

Corporate Governance

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RESONAC HOLDINGS CORPORATION

Hidehito Takahashi, President and Chief Executive Officer

Contact: 03-5470-3789 (Governance Group, Legal Department)

Securities Code: 4004

<https://www.resonac.com/jp>

The corporate governance of RESONAC HOLDINGS CORPORATION (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Views

Having defined the Group’s Purpose as “Change society through the power of chemistry,” we aim to achieve it through co-creative efforts with shareholders, customers, business partners, community residents, employees, and other stakeholders, thereby continuously enhancing corporate value and earning social trust and esteem.

[Reasons for Non-compliance with the Principles of Japan’s Corporate Governance Code]

It is described based on the code revised in June 2021.

(Includes principles for the prime market applicable after April 4, 2022.)

(Principles 4-8 (1) and (2): Meetings consisting solely of Independent Outside Officers and election of the lead Independent Outside Officer)

The Company has appointed four Outside Directors and three Outside Audit & Supervisory Board Members to increase the effectiveness of oversight from an independent and objective standpoint. At every Board of Directors’ meeting, each Outside Officer has actively participated in unfettered and constructive discussions about management and other issues. On the date of the Board of Directors’ meeting, the Company has provided an opportunity for Chairperson, President and Outside Officers to exchange opinion; and also has held semiannual sessions for all Officers to exchange opinions, so that they are able to fully share information. For these reasons, the Company has neither provided the meetings consisting solely of Outside Officers, nor appointed Lead Outside Director among them. However, the Company shall arrange meetings solely of Outside Officers at their request.

[Disclosure Based on the Principles of Japan’s Corporate Governance Code]

It is described based on the code revised in June 2021.

(Includes principles for the prime market applicable after April 4, 2022.)

(Principle 1-4: Cross-Shareholdings)

(1) Policy on Reduction of Cross-Shareholdings

The Company has decided that it shall not cross-hold shares with other companies in principle. With regard to existing cross-shareholdings, the Company shall reduce the amount of them.

(2) Review on the Appropriateness of Cross-Shareholdings

Every year, the Board of Directors of the Company shall review and judge the suitability of each cross-shareholdings through cost-benefit analysis of capital and other measures based on the results of the evaluation of profitability and feasibility of the relevant cross-shareholdings.

(3) Voting Right Exercise Standard

When the Company exercises its voting rights of cross-shareholdings, the company shall decide approval or

disapproval of each item on the agenda by examining whether the item contributes to increasing corporate value and maintaining/increasing shareholders' returns or not.

(Principle 1-7: Transactions among Related Parties)

The Company gains approval from the Board of Directors in accordance with laws and regulations as well as its Rules of Board of Directors for competitive transactions and conflict of interest transactions between the Company and its Directors or Corporate Officers. In addition, the Company reports the results of the said transactions to the Board of Directors.

(Principle 2-4 (1): Policies and Targets for Ensuring Diversity)

The Company has defined its policy on human resource management as follows:

"The leading creators of value in all activities of the Showa Denko Group are employees of the Group. The Group has defined its Purpose as to 'Change society through the power of chemistry,' and aims to become a corporate group that choose and is chosen by talented persons who can compete on the world stage and contribute to a sustainable global society."

Under this human resource management policy, the Company promotes human resource development and the principle of Diversity and Inclusion. The Company discloses the situation of implementation of this policy and the Company's target for increasing the number of female employees in managerial positions via the "Integrated Report," which is published every year.

URL for the Integrated Report: <https://www.resonac.com/sustainability/report/report.html>

(Principle 2-6: Roles as Asset Owners of Corporate Pension Plan)

To securely and effectively manage funds for its defined benefit pension plan, the Company has organized the Pension Management Committee consisting of experts from each of Human Resources and Finance & Accounting. The Committee deliberates on the formulation and review of basic investment policies for the pension funds and a policy asset mix. In addition, we have established a structure that allows us to cooperate with an investment-consulting firm in deliberating basic investment policies so that we can ensure sustainable and proper pension funds management.

(Principle 3-1: Full Disclosure)

(1) For company goals (Vision, etc.), management strategies and business plans.

Please refer to the Group's vision, management strategies and mid-term business plan on its website.

(URL: <https://www.resonac.com/corporate>)

(2) Basic views and basic policies on corporate governance

Details of basic views are described in "1.1 Basic Views" in this report. Concerning basic policies, "Corporate Governance Basic Policies" is posted on the Company's website.

(URL: <http://www.resonac.com/corporate/governance.html>)

(3) The Board of Directors' policies and procedures in determining the compensation of the senior management and Directors

Remuneration of Executive Directors and Corporate Officers shall consist of base remuneration, short-term performance-linked remuneration, and mid- to long-term performance-linked remuneration. In addition to the amount of base remuneration which is determined based on titles and other factors, the amount of performance-linked remuneration shall be determined in consideration of corporate and individual performance and other factors based on the performance evaluation system. In determining remuneration, the Remuneration Advisory Committee, an advisory body to the Board of Directors where Independent Outside Directors and Outside Audit & Supervisory Board Members account for the majority of its members, shall deliberate matters related to the remuneration and report the results of its deliberation to the Board of Directors.

Outline of the Board of Directors' policies in determining the compensation for directors and its new director compensation scheme is as described at the end of this Report.

(4) Board of directors policies and procedures in the appointment/dismissal of the senior management and the nomination of candidates for Directors and Audit & Supervisory Board Members

Candidates for Directors shall be persons who have the knowledge, experiences and capabilities required to fulfill their duties as Directors. The Company selects senior management members by taking into account corporate and individual performance and other factors. Candidates for Audit & Supervisory Board Members shall have the knowledge, expertise and capabilities required to fulfill their duties, including those with strong expertise in finance and accounting. In electing and nominating Audit & Supervisory Board

Members, the Nomination Advisory Committee, an advisory body to the Board of Directors where Independent Outside Directors account for the majority of its members, shall deliberate matters related to nomination and report the results of its deliberation to the Board of Directors. If there is a fact concerning the senior management, including CEO, that may meet the Dismissal Standards given below, the Nomination Advisory Committee shall deliberate the applicability of the Dismissal Standards, and report the result of deliberation to the Board of Directors. Then the Board of Directors shall make a final decision on dismissal of the relevant Director.

(Criteria for selecting candidates for Directors and Audit & Supervisory Board Members)

1. Directors

a) Inside Director

- A candidate must have high principles, wide-ranging insight, strict ethical view, fair judgement, and executive power, which are essential characteristics for carrying out Director's duties.
- A candidate must have enough knowledge and experience concerning businesses of the Group, which are essential for realizing management vision of the Group.
- A candidate must be well-educated, and maintain strong willpower, physical and mental health enough to fulfill Director's obligations.

b) Outside Director

- A candidate must have high principles and objective judgment enough to give pertinent advice on the management of the Group.
- A candidate must be a talented one who satisfies the above-mentioned condition and has expertise in the field the candidate is engaged, such as a corporate executive, an expert on laws or accounting, and a person who once served at public agencies.

2. Audit & Supervisory Board Members

a) Inside Audit & Supervisory Board Member

- A candidate must have knowledge and experience rich enough to appropriately and fairly audit the Company's Directors' performance of their duties.
- A candidate must have high principles, wide-ranging insight, strict ethical view, and fair judgement.

b) Outside Audit & Supervisory Board Member

- A candidate must have knowledge and experience rich enough to fairly and objectively judge audit of the Company's Directors' performance of their duties.
- A candidate must be a talented one who satisfies the above-mentioned condition and has expertise in the field the candidate is engaged, such as a corporate executive, an expert on laws or accounting, and a person who once served at public agencies.

(Dismissal Standards of the senior management)

a) If a Director greatly damages corporate value of the Company due to negligence of the Director's duties.

b) If it is revealed that a Director does not meet the criteria for nomination of candidates for Directors

c) If a Director cannot continue to perform the Director's duties for reasons of health.

(5) Explanations about respective elections or dismissals of senior management members and nominations of candidates for Directors and Audit & Supervisory Board Members

The Company gives explanations on its nomination of Directors and Audit & Supervisory Board Members, including reasons for their election in reference documents for the General Meeting of Shareholders. In addition, the Company appropriately discloses reasons for dismissals.

(Principle 3-1 (3): Grappling with Sustainability)

The Company has defined the newly integrated company's long-term vision concerning sustainability as a "Company that contributes to a sustainable global society." To realize this long-term vision on sustainability and make it possible for society and the Company to grow continuously, the Company has formulated its long-term management strategy including human-resource strategy and intellectual property strategy. The Company discloses this long-term management strategy, its business activities to solve various issues, and its effort to support sustainable development of society and the Company via the "Integrated Report" and the Company's website.

In addition, the Company has endorsed principles of TCFD (Task Force on Climate-related Financial Disclosures). The Company shall evaluate risks and opportunities to be brought to the Group by climate

change, strengthen resilience of the Group through analysis of climate-change scenarios, and promote sound dialogue with stakeholders.

URL for the Integrated Report: <https://www.resonac.com/sustainability/report/report.html>

URL for the Company's intellectual property strategy: <https://www.resonac.com/rd/ip>

On our website, we disclose our intellectual property strategy with an awareness of its consistency with our management strategy, and with regard to sustainability, we disclose the status of our investment in intellectual property for chemical recycling technology that supports sustainable development in our carbon neutrality efforts.

URL for Environment, social and governance (ESG) information:

<https://www.resonac.com/sustainability>

URL for Challenges to Realize Carbon Neutrality:

<https://www.resonac.com/sustainability/environment/solution.html>

(Principle 4-1 (1): Range of Scope of Delegation)

The Company has defined the scope of delegation of authority to the management by setting rules for matters to be resolved by Board of Directors and matters to be reported to the Board of Directors in the "Rules of Board of Directors."

(Principle 4-9: Independence Standards and Qualification for Independent Outside Directors)

The Board of Directors shall establish independence standards and qualifications for our Independent Outside Directors in accordance with the Independence Standards as defined by laws and regulations and Tokyo Stock Exchange, and nominates the candidates who meet these independence standards and qualifications. For the independence standards, please refer to "Attachment to the Corporate Governance Basic Policies."

(Principle 4-10 (1): Appropriate Involvement of Independent Outside Directors in the Process to Investigate Nomination of Executives and Remuneration to Them)

The Company has established Consultative Committee for Nomination of Directors and Audit & Supervisory Board Members and Consultative Committee for Remuneration to Directors and Corporate Officers. Each Committee consists of three members or more including Independent Outside Directors. Members of the two committees are selected from Directors and Audit & Supervisory Board Members. Presently, Consultative Committee for Nomination of Directors and Audit & Supervisory Board Members consists of six members including four Independent Outside Directors, deliberates nomination and dismissal of Directors and Audit & Supervisory Board Members, selection of key executives, plan for selection and training of candidates to succeed the presidency and other key positions, etc., and reports results of the deliberation to the Board of Directors. Consultative Committee for Remuneration to Directors and Corporate Officers consists of five members including two Independent Outside Directors and one Independent Outside Audit & Supervisory Board Member, deliberates policy on and amount of remuneration to be paid to each Director and Corporate Officer, etc., and reports result of the deliberation to the Board of Directors. Independent Outside Directors chair both Consultative Committees.

(Principle 4-11 (1): View on Total balance of knowledge, experience, skills and diversity, size of the Board of Directors)

The Board of Directors is composed of persons with knowledge, experiences and skills required to fulfill duties as Directors; the size of the Board of Directors shall be designed to ensure prompt decision-making and appropriate oversight of business execution. For more appropriate business execution and higher effectiveness of oversight, we shall elect at least two Independent Outside Directors with a wealth of experience and extensive knowledge, who are corporate executives, academic experts, etc. The Company shall disclose its policy on and procedures for nomination of Directors via the Corporate Governance Report, the Company's website, etc. The Company shall also identify skills which are required of Directors in order to make the Board of Directors have a combination of Directors which enable the Board of Directors to perform effective corporate governance, and disclose combination of skills of each Director, as attached at the end of this Report.

(Principle 4-11 (2): Directors and Audit & Supervisory Board Members also serving as officers at other listed companies)

The Company discloses facts about its Directors and Audit & Supervisory Board Members concurrently serving as Directors or Audit & Supervisory Board Members at other listed companies in its annual business reports.

(Principle 4-11 (3): Results of evaluation on overall effectiveness of the Board of Directors)

1. Method of Evaluation

In December 2022, the Company surveyed respective Directors and Audit & Supervisory Board Members through questionnaires and free descriptions to evaluate the effectiveness of the Board of Directors in fiscal 2022. Based on the collected self-evaluation results and discussions about the reform of the Board of Directors at officers' meetings (in June and September) for exchange of views, all Directors and Audit & Supervisory Board Members discussed the topic at the Board of Directors' meeting held in March 2023, evaluated the effectiveness of the Board of Directors in fiscal 2022, and formulated an execution plan for fiscal 2023. Note that we have outsourced the questionnaire survey and aggregation of the results to an outside institution in order to ensure its objectivity and enhance future effectiveness of the Board of Directors.

2. Evaluation Results

The evaluation results have revealed that in the Board of Directors' meetings, highly effective board members who have broad perspective and set of values reflecting a variety of experiences and expertise are engaged in discussions which help increase the corporate value; and that handouts and explanations about agenda are standardized and provided beforehand to encourage the members to have vigorous and constructive discussions and allow the members to have enough time for discussions. With regard to the execution plan for fiscal 2022, which was made based on the results of evaluation of overall effectiveness of the Board of Directors for fiscal 2021, the members of the Board of Directors and the Audit & Supervisory Board have confirmed the following:

- 1) Concrete efforts were launched to increase efficiency of the Board of Directors by aiming to secure enough time and opportunities for discussion.
- 2) Discussions began concerning the ideal state of the Board of Directors, and a common understanding was reached as to necessary steps.

Our execution plan for fiscal 2023 will focus on the following:

- Take specific measures to increase separation of execution and supervision
- Set an agenda for the Board of Directors in the future based on its objectives and roles
- Secure new opportunities of communication and improve the current method
- Make a new system for sharing information and improve the current method

(Principle 4-14 (2): Training policy for Directors and Audit & Supervisory Board Members)

In addition to offering training to new Directors and Audit & Supervisory Board Members, the Company shall provide Directors and Audit & Supervisory Board Members with opportunities for internal and external training and bear the necessary expenses so that they may regularly update their knowledge about management strategies, revision of laws and regulations, corporate governance, and other matters.

(Principle 5-1: Policy for Constructive Dialogue with Shareholders)

The Company regards investor relations (IR) activities as activities to enable shareholders and investors to understand the Company's corporate management, activities, and strategies and to evaluate the Company's corporate value appropriately. Therefore, the Company shall

- (1) actively hold dialog with shareholders and investors and increase the transparency of management, and
- (2) disclose the Company's corporate information in an easy-to-understand, fair, timely, and accurate manner in order to increase understanding and trust towards the Company.

In addition to IR activities for institutional investors both in Japan and abroad by CEO and CFO, the Company shall hold presentations for individual investors in Japan. In addition, the Company shall set up the IR Promotion Council chaired by CFO. For this Council, the IR section functions as the secretariat and General Manager of the IR section functions as the secretary-general. Main members of the IR Council are General Manager of the Accounting section, General Manager of public relations (PR) section, who functions as the Manager in charge of handling of information to be disclosed at the Tokyo Stock Exchange, and General Manager of Corporate Planning section. The IR Promotion Council shall deliberate comprehensive initiatives and basic plans related to IR, examine the details of information obtained through dialog, etc. with shareholders, and report them appropriately. In addition, the Company shall ensure

appropriate disclosure of important information by centrally managing important information such as information related to account settlement under the Timely Disclosure Rules.

2. Capital Structure

Foreign Shareholding Ratio	30% or more
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[Status of Major Shareholders]

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (T)	28,129,600	15.51
KOREA SECURITIES DEPOSITORY - SAMSUNG	9,062,100	5.00
Custody Bank of Japan, Ltd. (T)	7,667,200	4.23
STATE STREET BANK AND TRUST COMPANY 510312	4,905,270	2.70
STATE STREET BANK AND TRUST COMPANY 505223	4,850,474	2.67
Fukoku Mutual Life Insurance Company	4,516,800	2.49
JPMorgan Securities Japan Co., Ltd.	4,474,140	2.47
STATE STREET BANK AND TRUST COMPANY 510311	4,134,730	2.28
SMBC Nikko Securities Inc.	3,051,324	1.68
HSBC BANK PLC A/C M AND G (ACS)	2,854,100	1.57

Controlling Shareholder (except for Parent)	—
Parent	None

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Prime
Fiscal Year-End	December
Type of Business	Chemicals
Number of Employees (Consolidated) at End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥1 trillion or more
Number of Consolidated Subsidiaries at End of the Previous Fiscal Year	100 or more

4. Policy for Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Special Circumstances Which May Have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Supervision in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Other Director
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Officers Designated from among Outside Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Kiyoshi Nishioka	From another company								△				
Kozo Isshiki	From another company												
Noriko Morikawa	From another company								△				
Tetsuo Tsuneishi	From another company								△				

* Categories for "Relationship with the Company"

“○” when the director presently falls or has recently fallen under the category;

“△” when the director fell under the category in the past;

“●” when a close relative of the director presently falls or has recently fallen under the category; and

“▲” when a close relative of the director fell under the category in the past

- a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
- b. Non-executive director or executive of the parent of the Company
- c. Executive of a fellow subsidiary of the Company
- d. Party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the Company or an executive thereof
- f. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)
- i. Executive of a corporation to which outside officers are mutually appointed (the director himself/herself only)
- j. Executive of a corporation that receives a donation from the Company (the director himself/herself only)
- k. Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Kiyoshi Nishioka	○	Mr. Nishioka is an advisor of Research Center for Advanced Science and Technology, the University of Tokyo. Until June 2009, he had served as Executive Officer of Nippon Steel Corporation, which has a transactional relationship with us. Our annual transactions with Nippon Steel Corporation, however, accounts for less than 2% of our overall net sales.	We have appointed him as Outside Director, hoping that he would give us advice on the appropriateness of our business execution based on his strong expertise and extensive knowledge and insights garnered through his experience working in research, manufacturing, marketing, and managing the development of technologies at the steel company. Although Mr. Nishioka is an advisor of Research Center for Advanced Science and Technology, the University of Tokyo, the university has received neither a large amount of money nor assets from us. In addition, Nippon Steel Corporation, where he served as Corporate Officer until June 2009, is not our key business partner. Therefore, based on conclusion that his appointment would not cause any conflict of interests between our ordinary shareholders and the two entities, we have appointed him an Independent Officer.

Kozo Isshiki	○		<p>We have appointed him as Outside Director, hoping that he would give us advice on the appropriateness of our business execution based on his wealth of expertise and experience in business management and the financial industry. Mr. Isshiki served as an executive director of Development Bank of Japan Inc. until May 2005, from which the Company has borrowed funds. However, Development Bank of Japan is not a major creditor for the Company as the amount of the borrowing represents less than 2% of our total assets. Therefore, based on conclusion that his appointment would not cause any conflict of interests with our ordinary shareholders, we have appointed him as Independent Officer.</p>
Noriko Morikawa	○	<p>Ms. Noriko Morikawa was an executive director of Bosch Corporation until December 2018, and the Company and Bosch Corporation has business relations. However, our annual transactions with Bosch Corporation is less than 2% of our overall net sales.</p>	<p>We appointed Ms. Morikawa for Outside Director, hoping that she would give us advice on the appropriateness of our business execution based on her wide-ranging experiences and judgment she gained through her service with an accounting company and with electronics and automotive parts companies as director in charge of administrative section. Though Ms. Morikawa was an executive director of Bosch Corporation until December 2018, we appointed her as an Independent Officer because we confirmed that Bosh Corporation does not meet the condition to be recognized as our key business partner and judged that Ms. Noriko Morikawa does not have conflicting interests with our ordinary shareholders.</p>

Tetsuo Tsuneishi	○	Mr. Tsuneishi served as Corporate Director and Chairman of the Board of Tokyo Electron Ltd. and as Corporate Director of Tokyo Electron Device Ltd. until June 2022. The two companies have business relationship with us. However, the business accounts for less than 2% of our total annual sales.	We have appointed him as Outside Director, hoping that he would give us advice on the appropriateness of our business execution based on his wealth of expertise and experience in overseas business and management of a semiconductor production equipment manufacturing company in the course of its growth. He served as Corporate Director and Chairman of the Board of Tokyo Electron Ltd. and as Corporate Director of Tokyo Electron Device Ltd. until June 2022. However, we have appointed him as Independent Officer since the two companies do not fall into the category of our main customers and the appointment will not cause any conflict of interests with our ordinary shareholders.
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Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Chairperson's Attributes

	Committee Equivalent to Nominating Committee	Committee Equivalent to Remuneration Committee
Committee's Name	Nomination Advisory Committee	Remuneration Advisory Committee
Total Committee Members	6	6
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation

To strengthen functional independence, objectivity and accountability of the Board of Directors, the Company shall establish the Nomination Advisory Committee and the Remuneration Advisory Committee, advisory bodies to the Board of Directors. Independent Outside Directors represent the majority of its members for the Nomination Advisory Committee, and Independent Outside Directors represent the majority of its members for the Remuneration Advisory Committee. Both Committees report to the Board of Directors after deliberating matters related to election of candidates for Directors and Audit & Supervisory Board Members, appointment of senior management, and remuneration of Directors and Corporate Officers, respectively.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board Members	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	6
Number of Audit & Supervisory Board Members	5

Cooperation among Audit & Supervisory Board Members, Accounting Auditor and Internal Audit Department

Audit & Supervisory Board Members periodically hold meetings with Accounting Auditor where the members receive audit programs and explanations about the status of the internal control, priority audit and other matters, and exchange opinions. Audit & Supervisory Board Members accompany Accounting Auditor in their audit site-visits as needed and receive reports on any progress of the audit. Audit & Supervisory Board Members also hold bimonthly meetings with the Internal Audit Department where they are updated on audit results including the status associated with the internal control system. They may request the Internal Audit Department to investigate the status of the internal control system as needed.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Officers Designated from among Outside Audit & Supervisory Board Members	3

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Kiyomi Saito	From another company													
Masako Yajima	Attorney at law										○			
Yasuyuki Miyasaka	Certified Public Accountant													

* Categories for "Relationship with the Company"

“○” when the audit & supervisory board member presently falls or has recently fallen under the category;

“△” when the audit & supervisory board member fell under the category in the past;

“●” when a close relative of the audit & supervisory board member presently falls or has recently fallen under the category; and

“▲” when a close relative of the audit & supervisory board member fell under the category in the past

- Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
- Non-executive director or accounting advisor of the Company or its subsidiary
- Non-executive director or executive of the parent of the Company
- Audit & supervisory board member of the parent of the Company

- e. Executive of a fellow subsidiary of the Company
- f. Party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an audit & supervisory board member
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- j. Executive of a client or supplier of the Company (which does not correspond to any of f., g., or h.) (the audit & supervisory board member himself/herself only)
- k. Executive of a corporation to which outside officers are mutually appointed (the audit & supervisory board member himself/herself only)
- l. Executive of a corporation that receives a donation from the Company (the audit & supervisory board member himself/herself only)
- m. Other

Outside Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Kiyomi Saito	○	Representative Director and President of JBond Totan Securities Co., Ltd.	We have appointed her as Outside Audit & Supervisory Board Member, hoping that she would give us advice on the appropriateness of our business execution based on her wealth of experience and extensive knowledge and insights garnered through her experience starting and managing a business-consulting firm and securities firm specialized in electronic bond trading. Ms. Saito serves as Representative Director and President for JBond Totan Securities Co., Ltd., which has no interest in the Company. Since her appointment will not cause any conflict of interest with our ordinary shareholders, we have appointed her as Independent Officer.
Masako Yajima	○	Ms. Yajima is a partner attorney of Nishimura & Asahi. The Company has requested her colleague lawyers of the law firm for legal services when needed. The past three-year average fee paid to the firm was less than 2% of its gross revenue.	We have appointed her as Outside Audit & Supervisory Board Member, hoping that she would give us advice on the appropriateness of our business execution based on her strong expertise and extensive knowledge and insights about corporate legal affairs as an international lawyer. The Company has requested her colleague lawyers of Nishimura & Asahi, where Ms. Yajima is working concurrently, to handle legal affairs as needed. Since the firm has received neither a large amount of money nor assets from us, and therefore, her appointment will not cause any conflict of interests with our ordinary shareholders, we have appointed her as Independent Officer.

Yasuyuki Miyasaka	○	President, Yasuyuki Miyasaka CPA Office	We have appointed him as Outside Audit & Supervisory Board Member, hoping that he would give us advice on the appropriateness of our business execution based on his wealth of experience and extensive knowledge and insights garnered through his engagement with auditing in and outside Japan through many years as a certified accountant, and his expert knowledge and rich experience of corporate finance and accounting. Mr. Miyasaka serves as the President of Yasuyuki Miyasaka CPA Office, which has no interest in the Company. Since his appointment will not cause any conflict of interest with our ordinary shareholders, we have appointed him as Independent Officer.
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[Independent Officers]

Number of Independent Officers	7
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Matters relating to Independent Officers
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[Incentives]

Implementation of Measures to Provide Incentives to Directors	Performance-linked remuneration
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Supplementary Explanation

Outline of short-term performance-linked compensation, and medium-to-long-term performance-linked stock-based compensation for Directors is described at the end of this report.
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Recipients of Share Options	
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Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No individual disclosure
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Supplementary Explanation

The amount of remuneration paid during fiscal 2022 is as shown below. As remuneration for Directors, 557 million yen was paid to twelve Directors, of which 65 million yen was paid to four Outside Directors. As remuneration for Audit & Supervisory Board Members, 104 million yen was paid to five members, of which
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38 million yen we paid to three Outside Audit & Supervisory Board Members.
For detail of remuneration paid to Directors and Audit & Supervisory Board Members during fiscal 2022, please refer to the Business Report for the 114th Business Year (an annex to Notice of Convocation of the 114th Ordinary General Meeting of Shareholders).

Policy for Determining Remuneration Amounts or Calculation Methods Thereof

Established

Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof

Remuneration for Directors (excluding Outside Directors) consists of base remuneration, short-term performance-linked remuneration, and mid- to long-term performance-linked remuneration. In addition to the amount of base remuneration determined on titles and other factors, the amount of short-term performance-linked remuneration shall be determined in view of corporate and individual performance and other factors based on the performance evaluation system. The mid- and long-term performance-linked remuneration shall be paid in accordance with the Officer Stock Benefit Rules. Outside Directors shall be paid basic remuneration only. The Board of Directors shall determine remuneration for Directors based on the results of deliberation by the Remuneration Advisory Committee. Remuneration of Audit & Supervisory Board Members shall consist only of basic remuneration and shall be determined through discussion by the Audit & Supervisory Board.
Outline of director compensation scheme is described at the end of this Report.

[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]

(1) System for Supporting Outside Director

The Secretariat Group, General Affairs Department handles clerical works. The Governance Group, Legal Department distributes handouts regarding agenda to be discussed at the Board of Directors' meetings. Managers of Governance Group, Legal Department explain the details beforehand.

(2) System for Supporting Outside Audit & Supervisory Board Members

We have assigned full-time staff members in the Audit & Supervisory Office who support Audit & Supervisory Board Members in fulfilling their duties. The Governance Group, Legal Department or Standing Statutory Members of Audit & Supervisory Board give outside Audit & Supervisory Board Members prior explanations of the agenda to be discussed at the Board of Directors meetings and the Audit & Supervisory Board meetings. They shall also give Outside Audit & Supervisory Board Members an opportunity to obtain information through on-site inspections.

[Status of Persons Who Have Retired from a Position Such as Representative Director and President]

Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company

Name	Title/ Position	Responsibilities	Working Form and Conditions (Full-time/Part-time, Paid/Unpaid, etc.)	Date of Retirement from Position Such as President	Term of Office
Mitsuo Ohashi	Honorary Adviser	<ul style="list-style-type: none"> • Advice on activities outside the Company • Involvement in social contribution activities 	Part-time, Unpaid	January 3, 2005	1 year update

Kyohei Takahashi	Advisor	<ul style="list-style-type: none"> ▪ Advice on activities outside the Company ▪ Involvement in social contribution activities 	Part-time, Unpaid	January 3, 2011	1 year update
Hideo Ichikawa	Advisor	<ul style="list-style-type: none"> ▪ Advice on activities outside the Company ▪ Involvement in social contribution activities 	Part-time, Paid	January 3, 2017	1 year update

Total Number of Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company
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3

Other Matters

- The Board of Directors shall decide whether to appoint an adviser or honorary adviser.
- President decides internal rules for treatments of advisers and honorary advisers after deliberation by the Nomination Advisory Committee.
- Advisers and honorary advisers are not involved in the Company's business execution or its supervision. Nevertheless, advisers may advise us on specific management issues upon the request of the management.
- The "Date of Retirement from Position Such as President" described above states the date of retirement of the President and Representative Director of the Company.

2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

1. Status of the oversight and decision-making function:

The Company, as a pure holding company, specializes in Group strategy and listed company functions. While flexibly responding to business challenges, the Company appropriately allocates its management resources in consideration of the entire Group, for business tie-up, M&A, etc.

The Company introduced a corporate officer system to explicitly divide management oversight and business execution functions, giving authority to Chief X Officers (CXOs) and chiefs of Business Units to execute business. In order to strengthen functional independence, objectivity, and accountability of the Board of Directors, the Company has organized the Nomination Advisory Committee and the Remuneration Advisory Committee as advisory bodies for the Board of Directors. Independent Outside Directors represent the majority of both committees.

a) Board of Directors

The Board of Directors meeting is held once or twice per month. The board consists of nine Directors, including four Outside Directors (including one female member). The board is chaired by Mr. Kohei Morikawa, Representative Director and Chairman of the Board. To increase agility of business execution, the Board of Directors delegates part of decisions on important business execution to President and other corporate officers. The Board of Directors mainly focuses on deliberations and decisions concerning basic policies for management, establishment of the internal control system, etc. as well as oversight of execution of duties by Directors and Corporate Officers. We have also established an agile management system to quickly respond to changes in the business environment, and limit the term of office of directors to one year to more clearly define management responsibilities of Directors.

b) Audit & Supervisory Board

The Audit & Supervisory Board meeting is held once a month, in principle. The board consists of five members, including three Outside Members (including two female members). The board is chaired by Mr. Toshiharu Kato, Standing Statutory Member. The Audit & Supervisory Board Members attend the Board of Directors' meetings and other important internal meetings, offering opinions as necessary. They also conduct audits on business execution through on-site investigations, interviews with responsible persons, inspection of important documents, and other appropriate measures, so as to

provide suggestions, advice, and recommendations for securing soundness in management. In addition, Standing Statutory Members of the Audit & Supervisory Board concurrently serve as Audit & Supervisory Board Members of the business corporation to enhance audits on Group companies.

c) Nomination Advisory Committee

The Nomination Advisory Committee meeting is held three to four times per year. The Committee reports to the Board of Directors after deliberating items related to nomination of candidates for Directors and Audit & Supervisory Board Members as well as election of executive managers. The Committee consists of Kohei Morikawa (Representative Director and Chairman of the Board), Hidehito Takahashi (Representative Director and President), Kiyoshi Nishioka (Outside Director), Kozo Isshiki (Outside Director), Noriko Morikawa (Outside Director) and Tetsuo Tsuneishi (Chairman, Outside Director).

d) Remuneration Advisory Committee

The Remuneration Advisory Committee meeting is held three to four times per year. The Committee reports to the Board of Directors after deliberating items related to remuneration for Directors and Corporate Officers. The Committee consists of Hidehito Takahashi (Representative Director and President), Hideki Somemiya (Director), Kiyoshi Nishioka (Chairman, Outside Director), Kozo Isshiki (Outside Director), Noriko Morikawa (Outside Director) and Tetsuo Tsuneishi (Outside Director).

2. Status of the operational execution function:

- (1) The Company ensures appropriate and efficient operations by appointing CXOs in charge of respective functional areas and chiefs of Business Units in charge of respective business areas, clarifying their authority of management and division of duties.
- (2) The Company and its business corporation Resonac have formed the Integrated Management Committee that gives advice to President on important matters and serves as a body preceding the Board of Directors.
- (3) The Company sets the Group's direction in Long-term Vision, Group Management Policy, etc. The Company also sets financial goals in its annual budget, conducting performance management based on the budget.
- (4) The Company has appointed Chief Digital Officer (CDO) to ensure appropriate information management, standardization and streamlining of operations, and enhancement of internal control, thereby establishing and operating an optimum IT system.
- (5) The Company has organized the Risk Management Committee, the Compliance Committee, the Sustainability Promotion Council and other bodies. These committees and councils are responsible for investigation, research and deliberation on specific items necessary for appropriate business execution.

3. Status of the Internal audit function:

(1) Audit by the Audit & Supervisory Board Members: The Audit & Supervisory Board meeting is held once a month, in principle. The board consists of five members, including three Outside Members (including two female members). The board is chaired by Mr. Toshiharu Kato, Standing Statutory Member. The Audit & Supervisory Board Members attend the Board of Directors' meetings and other important internal meetings, offering opinions as necessary. They also conduct audits on business execution through on-site investigations, interviews with responsible persons, inspection of important documents, and other appropriate measures, so as to provide suggestions, advice, and recommendations for securing soundness in management. In addition, Standing Statutory Members of the Audit & Supervisory Board concurrently serve as Audit & Supervisory Board Members of the business corporation to enhance audits on Group companies. Mr. Toshiharu Kato, Standing Statutory Member of Audit & Supervisory Board, has garnered significant expertise in finance and accounting because he served as Chief Financial Officer (CFO) in charge of the finance and accounting section.

In order to enhance the functions of the Audit & Supervisory Board, six full-time staff members are assigned to the Audit & Supervisory Board Office to support Audit & Supervisory Board Members.

(2) Internal Audit: The company has organized the Internal Audit Department reporting directly to the President. The Internal Audit Department (consisting of 27 full-time staff members and 1 part-time member) forms annual internal audit plan under the provisions of the company's Internal Audit Rules, audits situations of compliance, conduct of business and internal control system of the Group including affiliated companies, reveals potential risks concerning overall business activities, and reports results of internal audit to the top management, the Board of Directors and the Audit & Supervisory Board.

In addition, the Internal Audit Department cooperates with the Accounts Auditor and Audit & Supervisory

Board Members through various measures including periodic briefing session about annual internal audit plan and results of internal audit, while paying attention to each auditing body's independence.

(3) Audit by Accounting Auditor: The Company has signed an audit agreement with KPMG AZSA LLC, which conducts accounting audit. Certified Public Accountants who executed the audit are designated limited liability partners and executive members, namely Noriaki Sakurai, Shingo Iwamiya and Daio Aida. Assistants to the audit service included nine Certified Public Accountants and 25 other staff members. Accounting Auditor reviews an annual audit schedule jointly with Audit & Supervisory Board Members and report the results of audit. Accounting Auditor exchanges information and opinions as needed to facilitate collaborations with other related parties.

3. Reasons for Adoption of Current Corporate Governance System

The Company is committed to effective corporate management by adopting the Audit & Supervisory Board Member system to improve fairness and transparency of management.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Energize General Shareholders Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholders Meetings	The notice is sent on March 9, four days earlier than the statutory date on March 15.
Scheduling General Shareholders Meetings Avoiding the Peak Day	The Ordinary General Meeting of Shareholders is held in late March.
Allowing Electronic or Magnetic Exercise of Voting Rights	Voting rights of the Company may be exercised via the internet.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	The Company has joined the Electronic Voting Platform for Institutional Investors operated by ICJ, Inc.
Providing Convocation Notice in English (Translated Fully or Partially)	We submit a convocation notice in English to the Tokyo Stock Exchange and disclose it at the Company's website.
Other	We consider shareholders meetings as the opportunities for our shareholders to understand the Company's basic policies, and therefore, we explain the details and status of the mid-term business plans at the meetings. In addition, the convocation notice is posted on the Company's website.

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	Posted on the Company's website.	

Regular Investor Briefings for Individual Investors	We hold an IR briefing session for retail investors, where the Chief Finance Officer (CFO) himself gives briefings. The briefings with documents are available for retail investors on the Company's website.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	We hold periodic briefings about our financial results, the long-term vision etc., which are available in both Japanese and English on the Company's website.	Yes
Regular Investor Briefings for Overseas Investors	The Company discloses financial results etc. in English on the Company's website. We also pay a visit to overseas investors to hold briefings on a regular basis. When we announce a mid-term business plan, etc., we also hold briefing sessions abroad.	Yes
Posting of IR Materials on Website	The Earnings Report (Kessan Tanshin) and explanatory documents for securities analysts are available online in both Japanese and English, with the Annual Securities Report (Yukashoken Hokokusho), annual report and the report titled "To our shareholders" and the notice of convocation of the general meeting of shareholders.	
Establishment of Department and/or Manager in Charge of IR	The Company has established the IR Office as an organization responsible for timely disclosure and IR activities. We have also established the IR Promotion Council as an organization. The Council is responsible for the review of comprehensive measures and basic plans related to IR, confirmation of and orders for timely disclosure.	
Other	We proactively deliver explanations to respective institutional investors. We release news in both Japanese and English at the same time on newspapers, as well as on the Company's website. We also distribute news abroad under the contract with an international news distribution company.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.	<p>These rules are set forth in our corporate philosophy established prior to the start of the Resonac Group in 2023 (consisting of the Purpose--Change society through the power of chemistry--and a set of Values) and "Our Code of Conduct (revised in 2022)."</p> <p>In "Sustainability Vision 2030" based on our Long-term Vision, we aim to achieve our growth by solving social issues and become a company that makes friends from all over the world, declaring its intention to step up commitment through engagement with stakeholders inside and outside the Company."</p>

<p>Implementation of Environmental Activities, CSR Activities, etc.</p>	<p>To achieve “Sustainability Vision 2030,” the Group is working mainly in the following five important areas:</p> <ol style="list-style-type: none"> (1) Strengthening sustainability management for integration with management/business strategies (2) Creating sources of growth through development of business and technology with sustainability at the core (3) Solving cross-functional issues such as carbon neutrality (4) Creating values by strengthening stakeholder engagement (5) Developing employees’ sustainability awareness <p>In 2022, we identified materiality for sustainability aiming to achieve Long-term Vision and contribute to the environment and society, and set and disclosed non-financial goals. As the integrated new company, we considered the direction of our efforts in the area of climate change and took part in TCFD, strengthening employees’ involvement.</p> <p>Our sustainability efforts are supervised by CEO and led by CSO. The management team, corporate staff, business divisions and plants, and Group companies are working together. The Sustainability Promotion Council meets once a month to exchange views, with the attendance of CEO and all other CXOs as well as leaders of business divisions. Important matters are discussed and decided at the Management Committee, and reported to the Board of Directors. We organized several projects under the council to deal, in a flexible and cross-functional manner, with specific issues such as carbon neutrality, human rights, and Responsible Care (an initiative aiming to protect the environment, safety, and health through the entire lifecycle of chemical substances from development, production, distribution, use and disposal).</p> <p>For details, please see the “Sustainability” section on our web site.</p>
<p>Formulation of Policies for Information Provision to Stakeholders</p>	<p>“Our Code of Conduct” stipulates that “we timely and appropriately disclose the Group’s information to enable stakeholders to properly evaluate potential influence on them.” Based on the provision, we have defined basic policies for disclosure. We release and disclose, on our website, the information helpful for our shareholders and other stakeholders in understanding the Company, whether or not such information falls under the Timely Disclosure Rules.</p>

Other	<p>[Development of corporate culture] To encourage the Resonac Group's employees to come together and increase corporate value, we will develop our corporate culture through implementation of a human resource strategy based on our Purpose and Values. We are providing various training courses and venues for dialogues inside and outside respective divisions. We are also implementing a system of Global Award to accelerate the embodiment of Purpose and Values.</p> <p>[Respect for diversity] To encourage embodiment of Purpose and Values, we need to secure diversity and share the knowledge. In 2022, we advanced the initiative to diversity, equity and inclusion. Through co-creative collaboration training courses for managers and other opportunities, we aim to provide venues for constructive discussions with psychological security regardless of attributes such as position, division, and origin. Regarding promotion of women's energetic activities, the Company has set a target to increase the ratio of female employees in managerial positions to 7% in Japan on a consolidated basis and 13% on a global basis by the end of 2025. As for employment of persons with disabilities, we are promoting our efforts under the slogan of "transforming the only-one individual personality into power." While we joined The Valuable 500 in September 2022, the number of internal supporters has increased to approximately 7,300.</p> <p>In addition, we issued Resonac Health Declaration in 2022, disclosing our efforts to produce indexes for investment in health through our health management strategy map.</p> <p>[Development of next-generation leaders, talent management] We consider it important to promptly identify and develop new leaders for the Group who can embody Purpose and Values at a high level. We have therefore established a talent management process that covers overseas affiliated companies as well. We are planning to promote the appointment of high-performers regardless of his/her corporation, nationality, gender or age. In 2022, we selected candidates for successors to major positions in respective divisions and formulated development plans for individual candidates. We launched an Overall Talent Review Conference where the management team discusses tasks and candidates for next-generation leaders from the viewpoint of total optimization. We are positively offering opportunities for growth to employees.</p>
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IV. Matters Related to Internal Control System

1. Basic Views on Internal Control System and Progress of System Development

The Resonac Group defines and appropriately operates the basic policies to "establish a system to ensure appropriateness of business (internal control system)" as stated below.

1. Framework for storing and managing information related to execution of duties by directors of the Company
 - (1) The Company shall handle, save, and maintain the minutes of the Board of Directors' meeting and other management meetings, and other information related to execution of duties in accordance with respective in-house rules.
 - (2) Audit & Supervisory Board Members of the Company can access, or can be provided with, the information saved and maintained as mentioned above every time when it is necessary.
2. Policy and framework for managing risks of loss of the Group
 - (1) The Group stipulates rules about risk management, sets up the Group's risk management system, and clarifies responsibility of the organization in charge of risk management.

- (2) In order to enable the management of the Company to manage the Group taking the risks surrounding the Group and their impacts on the Group into account, the Company shall set up an organization dedicated to the Group's risk management. This organization shall plan risk management program for the entire Group including risk assessment, and manage execution of the risk management program.
 - (3) The Company shall extract important risks in accordance with frequency of occurrence and significance of impact of those risks. Risk Management Committee of the Company shall deliberate courses of actions to be taken and their appropriateness as countermeasures against those important risks, and report the results of committee deliberations to Management Committee and the Board of Directors of the Company.
 - (4) The Company shall deliberate individual important matters at its Management Committee in terms of strategic risks, operational risks, and hazard risks.
3. Framework ensuring the efficiency of execution of duties by directors of the Company
 - (1) The Company's Board of Directors shall appoint Corporate Officers in order to accelerate the conduct of business and authorize those Corporate Officers, who work under the President and CEO, to make a part of important decisions. The Company's Board of Directors shall predominantly deliberate and decide basic policies for establishing the internal control system, and supervise the performance of Directors' and Corporate Officers' duties.
 - (2) The Company shall appoint chief corporate officers each of whom supervise a designated functional area (CXOs) and General Managers of Business Units each of whom supervises a designated business unit, and clearly define their authorities and allocation of duties, thereby enabling them to execute their duties appropriately and efficiently.
 - (3) The Company has Management Committee in order to enable the President to refer important issues to the Committee for deliberation, and makes the Committee function as a conference to have preliminary deliberation for Board of Directors' Meetings.
 - (4) The Company establishes Long-term Vision and Group Management Policies in order to decide a course of action for the management of the Group. The Company shall include each year's issues and targets of the entire Group in Annual Action Plans (budget), based on which we shall manage our business performance.
 - (5) In order to realize appropriate information management, standardize business processes, improve business efficiency, and strengthen internal control, the Company shall appoint Chief Digital Officer (CDO), thereby establishing optimal IT system and making effective use of it.
 - (6) In order to verify that Directors of Group Companies are fulfilling their duties appropriately and efficiently, the Company establishes rules about internal audit, and the Company's section in charge of internal audit shall implement internal audit of each organization.
4. Framework ensuring that execution of duties by directors and employees of the Group complies with laws and regulations and the Articles of Incorporation
 - (1) The Company establishes "Our Code of Conduct" that stipulates code of conduct and rules which should be observed by all employees of the Group. The Company also establishes "Global Compliance Standard" and other in-house rules in order to clarify matters that must be complied with by all employees of the Group and ensure compliance with laws and regulations.
 - (2) Based on the Global Compliance Standard, the Company appoints person in charge of compliance at each organization, and establishes an organization dedicated to compliance management of the entire Group.
 - (3) The Group Compliance Committee shall formulate action plans to enhance compliance of the Group and evaluate the results of the implementation of action plans.
 - (4) The Company shall properly streamline and operate the internal control to ensure reliability of financial reports, evaluate effectiveness of the internal control system every year, and improve the internal control system when necessary.
 - (5) The Company establishes Whistleblowing System to accept whistleblowing about compliance, ensure strict confidentiality of the Whistleblowing System, and, in cooperation with lawyers, the Company shall cope with whistle-blown matters appropriately and quickly, while paying close attention to prevention of whistleblowers' disadvantage.
5. Framework ensuring appropriateness of business operation of the Group companies
 - (1) The Group has established Purpose (the meaning of the Group's existence) and Values (our

- important values) as the Group's corporate philosophy, and has been disseminating them.
- (2) The Board of Directors of Resonac Holdings Corporation supervises the entire Group. Resonac Holdings Corporation, which functions as a holding company, and Resonac Corporation, which functions as a manufacturing company, shares the same management team, and operates Management Committee and administrative departments of the two companies seamlessly, thereby managing the Group efficiently and effectively.
 - (3) The Company shall formulate "Rules on Group Management" which stipulates principles on management of Group companies. In addition, important matters of Group companies shall be deliberated at the Company's Management Committee and Board of Directors meetings. Group companies are required to report information about their business conditions including financial conditions to the Company.
 - (4) As a basic policy on Group management, the Company shall manage Group companies on a consolidated basis via Business Units in charge of Group companies, etc. The Company's administrative division shall also support Group companies' management in accordance with each administrative department's functions.
 - (5) The Company stipulates and enforces in-house rules and guidelines about principles on management of the entire Group, and thoroughly makes Group companies share and observe these in-house rules and guidelines.
6. Items regarding the system for employees assisting duties of Audit & Supervisory Board Members of the Company
 - (1) The Company has established Audit & Supervisory Board Members' Office in order to help Audit & Supervisory Board Members to perform their duties.
 - (2) The Company's Internal Audit Department shall formulate and execute its audit plan in cooperation with Audit & Supervisory Board Members.
 7. Items regarding the system ensuring independence of employees assisting duties of Audit & Supervisory Board Members from the directors, and ensuring effectiveness of instructions given to them
 - (1) The Company shall consult Audit & Supervisory Board Members and obtain their prior consent for reassignment of the staffs of Audit & Supervisory Board Members' Office and their evaluations. Such staffs shall report exclusively to Audit & Supervisory Board Members.
 - (2) If the Company wants to punish a staff of Audit & Supervisory Board Members' Office for delinquency, the Company shall consult Audit & Supervisory Board Members and obtain their prior consent.
 - (3) Directors shall not unfairly impose a constraint on the staff of Audit & Supervisory Members' Office in helping Audit & Supervisory Board Members to perform their duties.
 8. System to ensure Audit & Supervisory Board Members of the Company to be informed from Directors, etc. of the Group
 - (1) Audit & Supervisory Board Members can attend important meetings of the Company including Management Committee.
 - (2) If the Company's Director discover any fact that may cause a material damage on the Group, that Director shall immediately report it to Audit & Supervisory Board Members.
 - (3) To enable Audit & Supervisory Board Members to have a full picture of important decision making or business execution by the Directors, the Company shall keep them informed by explaining matters discussed in important meetings such as the Board of Directors' or Management Committee meetings, sharing important documents about execution of duties such as requests for approval, monthly financial documents and internal audit reports, briefings by relevant divisions and departments of the Company.
 - (4) The Company's Internal Audit Department shall report plan, progress and results of internal audit of Group companies including the Company and manufacturing companies to Audit & Supervisory Board Members without delay.
 9. A system to protect Directors, etc. who reported to Audit & Supervisory Board Members of the Company from unfair treatment
The Company shall establish in-house rules to prevent persons who reported to Audit & Supervisory Board

Members of the Company from being unfairly treated.

10. Items regarding policy on procedures for advance payment or reimbursement of expenses incurred in the execution of duties by Audit & Supervisory Board Members of the Company, and other expenses incurred in the said execution of duties, or handling of debts

Audit & Supervisory Board Members' Office shall deal with administrative procedures for advance payment or reimbursement of expenses incurred in the execution of duties by Audit & Supervisory Board Members of the Company, and other expenses incurred in the said execution of duties, or handling of debts. If Audit & Supervisory Board Members ask for advance payment or other way of expenditure to cover costs etc. arising from execution of their duties, the Company shall immediately shoulder the said costs or debts except cases considered as unnecessary for execution of their duties.

11. Framework ensuring the effectiveness of auditing by Audit & Supervisory Board Members of the Company

- (1) President and Chief Risk Management Officer shall hold periodic meetings with Audit & Supervisory Board Members to exchange views on issues that the Company should address, priority audit issues, improvement of audit environments and other issues.
- (2) The Internal Audit Department and Accounting Auditor shall cooperate with Audit & Supervisory Board Members by reporting audit results and through periodic meetings, and deal with Audit & Supervisory Board Members' necessary instructions.
- (3) To increase the effectiveness of audit to be performed by Audit & Supervisory Board Members, the Company shall give proper supports for Audit & Supervisory Board Members to visit and audit sites.
- (4) If Audit & Supervisory Board Members require to consult with specialists including lawyers and accountants to obtain advice from them, the Company shall guarantee Audit & Supervisory Board Members to have opportunities to obtain such advice.

2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts

We have stipulated, in the "Our Code of Conduct" approved at the Board of Directors meeting that all employees are required to observe rules and regulations and behave under highly ethical standards. The "Guidance of Practice" including specific guidelines of the Code explicitly states that the Company shall not have any relationship with anti-social groups or persons and resolutely decline any unreasonable claims without easy concession. For this purpose, necessary information shall be collected by General Affairs Department controlling the entire company, and general affairs divisions or departments of business sites and affiliated companies under the control of Chief Risk Management Officer (CRO) and the manager responsible for preventing unreasonable concessions. They shall deliver trainings, share and familiarize relevant information and procedures against anti-social groups within the Company. For each of specific cases, we shall take a firm action in cooperation with the police authority and external professional bodies.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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Supplementary Explanation

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2. Other Matters Concerning Corporate Governance System

The below describes the internal system for timely disclosure of our corporate information.

1. Basic policies on the disclosure of information

The Company shall observe the relevant laws and regulations including Financial Instruments and Exchange Act.

The Company shall

- 1) conduct disclosure of material facts including corporate decisions and occurrence of material facts which might affect investors' decisions, and information concerning financial results, based on the Timely Disclosure Rules.
- 2) positively disclose information which does not come under the Timely Disclosure Rules but the company considers useful for shareholders, investors, and other stakeholders in understanding the situation of the Company through news releases, which the Company shall also publicize via its corporate website.

2. Status of Internal system for timely disclosure of Company information

(1) Internal management system for timely disclosure of Company information

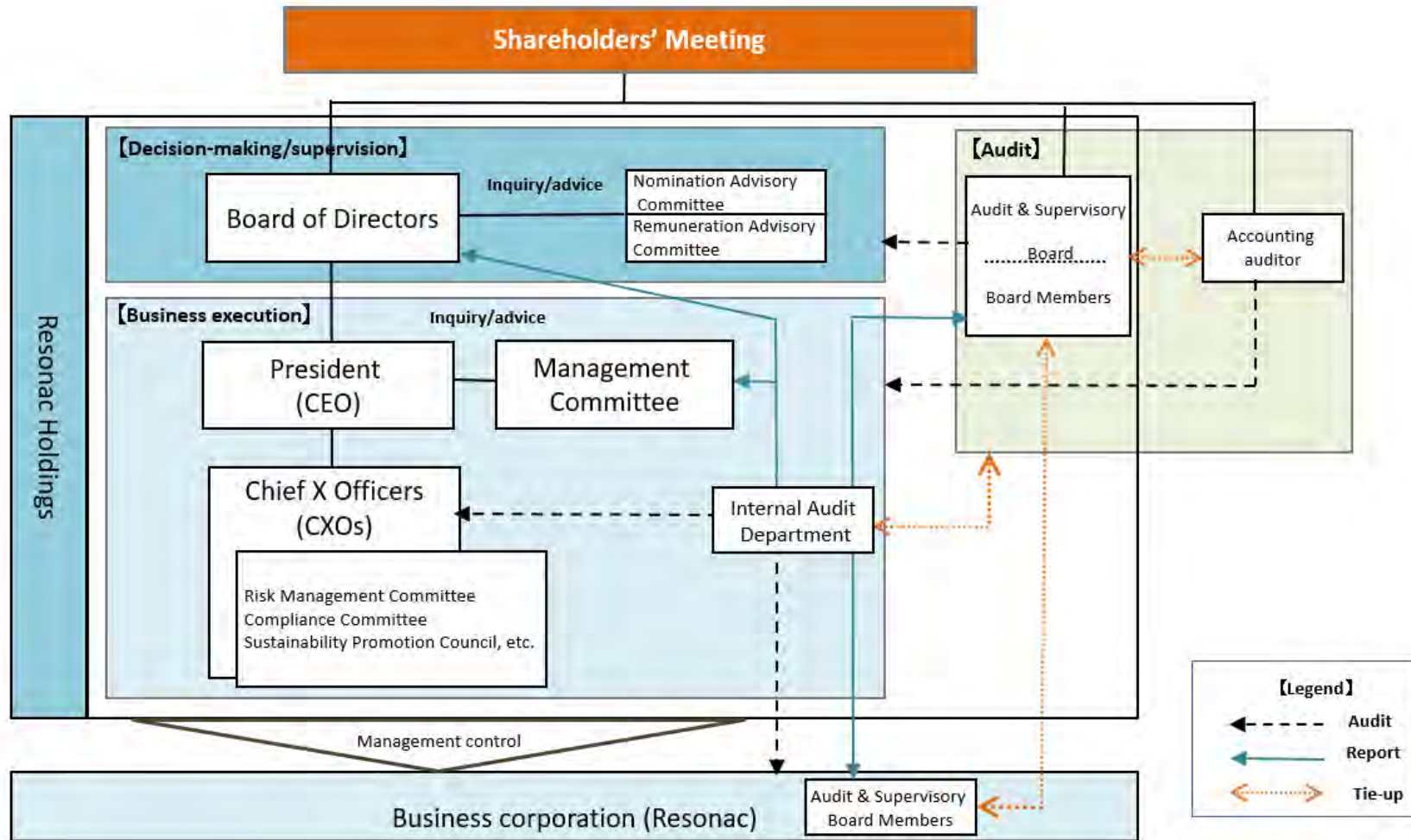
The Company has IR Promotion Council which centrally manages material facts such as facts related to account settlement under the Timely Disclosure Rules and promotes the Company's IR activities for shareholders and investors, while IR section functions as the secretariat of the Council. IR Promotion Council mainly consists of CFO as the chairman, General Manager of IR section as the secretary-general, and general managers of Accounting section, Public Relations (PR) section, and Corporate Planning section as core members. General Manager of Public Relations section also functions as the Person Responsible for TSE-related Information Control. IR Promotion Council centrally manages disclosure of material facts concerning account settlement, etc. in accordance with the Timely Disclosure Rules, in order to ensure appropriate disclosure of material facts, and also to promote easy-to-understand, timely and accurate disclosure of material facts.

(2) Timely disclosure of information related to account settlement

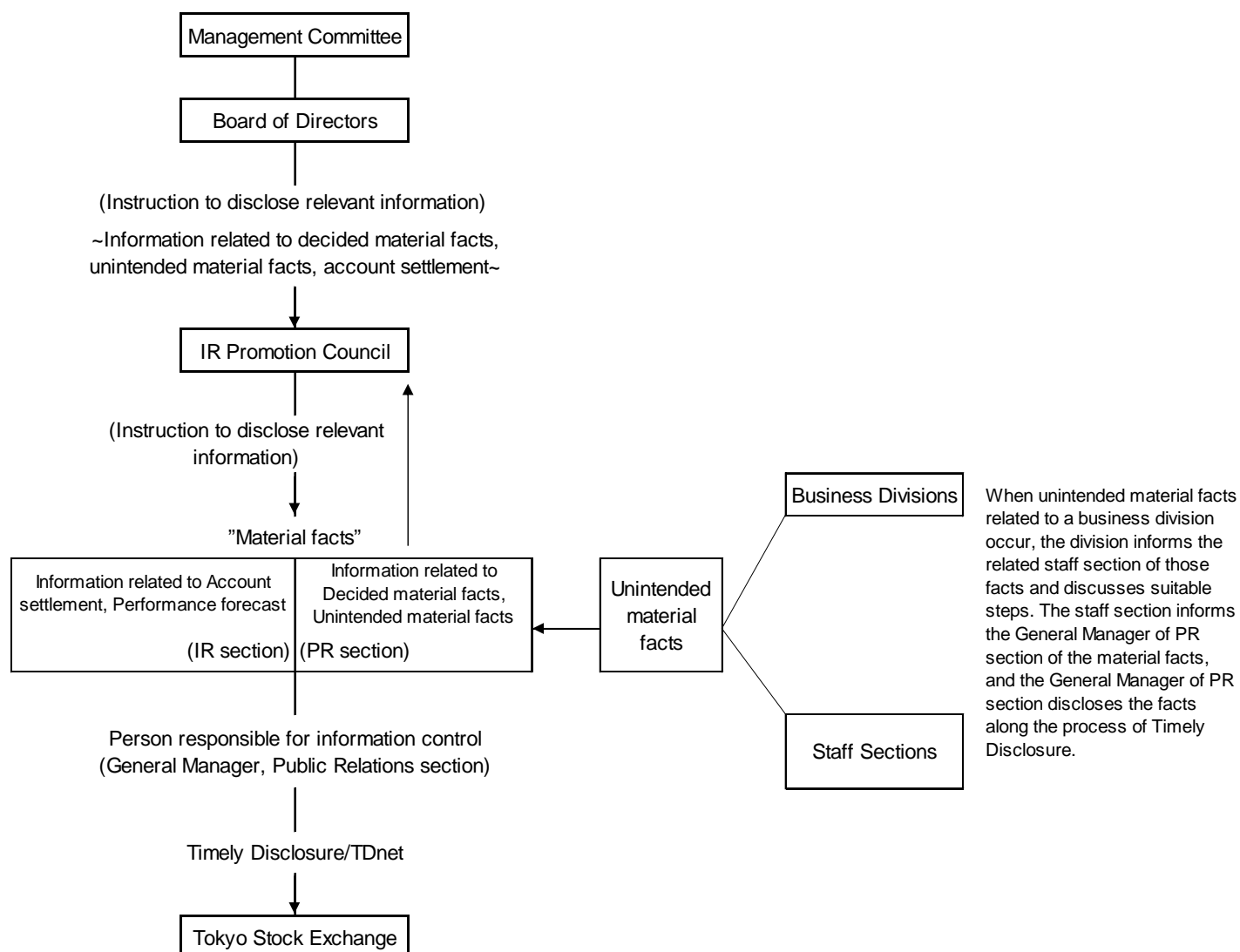
When material decisions concerning account settlement or performance forecasts are made at the Management Committee and Board of Directors meeting, IR Promotion Council instructs General Manager of PR section, who is in charge of information control, to timely disclose material facts concerning those decisions in accordance with the Timely Disclosure Rules. Following this instruction, General Manager of IR section executes timely disclosure of those material facts at TSE via TDnet, and General Manager of PR section announces those material facts at press clubs, etc.

(3) Decided material facts and Unintended material facts

When "decided material facts" (material facts decided to be done or not to be done by authorized organizations or persons of the Company) or "unintended material facts" (material facts that occurred regardless of the intention of the Company) not related to account settlement nor performance forecasts occur, the Company strictly enforces in-house information control, and General Manager of PR section consults with relevant staff departments, obtains CEO's approval for the contents of consultation and disclosure of material facts, reports those material facts to IR Promotion Council, and discloses them at TSE following the Council's instruction to disclose them.



Internal Management Structure for Timely Disclosure of Company Information in Accordance with Timely Disclosure Rules set by TSE



[Reference]

Skill matrix

Resonac's Corporate Philosophy

The Resonac Group has set its Purpose (the meaning of its existence) as “Change society through the power of chemistry,” and has also set four Values which the Group’s employees should consider important as “Passionate & Results-Driven,” “Agile & Flexible,” “Open Minds & Open Connections,” and “Solid Vision & Solid Integrity” The Group has defined combination of these Purpose and Values as the Group’s Corporate Philosophy. Under this Corporate Philosophy, the Group strives to solve social issues through its business activities.

Medium- to long-term strategy to realize Corporate Philosophy








The Resonac Group has set its management strategy as the Long-term Vision, periodically updates this Long-term Vision, and executes business portfolio reform. The Group has classified its businesses into five segments, namely, Semiconductor and Electronic Materials, Mobility, Chemicals, Innovation Enabling Materials, and Others. The Group expects that the markets for the Semiconductor and Electronic Materials segment and the Mobility segment will grow further, the Chemicals segment will make profit stably, and the Innovation Enabling Materials segment will support technical development in all businesses of the Group. We shall realize sustainable growth of the Group by making each of these business segments fill its role and achieve its target EBITDA.

Major issues to be discussed at the Board of Directors' meetings

To enhance the effectiveness of the Group’s Corporate Philosophy and medium- to long-term strategy based on the Corporate Philosophy, it will be necessary for the Board of Directors to have lively discussion and quick decision making about “the way to compete on the world stage,” “contribution to SDGs,” “well-disciplined business portfolio reform,” “innovation including technical synergy,” and “human-resource development.”

Identification of skills necessary for Directors

On the basis of above discussion, we formulated a matrix that indicates expertise and experience of each Director and each Member of the Audit & Supervisory Board.

	Name	Inside/outside the company	Term of office (years)	 Global Business	 Innovation and Fusion of Technology	 ESG and Sustainability	 Portfolio Management	 Finance/Accounting	 Personnel Management/Development	 Legal/Risk Management
Director	Kohei Morikawa		7	●	●	●	●			●
	Hidehito Takahashi		6	●		●	●	●	●	●
	Keiichi Kamiguchi		3	●			●		●	●
	Hideki Somemiya		1	●		●	●	●		
	Tomomitsu Maoka		1	●	●	●	●			
	Kiyoshi Nishioka	Outside	5	●	●	●	●			
	Kozo Isshiki	Outside	4		●		●	●	●	
	Noriko Morikawa	Outside	3	●		●		●	●	
	Tetsuo Tsuneishi	Outside	-	●			●	●	●	
	Total			8	4	6	8	5	5	3
Audit & Supervisory Board Member	Toshiharu Kato		4	●		●		●		
	Jun Tanaka		3		●	●	●		●	
	Kiyomi Saito	Outside	11	●	●		●	●		
	Masako Yajima	Outside	3	●						●
	Yasuyuki Miyasaka	Outside	1	●				●		●
	Total			4	2	2	2	3	1	2

< Outline of Director Compensation Scheme >

The outline of SDK's director compensation scheme in and after 2022 is as follows:

1. Basic policy

- Directors (excluding outside directors)
 - A compensation scheme appropriate for recruiting and maintaining excellent human resources inside and outside Japan as SDK aims to become a world-leading chemical company for advanced functional materials
 - A compensation scheme that will help motivate efforts to achieve financial goals and increase medium-to-long-term enterprise value, thereby contributing to sustainable growth of the Group
 - A transparent, fair and rational process for deciding compensation from the viewpoint of accountability to all stakeholders, including shareholders
- Outside directors
 - A compensation scheme appropriate for the role and responsibility for supervising the management of SDK from an independent and objective standpoint

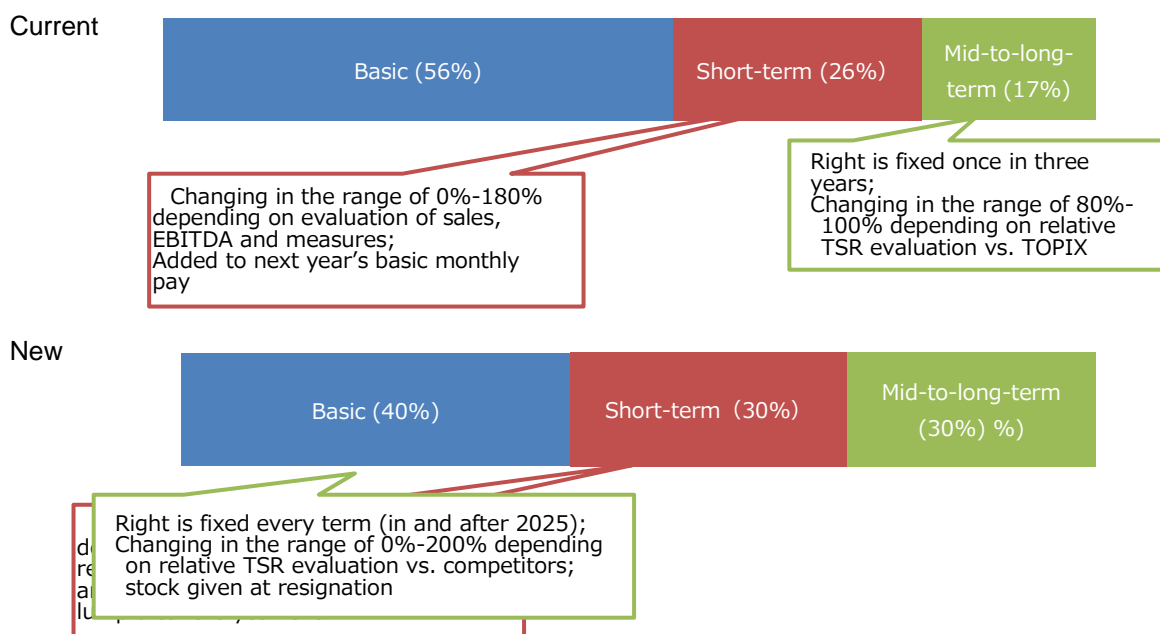
2. Composition and levels of compensation

The compensation for executive directors and corporate officers consists of basic compensation (fixed compensation) based on position, short-term performance-linked compensation, and medium-to-long-term performance-linked compensation (stock-based compensation). In case of a standard amount for President and CEO, the proportions of basic, short-term performance-linked, and medium-to-long-term performance-linked compensations are roughly 40%:30%:30%. Compensations for other executive directors and corporate officers are decided in line with the case of president. As for director and chairman of the board (without right of representation), short-term performance-linked compensation will not be given in view of its basic role of supervising the management. Compensation paid to outside directors and members of the Audit & Supervisory Board will be only basic compensation in consideration of their roles and responsibilities. In deciding the composition and levels of compensation, we will use objective market research data provided by external specialized institutions (such as Willis Towers Watson's database regarding compensation for executives). We will consider the results of comparison with global chemical or other material companies of a similar scale.

Graph 1 Type of compensation and scope of payment

Type of compensation			Scope			
Fixed / fluctuating	Money or not money	Composition	Executive directors / corporate officers	Director / chairman of the board (without right of representation)	Outside directors	Members of the Audit & Supervisory Board
Fixed		Basic	○	○	○	○
Fluctuating	Money	Short-term performance-linked (Bonuses)	○	-	-	-
	Not money	Medium-to-long-term performance linked (Stock-based)	○	○	-	-

Graph 2 Percentage of compensation components for President and CEO (image)



Composition is calculated based on standard amount.

3. Incentive compensation

Incentive compensation will be granted according to performance based on indexes of long-term numerical goals included in the integrated company's long-term vision. It is intended to urge performance of tasks for realizing vision and strategy under the compensation scheme linked to business results and enterprise value.

i) Short-term performance-linked compensation (bonuses)

Payment to each person is decided by multiplying standard value (decided in advance based on position) by performance evaluation coefficient (changing in the range of 0%-200%). The coefficient consists of overall business results evaluation (70%) and personal evaluation (30%). In the case of representative director and chairman of the board, only overall business results evaluation is considered.

Indexes of overall business results evaluation consist of the amount of consolidated EBITDA (20%), the ratio of consolidated EBITDA to sales (30%), and ROIC (20%). As for the first two, evaluation is made relative to the degree of achievement of goals for each term. As for ROIC, evaluation is made on the basis of the average for the past three years.

Personal performance evaluation is made by the Compensation Advisory Committee entrusted by the Board of Directors concerning individual goals, evaluation, and the amount of payment. In case of misconduct, SDK may nullify the right to receive benefit or demand return of compensation, depending on the timing of misconduct and the timing of its revelation. The Board of Directors will make a decision on the matter after deliberations at the Compensation Advisory Committee.

Graph 3 Evaluation indexes of short-term performance-linked compensation (bonuses)

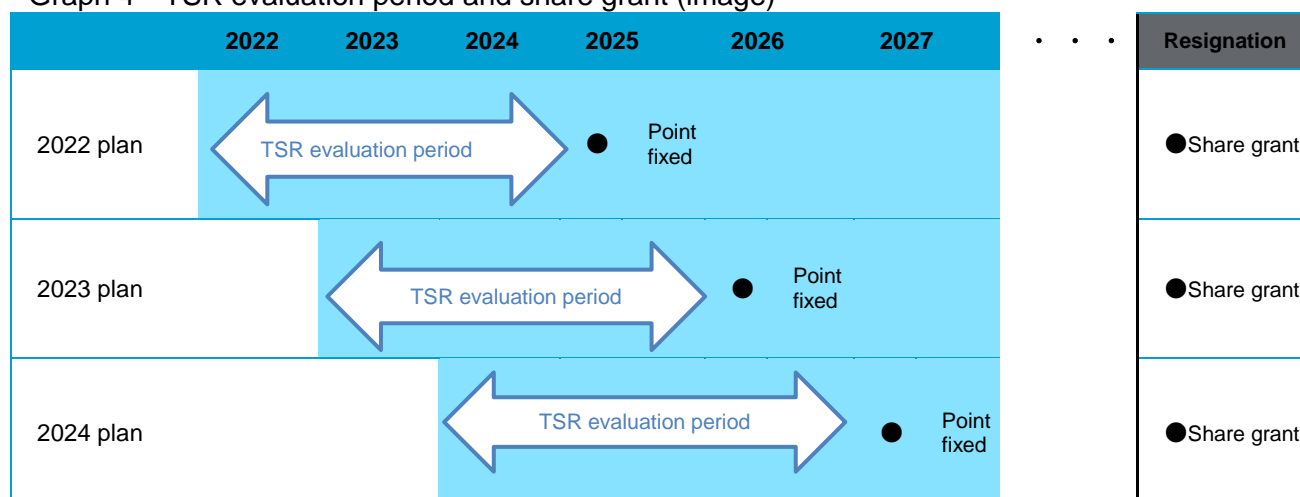
Evaluation indexes		Weighting of evaluation
Evaluation of overall business results	Consolidated EBITDA (amount)	20%
	Ratio of consolidated EBITDA to sales (%)	30%
	ROIC	20%
Personal performance evaluation		30%

4. Medium-to-long-term compensation (stock-based compensation)

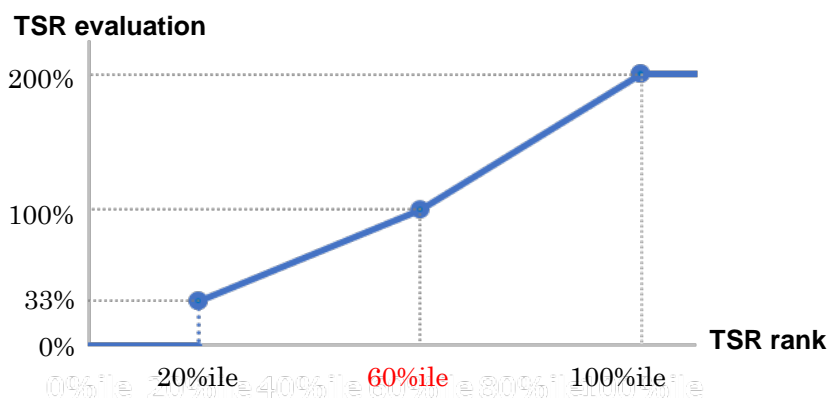
Under the new scheme, points are given by multiplying standard figures (decided in advance based on position) by TSR evaluation coefficient (changing in the range of 0%-200%). TSR evaluation coefficient will be decided based on SDK's rank order of three-year relative TSR evaluation (percentile, hereinafter "%ile") by comparison with competitors in the chemical/textile industries having similar business models and of the same size or larger. To encourage realization of the long-term vision, TSR coefficient will be set at 100% when SDK's rank order is in 60%ile, while it will be 0% when SDK's rank order is below 20%ile. To promote long-term sharing of value with shareholders, shares will be given in a lump after resignation according to cumulative points.

In case of misconduct, SDK may nullify the right to receive benefit or demand return of compensation, depending on the timing of misconduct and the timing of its revelation. The Board of Directors will make a decision on the matter after deliberations at the Compensation Advisory Committee.

Graph 4 TSR evaluation period and share grant (image)



Graph 5 TSR evaluation coefficient



$$\text{TSR} = \frac{\text{Average closing stock price in Dec. of the last year} + \text{Total amount of dividends during the period}}{\text{Average closing stock price in Dec. immediately preceding the evaluation period}}$$

5. Compensation governance

SDK's Compensation Advisory Committee is chaired by an independent outside director, and independent outside directors/auditors account for the majority of committee members. The committee will make proposals and reports as necessary to the Board of Directors in view of the latest situation concerning executive compensation and market trends, results of comparison with relevant competitors, and other pieces of advice. To ensure high levels of independence and objectivity, decisions on compensation for respective directors will be entrusted to the Compensation Advisory Committee as from 2022. SDK has appointed Willis Towers Watson, an external consultancy, as advisor.