HODOGAYA

HODOGAYA CHEMICAL CO., LTD.

Hodogaya Chemical Group Report

Integrated Report 2025

Management Philosophy

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).

Stakeholders of the Hodogaya Chemical Group

Stakeholders	Basic Views
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 over the long term, we have positioned ourselves to ensure the soundness and legality of management, improving efficiency as one of the most important management issues. We are working to enhance and strengthen corporate governance.
Customers	In addition to providing a stable supply of safe and reliable products, we are committed to providing new products and services that meet our customers' expectations for a safe, secure, comfortable, and prosperous life.
Partner Companies	As a good partner of the Hodogaya Chemical Group, we work together to address social issues, not only in the purchase of raw materials, products, and consignment goods, but also in the purchase of facilities and equipment.
Community and Society	In the course of the Hodogaya Chemical Group's business activities, we consider contribution to the sustainable development of communities an important activity as a corporate citizen, and are engaged in various community contribution activities.
Officers and Personnel	In order to achieve the Hodogaya Chemical Group PURPOSE (Management Philosophy) and VISION (Target Corporate Image) while also boosting corporate value, we aim to facilitate job satisfaction (feeling motivation to work and enjoying a comfortable work environment) for all officers and personnel.

Editorial Policy (at the time of publication)

We have published the Hodogaya Chemical Group Integrated Report since FY2017 to deepen understanding of our efforts toward value creation over the mid- and long-term. We have engaged in dialogue with all our stakeholders, including our shareholders and investors, customers, partner companies, people from local communities and society as well as our officers and personnel. When compiling the report, we work to create one that is easy for stakeholders to understand and depicts the truth about officers and personnel.

This report presents our corporate value creation system and the materiality that the Hodogaya Chemical Group should address for mid- to long-term corporate growth. We have also improved the disclosure of ESG information, including our environmental and climate change initiatives, our approach to human resources, and corporate governance.

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

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

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

■ Period Covered
This Report generally covers the period from April 2024 to March 2025, but also contains reports on activities before and after said period.

■ Scope of Report
Hodogaya Chemical Co., Ltd. and its group companies

■ Publication Date September 2025

■ Major Guidelines Referenced
Ministry of Economy, Trade and Industry Guidance for Collaborative Value Creation
IFRS Foundation Integrated Reporting Framework
ISO 26000: 2010 Guidance on Social Responsibility
GRI Sustainability Reporting Standards
Ministry of the Environment Environmental Reporting Guidelines 2018
Recommendations by the Task Force on Climate-related Financial Disclosures

* The cover design is inspired by sunlight filtering through trees, evoking a sense of harmony with the environment and hope for the future, keeping in mind the five megatrends that we see in our business strategy roadmap (see page 32).

CONTENTS

Message from the President

Through bold investments and entry into new domains, we will enhance our corporate value.

Yuto Matsumoto
President and CEO

Holding to our Long-term Vision and PURPOSE as We Aim for Dramatic Growth

2025 marks the final year of Phase 1 of our SPEED 25/30 Mid-term Management Plan. Nine years have passed since I assumed the office of president of the Company. Having overcome constraints including those imposed by the COVID-19 pandemic, I believe that we are again ready to roll up our sleeves and make our VISION for 2030 a reality.

We created our current Mid-term Management Plan in anticipation of social megatrends, including changes in the international order, industrial structure, and social structure in 2050. Using the method of backcasting, we then set our "ideal figure" for the Company in FY2030 and our "target figure" in FY2025. During Phase 2 beginning in FY2026, I am committed to work toward significant growth by boosting employees' involvement in our "ideal figure" for FY2030. I am now steadily fostering awareness among employees to meet this challenge.

Although the business environment underwent changes during Phase 1, we will hold steadfastly to our philosophy of providing high-quality products and services through the innovation in chemical technologies stated in our PURPOSE and VISION, while contributing to the realization of a sustainable society in harmony with the environment. At the same time, considering the rapid changes taking place in the business environment and societal demands, I am convinced that the strategies and initiatives in the Mid-term Management Plan must respond flexibly to these changes. Accordingly, during Phase 2 we will aim to achieve dynamic growth by going beyond our existing business to tackle new possibilities. My role in senior management is to depict a grand concept for our future and, simultaneously, to present a path that aligns all employees in advancing toward shared goals and to lead them to concrete results.

Mid-term Management Plan→P.22

Reflecting on Phase 1 to Envision the Future

During Phase 1 of our plan, from FY2021 to FY2024, we focused our investments on South Korea. Business performance improved in OLED materials, PCR diagnostic kit materials under the COVID-19 pandemic, and other high-value-added products. Our business in South Korea has led to the acquisition of new customers for our semiconductor-related materials, and the country currently accounts for the bulk of our sales in the Functional Colorants Segment. Through such successful investments, we expect to achieve our initial sales target of 50.0 billion JPY in FY2025.

At the same time, a number of issues have become apparent. We expect an operating margin of about 10%, falling short of our initial target of 15%. Geopolitical risks and inflationary cost increases are major causes of this. The depreciation of the yen, soaring prices of raw materials, increasing labor costs, and other changes in the external environment are placing pressure on profit. While price pass-through is mitigating effects to an extent, unexpectedly intense competition in some high-value-added products is driving profit margin down from our initial forecast. Some businesses have also been affected by declining market conditions and structural factors in the Chinese market, as seen in the second consecutive deficit recorded in the Polymer Materials Segment. We continue working to address these negative factors.

Mid-term Management Plan→P.22
Global Expansion of the Hodogaya Chemical Group→P.35

Phase 2 as a Turning Point in Expanding Investment Domestically

In Phase 2 of our Mid-term Management Plan, we will focus on growth investments in Japan and expansion of profit aimed at achieving our "ideal figure" for FY2030. This policy seeks to mitigate geopolitical risks and anticipates new growth potential in the Japanese market.

The policy's greatest focus is on semiconductor resist material, an essential component in semiconductor circuit pattern fabrication. Japan-based chemical manufacturers command about 80% of the global share for this material. However, the latest semiconductors require resist materials refined to a level of extreme purity to fabricate ultra-fine circuits. We plan to identify opportunities in this area and to make investments aimed at bringing our ultra-high-purity refining technologies developed in South Korea to the Japanese market. Although we are a latecomer in this area, we are confident that solidly capturing such niche demand and overcoming issues through our technologies will allow us to pioneer new markets in the semiconductor industry, which is expected to reliably grow.

We will also focus on the next-generation pharmaceutical field of nucleic acid medicine. Based on the technology cultivated by SFC, our group company in South Korea, through the development of diagnostic oligo products, we plan to expand into the Japanese market. We plan to act as a bridge to customers in Japan, which is home to numerous drug discovery companies, as we aim for growth in this field.

As an important measure in strengthening our business, in February 2025 we announced an expansion of our domestic manufacturing facilities for aluminum coloring dyes. These environmentally friendly, metal-free color anodized dyes were co-developed with strategic partners. We will expand our production capacity in Japan to boost our competitiveness and to meet expected growth in demand.

We will also continue focusing on existing businesses that exhibit strong performance. In the Agro-Science Segment, I take particular note of biostimulants that show promise in stimulating crop growth. Oxygen-releasing agents, which are primarily derivatives of hydrogen peroxide, are being developed while gathering data on their effectiveness on the material. We hope to advance to the phase of expanding production through capital investment. We are also working to develop another derivative, peracetic acid, as a fungicide.

Through these initiatives, we aim to actively accelerate innovation and highlight Hodogaya Chemical's presence and technological prowess in the market.

R&D and Intellectual Property Strategy→P.31

Decisive Measures Aimed at Sustainable Growth

In order to further develop the strengths established by our group company in South Korea, such as ultra-high-purity purification technology and bio-related technologies, bold capital investment in facilities is essential in Japan. The required amount of investment is considerable, but I am prepared to take responsibility as senior management and advance the initiative from the top. In a first for our Company, we have a task force studying the in-house recruitment of wide-ranging human resources to launch a project. Through this initiative, we want to incorporate the diverse ideas of motivated people and lead the project to success.

Our Company has continued to operate virtually debt-free. To accelerate growth investment, however, we will adopt a strategy of earning significant returns through measured use of leverage. We will actively pursue all methods of financing to responsibly secure needed funds, including financial institution lending and the use of subsidies and grants through industry-academia-government cooperation.

We will also emphasize an ROIC (return on invested capital) perspective in our investing. Rather than simply constraining investment to shore up ROIC in appearance, we will achieve true growth by actively investing and powerfully increasing profit, the numerator in ROIC.

We will also boldly tackle acquisitions. We do not currently expect to divest ourselves of any existing businesses, but we are looking at large-scale changes to our business portfolio in response to changes in the business environment. By doing so, we will ensure sustainable growth in a changing market environment.

Financial Strategy →P.25

Human Capital Management and Organizational Reform that Support Innovation

In formulating Phase 2 of our plan, I seek to provide young employees with forums to freely talk about their dreams and what they hope to be doing at Hodogaya Chemical 10 or 20 years down the road. By not only talking about those dreams but also considering ways to realize them and exploring "Your Dream is Our Business" from a management perspective, these forums should serve as valuable learning opportunities for employees.

Human resources who support innovation will be more important than ever in expanding our business. As securing human resources becomes increasingly difficult in Japan, our Group is making efforts to boost employee engagement. To secure talented and motivated human resources, we are taking action with a particular focus on the balance among four components of engagement: psychological safety, resonance with our VISION, opportunities for growth, and fair evaluation and compensation.

Recruiting people from outside is also important. To recruit outstanding students, we will explore programs to support repayment of scholarship funds as well as increases in starting salaries. In addition to mid-career hiring, we are conducting "alumni hiring," or the re-hiring of employees who had resigned from the Company.

We will further work to create pleasant working environments and increase the percentage of female managers, as well as actively promote young employees to higher positions and provide motivation to work. We have also launched a review of compensation plans. We intend to make a break from conventional seniority-based plans and, in the case of mid-career hiring, make flexible use of means such as an annual salary plan separate from the Group's salary plan. We are also studying a change in compensation structure from job function-based salary to hybrid job-based salary that adds position-based salary to job-based salary. We are setting position-based salary for management positions and clarifying compensation in line with roles and responsibilities. The structure also allows for compensation for specialists who do not have subordinates, based on their level of expertise.

We plan to expand eligibility for participation in the Japan Employee Stock Ownership Plan (J-ESOP) to all employees. We believe that this will instill in all employees a shareholder mindset and allow everyone in the Company to work as one to enhance our business performance and corporate value.

We have also introduced 360-degree evaluations for managerial personnel and are conducting qualitative evaluations. By using these evaluations in personnel placement decisions, we achieve smooth and highly effective management.

Our aim in these initiatives is to motivate all officers and employees into acting as a driving force that leads Hodogaya Chemical to its next stage.

Human Resource Strategy→P.29 Corporate Governance→P.51

Contributing to the Realization of a Sustainable Society through Environmentally Friendly Manufacturing

As a chemical manufacturer, we include the words "environmentally friendly manufacturing" in our VISION. This expresses our wish to be a company that pursues sustainability, not growth and profit margin alone, and contributes to a sustainable society.

Among our decarbonization-related initiatives, hydrogen is of particular interest to me. Our Basic Chemicals Segment includes a hydrogen-related business that forms as a foundation for the manufacture of hydrogen peroxide and its derivatives. Through this, we want to actively contribute to the realization of a hydrogen society.

As a specific initiative, we plan to install a hydrogen station on the grounds of our Koriyama Plant. This will support Fukushima Prefecture's goal of realizing a hydrogen society while contributing to regional decarbonization and industrial development. While issues related to profitability currently remain, we want to work with government bodies and consumers to build a sustainable business model that achieves both future growth and regional contribution.

Looking at the environment, we are undertaking reduction efforts in practical and steady ways. We see our mission as advancing technological innovations that improve manufacturing process efficiency and reduce environmental impacts, and thereby contribute solutions to social issues. I am confident that these individual initiatives will ultimately lead to trust in our Company and to a sustainable society.

Hodogaya Chemical Group's Sustainability→P.41

Solving Social Issues through the Power of Chemistry to Reach New Heights for Stakeholders

Our Company places importance on the return of profits to shareholders. We have achieved dividend increases for four consecutive fiscal years and anticipate further increases in dividends for FY2025. However, our PBR is currently less than 1.0 and enhancement of our corporate value is a pressing issue.

While we intend to continue raising our dividend, we will also pursue sustainable growth by actively and appropriately allocating profit to capital investments. At the same time, our Company is studying an expansion of our stock-based compensation plan for employees, as noted earlier. This is aimed at instilling a shareholder mindset in employees and uniting the Company in enhancing its corporate value.

I compare management not to a mountain to climb but to a "slope that goes ever upward." In climbing a mountain, the summit exists as a point to be attained. Management, however, has no such goal but rather always aims for a new height. I believe that it is my role to show employees concrete targets and paths and to draw out their motivation. I am committed to create an environment in which all employees can take pride in their work and together embark on the uphill climb of enhancing our corporate value. My ultimate goal is to make Hodogaya Chemical a company that all employees are glad to have chosen.

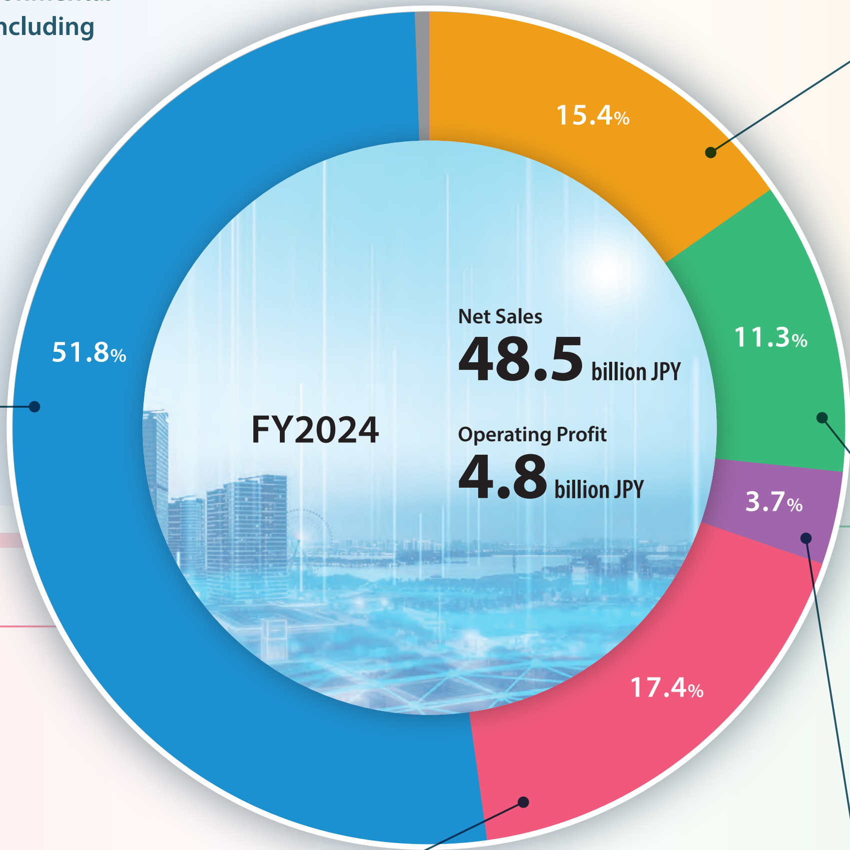
Along with our shareholders, investors, customers, business partners, local communities, society, and personnel, students heading out into the working world are also important stakeholders of ours. To remain a company needed by all of these people, we will strive to create value through our business.

Through our chemical technologies, the Hodogaya Chemical Group will continue contributing to the creation of an environmentally conscious society for another hundred years. Our vision of "A corporation that contributes to establishing a sustainable society by means of environmentally friendly manufacturing" will never waver. As a company that believes "Your Dream is Our Business," we will continue our endeavors and pioneer the future. As we do so, I sincerely ask all of our stakeholders for their continued support for our Group.

At a Glance

"Five Core Segments" of the Hodogaya Chemical Group

SUSTAINABLE DEVELOPMENT GOALS



Functional Colorants Segment

Strength Ability to embody global customer needs and environmental responsiveness by fully utilizing the Group's DNA, including our organic synthesis technology

OLED Materials and Advanced Device Materials Businesses
- Emitting materials, transport materials, capping layer materials
- Bio materials (oligonucleotide synthesis)
- Imaging materials for copier toner
- Dyes for color filters
- Semiconductor Materials (Resist Materials)

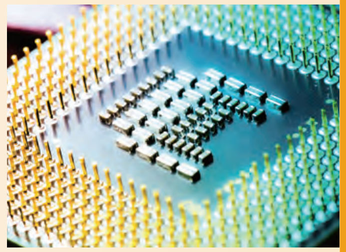
Colorants Business
- Aluminum coloring dyes
- Stationery dyes
- Dyes for hair color treatment
- Natural dyes (for food and industrial use)

Net Sales **25.1** billion JPY

Operating Profit **3.8** billion JPY (Operating margin 15.3%)

P.36

Basic Chemicals Segment



Net Sales **7.5** billion JPY

Operating Profit **0.4** billion JPY (Operating margin 5.5%)

Strength Creativity to explore new applications in clothing, food and shelter, based on long-standing hydrogen peroxide production technology

Peroxide Business
- Hydrogen peroxide
- Sodium percarbonate
- Peracetic acid (disinfectant agents, food additives)
- Industrial chemicals

P.38

Agro-Science Segment

Net Sales **5.5** billion JPY

Operating Profit **0.3** billion JPY (Operating margin 5.5%)

Strength Development capabilities to turn formulation technologies into compelling products that are useful in diverse everyday life scenarios

Agrochemicals and Agricultural Materials Businesses
- Herbicides
- Pesticides
- Fungicides
- Agricultural materials (oxygen supply materials)

P.39

Specialty Polymers Segment

Strength Ability to deliver specialty products globally, with a focus on environmental responsiveness, by leveraging our phosgenation technology, etc.

Functional Polymers & Specialty Chemicals Business
- Urethane materials (PTG, BIO-PTG, PTG-SOFTENA, etc.)
- Phosgene derivatives Specialty Chemicals (Intermediates for pharmaceutical, functional polymers and electronics)
- Adhesives
- Release agents

Construction Materials Business
- Waterproof materials for civil engineering and construction (urethane based)
- Waterproofing and leak-plugging work

Net Sales **8.4** billion JPY

Operating Profit **-0.05** billion JPY (Operating margin -%)

P.37

Logistics Segment

Net Sales **1.7** billion JPY

Operating Profit **0.3** billion JPY (Operating margin 19.7%)

Strength Ability to transport securely and safely based on expertise of handling hazardous substances and chemicals as a chemicals manufacturing group

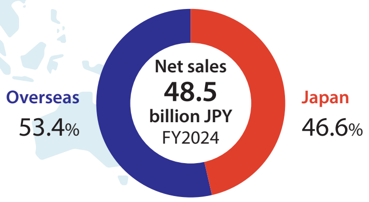
Logistics Business
- Warehousing (hazardous substances and chemicals / general goods) Yokohama Branch, Koriyama Branch, Nanyo Branch
- Consigned freight forwarding
- ISO tank container storage services

P.40

Global network (as of July 1, 2025)

Overseas 5 countries and regions
- HODOGAYA CHEMICAL (U.S.A.), INC.
- SFC CO., LTD.
- HODOGAYA CHEMICAL KOREA CO., LTD.
- HODOGAYA (SHANGHAI) TRADING CO., LTD.
- HODOGAYA CHEMICAL EUROPE GmbH
- Taipei Office

Japan 6 bases
- Head Office
- Osaka Branch Office
- Koriyama Plant
- Yokohama Plant
- Nanyo Plant/Nanyo Branch Plant
- Tsukuba Research Laboratory



* Sales ratio of the Other segment was 0.4%.

Products of Hodogaya Chemical Group Around You

Materials produced using technologies of the Hodogaya Chemical Group are used in many products in your day-to-day lives. Let's look at some of the products around you that you may not have noticed.

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

LCD TV
Our dyes are used in color filters for display.

Ice cream
Our natural food dyes are used for coloring.

Smartphones, tablets
Our OLED materials are used in OLED displays.
Our dyes are used in the aluminum bodies.

Copiers and laser printers
Our imaging materials are used in an additive of toners.

Copy paper
Hydrogen peroxide is used to bleach paper pulp.

Ballpoint pens
Dyes are used to produce ink for ballpoint pens.

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.

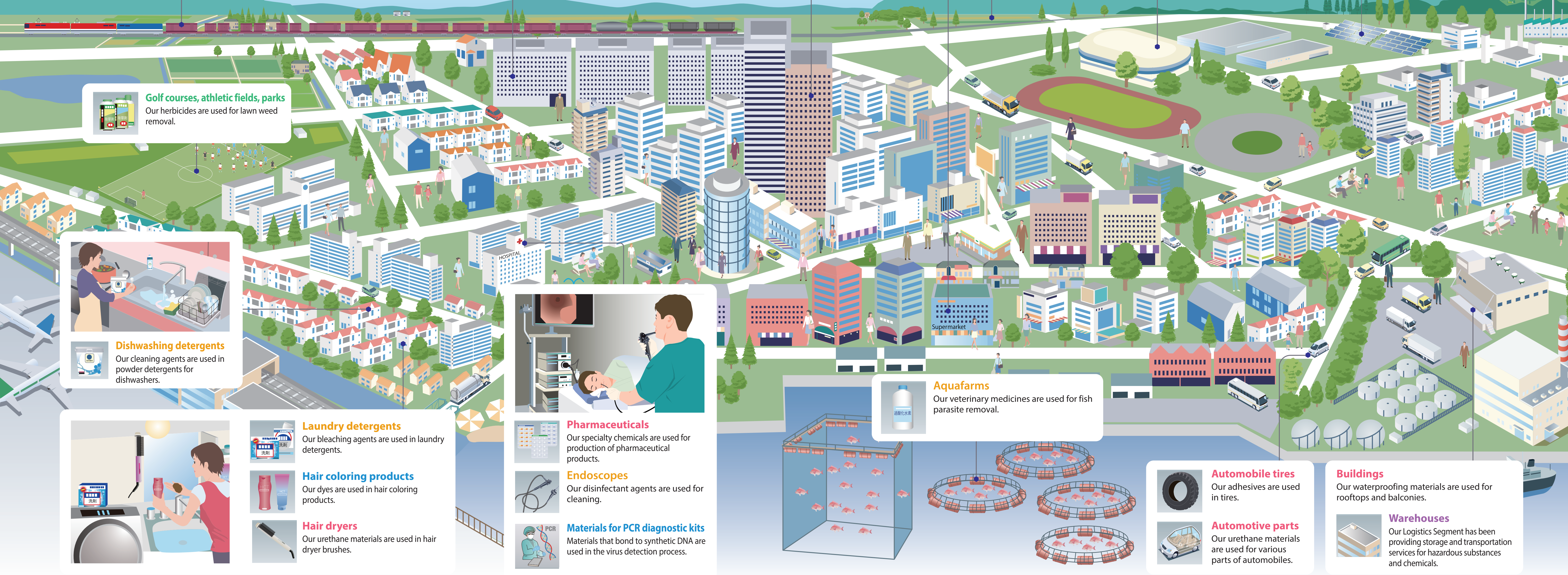
Meat, vegetables, fruit
Our peracetic acid products are used for disinfecting.

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.

Mega solar power plants
Our herbicides are used to remove weeds from mega solar sites.

Golf courses, athletic fields, parks
Our herbicides are used for lawn weed removal.

Dishwashing detergents
Our cleaning agents are used in powder detergents for dishwashers.

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.
Since its foundation 110 years ago, Hodogaya Chemical has responded to the needs of the times by applying technologies developed over the long years, and through continuous innovation, created a wide range of products from dyes and agricultural chemicals to pharmaceutical intermediates, polyurethane materials and OLED materials, which support people's lifestyles and society.

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

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

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

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

•1967
New York Office opened. (incorporated in 1986)

•1971
Nanyo Plant opened.

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

•1991
Tsukuba Research Laboratory was established.

•1993
Hodogaya Contract Laboratory Co., Ltd. founded.

•1994
HODOGAYA AGROS Co., Ltd. founded. (Changed its trade 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 South 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. (South Korea) acquired.

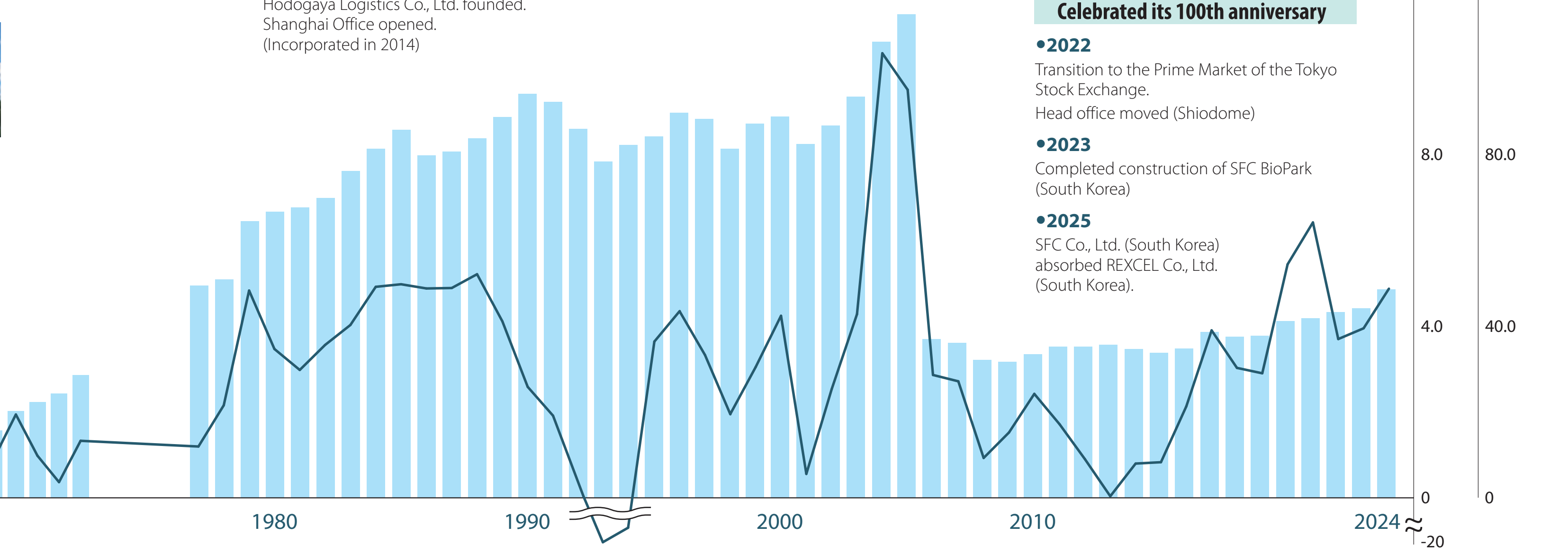
•2015
Company transitioned to one with Audit & Supervisory Committee.

2016
Celebrated its 100th anniversary

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

•2023
Completed construction of SFC BioPark (South Korea)

•2025
SFC Co., Ltd. (South Korea) absorbed REXCEL Co., Ltd. (South Korea).



* 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

1915
Production of caustic soda using an electrolysis method launched (first for Japan

1926
Production of phosgene started.

1927
Dye production launched.

1950
Production of agrochemicals started.

1963
Production of urethane materials (PTG) launched.

1966
Hydrogen peroxide production started.

1967
Production of urethane waterproof materials started (first in Japan).

1978
Production of charge control agents (CCA) for toners launched.

1984
Charge transport materials (CTM) production launched.

2001
Production of OLED materials and hole transport materials (HTM) launched.

2004
OLED materials and electron transport materials (ETM) developed.

2017
Production of OXYATTACK (disinfectant agent for food products), a peracetic acid formulation, started.
Urethane waterproof material Sugomaku production launched.

2020
Mass production of materials for PCR diagnostic kits launched.

2021
Began production of metal-free dyes for aluminum coloring.

2024
Started production of PTG-SOFTENA.

Needs of society

Broke free of chemical industry's reliance on imports
Founder Otosuke Isomura

1914
World War I

1923
The Great Kanto Earthquake

Became an integrated chemicals manufacturer as society industrialized and modernized

1939
World War II

Developed various products that supported post-war recovery

1950
Postwar rebuilding

1960
Rapid economic growth

1973
Oil crises

Expanded business fields to electronic materials with an eye toward the emergence of an electronics era

1985
Plaza Accord

1991
Economic bubble burst

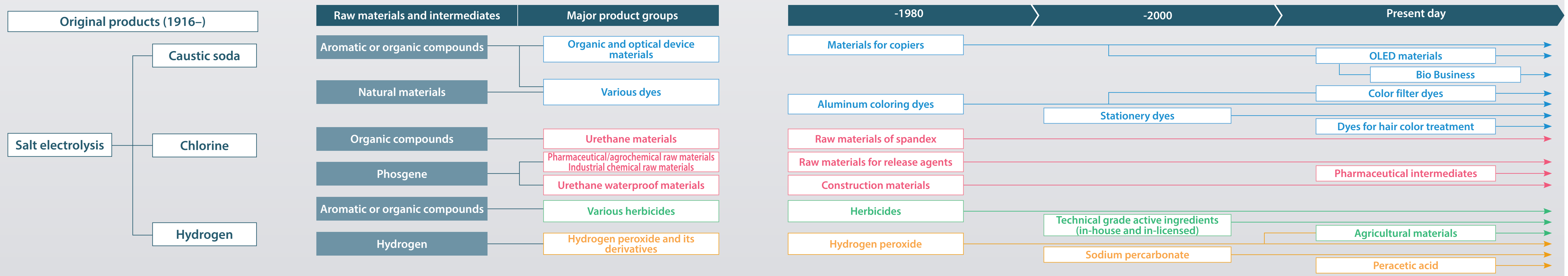
Creating an environmentally conscious society through new materials and products with low environmental impact

2008
The collapse of Lehman Brothers

2011
Great East Japan Earthquake

2020
Novel coronavirus disease (COVID-19)

Technological roots and change



Hodogaya Chemical Group Value Creation Process

The Hodogaya Chemical Group, based on changes in the internal and external environment as well as the demands of our stakeholders, has established a corporate image that we aspire to be: A corporation that contributes to establish a sustainable society by means of our original portfolio and environmentally friendly manufacturing, with a focus on specialty products. We will continue to solve social issues and contribute to the realization of a sustainable society through the value created by our business activities under the catchphrase Your Dream is Our Business.

PURPOSE – Management Philosophy –

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

VISION – Target Corporate Image –

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

External Environment

- Global environment
- Society
- People (society and organization)
- Governance

Risks and Opportunities →P.17

Inputs (FY2024)

Financial capital

Financial foundation and investments that underpin value creation

- Net assets 58,530 million JPY
- Net assets per share 3,057.98 JPY[*]
- Equity 48,601 million JPY
- Interest-bearing debt 8,501 million JPY

Human capital

Personnel who can learn, think, and act on their own

- Number of employees 942
- Percentage of overseas personnel 35.2%
- Labor costs (SG&A) 2,759 million JPY
- Investment in education per employee (non-consolidated) 54 thousand JPY
- Average training hours per employee 81.1 hours
- Number of employees received in-house training 600

Intellectual capital

Technology and collaborative foundation that underpins global competitiveness

- Participate in industry-academia collaborations (development of new materials)
- R&D expenses 5,638 million JPY
- Ratio of R&D expenses to net sales 11.6%
- Know-how regarding protecting intellectual property

Manufactured capital

Global production base network

- Global production base network (3 domestic, 1 overseas)
- Capital expenditures 5,444 million JPY
- Ratio of capital expenditures to net sales 11.2%
- Use of environment-friendly materials

Social and relationship capital

Long-term customer base and relationships of trust through co-creation with various stakeholders

- Purchasing policy for both Hodogaya Chemical and partners
- Consolidated subsidiaries (6 domestic, 6 overseas)
- Development and production of secure, safe products
- Trust and the HCC brand built up over a 110-year history

Natural capital

Efficient use of resources

- Energy use (crude oil equivalent) 22,623kl
- Water use 9,894 kt

Strengths

Strengths accumulated over many years

A solid foundation of three core technologies

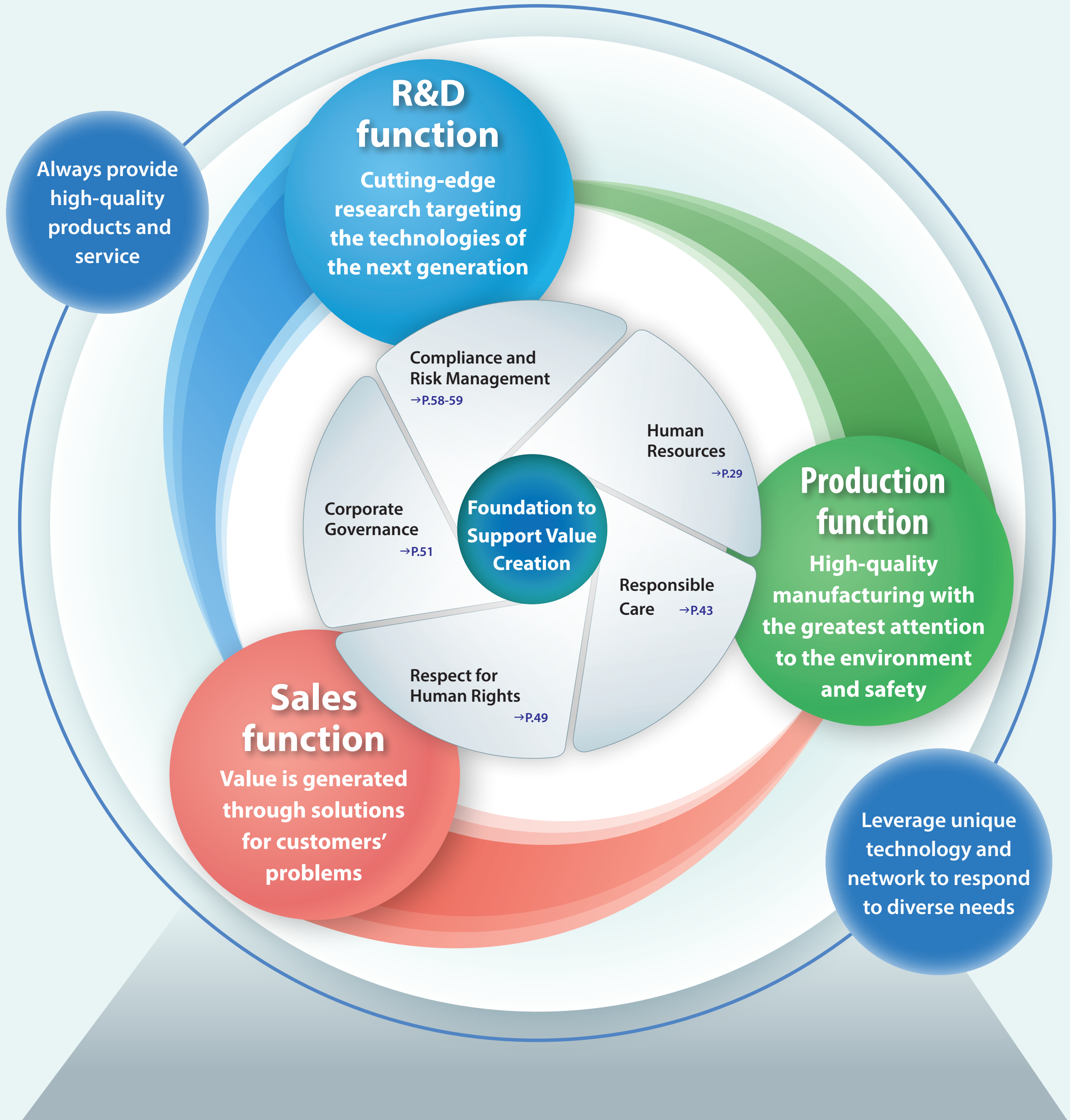
- High-purification technology
- Development capability in functional materials
- Evaluation technology for functional materials

Ever-evolving three competitive advantages

- Value creation
- Research and development
- Manufacturing technology

Strengths→P.16

Business Model

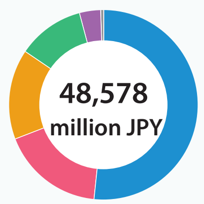


Mid-term Management Plan SPEED 25/30

Strengthening operations/Creating new products/Improve productivity/Stronger management foundation/Execute strategic investments/Promote sustainability/Promote DX →P.22

Outputs (FY2024)

Sales by segment



- **Functional Colorants** 25,141 million JPY 51.8%
- **Specialty Polymers** 8,450 million JPY 17.4%
- **Basic Chemicals** 7,515 million JPY 15.4%
- **Agro-Science** 5,510 million JPY 11.3%
- **Logistics** 1,780 million JPY 3.7%

Business Overview→P.36

Outcomes

Economic Value

Capital policy to enhance corporate value

- DOE 1.8%
- EBITDA 7,880 million JPY

Human Value

Create a pleasant environment, active contributions from diverse personnel

- Improve employee engagement
- Percentage of overseas sales 53.4%
- Percentage of female managers 12.1%
- Certified as a Health & Productivity Management Outstanding Organization for five consecutive years
- Percentage of personnel taking childcare leave Male 81.8% Female 100%
- Percentage of personnel taking paid holidays 72%
- Percentage of personnel who acquired Compliance Proficiency qualification (Japan) 99.6% (manager or above)

Intellectual Value

Generate new innovation and raise corporate value

- Increase percentage of sales accounted for by new products

Manufacturing Value

Increase competitive advantage for business expansion

- Expansion of manufacturing facilities for aluminum coloring dyes
- Expansion of environmentally friendly products

Social Value

Consideration for the local environment through our business activities

- Comply with global-level purchasing policy
- Zero statutory and regulatory violations, zero lost-time injuries
- Social contribution activities 9 million JPY

Environmental Value

Consideration of global environmental issues

- Energy intensity 0.4657 kl/million JPY of net sales
- CO_2 emissions 31,661t-CO_2 (0.6518t-CO_2 kl/million JPY of net sales)
- Water discharge volume 9,652 kt
- Industrial waste volumes 3,076 t

Materiality→P.19

Impacts

Agricultural & food products
Contributing to the realization of a safe, secure, and prosperous dietary lifestyle

Environment & energy
Contributing to lighter environmental impact

Electronics & information
Contributing to the realization of a prosperous smart life

Mobility
Providing safe logistics functions

Life sciences
Maintaining people's health and safety and contributing to the provision of safe and secure medical services

*1 The Company carried out a 2-for-1 stock split of common shares, effective April 1, 2025. The figures for net assets per share prior to April 1, 2025, reflect the values adjusted for the stock split.

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. Through collaboration across the Company, 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.

R&D Function

Relevant capital: Human capital, Intellectual capital, Social and relationship capital, Financial capital

Features / What We Are Appreciated For

- Technical personnel who develop new materials that contribute to comfortable and abundant lifestyles
- Ability to select cutting-edge research themes
- Intellectual property activities to ensure protection of elemental technologies
- Good relationships with universities and research institutes

Issues to be Addressed for Deepening Activities

- Securement and development of highly skilled technical personnel by expanding and upgrading training systems and improving engagement
- Acceleration of product development by strengthening cooperation between domestic and overseas R&D bases
- Strengthening of new material development capabilities by promoting industry-academia joint research
- Aggressive investment in R&D expenses

Sales Function

Relevant capital: Human capital, Financial capital, Intellectual capital, Social and relationship capital

Features / What We Are Appreciated For

- Global customer base and trust built up over 110 years since the Company was established
- Passion and planning ability to accurately identify and fulfill social and customer needs
- Improvement of brand recognition by building a product lineup full of originality with a focus on specialty products

Issues to be Addressed for Deepening Activities

- Strengthening of communications with customers to improve customer satisfaction
- Review of business division structure to strengthen sales capabilities (specialization in sales by further strengthening sales support organization)
- Sales channel diversification and overseas sales increase by strengthening of internal and external collaboration

Production Function

Relevant capital: Human capital, Manufactured capital, Social and relationship capital, Financial capital, Natural capital

Features / What We Are Appreciated For

- Reductions of GHG emissions, water discharge volume, and industrial waste volumes
- Optimization of multiple manufacturing base locations
- Strengthening of BCP measures

Issues to be Addressed for Deepening Activities

- Reduction of GHG emissions, industrial waste volumes
- Manufacturing base optimization
- Strengthening of BCP measures
- DX-based efficient production
- Improvement in speed of new product launches by improving process development capabilities
- Securement and development of highly skilled technical personnel by expanding and upgrading training and improving engagement

Strengths

A Solid Foundation of Three Core Technologies

1. High-purification technology

Leveraging advanced refining technologies that achieve a higher level of purification

Highly purified raw materials that can be used in new fields and are always in demand for constantly evolving applications. The Hodogaya Chemical Group's advanced refining technology solves the most stringent demands and meets customer expectations.

2. Development capability in functional materials

Developing materials with new functionality that leads to comfortable and abundant lifestyles

The goal is to fulfill dreams – abundant lifestyles that are safe, secure, and comfortable. The Hodogaya Chemical Group will open up all kinds of fresh possibilities for its technology while offering new materials that feature a wide array of functions.

3. Evaluation technology for functional materials

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

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

Ever-evolving Three Competitive Advantages

1. Value creation

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

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

2. Research and development

Cutting-edge research targeting the technologies of the next generation

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

3. Manufacturing technology

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

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

Outcomes / Impacts

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

Risks and Opportunities

Based on changes in the external environment, the Hodogaya Chemical Group has identified key social issues that will affect our medium- and long-term value creation, as well as the associated risks and opportunities. By clarifying these risks and opportunities, we have identified material issues that must be addressed. We will address social problems by responding appropriately to risks and taking advantage of opportunities, leading to the realization of further value creation.

External environment	Risks	Response to risks	Opportunities	Response to opportunities	Materiality
Global environment • **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**. ▶ Initiatives for achieving the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP) targets	• Major impact on production activities due to severe natural disasters (human and facilities)	• 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	• Expanding demand for **climate change mitigation/ adaptation products**	• Develop and sell **climate change mitigation/ adaptation products**	• **Responding to climate change**
	• Increase in conservation costs • **Supply chain having less trust in the Group** due to lack of consideration for the environment	• **Achieve environmental targets** for energy savings and reducing environmentally hazardous substances • **Promote environment management**, such as obtaining ISO 14001 certification throughout the Company	• Expanding demand for products that contribute to **lighter environmental impact**	• Expand businesses related to purifying water, etc. • Promoting green chemistry	• **Maintaining air, water, soil environments**
	• Economic losses due to violations of regulations in Japan and abroad • Less trust in the Company	• Create a regulation compliance system • Regularly check revisions to overseas regulations	• Expanding demand for products that conform to regulations in various countries	• Develop and sell products that are compliant with regulations in various countries	• **Ensuring the safety of products and chemical substances**
Society • We recognize that **responding to the advent of social value is** an important issue for corporate management. ▶ Geopolitical risk ▶ Advent of AI and DX	• **Loss of social trust** or interruption in business **due to decline in quality/safety, etc.**	• Strengthen functions related to educating, thoroughly informing people of, and checking rules related to quality and safety performance	• Expanding demand for products that offer the value of **quality and safety performance**	• Develop and sell products that offer the value of **quality and safety performance**	• **Improving value and reliability of products**
	• Major impact of the spread of infectious diseases on the economy and business activities	• Establish relationships with multiple suppliers • Thoroughly implement measures to prevent infectious diseases	• Expanding demand for products that help **maintain health**	• Develop and sell products that help **maintain health**	• **Helping maintain health**
	• Loss of ability to continue business activities due to less trust from regions in which business is conducted	• Continue and strengthen activities that contribute to the sustainable development of regions where business is conducted	• Increase corporate value by winning **the trust of communities in which business is conducted** and stabilizing business	• Actively undertake exchanges with and contribute to **communities in which business is conducted**	• **Contributing to communities**
People (society and organization) • We recognize that appropriately responding to the massive changes in the environment that companies and personnel operate in and **continually working to increase organization** capabilities are important issues. ▶ Falling birth rates, graying of society, and shrinking working-age population in advanced countries ▶ Women playing a more active role in society and greater diversity ▶ Greater interest in health, including measures to combat infectious disease ▶ Continuing demands of workplace safety and health management system ▶ More diverse lifestyles ▶ Greater respect for human rights and fairer labor practices	• **Undermining of organizational performance** due to a decline in motivation to work and ease of work of officers and personnel	• **Develop and implement measures to increase engagement** through engagement pulse surveys	• Increase motivation to work and ease of work of officers and personnel as well as **increase organizational performance**	• Continually implement **measures to increase engagement** and verify effectiveness through pulse survey	• **Improving job satisfaction**
	• Not promoting diversity management resulting in the stagnation of organizational capabilities and corporate value	• Make use of personnel in a manner that **stresses capabilities and skills**	• **Improve organization capabilities** and increase corporate value **by appropriately conducting diversity management**	• 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	• **Promoting diversity**
	• Not promoting health and productivity management and workplace safety and health resulting in the stagnation of organizational capabilities and corporate value	• Create an environment in which it is possible for officers and personnel to contribute in a **healthy and safe manner**	• Improve organization capabilities and increase corporate value by appropriately conducting **health and productivity management and ensuring workplace safety and health**	• Implement a wide range of **measures to improve the health and vitality** of officers and personnel, raise productivity, and invigorate the organization	• **Promoting health and productivity management and workplace safety and health**
	• 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	• Ascertain issues related to **business and human rights** and appropriately respond	• Increase corporate value by appropriately responding to issues related to **business and human rights**	• 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.	• **Respecting human rights**
Governance • We recognize that **continually working to reinforce the corporate governance, compliance, and risk management functions within the corporation** is an important issue. ▶ Implementation of corporate governance reforms ▶ Continuing quality-related scandals and serious defects in internal controls at listed companies ▶ Changes in geopolitical perspective and energy composition and labor supply and demand	• Not being able to quickly and flexibly respond to **more sophisticated corporate governance** and thus harming corporate value in the medium term	• **Improve and expand governance** as a company listed in the Tokyo Stock Exchange's Prime Market	• Increase corporate value by continuing to promote **corporate governance compatible with the monitoring model**	• Further **increase effectiveness** through the appropriate division of duties related to supervision responsibilities of directors and the decision, implementation, and accountabilities of executive officers	• **Expanding corporate governance**
	• Sustaining major losses or undermining the continuity of the Company as a result of legal violations, scandals, etc.	• Thoroughly **implement compliance** to prevent legal violations, scandals, defects, etc.	• Increase corporate value by **thoroughly implementing compliance,** preventing legal violations, scandals, and defects	• Continue to provide education to **spread compliance** and impose disciplinary measures in the case of compliance violations	• **Spreading compliance**
	• Sustaining major losses or undermining the continuity of the Company as a result of not implementing measures to properly reduce risks due to insufficient risk awareness and evaluation	• Implement **appropriate measures to reduce risks** through extensive but detailed risk awareness/evaluation	• Expand business and profit opportunities by uncovering opportunities from related risks while minimizing **losses in that risk field**	• Discover **business and profit opportunities** through extensive but detailed risk awareness/ evaluations and risk reduction measures	• **Thoroughly spreading risk management**

Materiality

In the process of formulating SPEED 25/30, the Hodogaya Chemical Group identified material issues from its management philosophy-based business activities and set concrete numerical targets. The material issues we have identified are the premise for the basic strategy of SPEED 25/30. We are committed to addressing them as medium- to long-term business issues on a company-wide basis, together with the FY2030 ideal figure formulated under SPEED 25/30.

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

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

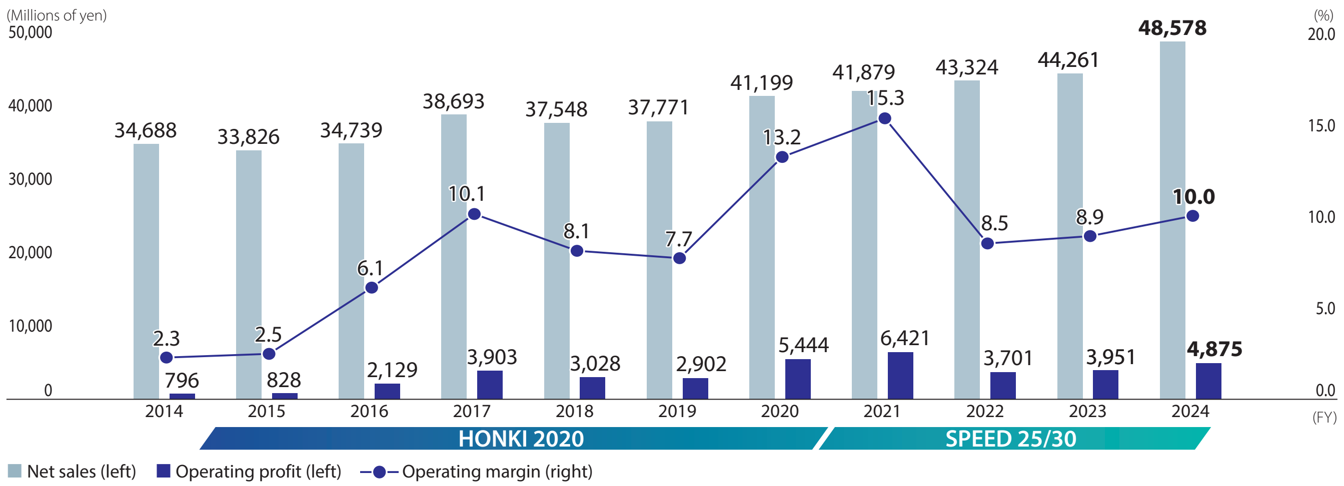
STEP 3. Identify issues that Hodogaya Chemical should give priority to solving

External environment	Materiality	FY2030 ideal figure	FY2025 KPIs	Initiatives	FY2024 results	SDGs contributed to
Global environment	• Responding to climate change	• Contributing to greater agricultural productivity and soil improvement	—	• Expand into peroxide agricultural materials	• Pesticide registration application in progress for disinfecting paddy rice seeds	2
		• Contributing to aquaculture as a way to combat the decline in marine resources	—	• Expand sales and dissemination of veterinary medicines	• Continue sales expansion and dissemination	14
		• Promoting green chemistry	—	• Expand Bio-PTGs	• Promoted Bio-PTG sales	13
		• Contributing to society by reducing water resources use and energy use in terms of intensity and total emissions	• Energy intensity: 0.606 kl/million JPY of net sales • CO_2 emissions: 43,400 t-CO_2 or intensity: 0.868 t-CO_2/million JPY of net sales	• Promotion of energy-saving and resource-saving	• Introduced CO_2-free electricity at Yokohama Plant, Nanyo Plant, and Tsukuba Research Laboratory	7, 9
	• Maintaining air, water, soil environments	• Winning high praise from society by reducing environmental impact (reduce CO_2 emission, limit chemical substance discharges, reduce waste, etc.)	• SOx emissions: zero continuing • Volume of industrial waste produced: less than previous year	• Promote reduction of environmental impact	• SOx emissions: zero emissions on an ongoing basis→Achieved • Volume of waste generated: Year-on-year decline→Unachieved	12, 13, 14
		• Contributing to ensuring drinking water through the treatment of inland waters	—	• Introduce new uses of hydrogen peroxide	• Examination of application development in new fields	6
	• Ensuring the safety of products and chemical substances	• Complying with laws and regulations on chemical substances, and appropriately managing chemical substances	• Zero regulation violations	• Enhance the management of chemical substances	• Continue zero violations through legal and regulatory management	12
		• Developing and propagating products that contribute to the environment and society, the Group is regarded by partner companies	—	• Develop next-generation topics and new products	• Establishment of next-generation core technologies and creation of new businesses	9
Society	• Improving value and reliability of products	• Continuing to supply safe, high-quality products, the Group is regarded by partner companies	• Zero quality problems	• Supply safe, high-quality products	• Zero quality problems→Achieved	12
		• Supporting DX and providing environment-friendly infrastructure material	—	• Expand electronic device materials and electronic device equipment materials	• Development of new materials	7
		• Working with clients to conduct purchasing that promotes CSR activities in line with Procurement Guidelines	—	• Promote CSR in the supply chain	• Implementation of the "Procurement Guidelines Implementation Status Survey"	8, 17
	• Helping maintain health	• Extensively using Group's products to respond to infectious diseases	—	• Introduce hydrogen peroxide derivatives, phosgene derivatives, etc.	• Expansion of beverage bottle cleaning and endoscope sterilization	3
	• Contributing to communities	• Having promoted social contribution activities in the offices, the Group is acknowledged and regarded in the community	• Number of contribution activities: more than previous year	• Promote community contribution activities	• Offering plant tours for neighboring high schools and conduct environmental support activities: Achieved greater than previous year	4, 11, 17
People (society and organization)	• Improving job satisfaction	• All officers and personnel feeling job satisfaction	• Increase engagement score	• Continue to implement measures to increase engagement	• Implementation of engagement surveys and return of results	8
	• Promoting diversity	• Promoting diversity, fair, and just treatment of personnel to invigorate the workplace and foster a global workforce	• Percentage of female managers: 13%	• Promote human resource development and vitalization programs	• Conducted training for female personnel / Conducted training for department general managers	5, 8
	• Promoting health and productivity management and workplace safety and health	• Having promoted work-life balance, personnel are successfully combining work and daily living (including child-raising and nursing care)	• 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	3, 8
		• Continuing to achieve accident-free, disaster-free operation, the Group is trusted by society	• Zero lost-time injuries	• Thoroughly implement workplace safety and health and disaster prevention	• Zero-lost time injuries →Achieved	3, 8
	• Respecting human rights	• Thorough awareness of human rights and respect, no incidents of harassment, etc.	• 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)	8, 16
Governance	• Expanding corporate governance	• Sustained growth through "defensive governance" to avoid risks and "offensive governance" to capture upside opportunities	—	• Improve corporate governance	• Replaced long-term Financial Auditor • Executed stock split with individual shareholders in mind	8, 9, 12, 16, 17
	• Spreading compliance	• Compliance awareness is widespread, and the Group is capable of responding to the changing social norms	—	• Spread compliance	• Ongoing compliance training sessions (for all officers and employees: 4 times/year, for Group company officers: 1 time/year, for directors and executive officers: 1 time/year)	
	• Thoroughly spreading risk management	• Discovering opportunities from related risks while minimizing losses in that area and tying that to business and profit opportunities	—	• Broadly recognize and evaluate detailed risks and implement appropriate risk reduction measures	• Shared risk awareness and considered risk mitigation measures at Risk Management Committee meetings	

Looking back at Mid-term Management Plans

<table>
<tr><th></th><th>HONKI 2013 (FY2011 - FY2013)
Year of Reconstruction (FY2014)</th><th>HONKI 2020
(FY2015 - FY2020)</th></tr>
<tr><td>Vision and positioning</td><td>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%</td><td>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%</td></tr>
<tr><td>Project outline</td><td>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</td><td>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</td></tr>
<tr><td>Looking back</td><td>• 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.</td><td>• 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</td></tr>
<tr><td>Achievements</td><td>• 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.</td><td>• 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</td></tr>
<tr><td>Issues</td><td>• 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</td><td>• 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
The Hodogaya Chemical Group's History of Innovation→P.11
• Further strengthening the combined three functions of R&D, production, and sales</td></tr>
</table>

Performance trends



Mid-term Management Plan SPEED 25/30 (FY2021–FY2030)

VISION

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

Message

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

- **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

Phase I

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

Reinforced business	Creating new products	Strengthening operations	Stronger management foundation
Business Strategy Roadmap			
• Generating sustainable growth in both strategic businesses and core businesses • Moving forward with concentration and creating new portfolio	• 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	• Complete system to quickly launch new products • Conducting secure, safe production of environmentally friendly products with extremely high productivity	• Greater organizational capabilities • Greater job satisfaction • 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

Phase II

Ideal figures in FY2030

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

Promoting DX

Progress of the management targets

		FY2021 results	FY2022 results	FY2023 results	FY2024 results	FY2025 targets
Financial targets	Net sales	41.8 billion JPY	43.3 billion JPY	44.2 billion JPY	48.5 billion JPY	50 billion JPY
	Operating profit	6.4 billion JPY	3.7 billion JPY	3.9 billion JPY	4.8 billion JPY	7.5 billion JPY
	Operating margin	15.3%	8.5%	8.9%	10.0%	15%
	ROE	8.1%	5.3%	5.5%	6.6%	9%
Non-financial targets	CO_2 emissions (CO_2 emission intensity)	49,247t-CO_2 (1.1759t-CO_2/ million JPY of net sales)	45,722t-CO_2 (1.055t-CO_2/ million JPY of net sales)	35,649t-CO_2 (0.805t-CO_2/ million JPY of net sales)	31,661t-CO_2 (0.652t-CO_2/ million JPY of net sales)	43,400t-CO_2 (0.868t-CO_2/ million JPY of net sales)
	Energy intensity (per million JPY of net sales)	0.698kl	0.636kl	0.495kl	0.466kl	0.606kl
	Industrial waste volumes	2,746 t	3,477t	2,523t	3,076t	Same level or less than previous FY
	ESG evaluation score (FTSE Russell score)	2.7	3.0	3.6	3.5	3.7
	Engagement score	—	—	—	—	Gradually raise score
	Percentage of female managers	10.8%	11.0%	11.3%	12.1%	13%

Mid-term Management Plan SPEED 25/30 (FY2021-2030)

Progress of SPEED 25/30 in FY2024

In FY2024, the fourth year of Mid-term Management Plan SPEED 25/30, we saw a gradual recovery trend, underpinned by personal consumption bouncing back owing to improvements in the employment and income environment and increased inbound tourism demand. However, companies' cost structures were affected by the elevated prices of resources resulting from instability in the international situation, the continued depreciation of the yen in the foreign exchange market, and rising prices due to the progression of inflation.

Given this, Hodogaya Chemical decided to expand its manufacturing facilities at its domestic manufacturing bases in order to strengthen its supply system in response to growing demand for environmentally and people-friendly aluminum coloring dyes.

FY2024 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	• Strengthening of relationship with customers and introduction of new technology • Expansion of new material use • Strengthening of domestic evaluation base • Operation of new biotechnology center (BioPark) • Establishment and operation of two new plants in South Korea	• Promoting development of OLED • Promoting research of new ideas: – Lithium-ion battery material (organic cathode materials) – Organic solar cell materials (perovskites) – Near-infrared absorption materials • Installing special equipment for trial production which contributes to new product development		51.8% (25.14 billion JPY)	79.0% (3.83 billion JPY)
	Colorants Materials Business	• Launch of environmentally friendly aluminum coloring dyes into the market	• Promoting development of environmentally friendly aluminum coloring dyes	• Began construction to expand production of environmentally friendly aluminum coloring dyes		
Specialty Polymers	Functional Polymers & Specialty Chemicals Business	• Market launch/sales expansion of new Bio-PTG into the market	• Developing special grades • Installing bench-scale phosgene derivative equipment	• Expansion and promotion of phosgene derivative production facilities	17.4% (8.45 billion JPY)	-1.1% (-0.05 billion JPY)
	Construction Materials Business	• Sales expansion of next-generation waterproofing materials				
Basic Chemicals	Peroxide Business	• Expansion of uses of peracetic acid (food additive)			15.4% (7.51 billion JPY)	8.5% (0.41 billion JPY)
Agro-Science	Agrochemical Business	• Expansion of the peroxide agricultural materials business		• Bolstered production capacity of oxygen supply materials	11.3% (5.51 billion JPY)	6.2% (0.3 billion JPY)
Logistics	Logistics Business				3.7% (1.78 billion JPY)	7.2% (0.35 billion JPY)

Cost-cutting to reduce intensity

Progress of Major Measures in FY2024

Stronger management foundation		FY2024 results	FY2025 non-financial targets
Strategic Investments		• Launched operations of South Korea-based REXCEL No. 2 Plant at Chungju Campus and new plant at Eumseong Campus	—
Improve Engagement	• Promotion of health and productivity management • Utilization of diverse human resources	• Certification as Health & Productivity Management Outstanding Organization for five consecutive years • Expansion of application of flextime (introduce on trial basis) • Introduction of book summary service • Decided to expanding the scope of employee stock compensation 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	• Reduction in CO_2 emissions: 31,661 t-CO_2 (0.652 t-CO_2/million JPY of net sales) • Reduction of energy intensity: 0.466 kl/million JPY of net sales • Reduction in industrial waste emissions: 3,076t • Use of CO_2-free electricity (Yokohama Plant, Nanyo Plant and Tsukuba Research Laboratory) • Use of ICP • ESG assessment score (FTSE Russell evaluation): 3.5	• Reduce CO_2 emissions: 43,400t-CO_2 (0.868t-CO_2/million JPY of net sales) • Reduction of energy intensity: 0.606kl/million JPY of net sales • Reduce industrial waste volumes: Less than the amount generated in the previous FY • ESG evaluation score (FTSE Russell score): 3.7
Promotion of DX/ Improved Operational Efficiency		• Changes to ERP system • Reduced working hours through improved work efficiency • RPA personnel development • Streamlining of seal affixing operations	—

Strategic investment and construction of new business portfolio

Functional Colorants Segment: Started expanding manufacturing facilities for aluminum coloring dyes

We began examining a plan to bolster our supply system for the aluminum coloring dye jointly developed with Okuno Chemical Industries Co., Ltd., in light of future demand growth.

Aluminum is lightweight, corrosion-resistant, strong, and easily recyclable, and is widely used in smartphones and other electronic devices, leading to growing demand for its color anodizing dyes. In addition, there is a growing need for metal-free dyes, which are environmentally and people-friendly and have excellent dyeing properties without using heavy metals. Hodogaya Chemical will therefore proceed with expanding its manufacturing equipment at its domestic production bases.

Aluminum coloring dyes

SPEED 25/30 Initiatives from FY2025 Onward

Having reached the midway point of Mid-term Management Plan SPEED 25/30, we are moving forward with initiatives in the final year of Phase I, which outlines our Target Figure through FY2025.

Regarding our management targets for FY2025, we are currently experiencing a deviation from the profit targets. The continued rise in resource prices due to the destabilization of the international situation is having a major impact on the cost structure of companies. As we are unable to keep up with passing on costs to product prices in some areas, it is becoming more difficult than initially expected to secure profits.

Moving forward, we will work towards Phase II, which outlines our FY2030 Ideal Figure, by restructuring our business portfolio, launching newly developed products, further improving operational efficiency, and promoting digital transformation (DX) to improve profitability. Through these efforts, the entire Company will work together to improve corporate value and achieve sustainable growth.

Major 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 • Promotion of expansion into semiconductor materials	• Response to next-generation technologies • Promoting development of OLED • Promoting research of new ideas – Lithium-ion battery materials (organic cathode materials) – Organic solar cell materials (perovskites)	• Installation of special equipment (ensuring a stable production base)
		• Expansion of color filter material sales • Expansion into new functional colorants	• Promoting research of new ideas – Installation of special equipment for trial production which contributes to Near-infrared materials and new product development	
	Coloring Material Business	• Market launch/sales expansion of environmentally friendly aluminum coloring dyes	• Promoting development of environmentally friendly aluminum coloring dyes	• Establishing an increase in production of aluminum coloring dyes • Establishment of a supply system for environmentally friendly aluminum coloring dyes
		• Developing uses (other than food) for natural dyes • Cultivation of new markets overseas for halal-compliant and natural colorings		
Specialty Polymers	Functional Polymers & Specialty Chemicals Business	• Market launch/sales expansion of new Bio-PTG • Strengthen global sales expansion of phosgene derivatives	• Developing special grade products • Promoting new urethane development	• 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	• Equipment renewal in planned manner
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 new agricultural materials using oxygen supply materials • Study on the application of peroxides to pesticides	
Logistics	Logistics Business	• Expansion of ISO tank container storage business • Promotion of logistics efficiency through the introduction of DX items		• Consider automation and operational efficiency through IT utilization

Cost-cutting to reduce intensity

Major Initiatives

Strengthen the Management Base	Content
Strategic investments	• Expansion of phosgene production facilities • Construction of a clean room building and additional deposition equipment at the Tsukuba Research Laboratory • Expansion of facilities for aluminum coloring dyes and environmentally friendly aluminum coloring dyes • Expansion of facilities at the Chungju Campus 2nd Plant and the Eumseong Campus New Plant in South Korea
Improving employee engagement	• Expanding the scope of employee stock compensation plan, considering the introduction of a mixed-job system, and increasing investment in human capital through the implementation of various new measures • Expanding flextime system • Book summary service • Promote health and productivity management • Utilization of diverse human resources
Sustainability initiatives	• Promote ESG • Reduce CO_2 emissions • Reduce power consumption • Reduce industrial waste volumes
Promotion of DX/Improvement of Operational Efficiency	• Utilization of data accumulated by the Hodogaya Chemical Group • Promotion of RPA, DX education, and leader development • Promotion of greater operational efficiency (Operation Efficiency Promotion Project) • Initiatives to ensure stable operation by implementing IoT in production equipment • Utilization of materials informatics in research and development

Development of a new business portfolio

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

The Hodogaya Chemical Group's History of Innovation→P.11 Business Strategy Roadmap→P.32

Current business fields
- OLED, functional colorants, and imaging materials
- PTG, adhesives, water-proof materials, phosgene derivatives
- Hydrogen peroxide and hydrogen peroxide derivatives
- Herbicides, insecticides
- Hazardous materials logistics

New business fields
- Cutting-edge electronic device materials
- Bio-medical materials, environmentally friendly dyes
- Environmentally friendly polyols
- Environmentally aware agricultural materials
- High-value-added hazardous material logistics

Target fields
- Electronics and information
- Mobility
- Environment / energy
- Life science
- Agricultural and food products

Financial Strategy

Message from the Executive Officer in Charge of Corporate Planning

Increasing ROE and Shareholder Returns by Strengthening our Earning Power

Yasuo Murakami Managing Executive Officer

Under the Mid-term Management Plan SPEED 25/30, the Hodogaya Chemical Group aims to achieve return on equity (ROE) of 9% and the plan will reach the end of Phase 1, its midway point, at the close of FY2025 (March 2026). While using cash flow from operating activities obtained over the past four years (21.2 billion JPY) to invest (21.1 billion JPY) in the growth of businesses, primarily the Functional Colorants segment, which is the growth driver of the Group, we have kept the D/E ratio in the 0.2 times range, which demonstrates the Company's high level of financial soundness and safety.

During this period, based on our dividend policy that focuses on increasing dividend on equity (DOE), we have raised our annual dividend per share from 25 JPY in FY2020 to 45 JPY in FY2024. Furthermore, we aim to raise our dividend for the fifth consecutive year by offering an annual dividend of 50 JPY in the fiscal year ending March 31, 2026.

For FY2025, the final year of Phase 1, our forecast for net sales is at the same level as our initial target, but we expect a significant deviation in operating profit. In light of this situation, we will review Phase 1, identify issues, and reflect these in the formulation of our Phase 2 plan. Specifically, we will reinforce our management foundation through further allocating resources to growth areas, improving productivity through digital transformation, and stepping up environmental friendliness, with the aim of further strengthening our earning power and increasing ROE.

Going forward, we will continue to aim for highly efficient management that can achieve a high ROE while firmly maintaining a balance between growth investments, shareholder returns, and interest-bearing debt controls. Toward this end, in addition to increasing shareholder returns, we will create new value and accelerate the sustainable growth of the Group by implementing financial and capital strategies, such as making more effective use of net interest-bearing debt, shareholders' equity, and shareholders' equity ratio, which currently sit at a certain level of safety, in order to create new value and increase future corporate value.

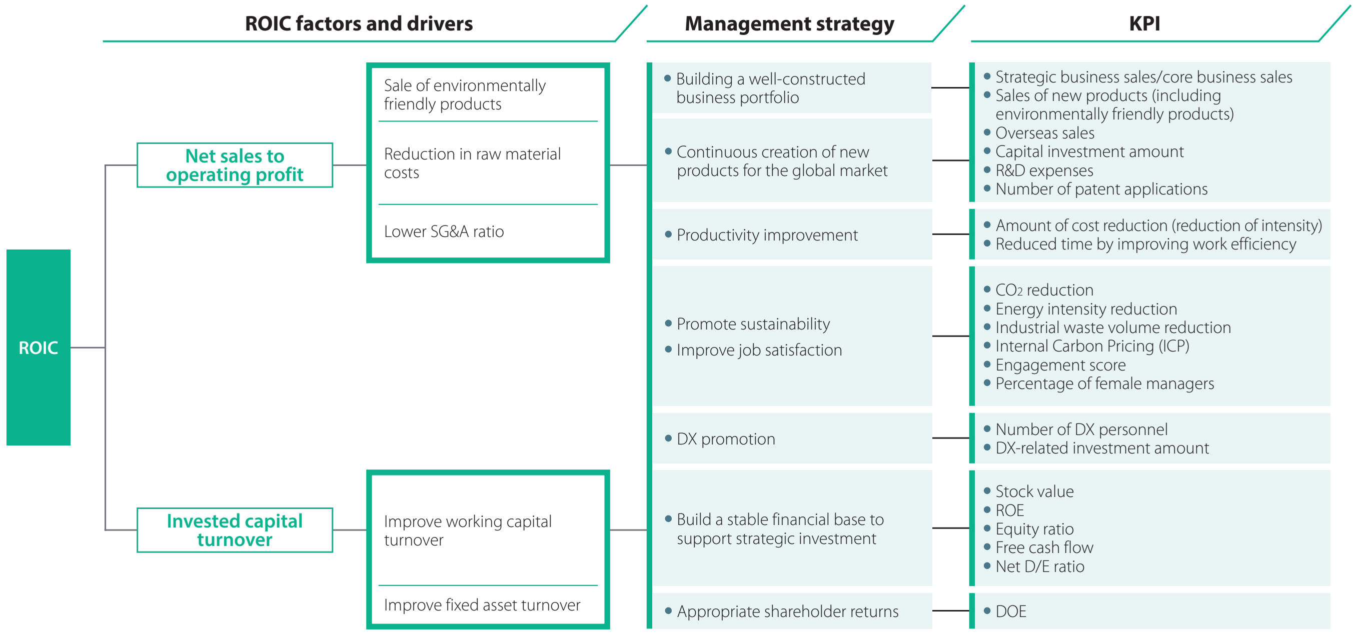
* The Company carried out a 2-for-1 stock split of common shares, effective April 1, 2025. The figures for dividend per share prior to April 1, 2025, reflect the values adjusted for the stock split.

Financial Strategy to Achieve Mid-term Management Plan Targets (Management Resource Allocation)

We identify and manage internally set key goal indicators (KGIs) and key performance indicators (KPIs) for investments in existing businesses for building a well-constructed business portfolio as set out in the Ideal Figure in FY2030 in our Mid-term Management Plan SPEED 25/30, investments in intellectual property that contributes for developing new products for global markets, investments aimed at improving efficiency in all areas for achieving high productivity, and investments in human capital to expand our human resources. In addition, we recognize through the ROIC tree that the KGIs and KPIs of each department and Group company are linked to the growth of the entire Group. For each KPI, we conduct quantitative and qualitative evaluations every year, decide on the allocation of management resources to each measure, and then implement them. Until now, we have focused on allocating management resources to the functional colorants segment, which mainly consists of existing and new businesses at our base in South Korea.

Looking ahead, we will actively invest in growth, primarily in Japan, and accelerate our efforts for building a well-constructed business portfolio. In addition, non-financial KPIs such as cost reduction amount (reduction in intensity), CO_2 reduction amount, and number of DX personnel are also important factors that will lead to our future growth, and we are allocating management resources appropriately. SPEED25/30 is the mid-term management plan through FY2030, and we will accelerate achieving targets in the plan by appropriately evaluating and verifying KGIs and KPIs each year.

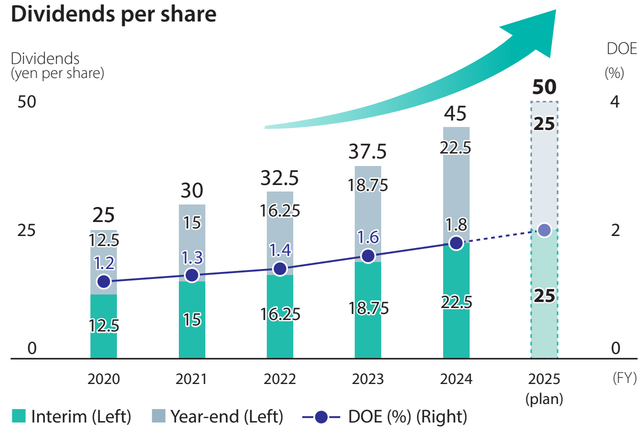
Hodogaya Chemical Group ROIC tree



Capital Policy and Shareholder Return Policy

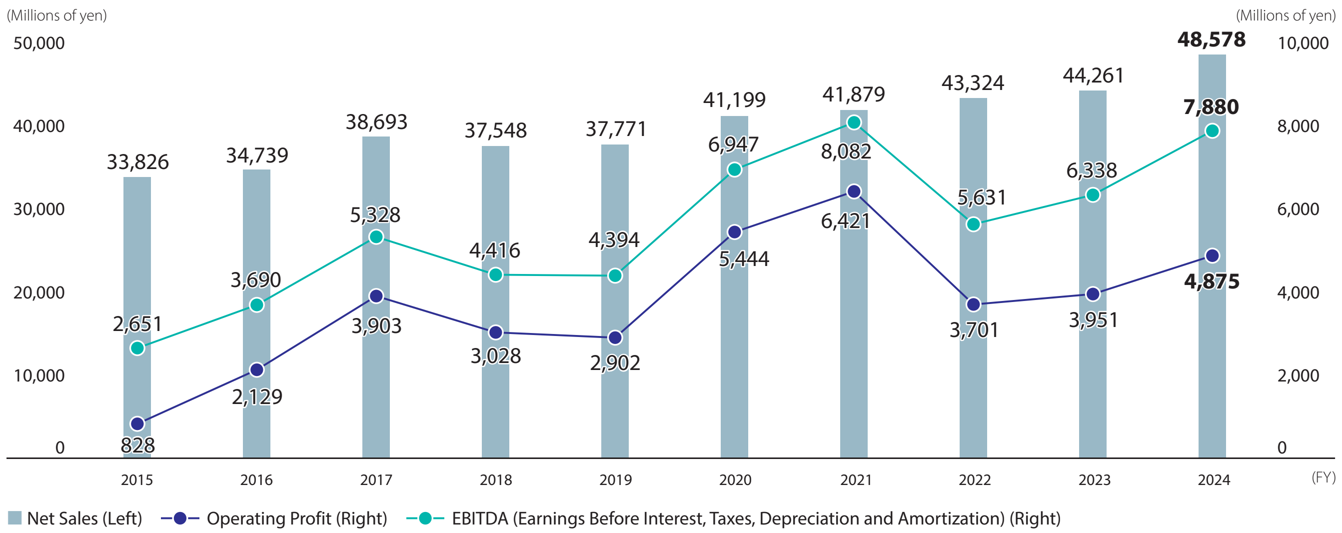
In our capital policy, we prioritize the balance between growth investments, shareholder returns, and retained earnings, aiming to maximize capital efficiency that contributes to enhancing corporate value. Specifically, we continue to provide stable dividends with a focus on the Dividend on Equity (DOE), while also working on capital optimization with an awareness of the Price-to-Book Ratio (PBR) and the cost of capital. Regarding treasury shares, we are flexible in considering holding and acquiring them, with an eye toward future compensation systems as well as potential cancellation and disposal. By fulfilling a clear accountability for our financial strategy, we aim to strengthen our relationship of trust with shareholders and investors and promote a return policy aimed at maximizing corporate value in the medium to long term.

Dividends per share



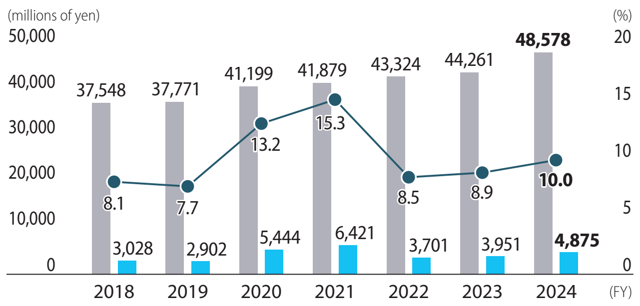
* The Company carried out a 2-for-1 stock split of common shares, effective April 1, 2025. The figures for dividend per share prior to April 1, 2025, reflect the values adjusted for the stock split.

Net sales / operating profit / EBITDA (earnings before interest, taxes, depreciation and amortization)



Financial and Non-Financial Highlights (Consolidated)

Net sales, Operating profit, Operating profit margin

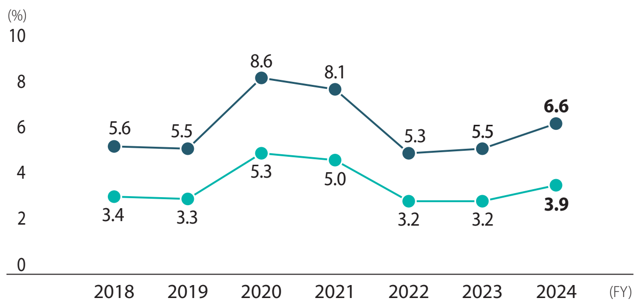


■ Net sales (left) ■ Operating profit (left) –●– Operating profit margin* (right)

* Operating profit ÷ net sales (single year)

In FY2024, although sales in Basic Chemicals declined, increases in Functional Colorants, Specialty Polymers, Agro-Science, and Logistics, as well as the effects of the weaker yen, resulted in net sales increasing by 4,316 million JPY (9.8%) year on year to 48,578 million JPY, and operating profit increasing by 924 million JPY (23.4%) to 4,875 million JPY.

ROE, ROA

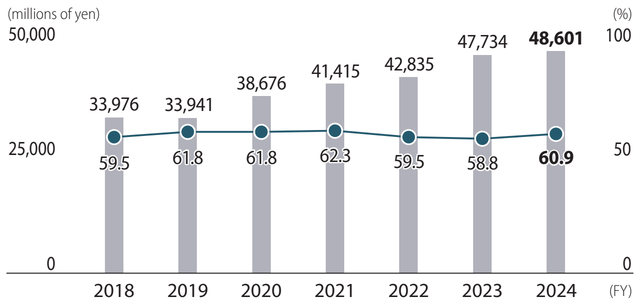


–●– ROE[*1] –●– ROA[*2]

*1 Earnings ÷ equity *2 Earnings ÷ total assets

In FY2024, both ROE and ROA improved amid higher profits. Looking ahead, we will continue working to unlock greater profit growth while improving asset efficiency.

Equity, Equity ratio

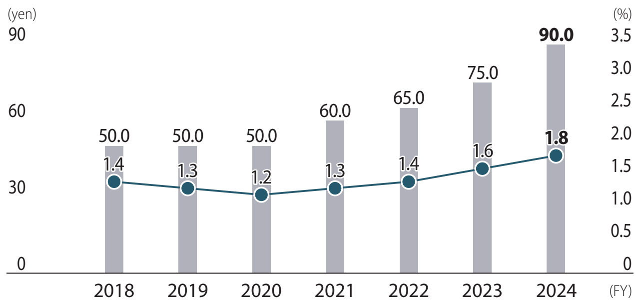


■ Equity (left) –●– Equity ratio* (right)

* Equity ÷ total assets

The equity ratio has remained stable at around 60%. 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



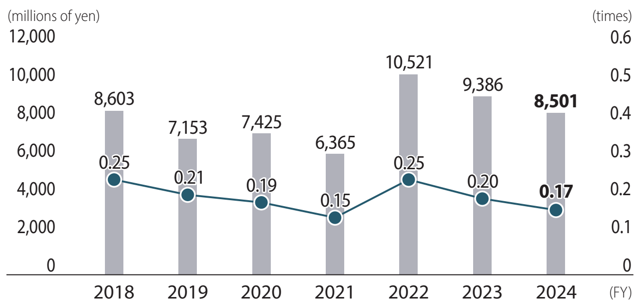
■ Dividend per share (left) –●– DOE* (right)

* Total dividends ÷ shareholders' equity (consolidated)

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).

*2 Dividends per share are presented based on the number of shares before the stock split on April 1, 2025.

Interest-bearing debt, Debt-to-equity ratio

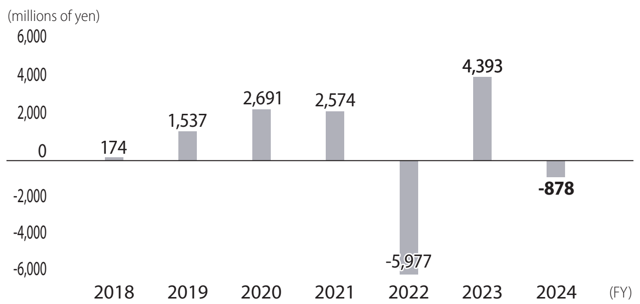


■ Interest-bearing debt (left) –●– Debt-to-equity ratio* (right)

* Interest bearing debt ÷ equity

Interest-bearing debt is decreasing due to scheduled repayments, and the D/E ratio in FY2024 fell to 0.17 times. We will maintain financial soundness while striking a balance with capital investments that contribute to growth.

Free cash flow

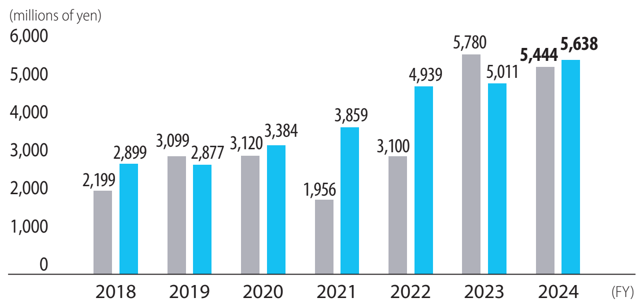


■ Free cash flow*

* Cash flows from operating activities + cash flows from investing activities

In FY2024, free cash flow turned downward, declining due to continued capital investments and an increase in time deposits aimed at the effective use of funds. We will continue to balance both sales and investment activities in preparation for future growth.

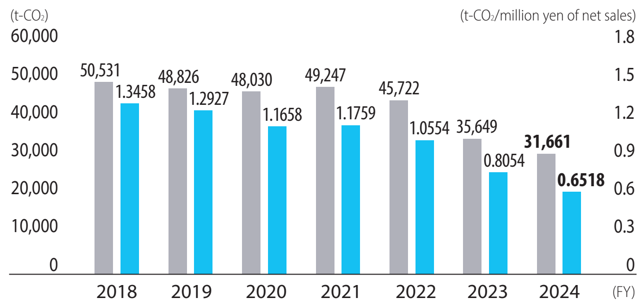
Capital expenditures, R&D expenditures



■ 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.

CO_2 emissions, CO_2 emission intensity (Japan)

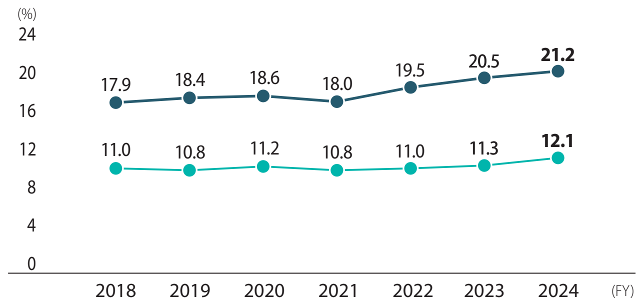


■ CO_2 emissions (left) ■ CO_2 emission intensity (right)

Most of the greenhouse gases (GHG) emitted by Hodogaya Chemical are CO_2. Although CO_2 emissions in FY2024 increased due to higher energy consumption as a result of increased facility operations, emissions declined compared to FY2023 because of the increase in the number of business sites that use CO_2-free electricity.

* This does not include CO_2 emissions from non-energy sources.

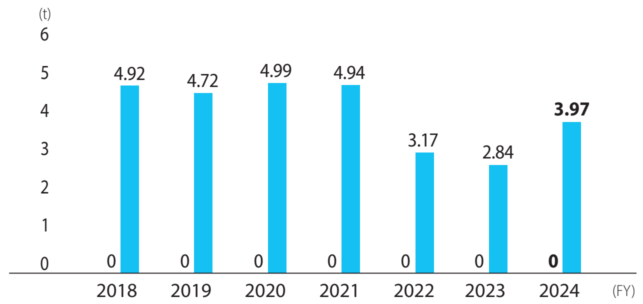
Percentage of female employees, Percentage of female managers



–●– 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.

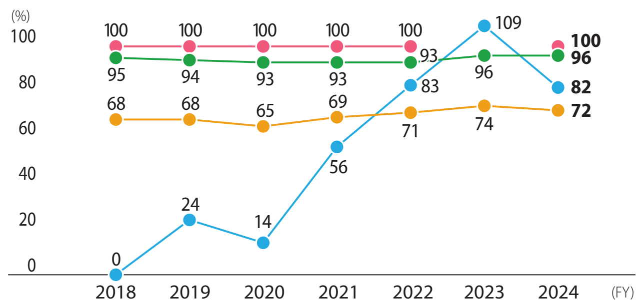
SOx emissions, NOx emissions (Japan)



■ SOx (sulfur oxide) emissions volume ■ NOx (nitrous oxide) emissions volume

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.

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

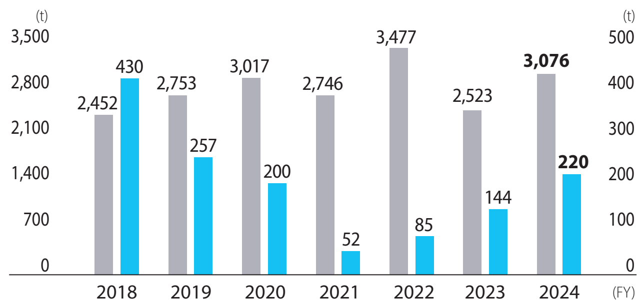


–●– Percentage of personnel taking paid holidays (Hodogaya non-consolidated)
–●– Percentage of personnel taking refreshment leave (Hodogaya non-consolidated)
–●– Percentage of male personnel taking childcare leave
–●– Percentage of female personnel taking childcare leave

In addition to maintaining a percentage of personnel taking paid holidays in excess of 70% for the past three 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 82% in FY2024.

* Percentage of personnel taking childcare leave (women) had no eligible employees in FY2023.

Industrial waste generated, Final disposal amount (Japan)



■ Industrial waste generated (left) ■ Final disposal amount (right)

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, but the total amount of waste generated and final disposal rose 22% and 53% in FY2024, compared to the previous fiscal year.
Notwithstanding the impact of certain factors, including increased production activities and differences in the composition of items produced, we take this increase very seriously and will strengthen efforts to reduce industrial waste.

Human Resource Strategy

Related Materiality

- Improving job satisfaction
- Promoting diversity
- Promoting the health and productivity management and workplace safety and health

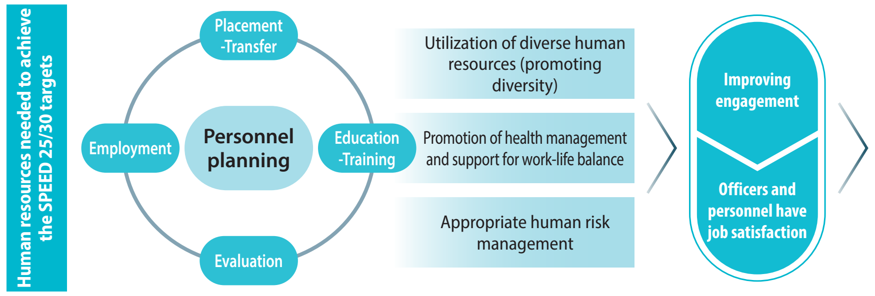
Message from the Executive Officer in charge of the HR Department

As the global order undergoes transformation, the ways of thinking among workers and the labor market are changing drastically. While human capital management is gaining traction as human resources are considered assets in creating corporate value, the Hodogaya Chemical Group has always regarded human resources as the driving force behind value creation. By promoting investments and initiatives for our people that foster a process of transforming individual awareness and behavior → enhancing interpersonal relationships → driving organizational growth," we aim to achieve our medium-term management plan SPEED 25/30 and realize sustainable growth together with the enhancement of corporate value over the medium to long term.

Shinichi Sato　Director and Managing Executive Officer

Mid-term Management Plan SPEED 25/30 HR Strategy

In order to enhance its medium to long term corporate value, it is essential for the Hodogaya Chemical Group to expand its human capital. To this end, in aiming to promote the recruitment and development of human resources capable of independent learning, thinking and action, the Group has set forth the strategic goal of enabling all officers and personnel to feel job satisfaction through enhancement of engagement by implementing the following human resources cycle.



Enhance corporate value for medium to long term

KPI

- Improve engagement scores
  * Conducted pulse check. Return results to the manager in each organization and encourage dialogue with subordinates
- Improve the percentage of female managers
- Improve the percentage of personnel taking paid holidays
- Continue to be certified as a Health & Productivity Management Outstanding Organization

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

We are implementing the following initiatives to achieve "SPEED 25/30."

● Improving motivation to work – Utilizing diverse human resources (promoting diversity)

The Hodogaya Chemical Group promotes diversity as a means of enhancing corporate value by fostering innovation in a highly competitive environment, enabling flexible business portfolio shifts, and strengthening its ability to adapt to change. In particular, in promoting the active participation of women in the workplace, we conduct training for all employees regardless of gender to promote mindset change while striving to develop an organizational culture where both genders can play active roles. In addition, we make no distinction between mid-career hires and new graduate hires when it comes to job assignment. Each person is appointed based on a comprehensive assessment of experience, abilities, and skills, as we strive to create an environment in which personnel can maximize their individual talents and skills. The election of a female Outside Director was approved at the Annual General Meeting of Shareholders in June 2023, and in June 2024, we promoted a female as Officers from within the Company.

In addition, promoting diversity will increase the number of personnel with diverse personalities and values to help expand the diversity of the organization; hence, it is important to unify the organization and personnel. We believe that the Hodogaya Chemical Group's PURPOSE (Management Philosophy) and VISION (Target Corporate Image) can fully unify the organization and personnel.

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

● Improving motivation to work - Initiatives for self-growth

The Hodogaya Chemical Group has established an education system to promote human resource development and support the self-growth of officers and personnel in striving to foster a culture of continuous learning in the organization as well as enhance the intellectual capabilities of officers and personnel.

Human Resources Data 2024→P.61

For more details on human resources data, please refer to our website.
https://www.hodogaya.co.jp/english/csr/stakeholder/employee/

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

The Hodogaya Chemical Group strategically practices health and productivity management, including guidance and education for health promotion, and collaboration with the Hodogaya Chemical Health Insurance Society and industrial physicians. We were certified as a Health & Productivity Management Outstanding Organization 2025 (for the fifth consecutive year).

In addition, we are actively working on work-life balance initiatives, such as increasing the percentage of personnel taking paid holidays and the percentage of male personnel taking childcare leave. We continue to strive for a balance between work and life with the mental and physical well-being of all officers and personnel as the top priority to ensure everyone can feel job satisfaction, comfort and fulfillment at work.

Key human resources investments and initiatives through FY2024

FY2024
- Trial expansion of the flex-time system (ease of work)
- Decision to introduce a "book summary service" (Human resource development)

FY2023
- Introduction of employee stock benefit trust (J-ESOP) (expanded target in FY2024) (motivation to work)

FY2022
- Formulation of telework regulations (ease of work)
- Introduction of training for next-generation management personnel (Human resource development)
- Introduction of a multi-assessment system (multifaceted evaluation system) (Human resource development, motivation to work)

FY2021
- Measurement of engagement scores and implementation of training to improve engagement (motivation to work, ease of work)
- Start of career education for female employees (human resources development and job satisfaction)

Before FY2020
- Introduction of a new personnel front system (DX)
- Transition to performance-linked bonuses (motivation to work)
- Revision of retirement benefit system (full transition to defined contribution (DC) pension plan) (motivation to work)
- Establishment of a new education system for managers (Human resource development)
- Revision of personnel evaluation system (Human resource development (motivation to work)
- Introduction of the Come-back entry System (Reemployment Applicants Registration) (ease of work)

Analyzing Engagement Scores and Making Improvements

The Hodogaya Chemical Group has set as a goal enhancement of engagement such that all officers and personnel can feel job satisfaction. In order to gauge employees' perception of job satisfaction, the Group is conducting assessment and analysis of engagement scores, as well as developing and implementing policies to address issues (including personnel dispatched overseas). The results revealed that there is a strong resonance with the Company's philosophy and strategies among employees, while there are still challenges in terms of getting help from one's surroundings and receiving acknowledgment for one's comments and opinions. It is our goal to create a psychologically safe workplace where everyone feels comfortable speaking up.

Target Gradually raise engagement score

Result Items showing improvement since assessment (rate of improvement from FY2021 to FY2024)

Key driver: item	Initial score	Recent score	Rate of improvement
Health: workload	53	59	11.3%
Organizational culture: embracing challenges	50	55	10.0%
Health: stress response	54	59	9.3%
Environment: work-life balance	59	64	8.5%

* We observe a trend toward improved work-life balance, contributing to lower workloads and stress levels, coupled with a cultural shift that praises taking on new challenges.

Future Challenges and Countermeasures

We have set the enhancement of employee engagement—enabling all officers and personnel to experience job satisfaction—as a strategic goal, and are implementing initiatives to achieve it. In addition, as a new initiative, we are considering the introduction of a hybrid job-based personnel system that combines the membership-based model with position-based compensation. However, issues related to HR may be broad while values regarding this topic can also change. By constantly being on the lookout for information, we can grasp changes in HR management trends in a timely manner, and respond to changes based on our PURPOSE (Management Philosophy) and VISION (Target Corporate Image).

VOICE

HR Department
N. K.

Creating learning opportunities that integrate job satisfaction and growth, thereby enhancing employee engagement

Employee training not only serves to develop skills and support the growth of every employee, but it also plays a pivotal role in enhancing job satisfaction and performance across the whole organization. We believe that creating an environment where employees can continue to learn independently while feeling fulfillment is one of the important roles of the Human Resources Department in achieving SPEED 25/30.

Going forward, we will further focus on developing the next generation of leaders to ensure the organization's sustainable development while maintaining and enhancing its competitiveness. Simultaneously, the Human Resources Department aims to create an environment that balances job satisfaction with organizational growth and leads to improved engagement by focusing on motivating employees and establishing systems to encourage learning.

R&D and Intellectual Property Strategy

Related Materiality

- Responding to climate change
- Ensuring the safety of products and chemical substances
- Improving value and reliability of products

Message from executive officer in charge of R&D

We plan to develop new products in five fields targeted in our business strategy roadmap. Our SPEED 25/30 Mid-term Management Plan sets the five domains of cutting-edge electronic device materials, environmentally friendly dyes, polyols, bio-medical materials, and environmentally aware agricultural materials as concrete business fields in which we will employ flexible ideas to conduct R&D on technologies matched to market needs. We will also accelerate initiatives in new fields derived from those technologies, and will connect these to the enhancement of the corporate value.

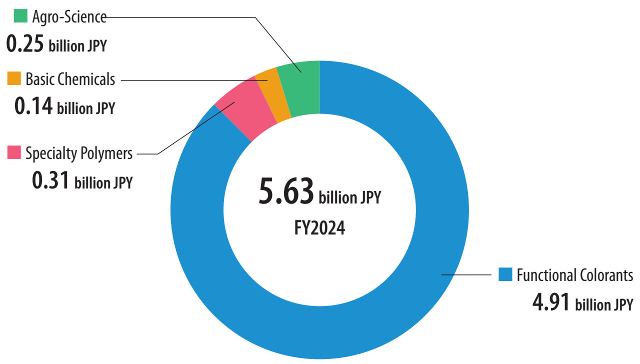
Norimasa Yokoyama Managing Executive Officer

R&D Strategy

The Hodogaya Chemical Group has formulated the 10-year scenario "ideal figure" for the Company in FY2030 and "target figure" in FY2025, the midpoint for that. To achieve that, we will quickly identify social needs that are growing extremely diverse and promote research and development that can immediately meet the different needs of various customers. In particular, we give 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.

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

R&D investment amount (by segment)



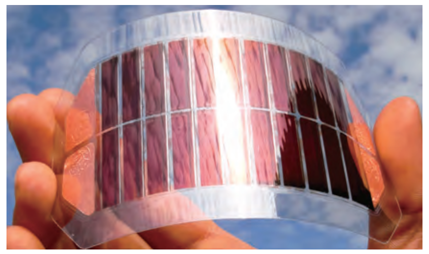
Basic Strategies in SPEED 25/30		
	Further development of strategic products while fostering new ideas	• New business creation and growth for functional colorants • Take new research projects into—and beyond—the development stage
	Strengthen our R&D structure	• Expand our sustainable creation of new research projects • Establish an organizational structure able to swiftly move from research to mass production

● Further development of strategic products while fostering new ideas

Drawing on over a century of technological development, the Hodogaya Chemical Group seeks to expand and advance strategic products through R&D led by our Tsukuba Research Laboratory, three plants in Japan, and South Korea-based Group companies HCK and SFC.

By reinforcing and applying our proprietary technologies and knowledge gained primarily in the area of OLED materials, we aim to enter applied fields such as perovskite solar cells and expand our presence in the biotechnology and semiconductor fields. In the application of functional colorants, we are also undertaking R&D in near-infrared (NIR) absorbent dyes that show promise for sensor applications.

To create new businesses for the next generation, in the fields of Electronics & Information, Mobility, Environment & Energy, Life Sciences, and Agricultural & Food we will conduct research and investigations to establish R&D strategies based on a long-term perspective, primarily through the New Product Exploration Project.



Perovskite solar cells

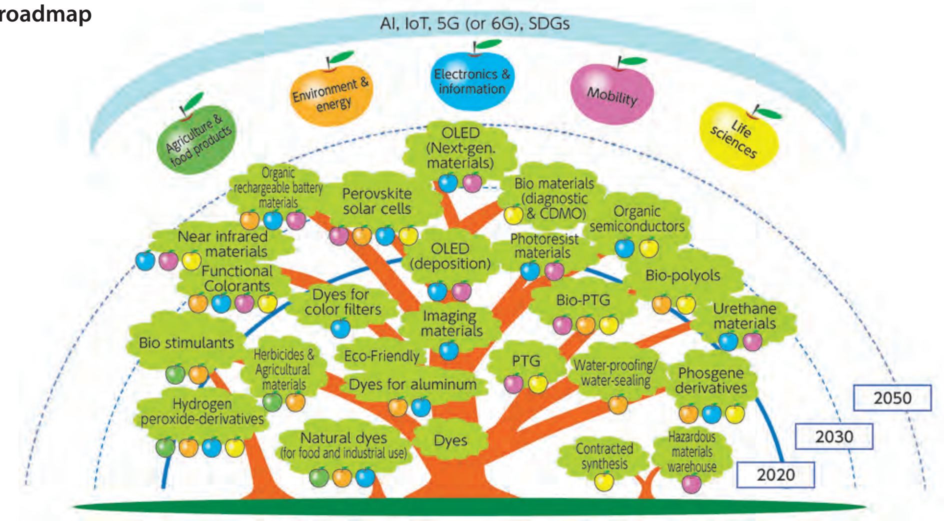
● Initiatives related to perovskite solar cells

The size of the global market for perovskite solar cells is predicted to reach 2.4 trillion JPY by 2040. Japan's Seventh Strategic Energy Plan aims for the introduction of about 20 GW of electrical power by 2040 through three-way efforts by public- and private-sector stakeholders as a national-level policy.

However, the development of higher-performance materials is essential to the proliferation of perovskite solar cells. The Hodogaya Chemical Group has developed a number of materials that are expected to enhance the performance of these solar cells. Industry-academia cooperation is an important part of our R&D efforts, and we have co-authored several papers involving joint research with Professor Tsutomu Miyasaka, a recognized authority in perovskite solar cell research.

We will accelerate our R&D aimed at the proliferation of this technology as we continue working toward a sustainable society.

Business strategy roadmap



Intellectual Property Strategy

● Promoting an intellectual property strategy

Keeping in mind our future business portfolio, we are moving forward with quickly filing patents and securing intellectual property rights related to the results of our research and development.

We are also working to enhance the quality of our patents through the use of intellectual property education and patent maps based on information searches and patent analysis. In 2023 and 2025, our Company was included in Nikkei Business Publications' Intellectual Property Management Ranking of companies with high patent value growth. In particular, for IP education, we hold courses for all frontline researchers using the Company's own experiences as case studies based on the principle that it is important to conduct research and development with an eye toward securing rights. We continue to aim to secure firm intellectual property rights both in Japan and overseas in order to respond to our global business expansion.

VOICE

R&D and development sales at overseas bases

Y. H.
HODOGAYA CHEMICAL KOREA CO., LTD.

At HODOGAYA CHEMICAL KOREA (HCK), I am responsible for development and development sales of OLED materials, primarily for South Korean customers. South Korean culture places importance on efficiency and speed. Located close to overseas customers, the base engages in work with a sense of urgency.

Setting quality standards and performing stable quality control are also key tasks of mine at HCK. We create quality control specification standards on the basis of evaluated data and conduct quality evaluations stably and efficiently with delivery deadlines in mind. Seeing products head out into the world creates a truly rewarding feeling.

By continuing to develop new OLED materials and provide added value, we seek to ensure that our materials are consistently selected for use in customers' new products.

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

Special Feature: Collaboration with South Korean Group Companies – Towards Realizing Our Ideal Figure

Born in 1916 as the first company in Japan to manufacture caustic soda using the electrolysis method, the Hodogaya Chemical Group has worked to expand its business and grow by responding to the needs of the times and continuously innovating. In recent years, we have worked to build a cross-border development and sales structure to address the remarkable globalization of the economy. By investing in South Korea and promoting personnel exchanges with the country in particular, we aim to achieve further innovation as well as business expansion and growth.

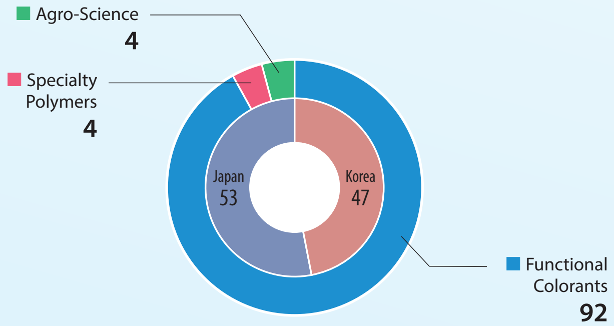
A Global Research Structure

In addressing the rapidly expanding market for OLED displays, the Hodogaya Chemical Group is particularly focused on building a development structure in South Korea, where core panel manufacturers compete. Through the establishment of a development base in the South Korean market and collaboration with Japan, we will engage in comprehensive and speedy proposals involving OLED materials and will contribute to the future of displays. Moreover, applying our proprietary technology and knowledge gained primarily in the OLED field, we will also launch development in the promising growth areas of biotechnology and semiconductor materials, which we will connect to the creation of a new portfolio that fully leverages the strengths of our development structure in South Korea.

Research and Development that Leverages Our Geographical Advantage in South Korea

By prioritizing the establishment of a development structure in South Korea, the Hodogaya Chemical Group has increased the percentage of basic patent applications originating at its South Korean base. We will continue to place importance on this development structure in South Korea.

Percentage of patent applications, FY2022–FY2024 (%) (by country and segment)



Our Japan-South Korea Personnel Interaction Structure

In building and deepening its structure in South Korea, the Hodogaya Chemical Group is working to invigorate personnel interaction across the Group as a whole.

For purposes of human resource development, we conduct overseas practical training by which we send young researchers from Japan on short-term assignments to South Korea. The researchers study new technologies and gain knowledge that they can apply to their own work from a global perspective. In the Research & Development Department, several Japanese researchers are currently working at posts in South Korea, undertaking R&D work from a long-term perspective while actively communicating with researchers in South Korea. At Group-wide presentations of research outcomes, staff from South Korea come to Japan to share the latest research topics. The Company prepares subsequent opportunities to deepen friendship, ensuring information sharing and heightening the sense of Group unity. Our business departments are also integrated with development departments, constantly tracking the quality and performance demanded by markets and staying involved in joint Japan-South Korea development sales.

Through these active personnel interaction initiatives, we will continue striving to build and deepen a structure tailored to the business environment.

Environmentally Friendly Products and Technologies that Contribute to a Sustainable Future

Natural food dyes

"Natural food dyes" are products made from naturally occurring materials, with consideration for human safety and the environment.

Food colorants add color to foods, enriching our dietary lives. Additionally, some products have obtained "Halal certification," meeting the expectations of customers in Islamic regions.

Furthermore, we are advancing the expansion into industrial applications, not limited to food uses.

Metal-free aluminum coloring dyes

Demand is growing for dyes to color aluminum, a lightweight, strong, and easily recycled metal. Leveraging its long history of organic composite technology, Hodogaya Chemical manufactures and sells metal-free aluminum coloring dyes. These meet the need for environment- and people-friendly aluminum coloring dyes that use no heavy metals, excel in light resistance and color affinity, and enable varied color expressions.

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.

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.

ODI (Phosgene derivative)

Octadecyl isocyanate (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 CO_2, which is said to be a cause of climate change.

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

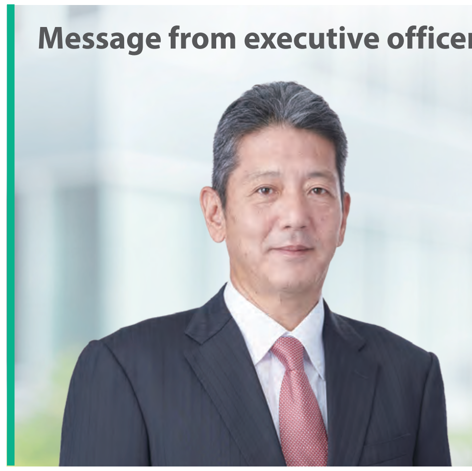
*RSPO: Roundtable on Sustainable Palm Oil

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 is 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.

Global Expansion of the Hodogaya Chemical Group

Message from executive officer in charge of business



As over 50% of our Group's net sales originate abroad, it is vital that we meet each region's needs through the combination of our strengths, initiatives, and partners to continue growing in increasingly important global markets. We have done so in order to strengthen the Functional Colorants Segment and to expand the business. We will continue to address the needs of each business segment and region by creating attractive 'initiatives' and acquiring promising 'partners,' thereby advancing the construction of an appropriate business portfolio as outlined in 'SPEED 25/30'.

Takeshi Nakano Managing Executive Officer

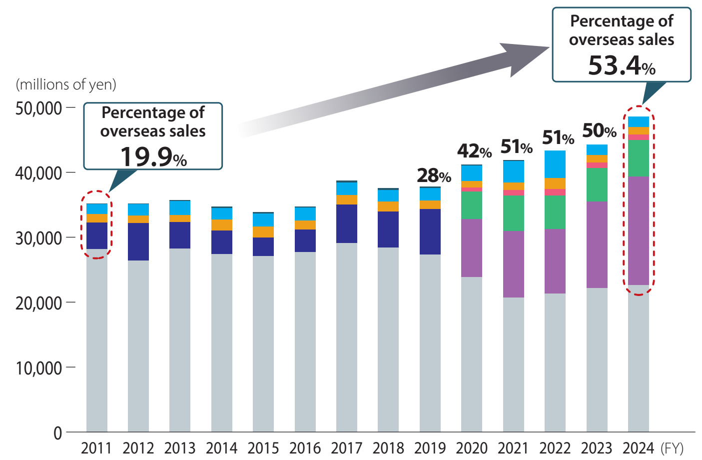
State of initiatives

To address the diverse needs of our global customers, the Hodogaya Chemical Group is strengthening its overseas expansion through bases in five regions: North America, Europe, China, South Korea, and Taiwan. Leveraging these bases, we have raised the overseas sales ratio for the Group overall from 42% in FY2020 to 53% in FY2024. Sales of core products including OLED materials for displays and aluminum coloring dyes for mobile devices and other applications are steadily growing overseas, and overseas demand for phosgene derivatives is also increasing.

Our Group company in South Korea is growing significantly under expanding applications for OLED materials, contributing significantly to profit growth for the Hodogaya Chemical Group overall. At BioPark, which began operation in South Korea in 2023, we are also undertaking production of oligonucleotide products for diagnostic kit materials and oligonucleotide products for nucleic acid medicine raw materials, which are next-generation drugs. As strategic investments in a growth field, we have also established new plants in Chungju and Eumseong in South Korea and are developing semiconductor materials utilizing our proprietary applied refining technology.

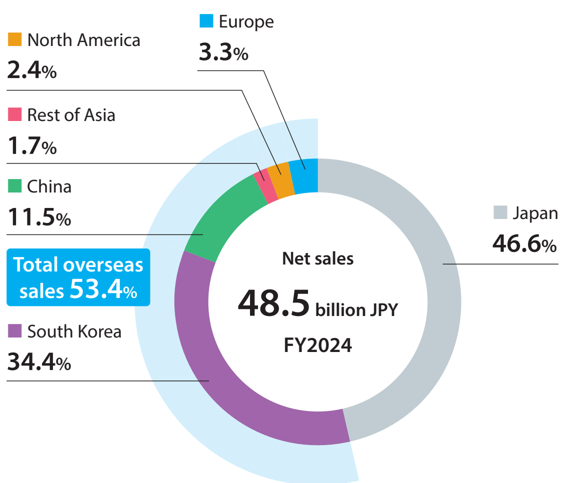
In the Specialty Polymers Segment, we will accelerate selection and concentration and will advance into global markets with plant-derived, high-performance urethane materials and phosgene derivatives for pharmaceutical applications. By leveraging our unique technological capabilities and global network in every field to constantly provide high-quality products and services, we will continue to meet the needs of customers in Japan and overseas.

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



* Sales in South 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



Business Overview of the Hodogaya Chemical Group

Functional Colorants Segment

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

Three Strengths

Ability to embody global customer needs and environmental responsiveness by fully utilizing the Group's DNA, including our organic synthesis technology

Extension of our technologies as a comprehensive supplier of OLED materials to bio materials for next-generation pharmaceuticals	Metal-free, environmentally friendly aluminum coloring dyes with leading global market shares	Natural dyes that support food safety and 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. Using the proprietary bio materials we have developed through the application of OLED materials, we are moving beyond our existing oligonucleotide products for diagnostic kit materials to also develop next-generation oligonucleotide products for nucleic acid medicine.

● Imaging materials

They are essential for copiers and printers to function, helping to enhance precision in the office automation environment.

● Dyes and colors

Our products, developed with unique technologies, are highly regarded as high-quality products in Japan and worldwide. (Mainly used for aluminum coloring, stationery ink, hair dyes, color filters, etc.)

● Natural food dyes

Play an important role in making food appear more appetizing by adding color to food products. As a pioneer in this field, the Hodogaya Chemical Group contributes to culinary performances that enhance the enjoyment and deliciousness of food. Natural dyes are also used for coloring mainly home appliances, expanding its environmentally friendly applications.

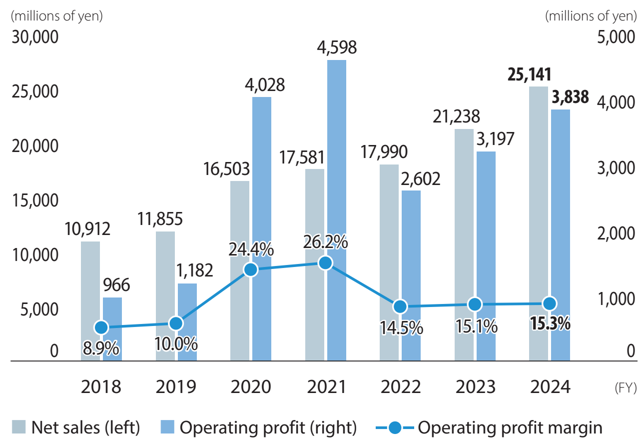
● Progress of the Mid-term Management Plan

Sales in our OLED material business are increasing amid growing demand and adoption in new products in the display field, particularly in the area of smartphones. In response to rising sales of materials overseas, we will further grow our business through the construction and expansion of plants and equipment as well as capital investment in the field of semiconductor materials.

In the bio business that leverages our OLED material technologies, our new BioPark base in South Korea began operation last year. We will expand sales of oligonucleotide products for diagnostic kit materials and will extend the business to next-generation oligonucleotide products for nucleic acid medicine.

In the colorant materials business, demand for aluminum coloring dyes remains strong. We will continue working to expand sales through the establishment of a stable supply structure and the development of environmentally friendly products.

Net sales / Operating profit / Operating profit margin



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

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

Business Overview of the Hodogaya Chemical Group

Specialty Polymers Segment

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

Three Strengths

Ability to deliver specialty products globally, with a focus on environmental responsiveness, by leveraging our phosgenation technology, etc.

- Environmentally friendly urethane materials that make full use of our world-leading organic composite technology
- Specified chemical substance-free waterproof materials that enable environmentally friendly, safe, and reliable construction work
- Pharmaceutical intermediates utilizing our phosgenation technology through three-way integrated production, sales, and R&D activities

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.

● 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.

● 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.

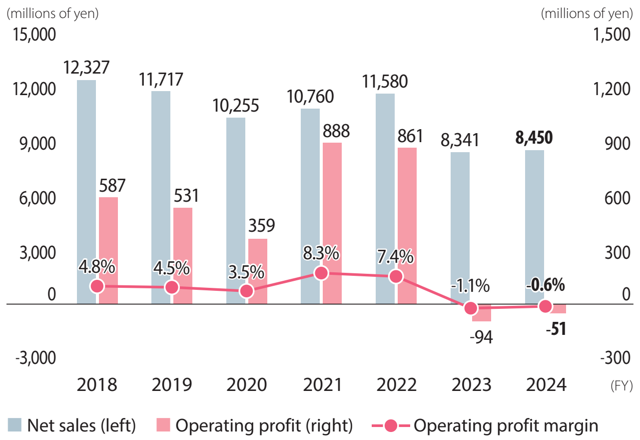
● Progress of the Mid-term Management Plan

While sales increased for some products in the functional polymers business, sales declined overall amid ongoing stagnation in the urethane materials market. Looking ahead, we aim to strengthen profitability by expanding sales of bio-based and other products.

In the specialty chemicals business, demand for release agents and pharmaceutical-related materials recovered overseas but demand for other applications declined, leading to a decline in sales overall. We are studying additional production capacity for specialty isocyanate, for which demand is particularly strong, and will further develop new markets through the use of prototype production bench-scale equipment that was installed for future use.

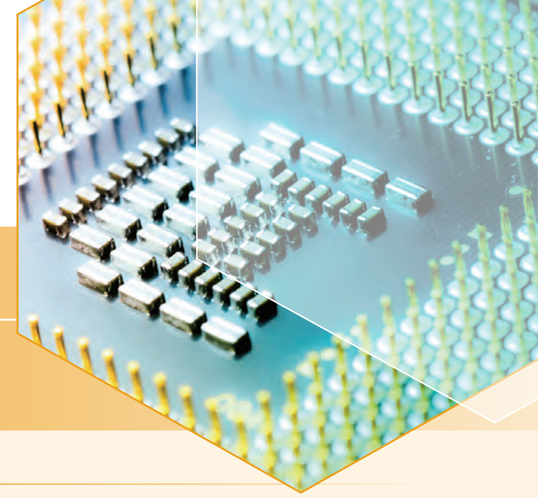
The construction materials business saw an increase in sales amid strong sales of new products and orders for urethane waterproofing work at large facilities. We will continue to steadily strengthen the business through sales of next-generation waterproofing materials and other products.

Net sales / Operating profit / Operating profit margin



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: https://www.hodogaya-cp.com (Japanese only)



Basic Chemicals Segment

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

Three Strengths

Creativity to explore new applications in every aspect of clothing, food, and shelter, drawing on our long-held hydrogen peroxide production technologies

- Expansion into diverse fields spanning foods to semiconductors through hydrogen peroxide production technology grounded in experience and knowledge
- R&D capabilities that enable the extension of derivatives to wide-ranging fields including bleaches, cleaning agents, food sterilization, and veterinary medicines
- Creativity that leverages "clean" physical properties to explore new applications such as soil improvement and protect the global environment

Description of Business

- Hodogaya Chemical has been engaged in the development, manufacturing and sales of hydrogen peroxide and its derivatives for over 50 years.
- Hydrogen peroxide decomposes into water and oxygen, and this property supports our everyday lives as clean and environmentally friendly products for a variety of uses. Hydrogen peroxide has been used for paper pulp bleaching and industrial chemicals, but in recent years, we have aggressively expanded the sales into new fields such as veterinary medicines.
- Derivatives of hydrogen peroxide include sodium percarbonate and peracetic acid. Sodium percarbonate is used for bleaching agents and detergents. As for peracetic acid, we were the first in Japan to obtain approval for the production for use in food production applications, and we are working to accelerate its use.

● Progress of the Mid-term Management Plan

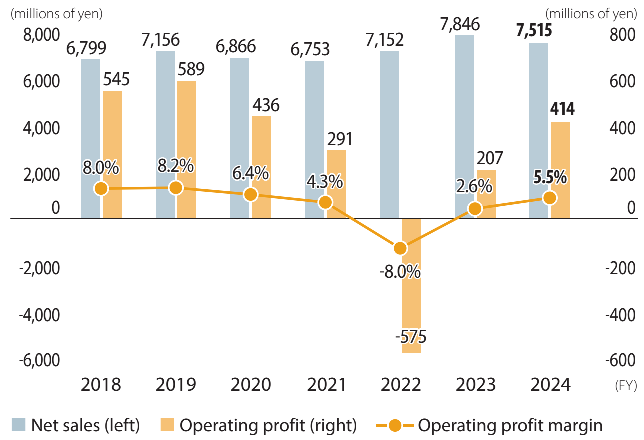
While sales of hydrogen peroxide for paper pulp increased, hydrogen peroxide sales overall remained flat from the previous fiscal year due to delayed recovery in semiconductor-related demand.

Sales of sodium percarbonate for bleach decreased, however, to maintain and expand the profitability that we improved last year, we will continue to undertake appropriate capital investment and sales expansion.

In the area of peracetic acid, we will take the approach of expanding the scope of adoption for sanitation applications and capturing new customers for food applications.

We will continue working to further maximize profit by carrying out cost cuts and sales expansion with market demand trends in mind.

Net sales / Operating profit / Operating profit margin



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: https://www.katsura-ks.co.jp/ (Japanese only)

Business Overview of the Hodogaya Chemical Group

Agro-Science Segment

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

Three Strengths

Development capabilities to turn formulation technologies into compelling products that are useful in diverse everyday life scenarios

- Home gardening herbicides with the leading market share in Japan through development of new products tailored to needs
- Creativity and proposal capabilities to create new products that support everyday living
- R&D capabilities that improve the agricultural environment through the development of agricultural oxidizers, etc.

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 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.

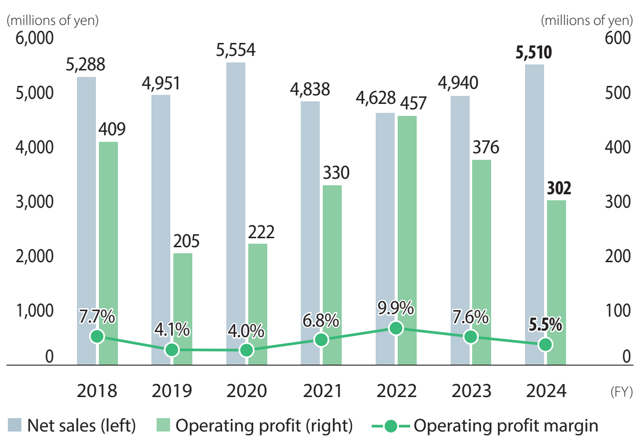
Progress of the Mid-term Management Plan

Demand for herbicides for railways and home gardening remained strong while demand for golf course herbicides recovered, resulting in significant growth in sales.

In fields spanning the Basic Chemicals and Agro-Science segments, we are working to expand market awareness related to our development of peracetic acid applications. We also intend to expand the business by utilizing our strengthened agricultural peroxide production equipment and by engaging in sales activities with further strengthening in mind.

To maintain or increase business earnings, we will work to build a stable supply structure, develop new business channels, and introduce compelling products, possibly in collaboration with partners.

Net sales / Operating profit / Operating profit margin



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)

Logistics Segment

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

Three Strengths

Capabilities for secure and safe transport based on our expertise in the handling of hazardous substances and chemicals as a chemical manufacturing group

- Expansion into wide-ranging areas of logistics business through our expertise in handling chemicals, pharmaceuticals, and other hazardous substances
- Largest-in-class regional storage services and land, sea, and air transport services that draw on our locational advantages in Yokohama, Koriyama, and Nanyo
- Provision of intermodal international transport utilizing the Nanyo Branch's ISO tank container depot

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.

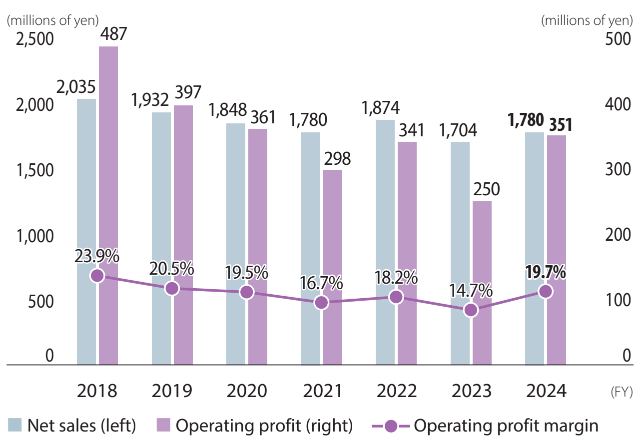
Progress of the Mid-term Management Plan

Sales increased as export and other cargo activity remained strong and domestic volume increased in the hazardous materials storage business. We will continue tackling priority measures at each office.

At Koriyama, we are undertaking capital investments to acquire the business that requires strict temperature control. At Yokohama, we aim to enhance our profitability by leveraging our advantageous location to increase our handling of high-quality commercial deals and import/export transactions. At Nanyo, we seek to expand the ISO tank container storage business that began in October 2021.

As a logistics business for chemical manufacturers, we will continue to leverage our expertise in the handling of hazardous and toxic materials and work to acquire new customers.

Net sales / Operating profit / Operating profit margin



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: https://www.hodogaya.co.jp/hlc/ (Japanese only)

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

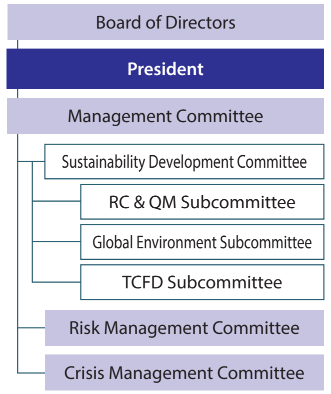
The Hodogaya Chemical Group aims to address social issues within its business areas while ensuring economic rationality. By promoting sustainability management in a manner suited to its scale and advancing it in a sustainable way, our Group seeks to enhance corporate value over the medium- to long-term and achieve sustainable growth.

As a comprehensive policy, we have established our Sustainability Policy, which sets forth our basic approach and related policies for addressing sustainability-related challenges from five perspectives, guiding us in pursuing initiatives with clear intent.

To advance these efforts, we have established the Sustainability Development Committee, whose discussions are regularly submitted to and reported at the Board of Directors and Management Committee for approval.

Philosophy Structure

Sustainability Promotion Structure



Disclosure of Information Related to Climate Change Based on TCFD

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Basic approach

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

As a chemical company, Hodogaya Chemical is resolutely confronting climate change in accordance with the guidance by the TCFD, while proactively striving for information disclosure. In November 2022, we declared our support towards guidance from TCFD.

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 discusses 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.

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

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.
		Strengthening environment management	○		Strengthen the internal structure by leveraging the knowledge gained thus far	Increased cost burden for maintenance and improvement of management system
	Technology	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
	Market	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
	Reputation	Stakeholders making environment as important matters	○	○	• Enhancing dialogue with local communities, personnel, and shareholders and securing a system	—
Physical risk 4°C scenario	Chronic	Rise in average temperature	○	○	• Labor saving and automation of manufacturing equipment	[Risks and Opportunities] Response to market changes, especially in the agrochemicals business
	Acute	Increase in earthquakes, typhoons, and floods	○		• Promote multiple purchases, strengthen BCP	Shutting down of factories and inability to procure raw materials

Targets and Indicators

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

- Reduction of carbon dioxide emissions (achieved FY2025 target)
- Reduction of energy intensity (achieved FY2025 target)
- Reduction of industrial waste volumes (did not achieve less than the previous fiscal year's generation)

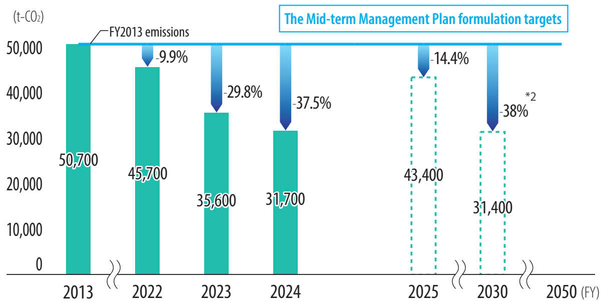
These are being discussed by the Global Environment Subcommittee, debated in the Sustainability Development Committee, and progress is confirmed by the Board of Directors and Management Committee.

Responding to Climate Change

Most of the greenhouse gases (GHG) emitted by Hodogaya Chemical are carbon dioxide. The GHG emissions for FY2024 are 31,700 t-CO_2*1. In anticipation of increased production volumes in the future, we will address climate change from both mitigation and adaptation perspectives with a long-term view towards FY2030.

*1 Non-energy-originated CO_2 emissions are not included

CO_2 emissions trend*1



*1 Non-energy-originated CO_2 emissions are not included
*2 Reduction targets for FY2030 are based on government-announced reduction targets by industry.

Roadmap for Reducing CO_2 Emissions

		2030 Toward achieving future goals		2050 Development of hydrogen society and challenge to carbon neutrality
Promotion of technological innovation Emissions from own production activities (Scope 1)	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 Externally purchased energy (Scope 2)	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 Daily improvement through energy saving	—	• Promoting ICP system • Continue switching to LED lighting equipment • Continue to introduce top-runner equipment • Reduction of heat loss through appropriate management of heat insulating materials and traps • Efficient operation		

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

Responsible Care (RC)

Related Materiality

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

Message from the Executive Officer in charge of Production

The Hodogaya Chemical Group regards Responsible Care activities as one of the most important pillars of management, engaging in initiatives that encompass environmental conservation, security and disaster prevention, workplace safety and health, chemical and product safety, quality assurance, logistics safety, and dialogue with society.

Furthermore, through the promotion of digital transformation (DX), the Group is working to streamline business processes and enhance data-driven decision-making, thereby improving safety and productivity while reducing environmental impact. In doing so, we aim to realize environmentally friendly manufacturing and build a new foundation to support value creation.

Fumio Wanme Executive Officer

Environment Basic approach

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

ISO 14001: 2015 Environmental management systems

Certification body	Japan Chemical Quality Assurance
Registration no.	JCQA-E-0330
Compatible standards	JIS Q 14001:2015/ISO 14001:2015
Date of acquisition	2001.12.25

Details of environmental data from the past 10 years can be found on our website.
https://www.hodogaya.co.jp/english/csr/eco/environmental_data/

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.

Most of the GHG emitted by Hodogaya Chemical is CO_2. The GHG emissions for FY2024 are 31,661 t-CO_2*[1].

We will continue to work on reducing emissions through the introduction of energy-saving equipment and switching to renewable energy sources based on long-term decarbonization investments to reduce energy intensity. Regarding Scope 3*[2], we are currently at the stage of gathering information on other companies' initiatives.

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

*1 Non-energy-originated CO_2 emissions are not included *2 Scope 3: Other indirect emissions, classified into 15 categories

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

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

Initiatives to Lower Environmental Impacts

The water resources consumed, and the chemical substances released into the air, water, and soil during the course of business operations by the Hodogaya Chemical Group have the potential to impact the global environment. Taking into consideration the global environment and each of its stakeholders, the Hodogaya Chemical Group strives to lessen the environmental burden accompanying its business activities.

● Prevention of air pollution

Hodogaya Chemical is committed to reducing emissions of SOx (sulfur oxides), NOx (nitrogen oxides), and dust associated with chemical production at its plants. Following the switch to city gas as fuel, which was completed in FY2011, the Company has maintained zero SOx emissions since FY2012. In addition, the introduction of dust collectors, scrubbing towers, and the use of catalyzers has resulted in a significant reduction in the emissions of NOx and dust.

● Protection of water resources and prevention of water pollution

In FY2024, Hodogaya Chemical used 9,894 kilotons of water at its plants, 99% of which was drawn from rivers. The use of potable tap water was minimal, and no water was drawn from other sources. According to an assessment of plant locations using AQUEDUCT, the World Resources Institute's water risk evaluation tool, none of the Company's water intake sites were located in areas classified as having high water risk.

Wastewater from manufacturing processes is treated at on-site facilities using advanced methods before being discharged into public water bodies, in compliance with regulatory standards for water pollutants. In FY2024, there were no violations related to water usage or water quality, and we will continue to maintain thorough management of our wastewater treatment facilities to reduce environmental risks to oceans and rivers.

● Environmental accounting initiatives

Of the major expenditures related to environmental conservation in FY2024, a large expense was resource circulation cost, which amounted to 150 million JPY.

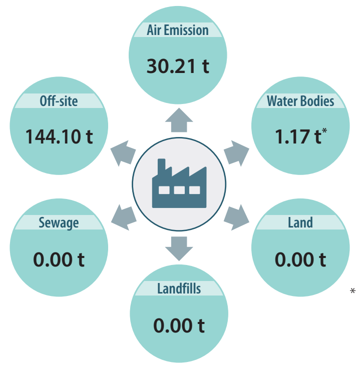
Environmental Accounting Data 2024→P. 61

● Industrial waste reduction

The Hodogaya Chemical Group promotes the 3R+Renewable initiative (reduce, reuse, recycle, renewable) and we have set a target to reduce the volume of industrial waste generated compared with the previous fiscal year, with initiatives underway. A target has been set to reduce the volume of industrial waste to below that of the previous fiscal year. However, in FY2024, both total emissions and final disposal volume increased compared to FY2023. While this was partly due to differences in the production item composition, we take this outcome seriously and will strengthen our efforts to further 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.



* Of which 1.17 tons have been sent to the adjacent wastewater treatment facility and released into the public water bodies after being treated.

VOICE

Manufacturing Department, Nanyo Plant
T.K.

Shift to CO_2-free electricity

At the Nanyo Plant, we began introducing CO_2-free electricity in April 2024 as part of our efforts to reduce the environmental impact of manufacturing processes. In parallel, we are actively promoting energy-saving measures, including the introduction of high-efficiency amorphous transformers to reduce power loss.

Furthermore, upgrading the air conditioning systems has improved energy efficiency, significantly reducing electricity consumption. Along with initiatives such as converting lighting to LED, we are promoting efficiency across the entire factory.

Going forward, we will work on advancing energy management by leveraging cutting-edge technologies such as AI and IoT, as well as further expanding the use of renewable energy, with the aim of establishing a more sustainable production system.

Responsible Care (RC)

Related Materiality

- Improving product value and reliability
- Ensuring product and chemical safety
- Promoting health and productivity management and workplace safety and health

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 FY2024, as a result of continuing to strengthen initiatives for each measure, the Hodogaya Chemical Group and subcontracting companies achieved zero lost-time injuries.

Initiatives for Disaster Prevention

The Group conducts its activities in accordance with its basic principle to deliver security and safety, including environmental conservation to the local communities and society. The Disaster Prevention Rules stipulate that education and training be carried out on a regular basis in preparation for an accident or other emergency. In addition to conducting disaster drills, fire extinguisher training, emergency lifesaving drills jointly with fire departments and other first responders, we are striving to instill an awareness of safety and disaster prevention among all personnel and enhance their ability to sense danger.

We are continuing the conventional KYT (Kiken Yochi Training, risk prediction training) and PYT (process error prediction training) activities, and conduct safety patrols, 3S (Sort, Set in Order, Shine) and inspection visits among offices. In internal audits of RC activities, the basis of activities was expanded to the five actuals (place, thing, fact, principle, rule) to implement safety measures and safety education that include mechanism and law principles, and rules such as routines and orders.

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

Occurrence of Lost-time Injuries

	Hodogaya Chemical Group			Subcontracting companies		
FY occurred	2022	2023	**2024**	2022	2023	**2024**
Number of accidents / incidents	0	0	**0**	0	0	**0**
Number of work-related fatalities and injuries	0	0	**0**	0	0	**0**
Frequency rate	0.00	0.00	**0.00**	0.00	0.00	**0.00**
Severity rate	0.00	0.00	**0.00**	0.00	0.00	**0.00**

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

Initiatives for Logistic Safety

Hodogaya Chemical endorsed the spirit of the White Logistics Promotion Campaign* advocated by the Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Economy, Trade and Industry, and Ministry of Agriculture, Forestry and Fisheries in January 2021 and submitted a voluntary action declaration to the White Logistics Promotion Campaign Secretariat. In the voluntary action declaration, we reviewed the content of transportation, including greater logistics efficiency and modal shift, and listed our efforts to standardize contracts and ensure safety.

For the purpose of ensuring safety, we help maintain the safety and health of all local residents, including those involved in logistics, and protect the local environment by following Logistic Safety Management Rules, which stipulate basic items concerning preventing accidents and disasters in logistics related to Group products and other items and measures in the case of an accident or disaster.

* White Logistics Promotion Campaign
This is a campaign to realize not only greater productivity and more efficient logistics, particularly in truck transportation, but also a work environment welcoming to female and older drivers so as to ensure stable logistics, which are necessary for the lives of Japanese and industrial activities, in response to the shortage of drivers that is growing more serious and to contribute to economic growth.

「ホワイト物流」推進運動
賛同企業

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

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

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.

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

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

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

Compliance with Global Laws and Regulations

In addition to the conventional regulations such as TSCA (USA) and REACH (Europe), Asian countries including China, South Korea and Taiwan are actively enforcing new laws and regulations.

With an eye on expanding its business globally, the Hodogaya Chemical Group not only works in close collaboration with foreign affiliate companies and representative offices, but also takes active part in various industry activities to keep track of the latest trends in chemical substance management policies and legislation of other countries to be prepared to respond in a timely manner. We share this legislative information and responses from other countries with the entire Hodogaya Chemical Group.

Risk Assessment of Chemicals

The Hodogaya Chemical Group formulates procedures for risk assessments to prevent accidents and disasters, and measures to reduce risks based on the assessment results. The Group also sets forth the Risk Assessment Guidelines to clearly identify risks and take precise measures, and implements them on a regular basis. The substances to be subjected to risk assessments are divided into two categories—the risk assessment of operations and the risk assessment of handling chemical substances—to enable the clearer identification of risks and more precise measures to be taken. In addition, based on the recent revision of the Industrial Safety and Health Act, we are working to strengthen our self-directed "chemical substance management system," "information transmission," and "risk assessment" to prevent workplace accidents caused by chemical substances.

To provide information on chemical substances, we have launched an SDS download page on our website starting April 2025.

VOICE

"4S Time," an initiative of the Workplace Safety and Health Promotion Committee, launched a few years ago

Tsukuba Research Laboratory, Research and Development Department
T.M.

My group handles various chemicals used to create new products. Since improper handling can lead to serious accidents, we conduct a risk assessment for all chemicals used during our monthly workplace safety and health meetings, sharing information on hazards and countermeasures. We also pay careful attention to the laboratory environment. As team members become more experienced, their workbenches and surrounding areas tend to become 'their own space,' but to someone else, it may appear as though they are falling behind in 4S practices (Sort, Set in Order, Shine, Standardize). For this reason, starting a few years ago, our group members have gathered every Friday to check that 4S practices are upheld. While gaining proficiency in our work is important, we aim to maintain awareness of potential risks and foster a safety-conscious culture to achieve zero accidents and incidents.

Responsible Care (RC)

Quality Assurance Basic approach

Based on its quality policy, the Hodogaya Chemical Group is committed to delivering "customer-oriented quality." Through continuous improvement and efforts to enhance customer satisfaction, we strive to strengthen reliability and brand value, thereby increasing corporate value.

Initiatives for Quality Assurance

In accordance with the "RC Basic Philosophy" and the "RC Basic Policy," the Hodogaya Chemical Group continues to practice quality assurance activities. We will further promote company-wide quality assurance activities and focus on preventing complaints and defective products.

To ensure that all employees involved in our products and services maintain a high awareness of quality, we foster an environment where both experienced and younger staff can learn from daily operations and drive improvement. This is achieved through sharing quality-related incidents that occurred at other sites, implementing near-miss/close call activities pertaining to quality, and exchanging information in the Quality Management Committee and QM representative meetings. At the same time, challenges remain in our efforts to eliminate customer complaints. By returning to the fundamentals, reinforcing feedback loops with each workplace, and providing education to raise quality awareness, we aim to identify quality issues at an early stage and establish effective countermeasures. Guided by our commitment to "customer-oriented quality," we will continue to provide high-performance, high-value-added products and services that earn our customers' trust and satisfaction.

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

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. On Quality Day, all officers and employees of the Hodogaya Chemical Group gather together, with representatives from each site reciting the Quality Pledge. This event provides an opportunity to share our commitment to maintaining and enhancing quality, as well as to reinforce the importance of compliance. It also serves to raise each employee's awareness of preventing the occurrence of quality complaints, thereby contributing to greater customer trust and satisfaction.

Quality Management

The Hodogaya Chemical Group in Japan and HODOGAYA CHEMICAL KOREA have obtained integrated certification for ISO 9001, the international standard for quality management systems (QMS), while our group company, SFC in South Korea, has acquired certification independently. Under a unified group-wide quality management framework, we practice QMS-based quality control across all products and services to meet customer expectations, and we are committed to continuous improvement with a high level of expertise and responsibility.

Furthermore, as part of our activities to effectively operate the QMS, we are focusing on training ISO internal auditors and continuing to provide not only in-house training but also practical education by external lecturers.

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

VOICE

Participant feedback from the QC circle presentation

Manufacturing Department, Yokohama Plant
S.T.

What I felt from participating in the QC circle presentation meeting was that the concept of valuing quality is deeply ingrained in each and every employee. Observing participants who identified workplace issues on their own, collaborated with colleagues to develop and implement improvement measures, I was able to sense a strong culture of pursuing quality enhancement in daily operations. I was also impressed by the fact that the results of these activities were clearly reflected in numerical results, and that they were directly linked to improving customer satisfaction and ensuring reliability. I strongly felt that such steady, continuous efforts ultimately strengthen the overall competitiveness of the Company and contribute directly to enhancing corporate value. Moving forward, I hope to continue spreading a high level of quality awareness throughout the Company through these activities, thereby contributing to further 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

Promotion of Sustainable Procurement

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

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

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

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

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

Details on Procurement Guidelines can be found on our website.
https://www.hodogaya.co.jp/english/wp/wp-content/uploads/2024/09/Procurement-Guidelines_ENG_20241001.pdf

Declaration on Partnership Building

Hodogaya Chemical is committed to promoting collaboration and mutual prosperity with our supply chain partners and other stakeholders involved in value creation, as well as implementing initiatives focused on building new partnerships.

Aiming to establish a sustainable supply chain, we will advance business activities that consider environmental and social aspects, based on constructive dialogue with our partners.

Details on the Declaration on Partnership Building can be found on our website. (Japanese only)
https://www.hodogaya.co.jp/wp/wp-content/uploads/2024/01/partnership2024.pdf

Respect for Human Rights

Related Materiality

- Respecting human rights

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

Basic approach

The Hodogaya Chemical Group believes that respect for human rights as stipulated in the Constitution of Japan is a fundamental matter in carrying out its business activities. Identifying respect for human rights in our Sustainability Policy, we comply with laws and regulations as well as highly ethical and normal 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 (Japanese only)
https://www.hodogaya.co.jp/company/governance/action/

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 normal behavior
2. Respect for diversity, personality, and individuality of everyone working at the Hodogaya Chemical Group
3. Creation of a sound and pleasant working environment free of discrimination and harassment

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

Human Rights Due Diligence Initiatives

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

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

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

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

Initiatives to Tackle Human Rights Issues in the Supply Chain

The Hodogaya Chemical Group has formulated the Procurement Policy and the Procurement Guidelines and has included clauses on compliance with the Procurement Guidelines in basic contracts with partner companies. In addition to understanding the content of these clauses, we also ask partner companies to undertake initiatives to tackle human rights issues that are similar to those of the Group. The Procurement Guidelines spell out the prohibition of forced labor, prohibition of inhumane treatment, prohibition of child labor, prohibition of discrimination, proper wages, and work hours as items to be complied with for the Human Rights and Labor Standards.

Due to these policies, forced labor and child labor are not observed in the supply chain.

Procurement Guidelines
https://www.hodogaya.co.jp/english/wp/wp-content/uploads/2018/09/procurement_guidelines_20180918.pdf

Establishment of a System to Prevent All Forms of Harassment

The Hodogaya Chemical Group established a system to comprehensively prevent all forms of harassment that could be considered as violations of human rights. This includes workplace bullying, sexual harassment, pregnancy-related harassment, or harassment related to leave taken for childcare or other long-term nursing care. After clearly stipulating in our business policies and Work Rules that harassment is prohibited, we created harassment prevention regulations and a manual in order to implement a range of measures, including establishing a consultation desk and establishing internal human rights due diligence. During Compliance Training, personnel are regularly educated on the prevention of various types of harassment and about consultation desks, and by continuing to do so, we will ensure a work environment that respects human rights.

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

Community and Society

Related Materiality

- Contributing to communities

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

Basic approach

The Hodogaya Chemical Group believes that as corporate citizens contributing to the sustainable development of the community is an important activity in carrying out its business. We are engaged in various community contributions including the nurturing of children through chemistry, environmental conservation activities in the regions where the Group's plants are located, and the provision of tangible and intangible objects that are useful for the rich lifestyles of people.

In addition, if a disaster is designated as a major disaster by the Cabinet Office, where one of our key bases is located, and the damage to the area around the base is severe, we donate a certain percentage of the previous fiscal year's earnings to the impacted prefecture. Most recently, in August 2023, we made a donation through the corporate version of hometown tax to contribute to the regional revitalization of Fukushima Prefecture, which we have always been indebted to.

Hosting Sign Language Courses for Companies

(M.A., Management Department, Koriyama Plant)

To promote understanding and active communication with those who are hearing-impaired, we hosted the "Corporate Sign Language Course" organized by Koriyama City at our Koriyama Plant. The program was held every Wednesday over three periods: December 2023 to February 2024, June to July 2024, and May to June 2025, totaling 25 sessions with approximately 60 participants in total.

In the course, participants learned simple self-introductions, greetings, and practical sign language expressions that can be used in the workplace. Unlike textbooks or video-based learning, the face-to-face format allowed them to grasp subtle differences in expression and finger movements.

Going forward, we will continue to foster mutual understanding and deeper communication by being mindful of others' circumstances and situations.

Supporting Children's Curiosity and Creativity

(M.S., Management Department, Yokohama Plant)

Hodogaya Chemical participates in the "Summer Vacation Children's Chemistry Experiment Show," presenting a workshop on creating water-based pens using our specialty dyes and exploring color separation. While assisting with the experiments, we were impressed by the children's flexibility and creativity. Through the paper chromatography (color separation) experiment, many works were produced that reflected ideas adults would never have imagined. Together with the children, we were able to truly experience the event's theme: "Chemistry is so much fun!"

Around 60 of our employees supported this event over the two-day period. With many young staff members taking part, the atmosphere was vibrant, and it highlighted their strong willingness to contribute to society.

From Oshima Tidal Flats: Shunan City Blue Carbon Project in Tokuyama–Kudamatsu Port

(K.A., Environmental Safety Office, Nanyo Plant)

This project ("PJ") is an advanced initiative in Shunan City, located along the Seto Inland Sea, that leverages the natural power of fishing ports and surrounding areas to help prevent global warming and revitalize the local community.

The central site of the PJ, Oshima Tidal Flats, is Japan's first 29-hectare artificial tidal flat with the primary goal of promoting the autonomous regeneration of clams. It is a valuable habitat supporting a rich ecosystem, home to seagrasses such as eelgrass, clams, oysters, octopuses, small fish, and a diverse range of other organisms.

Seagrass beds not only absorb carbon dioxide from the seawater but also serve as nurseries for juvenile fish, contributing to the recovery of fishery resources.

The PJ has expanded its activities, with seagrass restoration and planting efforts, including eelgrass, underway at Heta (Tsugi) fishing port. In addition, local schools, citizens, companies, and government agencies collaborate to monitor the marine environment and provide experiential learning, helping to raise environmental awareness.

By participating in marine environmental improvement activities that support building future communities in harmony with nature, centered on blue carbon initiatives for a decarbonized society, we aim to contribute to biodiversity enhancement and local climate change mitigation*, while also enhancing corporate value.

* As a "blue carbon ecosystem" that plays a vital role in absorbing and sequestering CO_2, it has been certified for 95.6 t-CO_2 credits in 2025 (of which 3.2 t-CO_2 are attributable to our Company).

Corporate Governance

Related Materiality

• 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.

Hodogaya Chemical Corporate Governance System

List of Corporate Governance Systems*1

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

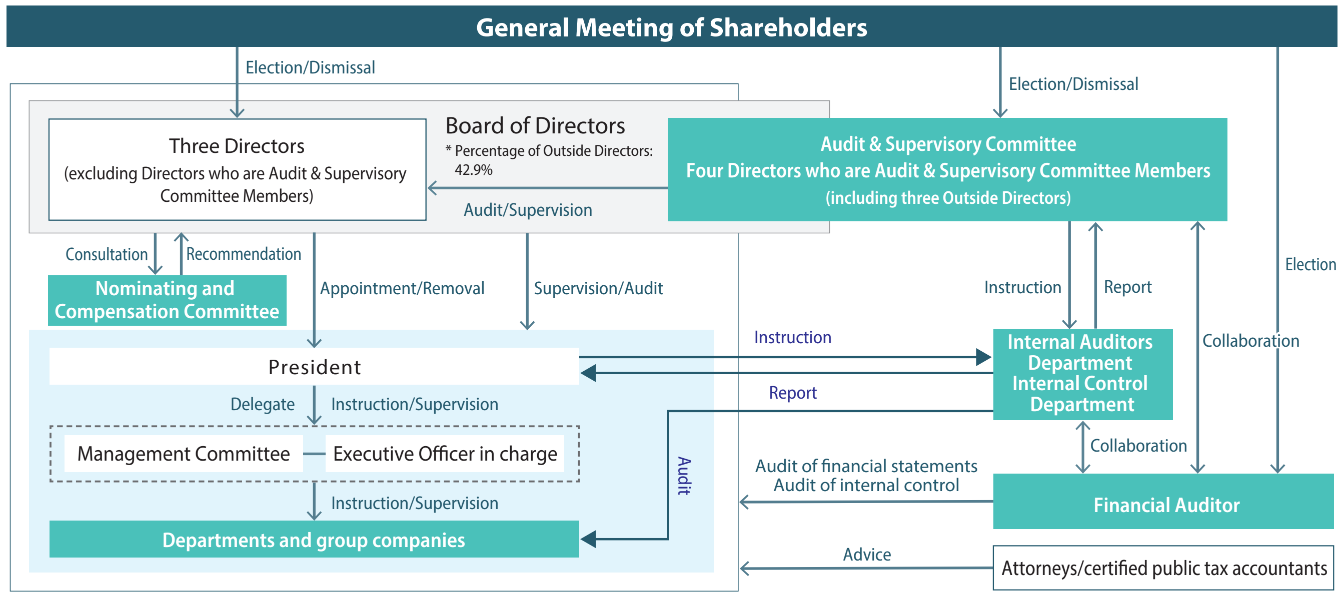
*1 As of July 1, 2025
*2 To increase the speed and agility of corporate management, the Board of Directors entrusts the decision-making on important business operations to the Representative Director and President, excluding matters statutorily prescribed to be exclusively deliberated by the Board of Directors.

Initiatives to Strengthen Corporate Governance

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

Link to the Corporate Governance Report (Japanese only)
https://www.hodogaya.co.jp/wp/wp-content/uploads/2025/06/corporate_governance_20250627.pdf

Structure of corporate governance system



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

●General Meeting of Shareholders

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

Hodogaya Chemical also establishes measures to ensure shareholders can more easily attend the General Meeting of Shareholders, such as avoiding dates on which many companies hold meetings, early mailing of the Notice of Annual General Meeting of Shareholders, provision of the Notice of Annual General Meeting of Shareholders in English, and use of electronic voting (smart voting) and an electronic voting platform.

●Board of Directors Held 10 times in FY2024

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

The deliberations for FY2024 are summarized in the table below, focusing on monitoring the progress of the Mid-term Management Plan SPEED 25/30, addressing issues in businesses showing delayed progress, and reviewing the status of sustainability initiatives.

Deliberations	Number of deliberations of the Board of Directors		
	Resolutions	Reports	Others
Management strategy and businesses	-	11	-
Sustainability	-	3	-
Corporate governance	2	5	-
Financial results, investor relations and finance	10	2	1
Compliance and internal controls	-	4	-
Committee matters	-	-	2
Officers and management executives	11	6	-
Others	-	1	2

●Audit & Supervisory Committee Held 10 times in FY2024

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.

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

Key deliberations for FY2024

Approval of the audit plan and approval of audit compensation for the Financial Auditor.

- Review of internal controls and internal audit status.
- Oversight and evaluation of risk awareness and risk mitigation measures by the Risk Management Committee.
- Review of audits of affiliated companies, etc.
- Deliberation on the Financial Auditor's audit reports.

●Nominating & Compensation Committee Held 11 times in FY2024

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

Key recommendations and opinions for FY2024

- Regarding the proposal for the Director election proposal made at the Annual General Meeting of Shareholders, we reviewed the background and skills of each candidate and reported that the proposal is reasonable.
- Concerning the remuneration of directors who are not Audit & Supervisory Committee members, we compared practices with major companies in Japan and reported that the proposal is appropriate in line with the policy for determining Directors' remuneration.
- In selecting Executive Officers, department heads, and presidents of affiliated companies, we reviewed the detailed backgrounds of each candidate and conducted interviews, reporting that the proposals are reasonable.

●Management Committee

The Management Committee is composed of Executive Officers, General Managers of departments, and similar parties. The committee deliberates and reports on such items as material items that require the President's approval.

In FY2024, the committee's main topics of deliberation were investments in affiliated companies and capital expenditures, etc. in factories and research laboratories.

●Executive Officers

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

Outside Director Activity Status

In FY2024, Outside Directors not only attended Board of Directors' meetings, Audit & Supervisory Committee meetings, and Nominating & Compensation Committee meetings, but also did the following.

- Attended management and executive meetings (September 2024 and March 2025).
- Inspected business sites in South Korea (June 2024).
- Communicated with the Financial Auditor (July 2024 and May 2025)
- Dialogue with next-generation management talent (June 2024 to May 2025). Held six sessions, engaging 11 next-generation management talent.
- Attended executive compliance training (February 2025)

Corporate Governance

Successor training plan and officer training

●Election of Directors

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

●Requirements for the Appointment of the President and CEO

Hodogaya Chemical requires the following qualities in selecting the President and CEO, in addition to the qualifications expected of a Director candidate: (1) possesses dignity and integrity befitting the Company's top management; (2) ability to manage the Company based on concrete facts, with a broad perspective, while recognizing social trends and change of the times; (3) capability to make rational decisions and take full responsibility for them; and (4) commitment to actively engage in the development and promotion of human resources. Based on deliberations of the Nominating and Compensation Committee, the Board of Directors makes the final resolution on the appointment of the President and CEO.

●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

Corporate Planning Department and Audit & Supervisory Committee Secretariat → Management Committee → Audit & Supervisory Committee → Board of Directors

Evaluation Results for FY2024 (reported at the Board of Directors meeting on June 19, 2025)

Evaluation Standards	Status of Initiatives
1. Election of multiple independent Outside Directors	• Implemented. 3 out of 7 directors are independent Outside Directors (42.9%)
2. Narrowing down matters for resolution	• Delegated decisions regarding execution of operations other than those that legally require Board of Directors approval to the President based on the General Meeting of Shareholders and Board of Directors resolution • In FY2024, resolutions were passed regarding the determination of proposals for the General Meeting of Shareholders, and the appointment of Directors, etc.
3. Establishment of appropriate reporting matters	• Set annual report schedule and submitted reports after expanding items to be reported as stipulated in Board of Directors Rules • Increased efficiency of operation execution reports by compiling individual ones into a Mid-term Promotion Execution Report • Received individual reports and questions and requests from independent Outside Directors, which are separate from resolution and report items
4. Deliberation on agenda items related to personnel affairs and remuneration of Directors	• Based on the report by the Nominating & Compensation Committee, a resolution was passed regarding the proposal for the election of Directors to be submitted at the Annual General Meeting of Shareholders in June 2025
5. Provision of proper explanations beforehand to independent Outside Directors	• Mailed agenda materials several days prior to the Board of Directors' meetings and offered preliminary explanations prior to the meetings
6. Preparation of informative and easy-to-understand materials	• Continued efforts to create materials with attention to the comprehensiveness and ease of understanding of the information so that Outside Directors can make accurate management decisions
7. Appropriate time management (meeting frequency, time for deliberations, etc.)	• Met 11 times in FY2024, with slightly less than 2 hours for each meeting
8. Implementation of effective and efficient organizational audits	• Implemented an organizational audit as a Company with an Audit & Supervisory Committee • Established the Audit & Supervisory Committee Secretariat as a system to assist the Audit & Supervisory Committee • Audit & Supervisory Committee met 11 times in FY2024, 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	• Reported on state of sustainability promotion in August and December 2024 and March 2025 • Conducted thorough communication with Audit & Supervisory Committee members regarding the consideration of changing the Financial Auditor (reported in February and March 2025) • Implemented a stock split as a measure to address individual shareholders in connection with the reduction of cross-shareholdings (reported in February 2025)
Overall Evaluation for FY2024	As outlined in the table above, the Board of Directors satisfies the evaluation standards and achieves the following two items, allowing for the conclusion that the Board of Directors' functions as intended (1) Expedited managerial decision-making and business execution (2) Enhanced the Board of Directors' monitoring function
Future Initiatives	• Make a thorough investigation of monitoring activities intended to achieve the Mid-term Management Plan SPEED 25/30 • Provide more accurate, concise, and understandable Board of Directors' meeting materials • Continued to follow new trends, such as Financial Services Agency and advisory board trends and social trends

*Evaluation period: from the conclusion of the 2024 Annual General Meeting of Shareholders to the commencement of the 2025 Annual General Meeting of Shareholders

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, following the general composition ratio outlined herein.

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.

Components of Director Compensation (excluding Outside Directors and Audit & Supervisory Committee Members)

Types of Director compensation		Payment method	Composition ratio	Overview of Director compensation
Fixed Compensation		Cash Payment	60%	Compensation is paid based on each director's performance in fulfilling their duties, leadership, and execution of daily operations.
Performance-Based Compensation	Short-Term Performance-Based Compensation	Cash Payment	25%	Compensation is paid based on the Group's performance in the previous fiscal year and the individual performance of directors (including not only quantitative performance but also contributions to corporate value).
	Medium- to Long-Term Performance-Based Compensation	Stock Grant	15%	Compensation is paid based on the Group's medium- to long-term performance (including not only quantitative performance but also contributions to corporate value). * Paying with Company stock as consideration fosters a shared shareholder perspective. Delivering it upon a director's retirement serves as motivation for the director to enhance the corporate value of our Group during service.

Total Director Compensation, etc. (FY2024)

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)	94	63	17	13	4
Directors who are Audit & Supervisory Committee Members (excluding Outside Directors)	15	15	—	—	2
Outside Directors	23	23	—	—	3
Total	133	102	17	13	9

* Amounts are rounded down to the nearest million yen.

Dialogue with Investors

Hodogaya Chemical distributes the BUSINESS REPORT annually to our shareholders as a means of communicating with them, and of explaining the progress of Hodogaya Chemical's Mid-term Management Plan SPEED 25/30 to our shareholders. Hodogaya Chemical streams videos on the website to explain the Company's financial results (first-half and year-end) and progress of the Mid-term Management Plan to our shareholders and investors. In addition, the Company makes individual visits to institutional investors. These results are fed back to management meetings, leading to improvements and revisions in financial strategy and investor relations activities.

Cross-shareholdings

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

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

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

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

Number of issues held as cross-shareholdings

FY	2021	2022	2023	2024
Number of issues (companies)	36	35	34	33

Messages from Outside Directors

Masaki Sakai

Outside Director (Audit and Supervisory Committee Member)

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

Increase diversity and creativity in the workplace through employee-focused career development

Under the strong leadership of Yuto Matsumoto, President and CEO, Hodogaya Chemical is actively working to reform its business. With the establishment of the Organic & Optical Device Materials Division and steady efforts to grow the organic light-emitting diode (OLED) business, the Company has put into place a system to focus on the development of perovskite solar cell materials, which could be a key to solving energy issues. By merging its South Korean subsidiaries SFC and REXCEL, the Company has achieved integrated production of OLED materials and is seeking to enter the field of nucleic acid medicine, next-generation pharmaceuticals. Hodogaya Chemical has also upped shareholder returns by raising the dividend for five consecutive years and it aim to be a company that continues to grow and is beloved by investors for the next 100 years.

The basis of this strategy is maintaining a workplace where everyone feels job satisfaction by proactively developing human resources and improving engagement, the first E of SPEED 25/30. With subsidiaries and bases in various countries, the Company requires global talent who can overcome cultural differences to build relationships of trust and push its business forward. To promote open innovation, Hodogaya Chemical also needs specialized talent who can proactively collaborate with its affiliates. Furthermore, as a manufacturing company, it is essential that plant employees, who are the Company's lifeline, can work safely and with motivation. In areas such as accounting and internal control, the Company also requires talent who can drive reforms through the use of AI and other technologies.

As a company with over a century of history, we have long strived to create a collaborative and stable workplace. Our relationship with the labor union has also remained strong.

However, the workplace is evolving. It will increasingly be composed of diverse talent—including new graduates, mid-career hires from other companies, alumni rejoining the organization, and individuals with varying career paths, such as those who stay until retirement or those who transition to other companies after reaching a milestone. We also expect to see a continued increase in foreign talent.

To enhance the creativity of this increasingly diverse workforce, a company must stand alongside its employees and actively support them in realizing their desired career paths. I believe that steady, sincere efforts will lead to meaningful outcomes. With this belief, I will continue to engage in active discussions within the Board of Directors and the Nomination and Compensation Committee.

Shinobu Fujino

Outside Director (Audit and Supervisory Committee Member)

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

Deepen discussions at Board of Directors' Meetings to promote shareholder returns and diversity

The Board of Directors' agenda covers a wide range of topics, including decisions on the allocation of revenue earned through business activities. Even in an uncertain business environment where the future is difficult to predict, the Company has continued to steadily increase dividends to shareholders. Hodogaya Chemical has also discussed expanding the scope of the J-ESOP to employees and encouraging increases in employee salaries. Following its recent investment in South Korea, the Company has also been proactive in domestic capital investment, primarily in the Functional Colorants segment, including strengthening the functions of the Tsukuba Research Laboratory. I sense a growing commitment to returning profits to shareholders and employees and to investment activities.

The progress of SPEED 25/30 is also reported to the Board of Directors, and a target for the percentage of female managers has been set as part of the promotion of diversity. While numerical targets for managers are important, I believe that even before that, Hodogaya Chemical needs to become a company where each employee, including women, can gain confidence through work experience and take on new challenges. The only way to develop confidence in one's work is to experience success and failure at work. The Company's future challenge is how to create an environment where each individual can take on new work, regardless of attributes such as age, nationality, or gender.

Consultations received from employees at internal and external reporting hotlines are also reported to the Board of Directors. While the malfunctioning of whistleblowing systems has been in the news as of late, the Company is discussing ways to ensure that whistleblowers are not disadvantaged and that the consultations received contribute to the greater health of the organization. I would like the Company to continue this approach without wavering.

SPEED 25/30 is also entering its next phase. Hodogaya Chemical offers a wide range of products, so at the Board of Directors' meetings we are not just tracking sales figures, but are also currently in discussions with executives to share more specific information about each product group and discuss the future direction of business together, taking into account changes in the global situation and economic trends.

Akira Matsunaga

Outside Director (Audit and Supervisory Committee Member)

As an administrative official of the Ministry of International Trade and Industry (now the Ministry of Economy, Trade and Industry), he has extensive knowledge and experience both domestically and internationally.

Utilize my experience in economic and industrial administration to analyze the business environment and contribute to sustainable growth

Japanese companies are currently facing severe changes in their business environment. While technologically, they must respond to carbon neutrality and DX, the future of trade is uncertain due to rising geopolitical risks and protectionist movements. Furthermore, corporate Japan is being forced to deal with unprecedented threats, such as cybersecurity and economic security. Throughout my time working in economic and industrial administration, I analyzed major changes in the business environment and continually considered what policies were needed. I hope to utilize this experience to offer a different perspective and approach than those in internal discussions to major changes in trends, rather than individual risks, compared to internal discussions. As a 100-year-old company, Hodogaya Chemical has weathered many economic storms. I would like to use my experience to contribute through discussions at the Board of Directors' meeting, so that the Company can continue to grow sustainably for another 100 and 200 years.

I have learned that Hodogaya Chemical's products are used as "essential" components in a variety of familiar products, such as mobile phones, copiers, stationery, herbicides, clothing, and daily necessities. I have also learned that as a 100-year-old company, Hodogaya Chemical has a history of steadily growing by pioneering new fields one after another while still valuing its founding business and overcoming numerous crises. As mentioned above, I believe that the environment surrounding corporate Japan is currently undergoing a once-in-a-century period of sea change. In order to respond to this, the Company must not only revive its existing businesses but also create new "essentials" (pillars of revenue). I believe that Hodogaya Chemical's strength lies in the ability of its employees to work together toward this goal. I hope to contribute to creating an environment that will make this possible.

Board of Directors

Yuto Matsumoto
Representative Director, President and CEO

Number of Board of Directors meetings attended in FY2024 10/10

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.

Norimasa Yokoyama
Director and Managing Executive Officer

Number of Board of Directors meetings attended in FY2024 (after appointed as a Director) -

Brief personal record
Mr. Yokoyama joined the Company in April 1988, and has been engaged in research and development as well as production operations. In June 2025, he was appointed Director and Managing Executive Officer, overseeing the R&D department.

Shinichi Sato
Director and Managing Executive Officer

Number of Board of Directors meetings attended in FY2024 7/7*

Brief personal record
Mr. Sato joined the Company in March 2014, and has been engaged in operations of the Internal Control Department and Legal Department of the Group while utilizing his extensive experience and knowledge gained during his time in the banking field. He was appointed Managing Executive Officer in June 2024, overseeing promotion of sustainability, human resources, accounting, internal controls departments.

Shinichi Matsuno
Director (Audit & Supervisory Committee Member)

Number of Board of Directors meetings attended in FY2024 7/7*

Number of Audit & Supervisory Committee meetings attended in FY2024 7/7*

Brief personal record
Mr. Matsuno joined the Company in April 1981 and has been widely involved in the Research & Development, Purchasing, Sales and Corporate Planning Departments. After serving as a Director and Managing Executive Officer since June 2015, he was elected Director in June 2024.

Masaki Sakai
Outside Director (Audit & Supervisory Committee Member)

Number of Board of Directors meetings attended in FY2024 10/10

Number of Audit & Supervisory Committee meetings attended in FY2024 10/10

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 Board of Directors meetings attended in FY2024 10/10

Number of Audit & Supervisory Committee meetings attended in FY2024 9/10

Brief personal record
Ms. Fujino began career counseling business (private practice) in January 2002. She has extensive experience in personnel and organizational development and diversity promotion and was appointed as a Director (Audit & Supervisory Committee Member) of our Company in June 2023.

Akira Matsunaga
Outside Director (Audit & Supervisory Committee Member)

Number of Board of Directors meetings attended in FY2024 -

Number of Audit & Supervisory Committee meetings attended in FY2024 -

Brief personal record
Mr. Matsunaga joined the Ministry of International Trade and Industry (now Ministry of Economy, Trade and Industry) in April 1986, where he was extensively involved in economic and industrial administration as well as international affairs. In June 2025, he was appointed Director (Audit and Supervisory Committee Member) of the Company.

* They have attended all meetings since taking up position as Director in June 2024.

Board of Directors Skills Matrix

The following seven skills were selected for the Board of Directors Skills 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	○			○	○	○	○
Norimasa Yokoyama	○				○	○	○
Shinichi Sato	○	○	○	○			
Shinichi Matsuno	○			○	○	○	
Masaki Sakai (Outside)				○	○	○	○
Shinobu Fujino (Outside)	○	○		○			
Akira Matsunaga (Outside)		○	○		○		○

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

Compliance

Related Materiality
- Spreading compliance

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

Basic approach

In addition to fully recognizing and consistently applying compliance's basic meaning of adhering to laws and regulations, the Hodogaya Chemical Group conducts corporate activities keeping in mind its meaning of ensuring behavior in line with what society demands of the Group.
As a result of earnestly implementing compliance and conducting fair, non-discriminatory business activities, there have been no personnel who have been fired and the Group has not had to pay fines or other penalties due to behavior that goes against the legitimate interests of the Group or behavior that undermines trust in and the reputation of the Group.

Promotion Structure

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

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

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

Internal Reporting System

As for the internal reporting system, the Hodogaya Chemical Group has not only designated an outside attorney and the Internal Control Department as contact points but also created a system that clearly stipulates whistleblower protection and other elements so as to prevent and quickly detect violations of laws, regulations, rules, and corporate ethics, based on the Internal Reporting Rules.

In addition, the status of internal reporting and other matters are reported to the Audit & Supervisory Committee. One internal report was submitted in FY2024.

Compliance Education

The Hodogaya Chemical Group is committed to ensuring strict compliance. From the perspective of cultivating and improving compliance awareness, we continuously conduct compliance training for all officers and employees (four times annually), training sessions for officers (once annually), training for officers of Group companies (once annually), as well as individual education through e-learning. The participation rate of all managerial employees in these training programs has consistently reached 100%. In addition, managerial 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 managerial personnel currently stands at 99.6% (as of March 31, 2025).

Tax Compliance

The Hodogaya Chemical Group meets the demands and expectation of society by properly fulling its obligation to pay taxes in all countries and regions in line with the Corporate Action Guidelines and Compliance Action Policy. We are working to maintain and improve tax compliance.

Compliance Training Calendar (FY2024)

	April	July		December	January	February
Training	Issue-based training (1)	General training (1)	Group company officer training	General training (2)	Issue-based training (2)	Officer training
Eligible participants	All officers and personnel	All officers and personnel	Group company officers	All officers and personnel	All officers and personnel	Directors (including Outside Directors) and executive officers
Content	• Questions from the compliance textbook (total of 15)	• Compliance basics • J-SOX • Regulatory matters • Information security • Respect for human rights • Quality-related scandals • Contract examination and review • Harassment education • General Meeting of Shareholders Report	• Basics of the Companies Act	• Contracts • Approval rules • Quality-related scandals • Personal information management • Harassment education • Antisocial forces education • Information security • Insider trading • Internal report	• 22 key compliance questions to understand	Explanation on the following by external lawyers: • Recent developments in corporate legal affairs • Latest trends in the Stewardship Code and Corporate Governance Code

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

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.

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.

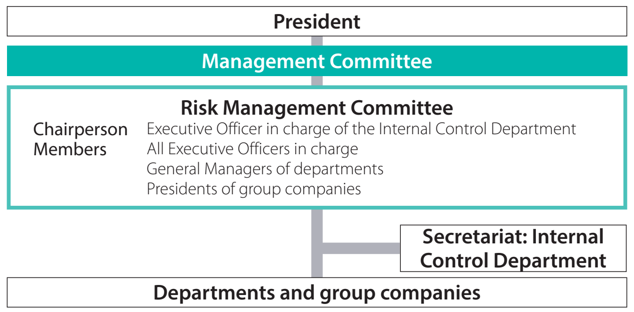
Risk Management Committee

The Hodogaya Chemical Group has a Risk Management Committee in place, in accordance with the Risk Management Committee Rules.

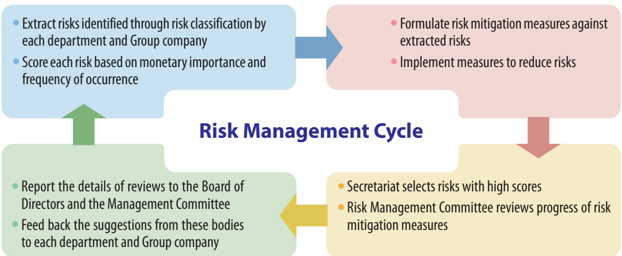
The Committee holds regular meetings to share risk awareness, develop measures to reduce risks, review the progress of such measures, and take initiatives to minimize damages based on the Crisis Management Regulations, across the Hodogaya Chemical Group as a whole.

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

Risk management structure



Risk Evaluation Procedures



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

Overall Risk Awareness for FY2025

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

[Uncertainty surrounding US politics]
Implementation of tariff hikes, immigration measures, or tax cuts could drive higher inflation, possibly leading to stagflation.
[The impact of US tariffs, etc. on Japan (as a risk scenario)]
— Economic slowdown, stagflation, spillover of a financial crisis
— Significant impact on manufacturing, particularly the capital goods sector (industrial machinery, construction machinery, and transportation machinery such as vehicles, etc.)
[Trend towards global multipolarity and political polarization due to the collapse of the middle class in Europe and the US]

Details of FY2024 Deliberations

Deliberations by the Risk Management Committee in FY2024 were primarily regarding such issues as sales risk, manufacturing risk, purchasing and procurement risk, which are based on the risk management cycle depicted in the figure to the left.

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 the 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.

VOICE

The circle of trust created by psychological safety and compliance

A.A.
Internal Control Department

In the Internal Control Department, we support the organization in establishing trust by ensuring strict compliance throughout daily operations. What I value most is fostering a psychologically safe workplace. When everyone feels secure in expressing their opinions and sharing mistakes or questions, it helps prevent misconduct and enables the early detection of issues. In such an environment, colleagues naturally support one another, and constructive discussions can lead to the creation of new value.

In everyday conversations, moments when phrases like "That's a great idea" or "Thanks for noticing that (issue)" are exchanged make me feel that psychological safety is a driving force within the organization. Moving forward, I want to continue expanding this circle of trust and security and remain a member who contributes to the Company's future.

6-year Financial Summary

(millions of yen)

		FY2019	FY2020	FY2021	FY2022	2023	FY2024
Net sales		37,771	41,199	41,879	43,324	44,261	48,578
Functional Colorants		11,855	16,503	17,581	17,990	21,238	25,141
Specialty Polymers		11,717	10,255	10,760	11,580	8,341	8,450
Basic Chemicals		7,156	6,866	6,753	7,152	7,846	7,515
Agro-Science		4,951	5,554	4,838	4,628	4,940	5,510
Logistics		1,932	1,848	1,780	1,874	1,704	1,780
Operating profit		2,902	5,444	6,421	3,701	3,951	4,875
Functional Colorants		1,182	4,028	4,598	2,602	3,197	3,838
Specialty Polymers		531	359	888	861	(94)	(51)
Basic Chemicals		589	436	291	(575)	207	414
Agro-Science		205	222	330	457	376	302
Logistics		397	361	298	341	250	351
Ordinary profit		3,058	5,841	6,914	4,211	4,711	4,770
Profit attributable to owners of parent		1,858	3,119	3,251	2,223	2,480	3,178
Total assets		54,903	62,609	66,448	72,051	81,157	79,858
Net assets		37,040	43,654	47,912	49,897	57,443	58,530
Net assets per share*1	(yen)	2,147.35	2,442.86	2,615.40	2,702.86	3,007.36	3,057.98
Earnings per share*1	(yen)	117.58	197.13	205.35	140.32	156.32	200.04
Equity ratio	(%)	61.8	61.8	62.3	59.5	58.8	60.9
ROE	(%)	5.5	8.6	8.1	5.3	5.5	6.6
Cash flows from operating activities		3,597	5,380	6,143	1,058	8,343	5,669
Cash flows from investing activities		(2,060)	(2,689)	(3,569)	(7,036)	(3,950)	(6,548)
Cash flows from financing activities		(2,049)	(424)	(1,848)	2,288	(2,067)	(1,882)
Dividends per share*2	(yen)	50.0	50.0	60.0	65.0	75.0	90.0
DOE	(%)	1.3	1.2	1.3	1.4	1.6	1.8
Dividend payout ratio	(%)	21.2	12.6	14.6	23.1	24.0	22.5
PBR	(times)	0.72	0.99	0.84	0.56	0.61	0.51

*1 The Company carried out a 2-for-1 stock split of common shares, effective April 1, 2025. Accordingly, both earnings per share and net assets per share have been calculated as though this stock split had taken place on April 1, 2019.
*2 Dividends per share are presented based on the number of shares before the stock split.

Statement of Authenticity

The Hodogaya Chemical Group has been publishing an integrated report since FY2017. This ninth edition of the report is centered on the Group's Mid-term Management Plan, SPEED 25/30, and integrates business activities, financial, and non-financial information. Its purpose is to provide stakeholders with a fair and accurate account of our Group's value creation process and our contributions toward a sustainable society.

The content of this report has been prepared through appropriate internal control processes to ensure accuracy and reliability. In its preparation, international reporting standards such as the Integrated Reporting Framework and GRI Standards were referenced, and information has been organized and disclosed with a focus on the Hodogaya Chemical Group's Materiality. Through this approach, we aim to present our Group's mid- to long-term growth strategy and initiatives addressing social challenges in a clear and understandable manner.

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 regard it as a key responsibility to pursue transparent management in order to contribute to a sustainable society and to build and maintain trusting relationships with our stakeholders.

Director and Managing Executive Officer **Shinichi Sato**

Primary ESG Data

		FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
FTSE Russell score (published in June of each year)		2.3	2.4	2.7	3.0	3.6	3.5
E							
Energy consumption	(kl)	27,440	27,312	29,215	27,562	21,920	22,623
Energy intensity	(kl/millions of yen in sales)	0.7265	0.6629	0.6976	0.6362	0.4952	0.4657
Greenhouse gas emissions (* This does not include CO_2 emissions from non-energy sources)							
Direct greenhouse gas emissions	(t-CO_2)	24,999	24,729	26,093	25,064	18,365	19,235
Indirect greenhouse gas emissions	(t-CO_2)	23,827	23,301	23,154	20,658	17,284	12,426
Total	(t-CO_2)	48,826	48,030	49,247	45,722	35,649	31,661
Greenhouse gas emission intensity	(t-CO_2/millions of yen in sales)	1.2927	1.1658	1.1759	1.0554	0.8054	0.6518
Prevention of air pollution							
SOx (sulfur oxide) emissions	(t)	0	0	0	0	0	0
NOx (nitrogen oxide) emissions	(t)	4.72	4.99	4.94	3.17	2.84	3.97
Dust emissions	(t)	0.04	0.03	0.02	0.00	0.00	0.00
Prevention of water pollution							
Water usage	(kt)	10,334	10,552	10,781	10,680	9,853	9,894
Water discharge volume	(kt)	9,858	10,130	10,643	10,684	9,873	9,652
COD (chemical oxygen demand) emissions	(t)	46.3	54.4	50.8	64.2	54.6	53.1
Industrial waste							
Industrial waste volumes	(t)	2,753	3,017	2,746	3,477	2,523	3,076
Industrial waste from plastic products	(t)	Started calculating from FY2022			126	110	134
Industrial waste recycle volume	(t)	1,090	1,736	1,615	2,190	1,503	1,741
Industrial waste final disposal volume	(t)	257	200	52	85	144	220
S							
Employees	(persons)	739	789	834	890	922	942
Percentage of female managers	(%)	10.8	11.2	10.8	11.0	11.3	12.1
Percentage of female employees	(%)	18.4	18.6	18.0	19.5	20.5	21.2
Percentage of non-Japanese employees	(%)	21	23	26	31	32	35
Percentage of mid-career hires*	(%)	32	33	34	35	35	35
Percentage of disability employment*	(%)	1.9	2.3	2.5	2.6	2.6	3.2
Female personnel taking long-term childcare leave*	(persons)	3	1	6	1	-	3
Percentage of female personnel taking long-term childcare leave*	(%)	100	100	100	100	-	100
Male personnel taking long-term childcare leave*	(persons)	4	1	9	10	12	9
Percentage of male personnel taking long-term childcare leave*	(%)	24	14	56	83	109	82
Long-term nursing care leave	(persons)	0	0	0	0	0	0
Gender wage gap*	(%)	Started calculating from FY2022			84.8	82.9	79.0
Average monthly overtime per employee*	(hours)	12.0	10.3	11.6	11.3	10.0	12.0
Percentage of personnel taking paid holidays*	(%)	68	65	69	71	74	72
Percentage of personnel taking refreshment leave*	(%)	94	93	93	93	96	96
Average annual training hours per employee*	(hours)	Started calculating from FY2021		109.0	106.6	96.2	81.1
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)*	(%)	3.2	1.5	3.3	1.6	1.9	3.0
G							
Percentage of Outside Directors	(%)	42.9	42.9	42.9	42.9	42.9	42.9
Number of Board of Directors meetings		17	16	16	12	13	10
Number of Nominating and Compensation Committee meetings		7	10	12	14	14	11
Number of anticorruption violations		0	0	0	0	0	0
Total amount of political donations	(yen)	0	0	0	0	0	0

* Data available for Hodogaya Chemical only

Environmental Accounting Data* (Unit: Million JPY)

	FY2022		FY2023		FY2024	
	Investment	Expense	Investment	Expense	Investment	Expense
Business area cost	125	230	59	185	414	208
(1) Pollution prevention cost	38	30	14	40	359	50
(2) Global environmental conservation cost	87	11	45	7	55	8
(3) Resource circulation cost	-	189	-	138	-	150
Upstream/downstream costs	-	9	-	7	-	12
Administration cost	-	4	-	5	-	3
R&D cost	-	46	-	22	-	40
Social activity cost	4	15	7	13	1	13
Environmental remediation cost	-	-	-	-	-	-
Other costs	-	-	-	-	-	203
Total	**129**	**304**	**66**	**232**	**415**	**479**

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

Corporate Data

Corporate data (As of March 31, 2025)

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 942 (Consolidated),
478 (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)

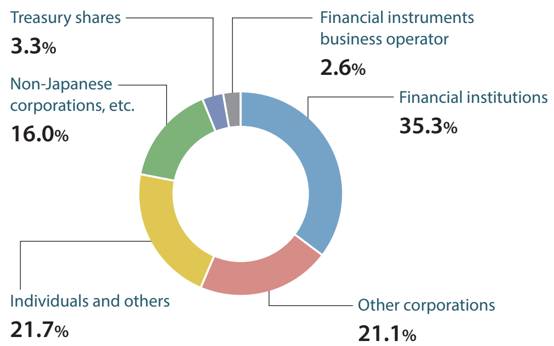
Stock information (as of March 31, 2025)

(1) Total number of authorized shares 20,000,000

(2) Total number of shares issued 8,413,726
(including 275,338 treasury shares)

(3) Number of shareholders 8,049 (+1,515 year over year)

Distribution of shares by shareholder



Main shareholders (Top 10 Companies)

Name of shareholder	Number of shares held	Percentage of shares held
The Master Trust Bank of Japan, Ltd. (Trust Account)	890,000	10.94
Tosoh Corporation	700,000	8.60
Mizuho Bank, Ltd.	298,704	3.67
The Norinchukin Bank	227,430	2.79
Custody Bank of Japan, Ltd. (Trust Account E)	191,753	2.36
MSIP CLIENT SECURITIES (Standing Proxy: Morgan Stanley MUFG Securities Co., Ltd.))	181,059	2.22
RE FUND 107-CLIENT AC (Standing Proxy: Citibank, N.A., Tokyo Branch)	180,224	2.21
Custody Bank of Japan, Ltd. (Trust Account)	176,600	2.17
Meiji Yasuda Life Insurance Company	164,535	2.02
The Toho Bank, Ltd.	148,399	1.82

* Although a 2-for-1 stock split of common shares was carried out on April 1, 2025, the above number of shares held is presented based on the number of shares held before the stock split.
* The Company holds treasury shares (275,338 shares), which are excluded from the major shareholders mentioned above. Treasury shares (275,338 shares) do not include shares held in trust under our Japanese-Employee Stock Ownership Plan (J-ESOP) and Board Benefit Trust (BBT) (191,753 shares).
* The shareholding ratio is calculated by excluding the number of treasury shares.

Main independent evaluations

Health & Productivity Management Outstanding Organization 2025

2025
健康経営優良法人
KENKO Investment for Health
大規模法人部門

FTSE Russel score: 3.5 (FY2024)
(FTSE Blossom Japan Index constituent)

FTSE Blossom Japan Index

https://www.lseg.com/en/ftse-russell/indices/blossom-japan

(FTSE Blossom Japan Sector Relative Index constituent)

FTSE Blossom Japan Sector Relative Index

https://www.lseg.com/en/ftse-russell/indices/blossom-japan

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

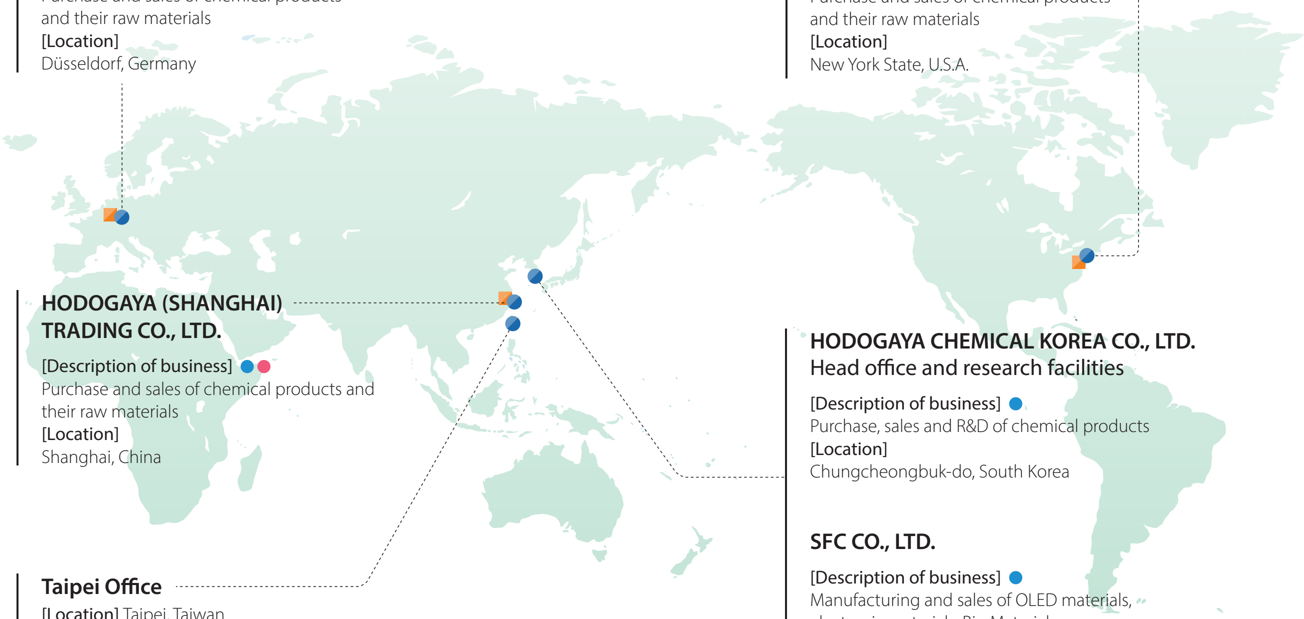
エコレールマーク

EcoVadis

SILVER | Top 15%
ecovadis
Sustainability Rating
SEP 2025

CDP
- Both climate change and water security received a CDP rating of "B" in 2024

Overseas Network



HODOGAYA CHEMICAL EUROPE GmbH

[Description of business]
Purchase and sales of chemical products and their raw materials
[Location]
Düsseldorf, Germany

HODOGAYA CHEMICAL (U.S.A.), INC.

[Description of business]
Purchase and sales of chemical products and their raw materials
[Location]
New York State, U.S.A.

HODOGAYA (SHANGHAI) TRADING CO., LTD.

[Description of business]
Purchase and sales of chemical products and their raw materials
[Location]
Shanghai, China

HODOGAYA CHEMICAL KOREA CO., LTD.
Head office and research facilities

[Description of business]
Purchase, sales and R&D of chemical products
[Location]
Chungcheongbuk-do, South Korea

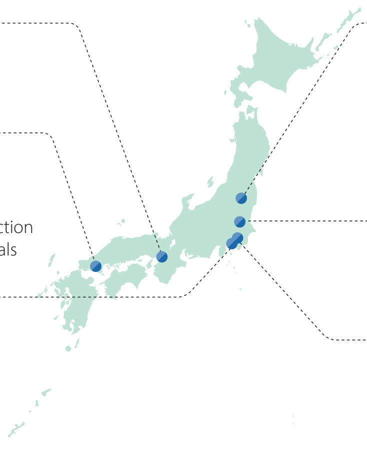
Taipei Office
[Location] Taipei, Taiwan

SFC CO., LTD.

[Description of business]
Manufacturing and sales of OLED materials, electronic materials, Bio Materials
[Location]
Chungcheongbuk-do, South Korea

Distribution Centers (Antwerp, Shanghai, New Jersey)
Functional Colorants · Specialty Polymers · Agro-Science

Domestic Network



Osaka Branch Office
[Location] Osaka City, Osaka Prefecture

Nanyo Plant/Nanyo Branch Plant
[Location] Shunan City, Yamaguchi Prefecture
Polymer materials, Construction materials, Specialty chemicals

Yokohama Plant
[Location] Yokohama City, Kanagawa Prefecture
Dyes and colors

Koriyama Plant
[Location] Koriyama City, Fukushima Prefecture
OLED materials, Imaging materials, Dyes and colors, Hydrogen peroxide, Agricultural materials

Tsukuba Research Laboratory
[Location] Tsukuba City, Ibaraki Prefecture

Head Office
[Location] Minato-Ku, Tokyo

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 July 1, 2025

HODOGAYA
HODOGAYA CHEMICAL CO., LTD.

1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-0021, Japan
TEL +81-3-6852-0300 (Main Switchboard)
https://www.hodogaya.co.jp/english/