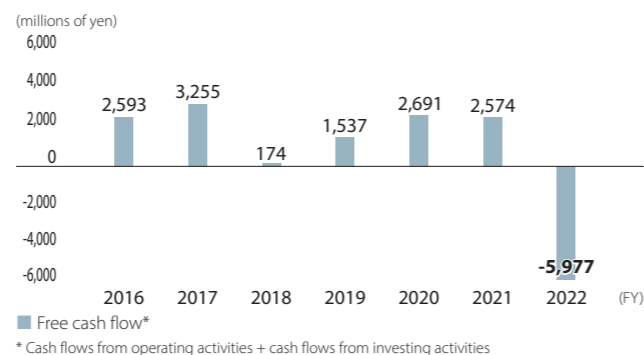
The Hodogaya Chemical Group has promoted the use of city gas as a fuel source for the Group's factories. The Group has continued to maintain zero SOx emissions since FY2012, having completed the switchover in FY2011. We also implement measures to limit NOx emissions into the atmosphere.

Interest-bearing Debt, Debt-to-equity ratio



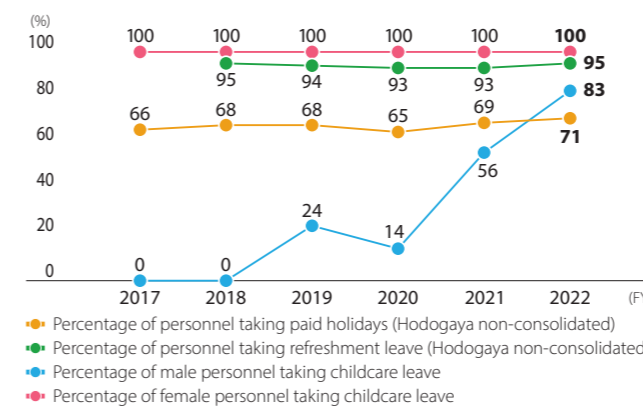
The D/E ratio came in at 0.25 times owing to the increase in interest-bearing debt to support such activities as investments in strategic businesses in the Mid-term Management Plan.

Free cash flow



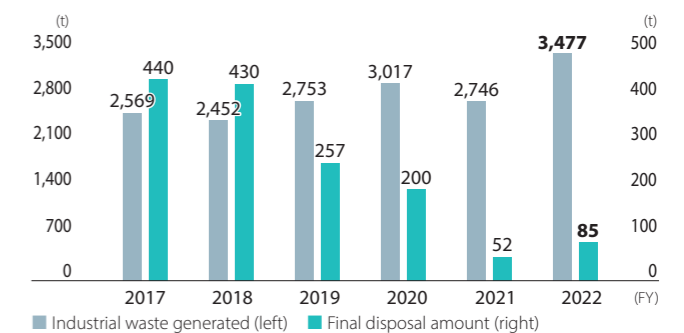
In FY2022, free cash flow declined substantially owing to investments for future growth and increased inventories. Moving forward, we will continue to maintain sound balance between operating and investing activities to prepare for future growth.

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 83% in FY2022.

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 and final disposal in FY2022 increased 27% and 63%, respectively, compared to the previous fiscal year. Notwithstanding the impact of certain factors, including differences in the composition of items produced, we take these increases very seriously and will strengthen efforts to reduce industrial waste.

Research & Development

Related Materiality	
<ul style="list-style-type: none"> Responding to climate change Ensuring the safety of products and chemical substances 	<ul style="list-style-type: none"> Improving value and reliability of products



Message from the Director of Research & Development

Kaoru Kasahara Director and Senior Managing Executive Officer

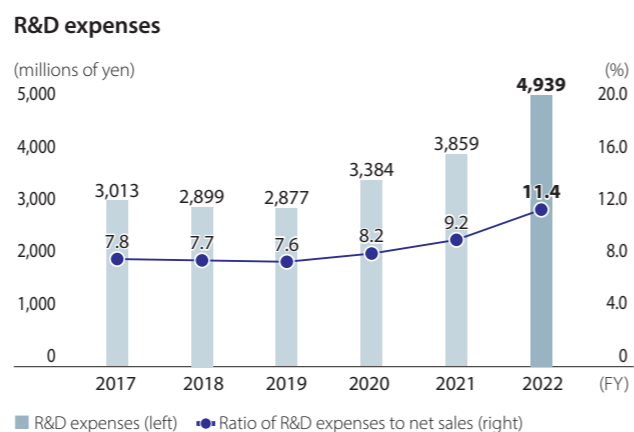
In its business strategy roadmap, the Company has set Electronics & Information, Mobility, Environment & Energy, Life Sciences, and Agriculture & Food Products as its target fields and will develop new products for these five fields. Under the Mid-term Management Plan SPEED 25/30, we will engage in R&D using a flexible approach while determining what 2030 will look like with a view to society in 2050 in the following specific business fields: cutting-edge electronic device materials, environmentally friendly dyes and polyols, bio-medical materials, and environmentally aware agricultural materials.

Basic Policy

We have formulated a 10-year scenario ideal figure for FY2030 and a target figure for FY2025 as an intermediate point. Our intermediate goal up to FY2025 is to develop and expand our current business areas by implementing necessary measures for OLEDs and expand and develop our business into new areas. To achieve the goal, we will quickly identify the constantly changing needs of society and promote research and development that can quickly respond to the different needs of various customers.

The Hodogaya Chemical Group gives form to the skills and know-how from the technology we have cultivated over our long history to develop products and production technology with all-new functions. We also engage in research and development to become a corporation that contributes to establish a sustainable society by means of our original portfolio and environmentally friendly manufacturing, with a focus on

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



Progress of the Mid-term Management Plan

Basic Strategies in SPEED 25/30

Further development of strategic products while fostering new ideas

- New business creation and growth for functional colorants
- Take new research projects into—and beyond—the development stage

Strengthen our R&D structure

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

Further Development of Strategic Products while Fostering New Ideas

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.

We will also conduct research and investigations to establish

R&D strategies based on a long-term perspective with the keywords Electronics & information, Mobility, Environment & energy, Life sciences, and Agricultural & food products centered on the New Product Exploration Project. 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. We will collaborate with the newly reorganized Organic & Optical Device Materials Department to strengthen our activities in the Electronics and Information field, and we aim to expand the biotechnology field 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.

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

Promoting an Intellectual Property Strategy

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

Newly Constructed SFC Biotechnology Building

SFC CO., LTD. (HQ; Korea, Hereafter SFC) is currently constructing a new biotechnology building with R&D and production facilities, which includes some head office functions, in Chungbuk, Korea, for the purpose of further expanding its biotechnology business.

Sales of diagnostic oligo products (materials for PCR diagnostic kits) provided by SFC substantially increased, following their PCR diagnostic kit application for several COVID-19 variants. Diagnostic oligo products developed, manufactured, and marketed by SFC are expected to expand in the future while shifting to the pharmaceutical Oligo sector. Specifically, applying the technology cultivated in the R&D and manufacture of diagnostic oligo products, we aim to produce products in the sector of nucleic acid medicine, the next generation of pharmaceuticals.

The market for pharmaceutical oligos (nucleic acid medicines) is expected to expand globally, and we intend to develop it as a second pillar after the OLED business so that it contributes to the growth of the Hodogaya Chemical Group.



VOICE

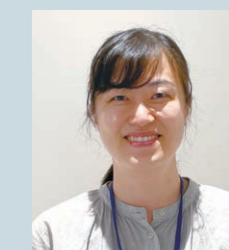
Contributing to Business Development by Steadily Securing Intellectual Property Rights

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

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

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

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



Mari Toriya
Research & Development Department

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>



Environmentally Friendly Products and Technologies that Contribute to a Sustainable Future

Natural food dyes

Food dyes add color to food products and enrich our dietary life. Our natural food dyes are the products made from naturally-derived ingredients that come from nature.

Demand for these is growing steadily, driven by their safety for human consumption and their environmentally friendly nature. Some of our products have acquired Halal certification, enabling us to meet the expectations of customers in Islamic countries.



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.



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.



Business Overview of the Hodogaya Chemical Group

Functional Colorants Segment

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



Three Strengths

Ability to embody the needs of customers in the global arena by making full use of the DNA of the Group including our organic composite technology

Lineup that makes it possible for total solutions via all the various types of OLED materials

Aluminum coloring dyes leading global market share

The world's "Only One" hair dyes

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.

Basic Strategies in SPEED 25/30

OLED materials

Expand sales through new product development and further globalize operations by establishing new overseas bases

Aluminum coloring dyes

Expand sales through development of environmentally friendly products

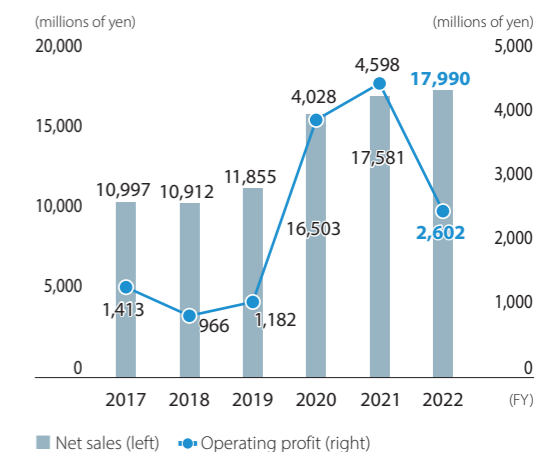
Bio business expansion

Expand from diagnostics applications to therapeutic applications

Progress of the Mid-term Management Plan

- Sales of OLED materials are increasing due to the expansion of applications for OLED displays and their adoption in new products. We will work to further enhance our research and development as competition with competing companies is highly intense, and high performance and low cost are required.
- While demand fell for the materials for PCR diagnostic kits, developed as an application technology for OLED materials, we will work to expand from diagnostic pharmaceuticals to other medical fields.
- We are stepping up efforts to bring environmentally friendly products for aluminum coloring dyes to the market.
- In this segment, we will reorganize certain product lines and accelerate efforts to build a new portfolio.

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



Specialty Polymers Segment

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



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.

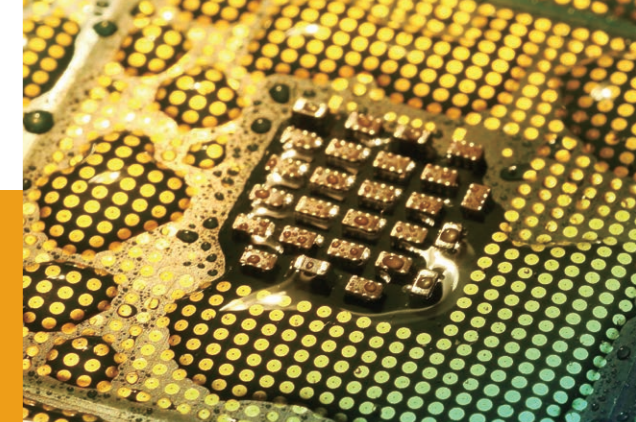
● Specialty chemicals

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.

Three Strengths

Basic Chemicals Segment

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



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

Three Strengths

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.

Basic Strategies in SPEED 25/30

Launch new polyols into the market

Promote green chemistry by switching all PTGs to plant-derived

Develop and capture orders for new customized products using phosgene derivatives

Basic Strategies in SPEED 25/30

Hydrogen peroxide Expand for semiconductors and new fields

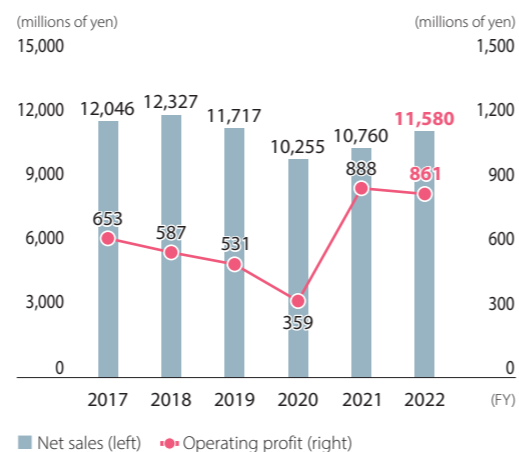
Peracetic acid Expand food additive uses

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

Progress of the Mid-term Management Plan

- For polymer materials, we will promote green chemistry, such as further development of environmentally-conscious biobased PTG, which is a raw material of urethane, and launch new polyols.
- Sales of materials are performing well in the construction materials business. We will aim to increase sales of the products launched in 2019.
- The specialty chemicals business saw robust sales of products for pharmaceuticals and release agents. We are planning to increase the capacity of our facilities.

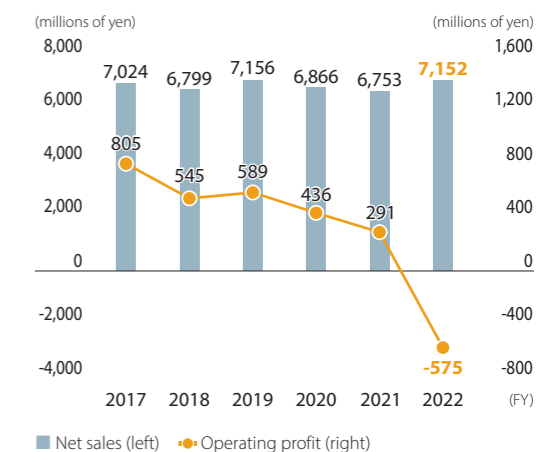
Net sales / Operating profit



Progress of the Mid-term Management Plan

- Hydrogen peroxide sales increased mainly owing to price pass-throughs, although demand for pulp and paper and industrial chemicals applications declined.
- We believe the impact of soaring raw material and fuel prices will continue. However, we aim to improve business earnings by promoting various cost reductions and to acquire new customers and increase sales of peracetic acid for food additives, potentially opening up new markets.

Net sales / Operating profit



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

Location: 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021 Japan
TEL: +81-3-6852-0478 (Main switchboard)
Webpage: <http://www.hodogaya.co.jp/hcp/> (Japanese only)



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)



Agro-Science Segment

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



Logistics Segment

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



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.
- Using a variety of intermediates, primarily those developed in-house, we have continued to develop new formulations that combine ease of use with safety and that are tailored to the needs of the location and the customer. In particular, we have a world-leading market share in herbicides used for home gardening and in green space management.
- In 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.

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.
- We have large-scale facilities in Yokohama, Koriyama and Nanyo. In particular, the Yokohama Branch is conveniently located close to Japan's leading port of Yokohama and is used by many customers as a base for imports and exports. Our Koriyama and Nanyo distribution sites also offer storage and transportation services optimized for chemical products, heavy cargo, machinery and plants.
- In October 2021, the Nanyo Branch launched a business involving the storage and heating business handling ISO tank containers for hazardous and toxic materials, which is unique in Japan.

Basic Strategies in SPEED 25/30

Reinforce expansion into the field of herbicides for non-croplands

Expand use to the field of agricultural materials made from hydrogen peroxide and its derivatives

Reinforce production capabilities for agricultural material products

Basic Strategies in SPEED 25/30

Provide and reinforce storage services in a wide range of fields

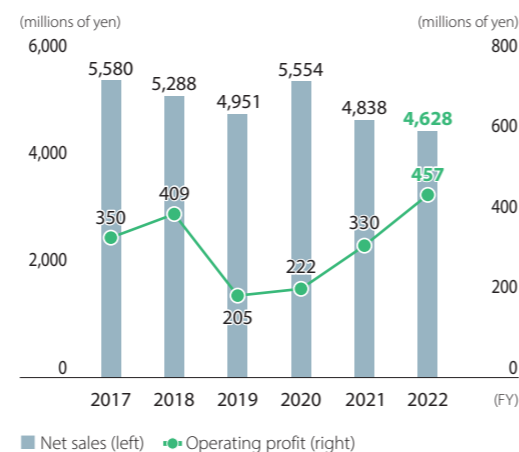
Further expand the international logistics business

Expand ISO tank container storage, heating business

Progress of the Mid-term Management Plan

- Sales declined due to a drop in demand for herbicides for home gardening, but we will work to introduce attractive products to regain market share while maintaining profitability.
- In the field spanning the Basic Chemicals and Agro-Science segment, we will jointly develop a new composite agricultural materials involving oxygen supply materials using hydrogen peroxide from Hodogaya Chemical and compost from Asahi Agria Co., Ltd., and will be looking into commercialization going forward as important measures for new business areas: environmentally friendly agricultural materials in the business strategy roadmap of the Mid-term Management Plan SPEED 25/30.

Net sales / Operating profit



Related Group company: **HODOGAYA UPL Co., Ltd.**
 Description of business: Manufacturing and sales of agricultural chemicals
 Location: 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021 Japan
 TEL: +81-3-6852-0500 (Main switchboard)
 Webpage: <http://www.hodogaya-upl.com/> (Japanese only)



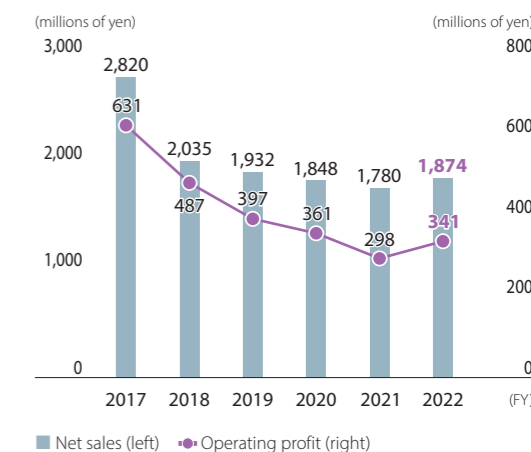
Related group company: **HODOGAYA AGROTECH Co., Ltd.**
 Description of business: Manufacturing and sales of agricultural chemicals
 Location: 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021 Japan
 TEL: +82-3-6852-0510 (Main switchboard)
 Webpage: <http://www.hodogaya-agrotech.co.jp/> (Japanese only)



Progress of the Mid-term Management Plan

- The volume of exports handled remained solid with the resumption of economic activities in Japan and overseas.
- As a logistics business for chemical manufacturers, we started operating an ISO tank container storage business in October 2021, utilizing our expertise in handling hazardous and toxic materials. We are taking the initiative to acquire more customers.

Net sales / Operating profit



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

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



Global Expansion of the Hodogaya Chemical Group

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

The Hodogaya Chemical Group is enhancing its overseas bases to respond to the diverse needs of global customers. We have already established our subsidiaries in North America, Europe, and China, which are our primary markets. In the field of OLED materials, we invested in a South Korean company with a high level of technical expertise, and we have put in place a system in which the R&D, production, and sales functions make a three-pronged effort to respond speedily to the needs in the Asian regions with high potential.

As a result of expanding exports from Japan and working on expanding our overseas network, our overseas sales of imaging materials, such as charge control agents for toners and dyes for aluminum coloring of mobile devices, have increased steadily. Hodogaya Chemicals' sales of OLED materials remained robust

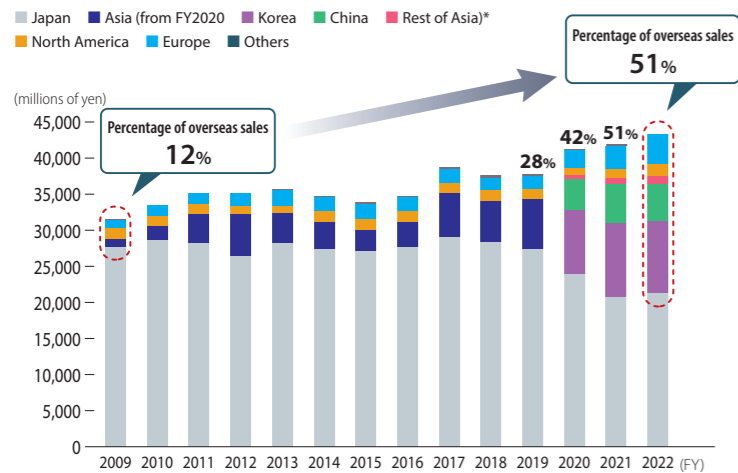
along with the expansion of applications for OLED products. Also, sales of materials for PCR diagnostic kits, developed independently by a Korean subsidiary as an application technology for OLED materials from FY2020 under the COVID-19 pandemic, increased. In addition, the overseas sales ratio for the Hodogaya Chemical Group rose to 51% because of strong sales of urethane materials that we focus on as an environmentally friendly products using bio-based raw materials, release agents and other polymer materials, and specialty chemicals, including phosgene derivatives.

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

[Korea Business Strategy Office]

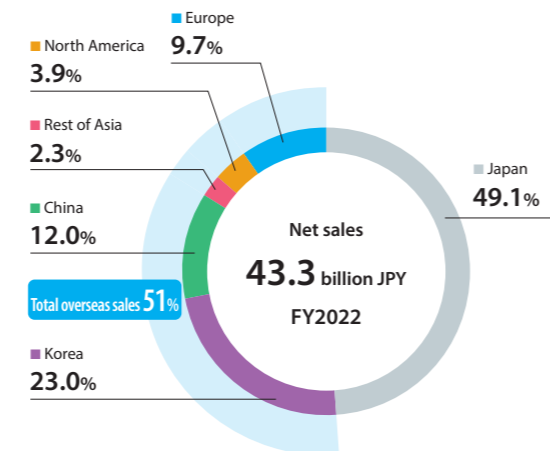
With the growing importance of the Korea business to the entire Group, we established the Korea Business Strategy Office on July 1, 2023 to flexibly and efficiently consider and promote business strategies for further growth of our business in Korea.

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



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

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



Jun Ebisui
HODOGAYA CHEMICAL
EUROPE GmbH

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.

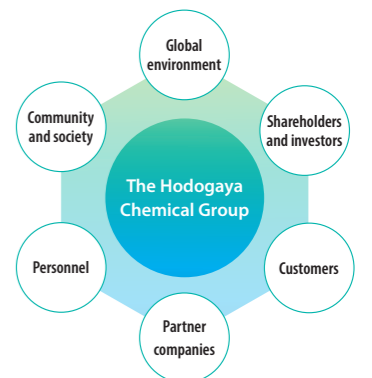
As a chemical company, we declared our commitment to engaging in responsible care (RC) in 1997 and have been actively and continuously working to protect and improve the global environment. At the same time, the Group has also been addressing with considerable resolve such issues as risk management for 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.

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.



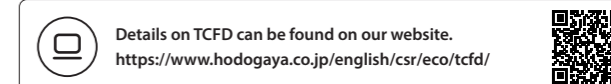
Philosophy Structure



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.
Personnel	In order to achieve the Hodogaya Chemical Group PURPOSE (Management Philosophy) and VISION (Target Corporate Image) while also boosting corporate value, we aim to facilitate job satisfaction (feeling motivated and enjoying a comfortable work environment) for all officers and personnel.
Community and society	In the course of the Hodogaya Chemical Group's business activities, we consider contribution to the sustainable development of communities an important activity as a corporate citizen, and are engaged in various community contribution activities.

Disclosure of Information Related to Climate Change Based on TCFD



Basic approach

The Hodogaya Chemical Group will actively move forward based on the idea of balancing the pursuit of economic value and solutions to social issues and providing value to all stakeholders to fulfil its responsibilities related to creating a sustainable world/society as given in the VISION (Target Corporate Image) appearing in the Mid-term Management Plan SPEED 25/30, which started from FY2021.

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



Governance and Risk Management

The Sustainability Development Committee is a committee organization that actively promotes responsibility toward the realization of a sustainable earth and society in accordance with the Management Philosophy and Corporate Action Guidelines. We established the Global Environment Subcommittee, which promotes activities related to preservation and improvement of the global environment, and the TCFD Subcommittee, which promotes disclosure activities in response to guidance from the TCFD, in addition to the conventional RC/QM Subcommittee.

The Risk Management Committee discusses 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 • CO ₂ reduction	○	• 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 Mid-term Management Plan SPEED 25/30.

- Reduction of CO₂ emissions
- Reduction of energy intensity
- Industrial waste volume reduction

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

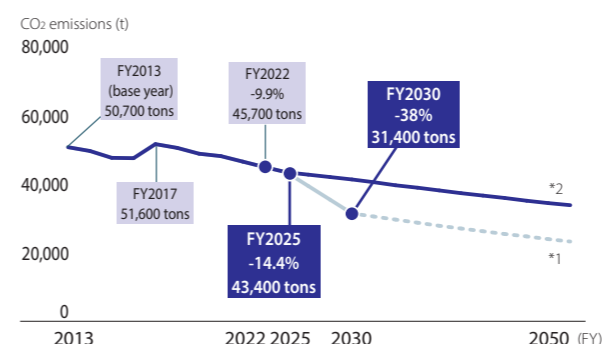
Non-financial Targets

	FY2021 results	FY2022 results	FY2025 management targets
CO ₂ emissions (CO ₂ emission intensity)	49,200 t-CO ₂ (1.176 tons/net sales million JPY)	45,700 t-CO ₂ (1.055 tons/net sales million JPY)	43,400 t-CO ₂ (0.868 tons/net sales million JPY)
Reduction of energy intensity	0.698 kl/net sales million JPY	0.636 kl/net sales million JPY	0.606 kl/net sales million JPY
Reduction of industrial waste volumes	2,746 t	3,477 t	Less than the amount generated in the previous year

Responding to Climate Change

Most of the greenhouse gases (GHG) emitted by Hodogaya Chemical are energy-derived CO₂. GHG emissions in FY2022 are approximately 46,000 t-CO₂ (Scope 1*¹ + Scope 2*²). As production is expected to increase in the future, we will address climate change from both mitigation and adaptation perspectives and from a long-term perspective looking toward FY2030.

CO₂ emissions trend



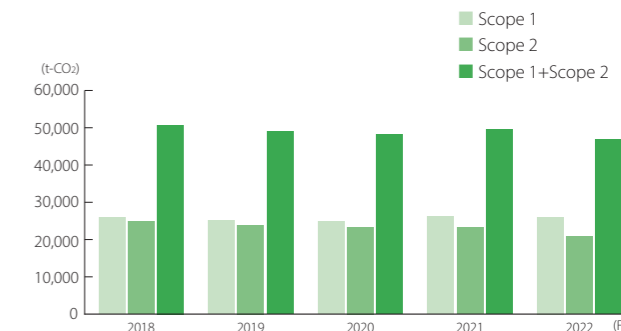
*1 The dotted line after FY2030 is an unconfirmed value.
*2 The solid line after FY2025 is the expected decrease of 1% from the previous year.

To promote CO₂ reduction, we began introducing Internal Carbon Pricing (ICP) in FY2021, which allows us to price our own carbon emission.

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

*1 Scope 1: Direct emissions
*2 Scope 2: Energy-originated indirect emissions

CO₂ emissions




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
	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	
Daily improvement through energy saving	—	• Reduction of heat loss through appropriate management of heat insulating materials and traps • Efficient operation	

Related Materiality

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



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



Responsible Care Management

Responsible care (RC) is a voluntary management initiative intended for companies involved in the production and handling of chemical substances to implement and improve their environmental, safety and health measures across the product lifecycle, from development to disposal. The Hodogaya Chemical Group conducts its operation based on the principle that ensuring environmental conservation, safety and health, and product quality is fundamental to corporate management and the basis for all business activities.

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





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

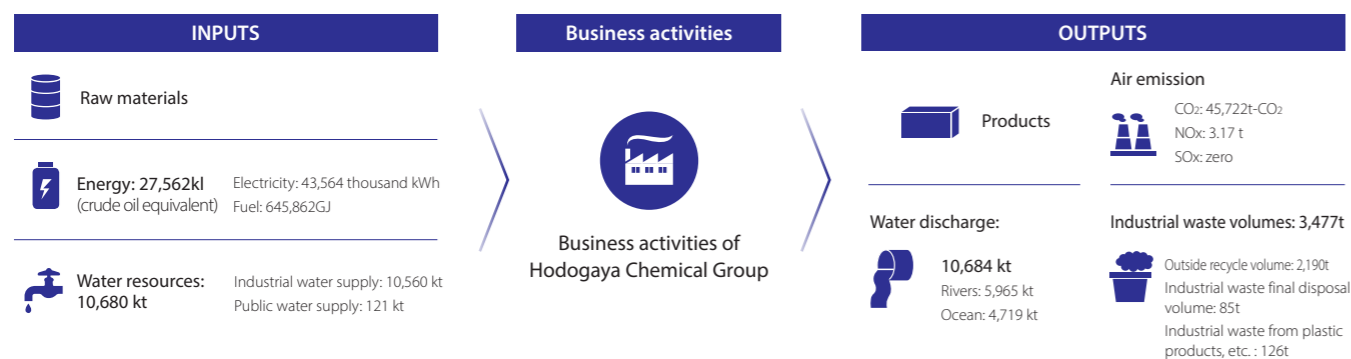
Certification body	Japan Chemical Quality Assurance
Registration no.	JCQA-E-0330
Compatible standards	JIS Q 14001:2015/ISO 14001:2015
Date of acquisition	December 25, 2001



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/



Hodogaya Chemical Group material flow



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.

Nearly all of GHG emitted by Hodogaya Chemical are CO₂ from energy-related sources. Total GHG (Scopes 1*1 and 2*2) emitted in FY2022 were approximately 45,722 t-CO₂.

In FY2022, we made investments utilizing Internal Carbon Pricing (ICP), which had been introduced in FY2021. Going

forward, we will continue our efforts to reduce emissions by adopting energy-saving equipment and switching to renewable energy sources through decarbonization investment from a long-term perspective to continuously improve energy intensity. With respect to Scope 3*3, we are currently at the stage of gathering information on the status of other companies' initiatives.

While ascertaining all Scope categories for GHG emissions and formulating reduction plans through analysis of the results, we will strive to reduce GHG emissions in accordance with the plans.

*1 Scope 1: direct emissions
 *2 Scope 2: energy-originated indirect emissions
 *3 Scope 3: other indirect emissions; separated into 15 categories

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 FY2022, the largest expense was resource circulation cost, which amounted to 189 million JPY.

Environmental accounting data 2023 P.61

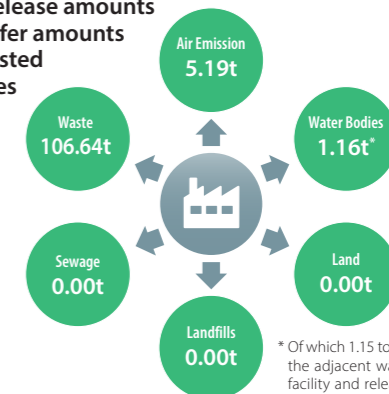
Industrial waste reduction

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. In FY2022, total emissions and final disposal volumes increased by 27% and 63%, respectively, compared with the previous year. Although there is also the impact of differences in the composition of production items and other factors, we take the facts of the increases seriously and will redouble our efforts as we strive 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.

FY2022 release amounts and transfer amounts of PRTR listed substances



*Of which 1.15 tons have been sent to the adjacent wastewater treatment facility and released into the public water bodies after being treated.

VOICE

Energy Conservation Efforts at Koriyama Plant

Energy forms an essential element in our lives. However, global warming brought about by energy consumption has become a serious problem, and energy conservation is now an important issue on a global scale. As an energy saving initiative at the Koriyama Plant, we installed an ICP system-based heat pump in December 2022 to make effective use of the waste hot water, which had not previously been used, after the heat exchange process. Using this waste water as a heat source and efficiently heating boiler feed water is expected to reduce emissions by 171t-CO₂/year and city gas consumption by 113,000Nm³/year. There are many other energy-saving initiatives we can usefully do ourselves, such as saving electricity and water, rather than by installing equipment. Aware of the need to mitigate the effects of global warming, each and every person working at the Koriyama Plant will continue to engage in energy-saving activities.



Related Materiality	
<ul style="list-style-type: none"> Improving value and reliability of products Ensuring the safety of products and chemical substances 	<ul style="list-style-type: none"> Promoting health and productivity management and workplace safety and health

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



Quality Assurance Basic approach

The Hodogaya Chemical Group's quality policy is commitment to quality-first, quality from our customer's perspective. The aim is to meet the demands of our customers and partner companies through our products, commercial goods, and OEM products, through which we contribute to society and business growth.

Initiatives for Quality Assurance

The Hodogaya Chemical Group is committed to; understanding facts, assessing the facts, and acting based on facts to maintain a quality-oriented principle and provide highly functional products and services with high added value to meet the trust and satisfaction of its customers.

To ensure customer satisfaction with respect to quality, the quality assurance activities relating to the products handled by the Hodogaya Chemical Group are divided into four systems by purpose at all stages, from planning and R&D to production and sales. We are working on quality assurance activities through the necessary screening, audit, and management systems required for each system, such as the creation of annual plans aimed at improving the level, and the reporting and discussion of results in RC/QM subcommittees. As a result, in FY2022 we achieved zero quality problems.

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



FY2022 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.

The Hodogaya Chemical Group takes to heart the idea that quality is the source of trust. From the perspective of clarifying related roles and responsibilities, in October 2018 the Company restructured the Environment and Safety & Quality Assurance Department into the Quality Assurance Department and Environment and Safety Department to strengthen quality management functions.


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

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. Furthermore, a Group company, SFC CO., LTD. in South Korea, also obtained ISO certification from the South Korean certification body. In 2019, when the Hodogaya Chemical Group's integrated certification was renewed, its scope was again expanded, and HODOGAYA CHEMICAL KOREA Co., LTD., an overseas research base, also obtained ISO certification.

Under a more stringent quality management system, the Hodogaya Chemical Group has united to undertake quality improvement activities.

ISO 9001: 2015 Quality management systems	
Certification body	Japan Chemical Quality Assurance
Registration no.	JCQA-0184
Compatible standards	JIS Q 9001:2015/ISO 9001:2015
Date of acquisition	December 25, 1996



Chemicals and Product Safety Basic approach

The Hodogaya Chemical Group sets forth a set of internal rules on the use of chemical substances and measures to control the content in products, etc. based on the Basic Philosophy of Responsible Care (RC) to ensure environmental conservation, safety and health, and product quality, which forms the basis for all business activities. The aim of these rules is to voluntarily manage chemical substances that are likely to injure human health or impact the global environment 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.

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.

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.

VOICE

My Duty to Protect: Hodogaya Brand

Quality inspection work covers a wide range of tasks, including inspections of raw materials and products based on prescribed test methods, the issuance of test reports, the maintenance and management of inspection equipment as well as the storage of records.

Of all these tasks, the one that I am particularly mindful of in my eighth year with the Company is always to conduct product inspections from the customer's point of view, so that they are able to purchase Hodogaya Chemical products with peace of mind. So that I am able to quickly notice any minor differences and changes in inspection values, I carefully check the product status and inspection values on a regular basis. Also, when a question comes up with regard to the maintenance and how to handle the inspection equipment, I always try to find the answer by doing my own research or by seeking advice from someone with a lot more experience.

To continue to protect the quality of the Hodogaya brand in the years to come, I would like to fulfill my role as the last bastion of quality management in a responsible manner.



Maika Yoshino
Nanyo Plant



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



Workplace Safety and Health, Security and Disaster Prevention Basic approach

The Hodogaya Chemical Group places highest priority on ensuring workplace safety and health as the basis of its production activities, and ensures thorough compliance with laws and regulations related to safety and health, to achieve disaster-free operation. In order to promote workplace safety and health, and security and disaster prevention, we spell out the basic rules on actions to be taken by the Hodogaya Chemical Group based on relevant laws and regulations in the Safety and Health Management Rules, the Disaster Prevention Rules, and the Logistic Safety Management Rules.

Initiatives for Workplace Safety and Health

The Safety and Health Management Rules set forth the basic rules on safety and health management to prevent occupational disasters and health disorders of all personnel. The aim is to engage both personnel and employers to collaborate in ensuring the safety and health of all personnel in the workplace, and to promote creating a more comfortable work environment, while streamlining operations and contributing to improving productivity.

Furthermore, the Group has designated February 3 as the Group's annual Safety Day to prevent personnel forgetting the fire accident at the Yokohama Plant on February 3, 2012, and the lessons learned from it, to enhance the culture of safety, and to spread among all personnel of the Group the efforts in structurally establishing safety in the business operation.

In FY2022, 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

FY occurred	Hodogaya Chemical Group			Subcontracting companies		
	2020	2021	2022	2020	2021	2022
Number of accidents / incidents	1	0	0	0	0	0
Number of work-related fatalities and injuries	1	0	0	0	0	0
Frequency rate	0.92	0.00	0.00	0.00	0.00	0.00
Severity rate	0.001	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.



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>

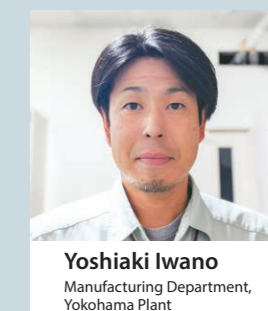


Details on Procurement Guidelines can be found on our website.
https://www.hodogaya.co.jp/english/wp/wp-content/uploads/2018/09/procurement_guidelines_20180918.pdf



VOICE To Create Safe and Secure Workplaces

In its meetings held monthly at the Yokohama Plant, the Health and Safety Committee deliberates on measures to prevent industrial accidents and health disorders, workplace inspections and advice on health promotion by industrial physicians, risk assessments, and near-miss incidents. The content of the meetings is shared with promoters at each workplace, and workplace health and safety meetings chaired by the promoters are held. During these meetings, we conduct health and safety-related education, discuss near misses and case studies of past incidents, find dangers lurking in the workplace, and notify other people of dangerous areas, all of which helps to raise safety awareness and to prevent occupational accidents. We will continue to work toward building safe and secure work environments and achieving zero accidents and injuries.



Human Resources

Related Materiality	
<ul style="list-style-type: none"> Improving feeling of motivation to work Promoting diversity 	<ul style="list-style-type: none"> Promoting the health and productivity management and workplace safety and health



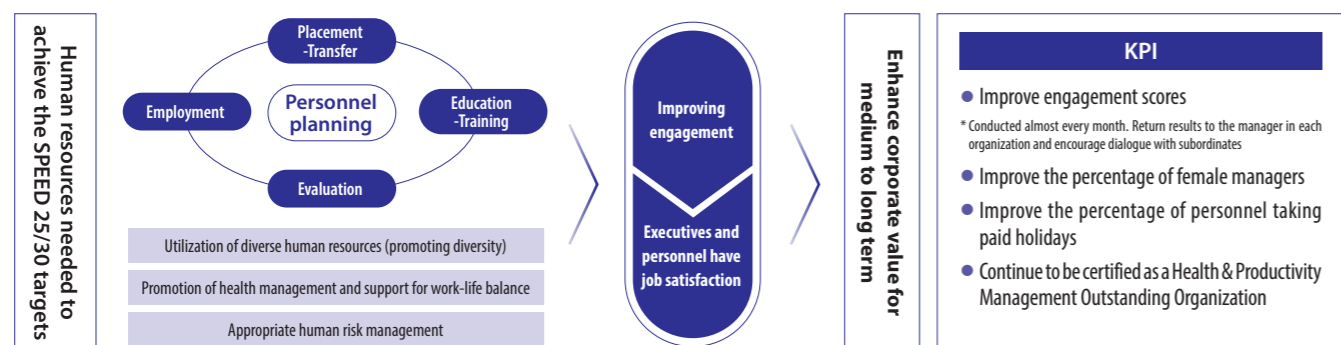
A Message from the HR Manager **Shinichi Sato** Managing Executive Officer

Labor market conditions led by work styles are changing significantly amid major structural changes worldwide, including the first inflation seen in almost 40 years, instability in the international political order, and changes in people's behavior following COVID-19. Against this backdrop, human capital management is in the spotlight as it regards human resources as capital for creating corporate value. Traditionally, the Hodogaya Chemical Group has been deeply aware that human resources are indeed the driving force behind value creation. We will work to achieve the Mid-term Management Plan SPEED 25/30 by engaging in human resources investment and initiatives.

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 are provided with a greater sense of fulfillment in their work.



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

Improving engagement set out in SPEED 25/30 → To provide all executives and personnel with a greater sense of fulfillment in their work, we will undertake the following initiatives.

Utilizing Diverse Personnel (Diversity Promotion)

The Hodogaya Chemical Group recognizes that the purpose of promoting diversity is to enhance corporate value by promoting innovation in a highly competitive environment, flexibly reconfiguring businesses, and strengthening the ability to respond to change. In particular, we are working to promote women, non-Japanese people, and mid-career hires to management positions as described in (1) and (2) as follows. (1) This report discloses targets and results for the promotion of female managers. (2) We will maintain at least the current percentage of non-Japanese people and mid-career hires, which is disclosed in this report, while promoting Japanese and non-Japanese people as well as

new graduates and mid-career hires based on a comprehensive assessment of their experience, abilities, and skills, without making any distinction between them. At the same time, we are working to create an environment in which personnel can maximize their individual talents and skills. The appointment of a female Outside Director was approved at the Annual General Meeting of Shareholders in June 2023. 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>

Promoting Health and Productivity Management

The Hodogaya Chemical Group considers the physical and mental health of its executives and personnel a top priority. We promote health as a management issue and strategically implement health management. The President is the person responsible for personnel health management and works with the Hodogaya Chemical Health Insurance Society to actively support and promote personnel health. We have achieved 100% consultation rates for health checkups and a participation rate in mental stress checkups of 99% or higher. We strive to improve health conditions, or prevent deterioration, by having our industrial physicians share the health conditions of personnel with the Company. The Group further conducts health enhancement training for all personnel with the aim to deepen their understanding of health management. These activities have received recognition and in FY2022 we were certified as a Health & Productivity Management Outstanding Organization for a third consecutive year. Going forward, one of our targets is to continue improving our evaluation in this area.

Work-life Balance Initiatives

The Hodogaya Chemical Group is proactively implementing such work-life balance initiatives as increasing the percentage of personnel taking paid holidays, increasing the rate of male personnel taking childcare leave (both rates are disclosed in this report), establishing

a five-day consecutive refreshment leave system separate from annual paid leave, and establishing telework regulations that make working from home a permanent feature of the Group's operations. These measures promote health and productivity management mentioned earlier, and we will continue our efforts to enable all personnel to demonstrate their capabilities and skills to the greatest extent possible by achieving harmony between their work and private lives.



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, the occurrence of human risks (violation of labor laws, harassment, outflow of personnel, individual troubles, etc.) is a serious obstacle to the continued and stable growth of the Hodogaya Chemical Group. Recognizing that there is a risk, we strive to appropriately and adequately manage human risk, prevent, avoid, and mitigate future losses.

Key Human Resources Investments and Initiatives through FY2022

<ul style="list-style-type: none"> Revision of personnel evaluation system (restructuring of behavior and ability assessment) Transition to performance-linked bonuses (introduction of a transparent reward method) Establishment of a new education system for managers (improvement of management literacy) Revision of retirement benefit system (full transition to 	<ul style="list-style-type: none"> defined contribution (DC) pension plan) Introduction of a new personnel front system (utilization of HR technology) Introduction of the Come-back entry System (Reemployment Applicants Registration) Implementation of engagement score measurement (conducted almost monthly) 	<ul style="list-style-type: none"> Formulation of telework regulations (compatible with diverse work styles) Introduction of training for next-generation management personnel Introduction of a multi-assessment system (multifaceted evaluation system) Introduction of employee stock benefit trust (J-ESOP)
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Future Challenges and Countermeasures

As mentioned above, the Hodogaya Chemical Group has set enhancement of engagement that: all executives and personnel can feel job satisfaction as a strategic goal and are planning measures to tackle it. 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).

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



Creating Workplaces and Work Styles Where Everyone Can Play Active Roles

Using the head office relocation in 2022 as an opportunity, Hodogaya Chemical is implementing various measures to improve the feeling of motivation and ease of work. Among a host of initiatives, we consolidated all departments (including officers) to a single floor, introduced an office system where employees are free to change desks at all work stations, eliminated fixed-line phones, and made telework a regular practice. This approach to workplaces and work styles directly enables those in their child-rearing years and female employees to play an active role. With this in mind, we believe a bright and open atmosphere is also very important. The new head office features minimal walls and pillars, large open spaces and a lounge area, and a system that allows personnel to connect with anyone at any time. However, there are still many issues to consider, such as better communication and the appropriate scale for each area.

I want to continue helping to improve engagement from a woman's perspective.



Kazumi Omae
General Affairs Department



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>



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/



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.



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, when the damage sustained by Koriyama City from Typhoon Hagibis was designated a major disaster in October 2019, we donated money to Fukushima Prefecture to support reconstruction.

Volunteer Weeding for Niida Honke Koriyama Plant Asuka Hara

Starting this year, Koriyama Plant personnel volunteered to take part in volunteer weeding for Niida Honke.

A sake (rice wine) brewery in Koriyama City, Fukushima Prefecture, Niida Honke brews and sells sake and fermented foods that include Niida Shizenshu, a 100% pure sake made from brewer's rice grown without the use of any pesticides or chemical fertilizers.

On the day of the volunteer event, 21 people from the Koriyama Plant took part and borrowed Nakano-type weeding implements to weed three rice fields.

A Niida Honke staff member taught us directly how to use the

weeding implements and provided us with details of how sake is made. It was very refreshing and fun to work in a rice field for the first time and talk directly with local people. Through this volunteer work, we were able to interact with local people. It was also a valuable opportunity to experience nature and Japanese culture. I would like to continue to actively participate in activities that are of benefit to the local community and to society as a whole.



Column

— Protecting forests with the power of chemistry — HODOGAYA AGROTECH Co., Ltd.'s role in smart forestry*

Accounting for two-thirds of Japan's land area, forests contribute greatly to people's lives, including by recharging sources of water, conserving the country's land, mitigating the effects of global warming, and supplying timber and forest products. Cyclic use is made of man-made forests in a cut, use, and plant sequence, but there is a serious shortage of forestry workers to take on this work, and securing a workforce is becoming a major problem. For several years after planting, it is a battle against weeds and trees that hinder the growth of the seedlings. Mechanization having not progressed that far, clearing weeds under the scorching sun in midsummer can be said to be the most difficult task.

Engaged in the manufacture and sale of agricultural chemicals, HODOGAYA AGROTECH Co., Ltd. has established a new technology that sprays herbicides developed for use in forests by drone. Devised to save labor, this development has led to an improvement in the working environment by freeing workers from a sweaty, physically draining task. Also protecting seedlings from wild animals by supplying repellents and seedling protection materials, we are working to support sustainable forestry with the power of chemistry.

*The term smart forestry refers to forestry that utilizes digital management and/or information and communication technologies (ICT) as well as to forestry by means of safer, more efficient automated machinery. (Forestry Agency)



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

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

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



Related Materiality
<ul style="list-style-type: none"> Enhance and strengthen 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.

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 27, 2023

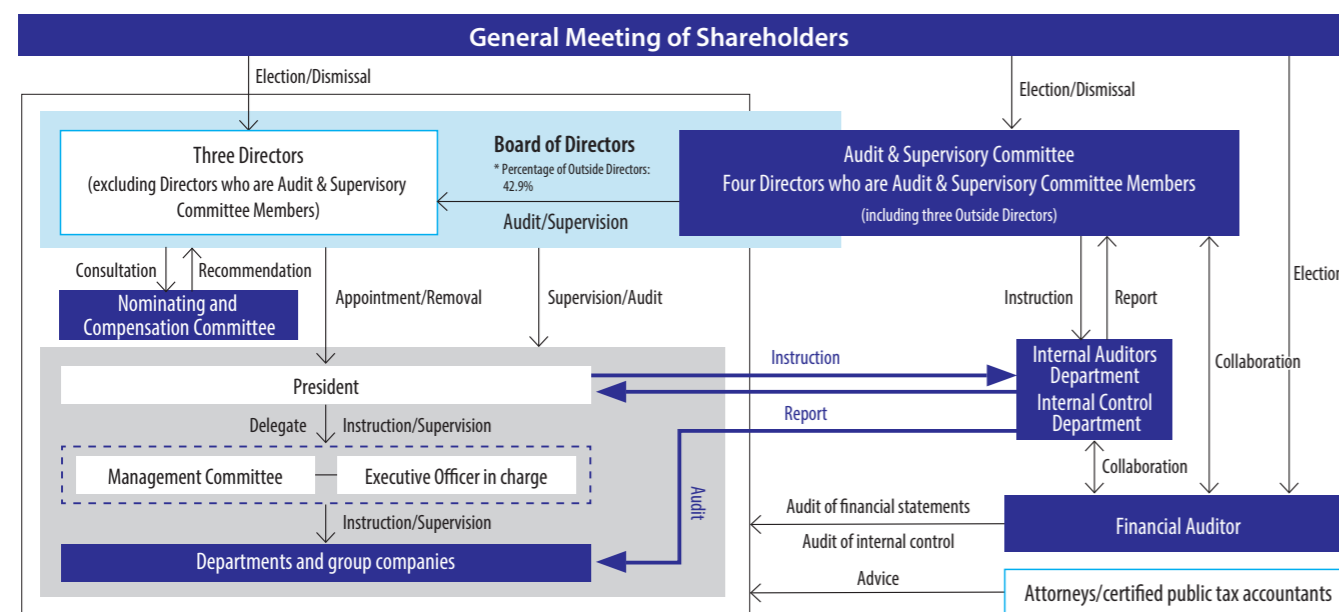
*2 To increase the speed and agility of corporate management, the Board of Directors entrusts the decision-making on important business operations to the Representative Director and President, excluding matters statutorily prescribed to be exclusively deliberated by the Board of Directors.

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


[Link to the Corporate Governance Report \(In Japanese only\)](https://www.hodogaya.co.jp/wp/wp-content/uploads/2023/06/corporate_governance_20230628.pdf)
https://www.hodogaya.co.jp/wp/wp-content/uploads/2023/06/corporate_governance_20230628.pdf


Structure of corporate governance system



General Meeting of Shareholders

In addition to the appropriate statutory disclosure and timely disclosure, Hodogaya Chemical strives to proactively provide shareholders and investors with relevant information, such as its management strategies, in order to gain understanding of its business activities. It engages in constructive bilateral dialogue with shareholders in an effort to achieve effective corporate governance that can contribute to sustainable growth and increase its corporate value.

Hodogaya Chemical also establishes measures to 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 12 times in FY2022

As a general rule, the Board of Directors is held regularly once per month, and on an ad hoc basis as necessary. 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 Hodogaya Chemical.

In FY2022, the Board of Directors deliberated on authorizing the establishment of a system for electronically providing materials for the General Meeting of Shareholders (presented as an agenda item at the 164th Annual General Meeting of Shareholders) and on authorizing quarterly financial results, financial summaries, and year-end reports.

Moreover, the Board received regular reports on monitoring outcomes regarding the progress status of the Mid-term Management Plan SPEED 25/30 from the executive departments, as well as reports on the status of progress regarding sustainability, reports summarizing large-scale capital investments, and reports on financing and investment in affiliated companies.

The Outside Directors also expressed useful comments and opinions from an objective and expert standpoint based on their extensive experience, while the Board of Directors as a whole appropriately shared information in a timely manner and discussed such information from various perspectives.



Audit & Supervisory Committee Held 11 times in FY2022

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 FY2022, the Audit & Supervisory Committee discussed audit plans, the division of duties among the Audit & Supervisory Committee members, approval for audit compensation for the Financial Auditor, and audit reports from the Financial Auditor.

Moreover, the Committee also reported on the status of internal


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


control and internal audits, the Risk Management Committee, and the audit status of affiliated companies.

Nominating and Compensation Committee Held 14 times in FY2022

In order to strengthen the independence, objectivity, and accountability of the Board of Directors' functions on matters of nomination and compensation, the Nominating and 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 FY2022, the Nominating and Compensation Committee primarily reported and expressed opinions on the following matters.

The Committee confirmed the backgrounds and skills of each candidate in regard to the Director appointment proposals made at the General Meeting of Shareholders, and found that the proposal details were reasonable. Upon making 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 appointing Executive Officers, General Managers of departments, and Presidents of affiliated companies, the Committee confirmed the detailed background of each candidate and conducted interviews, leading the Committee to express the opinion that the proposal details were reasonable.

Executive Officers

The executive officer system was introduced to

- (1) promote management efficiency
- (2) enable quicker decision-making
- (3) specialize functions
- (4) strengthen supervisory and monitoring functions
- (5) strengthen our business management

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

Outside Director Activity Status

In FY2022, the Outside Directors attended every Board of Directors, Audit & Supervisory Committee, and Nominating and Compensation Committee meeting. The Outside Directors also engaged in other activities, including:

- Attendance at management and executive meetings (October 2022 and March 2023)
- Attendance at executive compliance training (February 2023)
- Communication with the Financial Auditor (August 2022)
- Support for business activities (ongoing)

Appointment of Directors

Hodogaya Chemical positions the appointment 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 upper 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 FY2022

Evaluation Standards	Status of Initiatives
1. Appointment of multiple independent Outside Directors	• Implemented. 3 out of 7 directors are independent Outside Directors (42.9%)
2. Narrowing down matters for resolution	• Deliberated on authorizing the establishment of a system for electronically providing materials for the General Meeting of Shareholders (presented as an agenda item at the 164th Annual General Meeting of Shareholders) and on authorizing quarterly financial results, financial summaries, and year-end reports
3. Establishment of appropriate reporting matters	• Received regular reports on monitoring results regarding the progress status of the Mid-term Management Plan SPEED 25/30 from the executive departments, as well as reports on the status of progress regarding sustainability, reports summarizing large-scale capital investments, and reports on financing and investment in affiliated companies • Summarized reports on the execution of duties as the Mid-term Management Plan Progress Report on Execution of Duties based on the individual reports
4. Deliberation on agenda items related to personnel affairs and remuneration of Directors	• Based on the reports of the Nominating and Compensation Committee, deliberated proposals for the appointment of Directors to be submitted to the Annual General Meeting of Shareholders
5. Provision of proper explanations beforehand to independent Outside Directors	• Mailed agenda materials several days prior to the Board of Director meetings and offered preliminary explanations prior to the meetings
6. Preparation of informative and easy-to-understand materials	• Efforts are currently being made to create materials with attention to the comprehensiveness and ease of understanding of the information so that Outside Directors can make accurate management decisions.
7. Appropriate time management (meeting frequency, time for deliberations, etc.)	• Held 12 times in FY2022, with approximately 2.5 hours for each meeting
8. Implementation of effective and efficient organizational audits	• Implemented an organizational audit as a Company with an Audit & Supervisory Committee • The Audit & Supervisory Committee Secretariat was established as a system to assist the Audit & Supervisory Committee. • The Audit & Supervisory Committee was held 11 times in FY2022, 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	• Considered the appointment of a female Outside Director (appointed at the June 2023 Annual General Meeting of Shareholders) • Reviewed and considered the Board of Directors skills matrix (added Human Resource Strategy in May 2023) • Conducted a Board of Directors report regarding sustainability promotion in order to strengthen the involvement of management
Overall Evaluation for FY2022	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

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

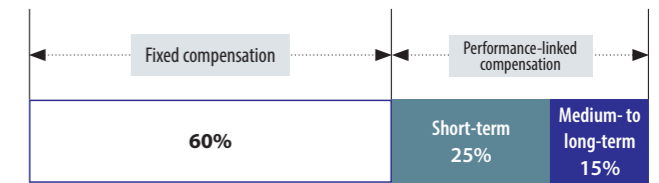
performance, adds compensation linked to mid-to long-term performance.

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. (FY2022)

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)	74	64	20	(10)	4
Directors who are Audit & Supervisory Committee Members (excluding Outside Directors)	15	15	—	—	1
Outside Directors	22	22	—	—	3
Total	112	102	20	(10)	8

Stakeholder Communications

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.

Hodogaya Chemical has also established and disclosed our 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.

For the year ended March 31, 2022, the Company raised the annual



dividend per share from the existing 50 JPY to 60 JPY, and will further increase the dividend to 65 JPY for the year ended March 31, 2023. Moreover, in aims of increasing the dividend for three consecutive fiscal periods, the Company plans to raise the dividend to 75 JPY for the year ending March 31, 2024 (as disclosed in the financial summary for the year ended March 31, 2023).

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 associated company 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.

Outside Director Dialogue



Bringing new perspectives
to the table and contributing
to lively discussions as
Outside Directors

Shuji Kato Outside Director (Audit & Supervisory Committee Member)

Masaki Sakai Outside Director (Audit & Supervisory Committee Member)

How would you evaluate efforts by the Company to strengthen the governance function?

● **Kato:** I was appointed as Hodogaya Chemical's first Outside Director in 2013. The number of Outside Directors was subsequently increased, and Hodogaya Chemical transitioned to a Company with an Audit and Supervisory Committee. Currently, the percentage of Outside Directors is 42.9% (see P. 51). Looking only at the current status of the Board of Directors, I believe that the Company's governance has been steadily strengthened.

● **Sakai:** I believe that the ideal form of governance is one in which a company's personnel, who are its stakeholders' representatives, can be brought up correctly and kept happy. To do so, it is essential that a company ensures a sense of awareness that fraud will not be tolerated and also ensures psychological safety that enables personnel to express their opinions in the case of questionable incidents from the viewpoint of company's governance, while bringing about improvements in the compliance awareness of each and every member of personnel. The Company is repeatedly conducting compliance training for all officers and personnel, and suggestions for improvements and feedback regarding the training content are being provided. I believe that persistently continuing these kinds of two-way initiatives will lead to the strengthening of governance.

What is the state of discussions at Board of Directors' meetings?

● **Sakai:** I recognize that the revitalization of Board of Directors' meetings is an important role for Outside Directors. As much as possible, I review the materials to be submitted at Board of Directors' meetings and try to ask questions from new perspectives while making specific suggestions and proposals.

● **Kato:** The matters discussed at Board of Directors' meetings are thoroughly discussed internally by the

Management Committee. Outside Directors have a responsibility to bring up issues, ask questions, and to lead the discussions. As the number of Outside Directors has increased, we have reached the point at which opinions from different standpoints emerge, and thus discussions at Board of Directors' meetings have become extremely lively. Previously, a lot of time would be spent reporting, but now most of the 2.5-3 hours of a Board meeting is devoted to discussion. Remarks from different points of view help broaden and deepen discussions, while also uncovering new directions as well as pitfalls that would not have been thought of within the Company alone.

What do you regard as the challenges facing the Hodogaya Chemical Group's Board of Directors?

● **Kato:** One Outside Director was replaced in June 2023. As chairman of the Nominating and Compensation Committee, I was given the opportunity to exchange opinions with the newly appointed replacement. Impressed by this person's career, experience, and knowledge in new fields, I was pleased to make the nomination as an Outside Director. The nominee on this occasion happened to be a woman who offers new perspectives, and thus in line with the global trend of promoting the appointment of female Directors, the diversity of the Board of Directors has been further expanded.

● **Sakai:** Ms. Fujino, who was newly appointed as Outside Director in this instance, also has experience as an Outside Director at other companies. I would like to see her make use of that experience to add new perspectives, such as proposing improvements to the method of operating the Board of Directors. In terms of diversity, I think there is still a long way to go when it comes to racial diversity, but we need to firmly promote the active participation of women, not only as Outside Directors but also in officer and management positions.

Scandals such as cases of fraudulent inspections continue to occur in Japanese companies. Based on the recognition that

fraud can occur in any organization at any time, I believe it is important to thoroughly check whether a company's systems for strengthening governance are constructed as they should be, and whether internal controls and internal audits are functioning properly through questions and discussions at Board of Directors' meetings.

● **Kato:** To find new directions and have discussions, an attitude that emphasizes constant study is required. It is also important to broadly monitor and learn about changes in society, the economy, international affairs and other subject areas on a daily basis and to reflect the findings of these studies in discussions at Board of Director's meetings.

Please tell us the expectations you have for the Sustainability Development Committee.

● **Kato:** At Hodogaya Chemical, we are disseminating information on global, sustainability-related trends and the Company's efforts to all personnel in the form of "SUSTAINA NEWS." It is important for everyone—officer, including the President, department general managers, and all personnel—to work with an awareness of sustainability issues. I would like the Sustainability Development Committee to promote activities that each and every member of our personnel can readily understand.

● **Sakai:** Including the manufacture of OLED materials and intermediate products for smartphones and the development of materials for solar cells, the Company's businesses are in fields in which they can contribute to the sustainability of society through energy and resource savings. Meanwhile, as far as CO₂ emissions are concerned, there will be demand for measures that include Scope 3, which covers the entire supply chain, and there are some issues that are incomprehensible by numbers alone. The most important thing is to raise the awareness of each and every member of our personnel, based on the discussions of the Sustainability Development Committee.

What do you consider will be necessary to achieve sustainable growth over the next 100 years?

● **Sakai:** The future of a company is shaped by the creativity of each and every member of its personnel. We cannot hope for the growth of a company without the creativity that stems from personnel working in pleasant environments and demonstrating their abilities. To enhance the creativity of its personnel, Hodogaya Chemical needs to advance more detailed human development programs, including examining a development policy for each and every member of its personnel, and create an environment that facilitates personnel self-improvement. It is important to make the Company a place where personnel can acquire skills and grow, a place where they can achieve self-fulfillment, and a place where they can gain a real sense of growth.

To promote personnel development, it is also necessary to enable managers to focus more on developing their subordinates by emphasizing human development skills in training sessions for managers and by utilizing the results of engagement surveys.

Furthermore, to respond to the labor shortage, I believe it is necessary to expand and upgrade training sessions for senior personnel and reskilling training, and to promote the utilization and activation of senior personnel.

● **Kato:** When formulating the Mid-term Management Plan SPEED 25/30, we analyzed environmental changes up to 2050, considered where the Company wants to be in 2030, and established numerical targets for 2025 through backcasting. Since looking 100 years hence would involve a repetition of this, we are constantly thinking about what we should do to adapt to changes in the world and develop the Company's business. Personnel are the basis for this, and I am looking forward to seeing how Hodogaya Chemical's personnel perceive the future and what they think the Company will continue to grow sustainably for the next 100 years.

Message from the Newly Appointed Outside Director

Drawing on the experience I have gained, I will devote my efforts to improving the Hodogaya Chemical Group's corporate value.

Up to now, corporate value tended to be biased toward financial information represented by numbers, so I think it was difficult to ascertain the overall picture of a company. Recently, however, it has been said that non-financial information has a significant impact on corporate value, and as someone who has been involved in personnel development for many years, I feel pleased about that.

The two Es in SPEED 25/30 stand for engagement and ESG. I have heard that Hodogaya Chemical has begun to check engagement scores almost every month and to work to improve the percentage of female managers, and the results are already beginning to appear. Going forward, I will continue to create an environment in which each and every officer and member of personnel can fully demonstrate their abilities through their efforts toward SPEED 25/30. At the same time, I would like to draw on the experience I have gained and do my best so that both financial and non-financial aspects grow even more in value.



Shinobu Fujino
Outside Director (Audit & Supervisory Committee Member)

Board of Directors



Yuto Matsumoto
Representative Director, President and CEO

Number of Company shares held 8,400 shares
Number of Board of Directors meetings attended in FY2022 12/12

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 5,500 shares
Number of Board of Directors meetings attended in FY2022 12/12

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



Kenji Tsujitsugu
Director and Managing Executive Officer

Number of Company shares held 1,000 shares
Number of Board of Directors meetings attended in FY2022 (after appointed as a Director) 9/9

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



Satoshi Ebisui
Director (Audit & Supervisory Committee Member)

Number of Company shares held 8,600 shares
Number of Board of Directors meetings attended in FY2022 12/12

Number of Audit & Supervisory Committee meetings attended in FY2022 11/11

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



Shuji Kato
Outside Director (Audit & Supervisory Committee Member)

Number of Company shares held 1,900 shares
Number of Board of Directors meetings attended in FY2022 12/12

Number of Audit & Supervisory Committee meetings attended in FY2022 11/11

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 as 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 500 shares
Number of Board of Directors meetings attended in FY2022 12/12

Number of Audit & Supervisory Committee meetings attended in FY2022 11/11

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 -
Number of Board of Directors meetings attended in FY2022 -

Number of Audit & Supervisory Committee meetings attended in FY2022 -

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.

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	○				○	○	
Kenji Tsujitsugu	○	○	○				
Satoshi Ebisui	○				○	○	○
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

Basic approach

In addition to fully recognizing and consistently applying compliance's basic meaning of adhering to laws and regulations, the Hodogaya Chemical Group conducts corporate activities keeping in mind its meaning of ensuring behavior in line with what society demands of the Group.

As a result of earnestly implementing compliance and conducting fair, non-discriminatory business activities, there have been no personnel who have been fired and the Group has not had to pay fines or other penalties due to behavior that goes against the legitimate interests of the Group or behavior that undermines trust in and the reputation of the Group.

The Group will also meet the social demands and expectations by fulfilling its responsibility to properly pay taxes in countries and regions throughout the world.

Promotion Structure

The Hodogaya Chemical Group formulates various rules and regulations based on the Basic Policy on Internal Control, and strives to achieve compliance through organized and cross-sectional initiatives led by the Internal Control Department.

The Internal Auditors Department audits the status of compliance and provides advice and guidance for improvements 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.

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 99.2% (as of March 31, 2023).



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.

Training	Compliance Training Calendar (FY2022)					
	July	August	December		February	
Training	General training (1)	Issue-based training (1)	General training (2)	Group company officer training	Issue-based training (2)	Officer training
Eligible participants	All officers and personnel	All officers and personnel	All officers and personnel	Group company officers	All officers and personnel	Directors (including Outside Directors) Executive officers
Content	<ul style="list-style-type: none"> • Compliance basics • Familiarization with rules and regulations • J-SOX • Information security • Respect for human rights • Quality-related scandals • Contract examination and review 	<ul style="list-style-type: none"> • Questions from the assigned materials and the Compliance Handbook 	<ul style="list-style-type: none"> • Compliance basics • Familiarization with rules and regulations • J-SOX • Personal information management • Harassment education • Antisocial forces education • Contract examination and review 	<ul style="list-style-type: none"> • CGS Guidelines (Published by Japan's Ministry of Economy, Trade and Industry) 	<ul style="list-style-type: none"> • Questions from assigned materials 	<ul style="list-style-type: none"> • Revision of Disclosure Office ordinances • General Meeting of Shareholders-related training, etc.

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



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



Risk Management

Related Materiality

- Thoroughly spreading risk management



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



Basic approach

As for risks that harm the Hodogaya Chemical Group, including illegal conduct, poor quality, natural disasters, infectious diseases, and information leaks, the Group has created its own risk management system 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.

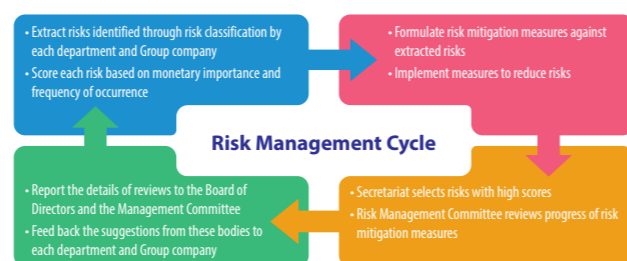
Risk management structure



Risk Classification

No.	Classification	No.	Classification
1	Sales risk	8	Compliance risk
2	Purchasing and procurement risk	9	Legal, regulatory, and system revision risk
3	Manufacturing risk	10	Operational risk
4	Research & Development and intellectual property risk	11	Information system and information leak risk
5	Environmental risk	12	Human risk
6	Strategic risk	13	Tangible asset risk
7	Financial risk	-	-

Risk Evaluation Procedures



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

Overall Risk Awareness for FY2023

For the current fiscal year, the Risk Management Committee recognizes the following as overall risks.

- [1] Concern over an economic slowdown under an inflationary environment
- [2] Financial tightening and interest rate hikes by national central banks, financial instability
- [3] Conflict between democracies and autocracies, economic decoupling
- [4] Changes in behavior due to COVID-19 (consumer, labor, and corporate)
- [5] Action on the global environment

Information Security

The Hodogaya Chemical Group recognizes that keeping company information classified and ensuring information security are the basics in business and one of our social responsibilities.

We have established Information Security Policy in which the appropriate acquisition, use, disclosure, and management of information, information protection activities, security measures, and compliance with applicable laws and regulations, including Unfair Competition Prevention Act and regulations on insider trading, are specified.

Also, we conduct training for all personnel to increase their awareness of information security.



Toward Greater Legal Awareness at the Hodogaya Chemical Group

As a member of the Legal Department, I conduct internal awareness-raising activities regarding laws and other rules through internal training and publishing pamphlets. Yet I do not believe it is easy to attain a concrete image of the meaning and purpose of these rules. I therefore strive to convey the meaning and purpose of these rules to everyone in each department and Group company in an easy-to-understand manner. Specifically, as part of my awareness-raising activities, I use everyday examples as the subject matter, as well as suitable figures and tables, to minimize the volume of materials and to maintain simplicity. Moreover, I make improvements to ensure that everyone understands the importance of these rules as part of their regular business activities in a concrete manner, for example by encouraging personnel to go back to the basic meaning and purpose as they think about these rules when considering contracts and engaging in everyday work.

I will continue to promote these efforts with the goal of raising legal awareness at the Hodogaya Chemical Group.



Daiki Nishioka
Legal Department

6-year Financial Summary

(millions of yen)

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Net sales	38,693	37,548	37,771	41,199	41,879	43,324
Functional Colorants	10,997	10,912	11,855	16,503	17,581	17,990
Specialty Polymers	12,046	12,327	11,717	10,255	10,760	11,580
Basic Chemicals	7,024	6,799	7,156	6,866	6,753	7,152
Agro-Science	5,580	5,288	4,951	5,554	4,838	4,628
Logistics	2,820	2,035	1,932	1,848	1,780	1,874
Operating profit	3,903	3,028	2,902	5,444	6,421	3,701
Functional Colorants	1,413	966	1,182	4,028	4,598	2,602
Specialty Polymers	653	587	531	359	888	861
Basic Chemicals	805	545	589	436	291	(575)
Agro-Science	350	409	205	222	330	457
Logistics	631	487	397	361	298	341
Ordinary profit	4,169	3,104	3,058	5,841	6,914	4,211
Profit attributable to owners of parent	2,862	1,883	1,858	3,119	3,251	2,223
Total assets	54,737	57,140	54,903	62,609	66,448	72,051
Net assets	35,869	36,860	37,040	43,654	47,912	49,897
Net assets per share (yen)	4,210.82	4,299.75	4,294.69	4,885.72	5,230.81	5,405.73
Earnings per share (yen)	362.29	238.40	235.15	394.25	410.69	280.65
Equity ratio (%)	60.8	59.5	61.8	61.8	62.3	59.5
ROE	8.8	5.6	5.5	8.6	8.1	5.3
Cash flows from operating activities	4,215	2,525	3,597	5,380	6,143	1,058
Cash flows from investing activities	(960)	(2,351)	(2,060)	(2,689)	(3,569)	(7,036)
Cash flows from financing activities	(3,210)	668	(2,049)	(424)	(1,848)	2,288
Dividends per share (yen)	50.0	50.0	50.0	50.0	60.0	65.0
DOE	1.5	1.4	1.3	1.2	1.3	1.4
Dividend payout ratio (%)	13.8	20.9	21.2	12.6	14.6	23.1
PBR	1.14	0.75	0.72	0.99	0.84	0.56

Statement of Responsibility

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

The Hodogaya Chemical Group Integrated Report 2023 introduces the financial and non-financial initiatives aimed at realizing the vision of the Hodogaya Chemical Group, based on the progress of the third year of our 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 expanded our disclosure of information in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to fulfill our responsibilities as a chemical manufacturer.

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

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

Shinichi Sato Managing Executive Officer

Primary ESG Data

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
FTSE Russell score (published in June of each year)	-	2.2	2.3	2.4	2.7	3.0
E						
Energy consumption (kl)	28,510	28,129	27,440	27,312	29,215	27,562
Energy intensity (kl/millions of yen in sales)	0.7379	0.7491	0.7265	0.6629	0.6976	0.6362
Greenhouse gas emissions						
Greenhouse gas emissions Scope 1 (t-CO ₂)	25,554	25,794	24,999	24,729	26,093	25,064
Greenhouse gas emissions Scope 2 (t-CO ₂)	25,999	24,737	23,827	23,301	23,154	20,658
Scope 1 + Scope 2 (t-CO ₂)	51,553	50,531	48,826	48,030	49,247	45,722
Greenhouse gas emission intensity (t-CO ₂ /millions of yen in sales)	1.3342	1.3458	1.2927	1.1658	1.1759	1.0554
Prevention of air pollution						
SOx (sulfur oxide) emissions (t)	0	0	0	0	0	0
NOx (nitrogen oxide) emissions (t)	6.54	4.92	4.72	4.99	4.94	3.17
Dust emissions (t)	0.08	0.08	0.04	0.03	0.02	0.00
Prevention of water pollution						
Water usage (kt)	10,794	10,505	10,334	10,552	10,781	10,680
Water discharge volume (kt)	10,519	10,162	9,858	10,130	10,643	10,684
COD (chemical oxygen demand) emissions (t)	55.0	54.3	46.3	54.4	50.8	64.2
Industrial waste						
Industrial waste volumes (t)	2,569	2,452	2,753	3,017	2,746	3,477
Industrial waste from plastic products (t)	Started calculating from FY2022					126
Industrial waste recycle volume (t)	976	1,471	1,090	1,736	1,615	2,190
Industrial waste final disposal volume (t)	440	430	257	200	52	85
S						
Employees (persons)	719	731	739	789	834	890
Percentage of female managers (%)	8.9	11.0	10.8	11.2	10.8	11.0
Percentage of female employees (%)	17.7	17.9	18.4	18.6	18.0	19.5
Percentage of non-Japanese employees (%)	17	18	21	23	26	31
Percentage of mid-career hires* (%)	32	33	32	33	34	35
Percentage of disability employment* (%)	1.3	1.5	1.9	2.3	2.5	2.6
Female personnel taking long-term childcare leave* (persons)	2	1	3	1	6	1
Percentage of female personnel taking long-term childcare leave* (%)	100	100	100	100	100	100
Male personnel taking long-term childcare leave* (persons)	0	0	4	1	9	10
Percentage of male personnel taking long-term childcare leave* (%)	0	0	24	14	56	83
Long-term nursing care leave (persons)	0	0	0	0	0	0
Gender wage gap* (%)	Started calculating from FY2022					84.8
Average monthly overtime per employee* (hours)	11.2	11.9	12.0	10.3	11.6	11.3
Percentage of personnel taking paid holidays* (%)	66	68	68	65	69	71
Percentage of personnel taking refreshment leave* (%)	—	95	94	93	93	95
Average annual training hours per employee* (hours)	Started calculating from FY2021					109.0
Separation rate (calculated using number of regular employees who leave the company during the year and excluding employees who joined the company during the year)* (%)	0.7	1.5	3.2	1.5	3.3	1.6
G						
Percentage of Outside Directors (%)	37.8	42.9	42.9	42.9	42.9	42.9
Number of Board of Directors meetings	16	15	17	16	16	12
Number of Nominating and Compensation Committee meetings	—	—	7	10	12	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* (Unit: Million JPY)

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

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

Corporate Data

Corporate data (As of March 31, 2023)

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	890 (Consolidated), 471 (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.

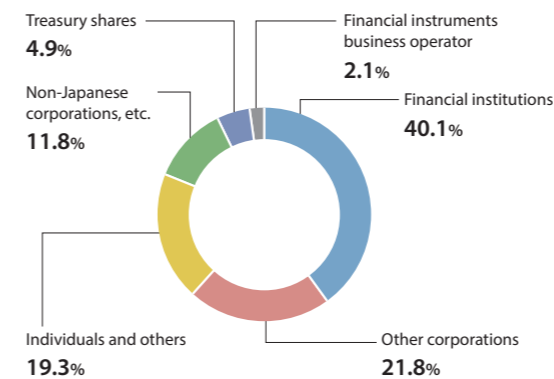
Offices

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, 2023)

- Total number of authorized shares 20,000,000
- Total number of shares issued 8,413,726 (including 409,635 treasury shares)
- Number of shareholders 7,130 (+588 year over year)

Distribution of shares by shareholder



Main independent evaluations

Health & Productivity
Management Outstanding
Organization 2023



Eco Rail Mark

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



FTSE Russell score: 3.0 (FY2022)
(FTSE Blossom Japan Sector Relative Index constituent)



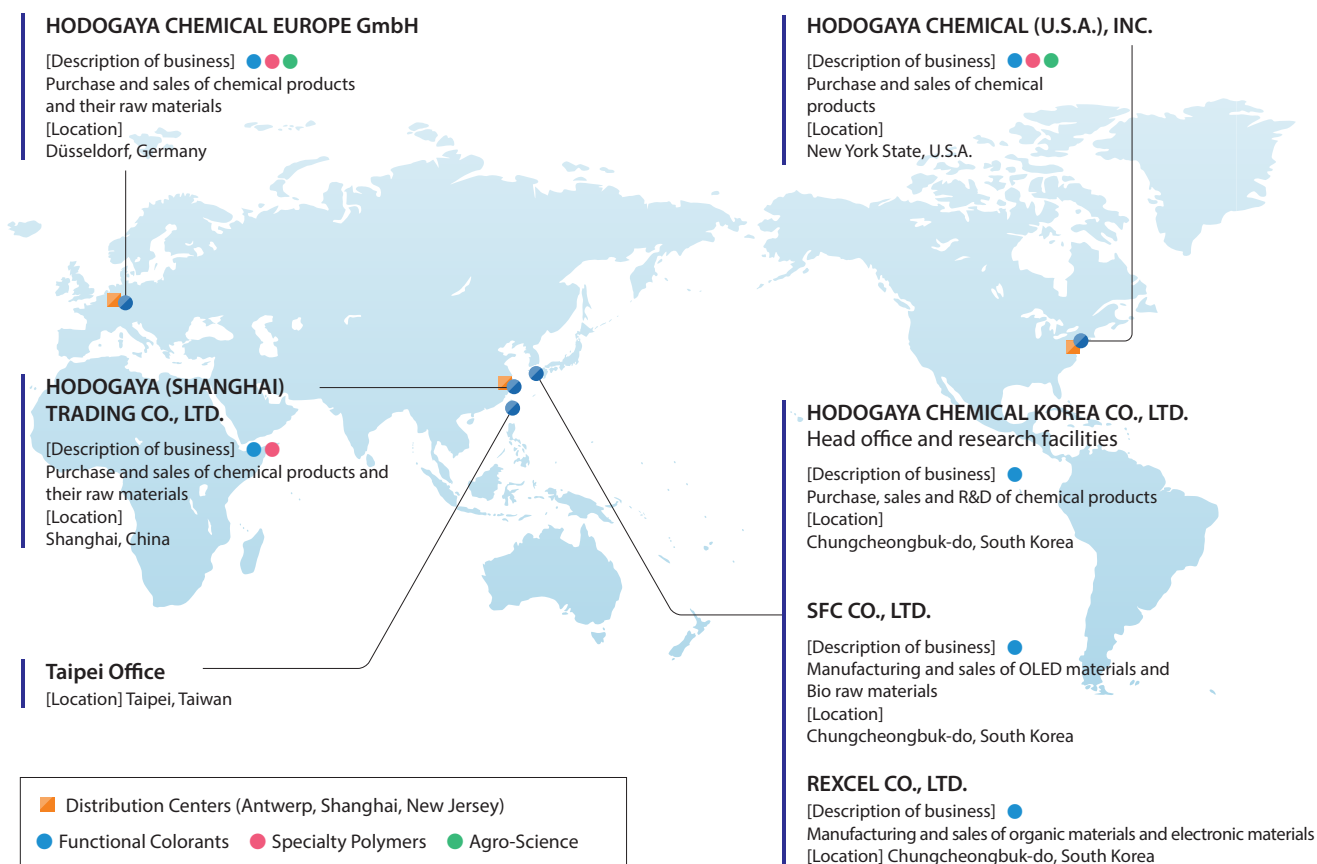
FTSE Blossom
Japan Sector
Relative Index

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

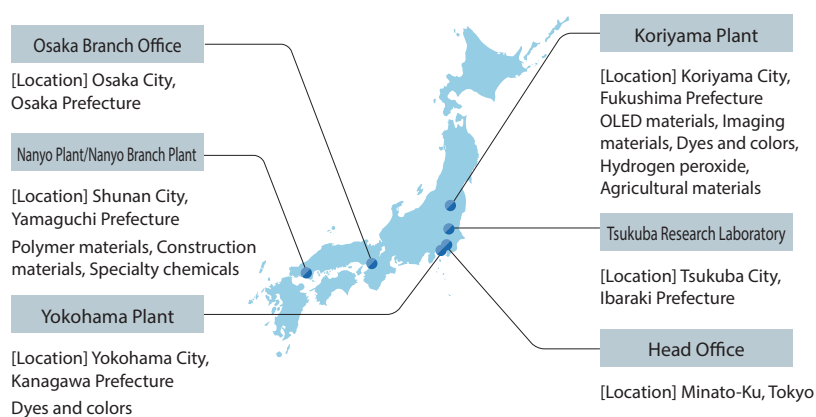
EcoVadis



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, 2023



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 TEL +81-3-6852-0300 (Main Switchboard)
<https://www.hodogaya.co.jp/english/>

