

Resonac's Human Capital Management

Why We Can

Organizational capabilities to help change society

What areas are we strengthening, and what approach are we taking to become an organization that can compete on the global stage? We will share Resonac's resilient organizational development through our current initiatives.

89—Human Capital Management

91—Special Feature: Human Resource Strategies

97—Measures to Combat Climate Change

100—Realization of Recycling-oriented Society

101—Environment Risk Measures

102—Efforts for Preservation of Biodiversity

103—Occupational Health and Safety

104—Quality Assurance

105—Chemicals Management

106—Sustainable Procurement

107—Respect for Human Rights

108—Strengthening Internal Communication within Our Group

109—Risk Management

111—Compliance

113—Roundtable: Our Transformation of the Board of Directors

117—Directors

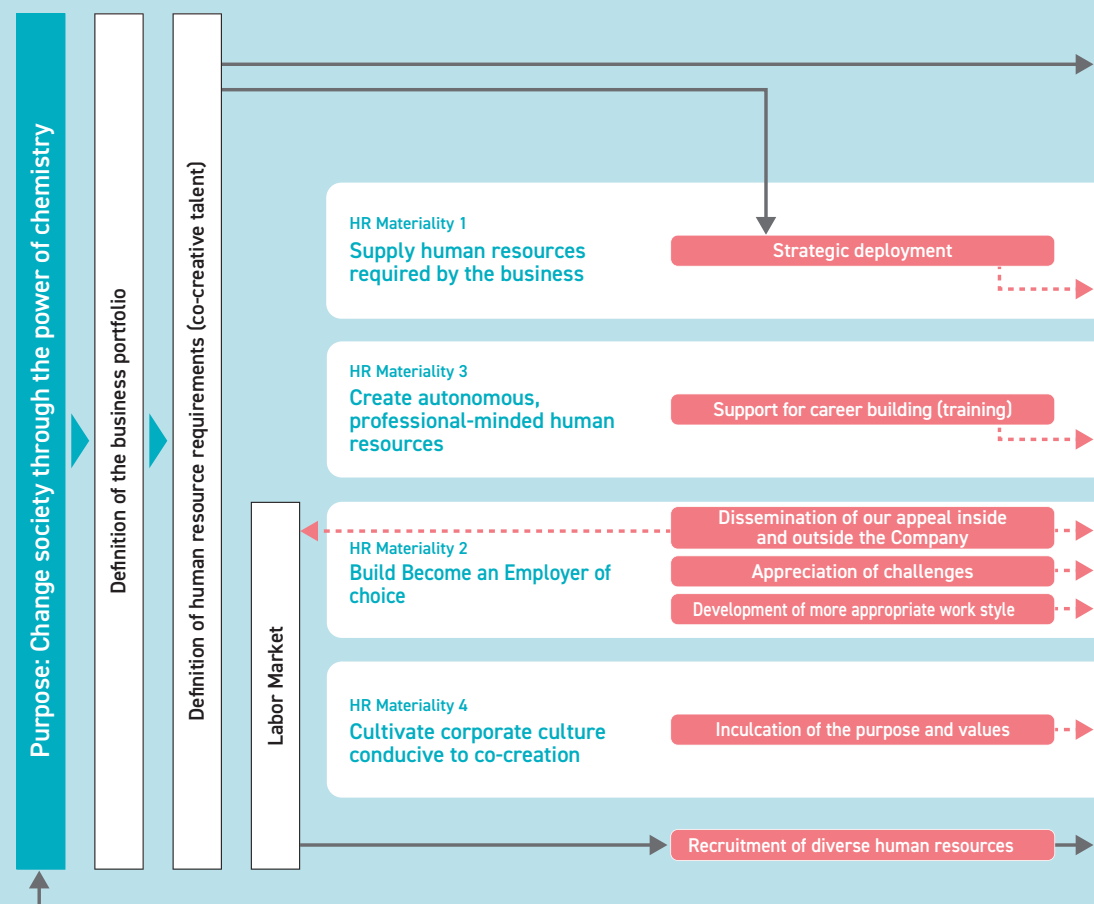
119—Audit & Supervisory Board Members/Corporate Officers

121—Skill Matrix

122—Messages from Outside Directors and Audit & Supervisory Board Members

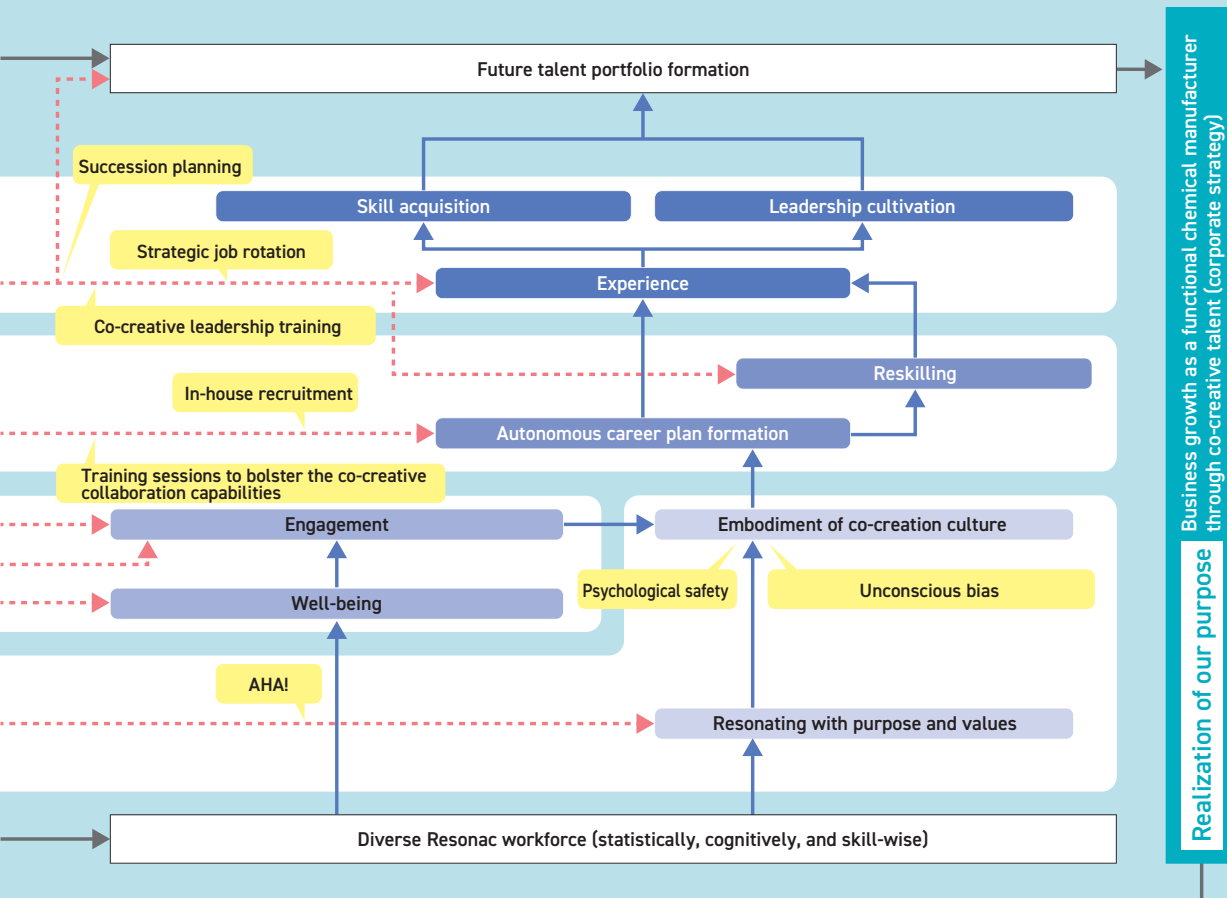
123—Corporate Governance

Resonac's human capital management model



We are fostering co-creative talent who will provide new functions aimed at our vision for 2030. Our human resources strategy is to create co-creative talent, and Resonac's human capital management aligns our management and business strategy with our human resources strategy.

Flow of human growth → Company's investment → Key factors of growth → Investment in human capital



Topics

A few Examples of Stakeholder Engagement

University student

The report titled "The Japanese materials industry is the key to Japan's recovery by solving societal problems in Japan and around the world" resonated with us, so we held a dialogue with Kyohei Sonoda, a university student and leader of the writing team. We gained a fresh perspective from hearing about why he focused on materials and what kind of companies he thinks will grow in the future. We were excited to learn about the expectations of Gen Z for materials and chemical companies. We will expand these kinds of opportunities for dialogue throughout the Group.



Kyohei Sonoda
Faculty of Economics,
Doshisha University



University professor

We asked Professor Hasegawa, an expert in sustainability management and ESG investment, for his opinion on the concept and standards for Resonac Pride products and services that we are promoting, as well as the future role of companies in society, including human resources strategy. We were able to gain significant tips for the future development of Resonac Pride products and services, communication with society, and sustainability strategy.



Naoya Hasegawa
Professor
Faculty of Sustainability
Studies, Hosei University



Investors

We had the opportunity to discuss with participating investors our human resources strategy, which aims to continuously increase corporate value by carrying out our purpose and values, and the proposed human resources capital management model under consideration. We will use the diverse and thought-provoking feedback we received, such as how our business strategy and human resources strategy are related, how the integration will affect our organizational culture, and how this will be reflected in our human resources strategy, in our future initiatives and information dissemination.

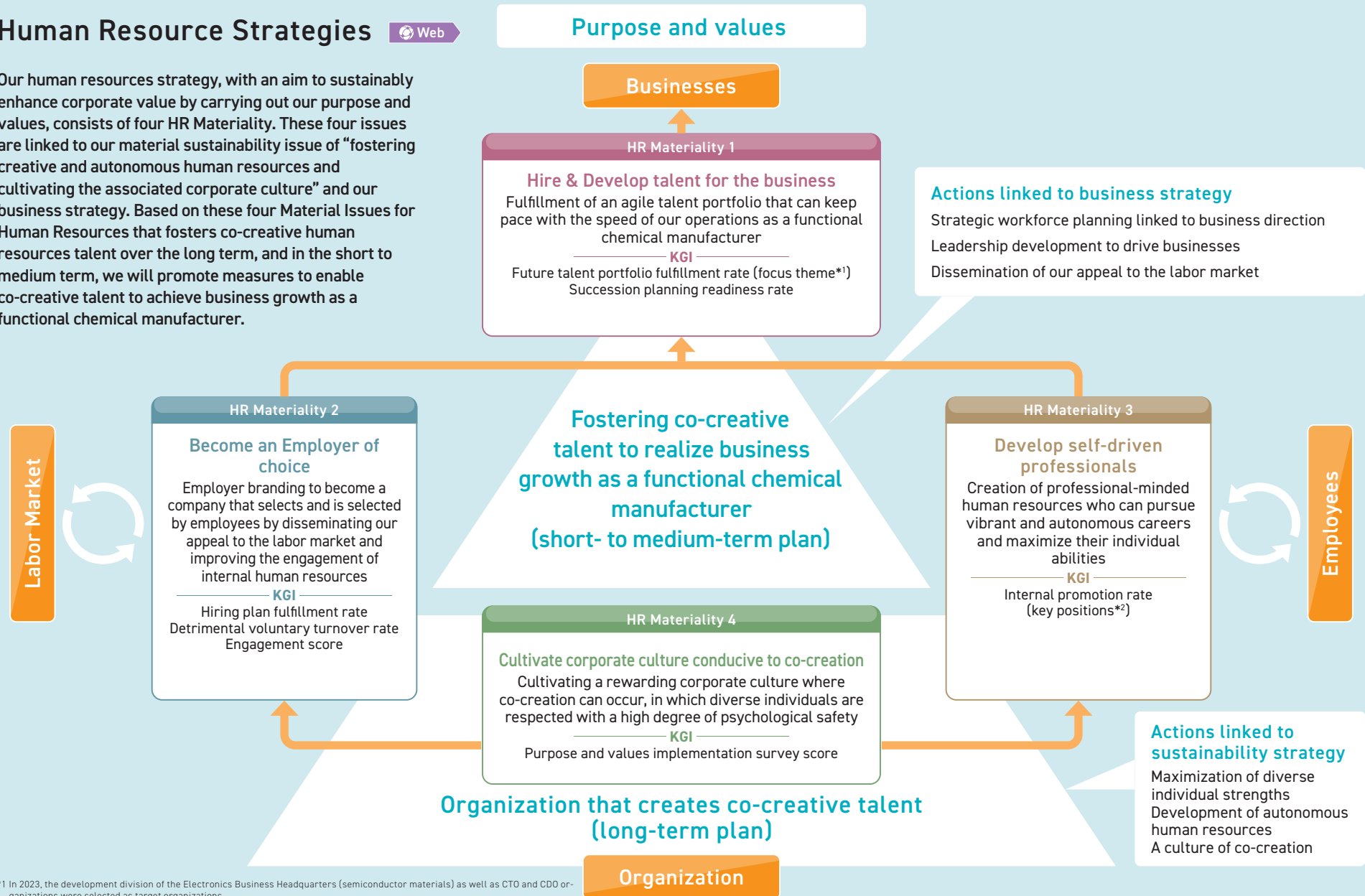


**Institutional Investors
Collective Engagement Forum**



Human Resource Strategies

Our human resources strategy, with an aim to sustainably enhance corporate value by carrying out our purpose and values, consists of four HR Materiality. These four issues are linked to our material sustainability issue of “fostering creative and autonomous human resources and cultivating the associated corporate culture” and our business strategy. Based on these four Material Issues for Human Resources that fosters co-creative human resources talent over the long term, and in the short to medium term, we will promote measures to enable co-creative talent to achieve business growth as a functional chemical manufacturer.



*1 In 2023, the development division of the Electronics Business Headquarters (semiconductor materials) as well as CTO and CDO organizations were selected as target organizations.

*2 Key positions refer to CXOs and leaders of organizations reporting directly to the head of the business.

Human Resource Strategies

In order to make a leap forward to become a Co-creative Chemical Company that can complete on the world stage by fiscal 2030, we have divided the period from the present to 2030 into three phases and defined what we are aiming for in each phase. In addition, to make our goal more concrete and feasible, we will identify the factors necessary for effectively addressing material issues and monitor their progress by setting KPIs.

	KGI	Factors for Achievement	FY2023-2024 Start of Fostering Co-creative talent	FY2025 Deepening and Solidifying a Co-creation Culture in the Group	FY2030 Making the Leap to Become a Co-creative Chemical Company That Can Compete on the Global Stage
HR Materiality 1 Hire & Develop talent for the business	<ul style="list-style-type: none"> ▶ Future talent portfolio fulfillment rate (focus theme) ▶ Succession planning readiness rate <p>(2022 achievements: Company-wide succession planning to select and train potential leaders became operational, etc.)</p>	<ul style="list-style-type: none"> Definition of human resource requirements Assessing the status of fulfillment of required human resources Continuous readiness and visualization of position successors Realization of the flexible deployment of required human resources 	<ul style="list-style-type: none"> ▶ Visualization of domestic talent ▶ Visualization of the skills required for strategy achievement and establishment of a talent portfolio management method, using the semiconductor materials development division as well as CTO and CDO organizations for the pilot test 	<ul style="list-style-type: none"> ▶ Visualization of talents on a global scale ▶ Visualization of the talent portfolios of Resonac and major group companies ▶ Establishment of HRBP system 	<ul style="list-style-type: none"> ▶ HR business partners accompany and are led by each CXO/BU to achieve a talent portfolio with the right people in the right places to match the speed of global business
HR Materiality 2 Become an Employer of choice	<ul style="list-style-type: none"> ▶ Hiring plan fulfillment rate ▶ Detrimental voluntary turnover rate ▶ Engagement score <p>(2022 achievements: Design of post-merger engagement surveys, etc.)</p>	<ul style="list-style-type: none"> Enhancement of well-being Fair evaluation and remuneration Defining Resonac's unique appeal and communicating them internally Defining and communicating to the labor market the unique appeal of business partnerships 	<ul style="list-style-type: none"> ▶ Start of branding to increase Resonac's visibility in the labor market ▶ Firm establishment of Health and Productivity Management and start of disseminating internal and external health initiatives 	<ul style="list-style-type: none"> ▶ Increased recognition as the leading company that is selected among functional chemical manufacturers ▶ Building a well-being management structure 	<ul style="list-style-type: none"> ▶ Recognition as a company that produces leaders in the chemical industry ▶ Establishment of status as an advanced well-being company ▶ Realization of simple and flexible systems
HR Materiality 3 Develop self-driven professionals	<ul style="list-style-type: none"> ▶ Internal promotion rate (key positions) <p>(2022 achievements: CEO announcement on fostering co-creative talent, direct dialogue held with over 1,100 employees, etc.)</p>	<ul style="list-style-type: none"> Provision of corporate systems to encourage career ownership Provision of autonomous learning opportunities Training of potential leaders 	<ul style="list-style-type: none"> ▶ Establishment of systems to envision and realize one's career ▶ Establishment of self-improvement systems for career actualization 	<ul style="list-style-type: none"> ▶ An organization in which Resonac career models are established and employees autonomously envision their aspirations and shape their careers ▶ Fostering of a culture in which the organizations (managers) support employees' careers 	<ul style="list-style-type: none"> ▶ An organization in which individuals can improve themselves and professionals who create new value are nurtured as the next generation of Resonac leaders
HR Materiality 4 Cultivate corporate culture conducive to co-creation	<ul style="list-style-type: none"> ▶ Purpose and values implementation survey score <p>(2022 achievements: Degree of implementation of purpose and values by employees: 30%; ▶ P47 start of co-creative leadership training, and training sessions to bolster the co-creative collaboration capabilities, etc.)</p>	<ul style="list-style-type: none"> Inculcation of the purpose and values and cultivation of a co-creation culture Participation of diverse employees Harvesting output by embodying a co-creation culture 	<ul style="list-style-type: none"> ▶ Awareness raising and recognition of corporate culture in which our purpose and values and participation of diverse human resources create value ▶ Establishment of integrated operations 	<ul style="list-style-type: none"> ▶ An organization in which a co-creation culture is firmly established and new output is produced through collaboration ▶ Start of a dedicated team responsible for data utilization in an integrated infrastructure 	<ul style="list-style-type: none"> ▶ Establishment of an organization in which co-creation culture is the corporate identity and diverse human resources can thrive and generate innovation ▶ Integration of global operations

Human Resource Strategies

HR Materiality 1

Hire & Develop talent for the business

- ▶ Fulfillment of an agile talent portfolio that can keep pace with the speed of our operations as a functional chemical manufacturer

“As HR business partners, we are the advisor to organizational leaders in resolving issues related to human resources in order to achieve global business growth.”

Yutaka Suzuki

General Manager, HR Business Partner Department



Measures for Realizing the Long-Term Vision

Workforce planning with enhanced linkage with business strategy

Organization and definition of skills required for each position and visualization of staff headcount we wish to fulfill in the future

In order to realize our business vision for the future, we will organize and define the skills and competencies required in the future for each position, visualize the status of fulfillment of the required human resources, and create a plan to fill in any human resource deficiencies. In 2023, we began a pilot test following discussions with the semiconductor materials development division as well as CTO and CDO organizations.

Realization of the flexible deployment of required human resources

Strengthening our HRBP function to support the execution of business strategy and systematic hiring of experienced personnel, etc.

To satisfy future human resource needs, we will strengthen our HR business partner (HRBP) function, which supports the CXO organization and business divisions' strategy execution from a human resource perspective, and promote the systematic hiring of experienced personnel according to the skills and competencies required for each business and position to realize transfers and deployments that take advantage of individual experience and skills in focus businesses.

Continuously preparing position successors by training the next generation of potential leaders

Implementation of succession planning (talent review)

We regularly monitor the readiness of position successors in order to secure suitable candidates for next-generation leaders and key positions in our focus businesses and to achieve sustainable corporate growth. We are also strengthening our programs to train candidates for the next generation of leaders. In the first half of 2023, we offered a camp-style program in which professional assessors gave feedback on their actions during exercises. We also provided opportunities for friendly competition with personnel outside the Company by sending employees to external organizations, such as graduate schools and NPOs for cross-border experiences.

Employee Voice

Our customers are located around the world and the market environment is changing at an accelerating pace. That is why we, as HR business partners, pay attention to human resources in every corner of every business division and promote solutions to human resource-related issues with organizational leaders. On the other hand, in order to maintain a healthy relationship between business divisions and the personnel division, we always keep in mind a Company-wide, long-term perspective in our words and actions. In order to identify actions regarding organizational leaders and future human resources and act as a conduit to strengthen the relationship between business divisions and the personnel division, we are advancing the development of our HR business partnership system and take pleasure in incorporating HR activities into the next generation.

KGI

- ▶ Future talent portfolio fulfillment rate (focus theme)
- ▶ Succession planning readiness rate

In achieving a talent portfolio required by businesses, we believe it is important to refine and grasp the business-specific and position-specific skills required for executing strategies to realize our vision for the future, rather than simply managing the employee headcount.

In this way, we can formulate strategies for approaching the labor market and clarify the details of required training and reskilling, and we believe that we can support human resource problem-solving that can keep pace with the speed of our businesses. To fulfill our talent portfolio, we believe there is an urgent need to strengthen our HR business partners (HRBPs), who will serve as advisors to CXOs and business divisions heads, and we will train human resources to serve as HRBPs.

To visualize the implementation of the aforementioned initiatives, we will set the indicators of “future talent portfolio fulfillment rate (focus theme)” and “succession planning readiness rate” as KGIs to manage their progress.

Examples of Process KPI

- ▶ Indicators to measure progress of the talent portfolio (under consideration)
- ▶ Average number of days required for recruitment, etc.

Human Resource Strategies

HR Materiality 2

Become an Employer of choice

- ▶ Employer branding to become a company that selects and is selected by employees by disseminating our appeal to the labor market and improving the engagement of internal human resources

“As the General Manager of the Manufacturing Department, I am working with my colleagues to develop our vision for the future and create an exciting work environment while also pursuing safety and security.”

Yuka Asai

General Manager, Second Electronic Materials Manufacturing Department, Yamazaki Plant, Electronics Production Center, Electronics Business Headquarters



Measures for Realizing the Long-Term Vision

Human resources system integrated with the corporate philosophy

An evaluation system that encourages the fostering of co-creative talent, and a remuneration system based on the labor market

To create an evaluation system that encourages the fostering of co-creative talent who embody our corporate philosophy, in addition to the traditional evaluation indicator of performance, we have established two new indicators of action and growth based on the demonstration of the values we hold dear. We manage our goals by making our corporate philosophy a matter of personal significance for each employee. In addition, by setting levels of remuneration according to the importance of roles and responsibilities with reference to external remuneration benchmark data, the Company is working to administer a remuneration system that appropriately reflects its competitiveness relative to the labor market.

Enhancement of well-being

Health and Productivity Management measures

We consider the health management of employees and others from a managerial perspective and have established an operational system to support their work and physical and mental health in order to bring vitality to the organization through the improvement of productivity and other means. We are also advancing the formulation and implementation of Health and Productivity Management measures. In addition, we are enhancing health checkups and analyzing data in cooperation with the health insurance association, and through the expansion of measures, we are aiming for certification as a Health and Productivity Management Outstanding Organization and a White 500 company.

Strengthening of corporate branding

Defining Resonac's unique appeal and communicating it inside and outside the Company

In order to raise recognition of Resonac in the first year of its integration, we are actively communicating our corporate brand to the labor market through various media including TV commercials. We will further expand the scope of our communication to spread awareness both inside and outside the Company about the uniqueness Resonac aims for as a functional chemical manufacturer and the appeal of Resonac as a place to work.

Employee Voice

We are always conscious of maintaining a safe work environment where employees can work with peace of mind, and of providing stable quality and supply of products that our customers can use with peace of mind, and thereby contribute to society's recognition and trust of the Company. In addition, since last year, the manufacturing department has been discussing its vision for the future. With everyone working toward the same goal and a gaining a deeper individual understanding of how our current work will affect the future, we now take greater initiative to make our own proposals for a more comfortable work environment. While pursuing safety and security, we will continue to develop our vision for the future and strive to create an environment where people are excited to work.

KGI

- ▶ Hiring plan fulfillment rate
- ▶ Detrimental voluntary turnover rate
- ▶ Engagement score

While there are concerns that the launch of Resonac will diminish the brand and recognition we have cultivated thus far, we also see it as an excellent opportunity to actively communicate new value and appeal.

We will use this opportunity to continue to spread the word that each and every Resonac employee can experience satisfaction in their work through co-creation and respect for diverse personalities, and make the appeal of Resonac widely known in the labor market so that we can become a company that is selected more than ever before.

To visualize the progress of the aforementioned initiatives, we will set the following KGIs as indicators to monitor: "hiring plan fulfillment rate" regarding new hires, "detrimental voluntary turnover rate" regarding retirees, and "engagement score" regarding employees within the Company.

Examples of Process KPI

- ▶ Work style satisfaction survey score
- ▶ Feedback satisfaction survey score
- ▶ Recognition from the market (under consideration)

Human Resource Strategies

HR Materiality 3

Develop self-driven professionals

- ▶ Creation of professional-minded human resources who can pursue vibrant and autonomous careers and maximize their individual abilities

“When I raised my hand for in-house recruitment, I was thinking seriously about how to contribute to the Company and society. My motivation towards work has increased now that I have decided to build my own career for myself.”

Tetsuya Yokoyama

Systems Group Leader, Production
Technology Department, Hikone Plant, Resonac Packaging Corporation



Measures for Realizing the Long-Term Vision

Fostering a sense of self-development

Provision of opportunities for autonomous learning

In addition to rank-based and leadership training, approximately 500 employees use LinkedIn Learning as a learning opportunity to enhance self-development that contributes to employee career development. We are also expanding in-house learning content that employees can engage in if they wish, such as sharing knowledge and case studies across organizational boundaries and providing networking opportunities with outside experts.

Provision of opportunities to encourage career ownership

In-house recruitment system

As a measure to foster employees' awareness of career ownership and provide them with opportunities for autonomous career development, we operate an in-house recruitment system in which internal job openings are displayed through the talent management system and employees can raise their hand to apply for transfers. Taking advantage of opportunities for career development and co-creation that are not bound by conventional transfer and deployment practices, more than 70 in-house recruitments were approved in 2022.

Development guide deployment

We provide a development guide that systematically compiles resources on the kind of human resources that Resonac seeks, how to develop a vision for one's career, effective dialogue including one-on-one discussion, and goal management and evaluation. We encourage employees to use this guide as a hint for developing a vision for their own career and how to build a career at Resonac, as well as to organize specific actions to experience and learn what to do to achieve it.

Employee Voice

In July 2022, I took advantage of the in-house recruitment system and transferred to the Production Technology Department of the lithium-ion battery materials business with the desire to leverage my expertise in a business area with high growth potential to contribute to the organization. When I raised my hand for recruitment, I was thinking seriously about what kind of activities I could perform in an organization with a different business and work location and how I could contribute to the Company and society. I felt more excitement about the challenge than hesitation. By making this choice to build my own career for myself rather than being assigned to an organization and position, I feel I have fewer complaints about work and have a greater sense of responsibility.

KGI

▶ Internal promotion rate (key positions)

In order for co-creative talent to thrive and continue to create new value, we believe the organization must be one in which each individual can continue to grow as an autonomous professional. The first step toward creating such an organization is to put in place the Company's systems and structures. To ensure that these systems are beneficial to employees and that they are fully utilized, we believe that awareness and understanding of the measures are important, and we are strengthening communication from management and the deployment of tools such as the development guide.

To visualize the progress of the aforementioned initiatives, we will set the KGI of "internal promotion rate (key positions)" as an indicator to measure and monitor the extent to which we are developing human resources who can be appointed to key positions within the company through the implementation of each measure.

Examples of Process KPI

- ▶ Rate of career interview registrations conducted
- ▶ Leadership development (participation rate and amount invested in training for potential leaders), etc.

Human Resource Strategies

HR Materiality 4

Cultivate corporate culture conducive to co-creation

- ▶ Cultivating a rewarding corporate culture where co-creation can occur, in which diverse individuals are respected with a high degree of psychological safety

“We believe organizations and people grow after going through painful changes, and we are working to create corporate culture by first resolving to change ourselves.”

César Castiñeira

President and CEO, EMEA
COO, Graphite Business Unit



Measures for Realizing the Long-Term Vision

Inculcation of the purpose and values and cultivation of a co-creation culture – Educational policies and global award program that promote co-creation

▶ P14

Through co-creative leadership training and other development support, we will work to create co-creative talent that enable each and every employee to carry out and embody our purpose and values. The global award program, which has been renewed as an opportunity to share activities that embody our values without fear of taking on challenges and for mutual empathy and resonance throughout the Group, had a total of approximately 11,500 Resonac employee participants in fiscal 2023, increasing the number of examples of co-creation.

Realization of workplace environment conducive to active involvement of diverse employees

Various DE&I measures

We accept the individuality of each diverse person as an important value. The co-creative collaboration enhancement training, which aims to maximize the value of individuality within the organization, thoroughly eliminate unconscious bias, and ensure psychological safety, is scheduled to be attended by more than 1,200 officers and employees by the end of 2023 with the goal of creating a corporate culture that can widely promote diversity as collective knowledge.

Creating output by embodying a co-creation culture

Collaboration measures in each department

As an example of putting our co-creation culture into practice, we have recruited an internal community called Resonac Blue Creators (REBLUC) to carry out and expand specific actions to change society through the power of chemistry, which is our purpose, and engage in collaboration to make new business proposals and conduct improvements across divisions. We also promote co-creation activities with external organizations outside the corporate framework, including industry-academia collaboration.

Employee Voice

Organizations in the EMEA (Europe, the Middle East, and Africa) region are strongly results-oriented, and our corporate philosophy is shared by our employees. What's important is that our direction is clear, and the CEO's intentions are understood by all. Change takes time and effort, but with the leadership of our top management, we feel we are moving in the right direction. Our activities that showcase examples of value to customers visiting our manufacturing sites have been well received, but we must further improve our practices based on our purpose and values in order to create a better future. We believe organizations and people grow after going through painful changes, and we are contributing to the creation of corporate culture by first resolving to change ourselves.

KGI

▶ Purpose and values implementation survey score

In this day and age, when issues are complex and large and it is difficult to predict the future, we believe a corporate culture that fosters co-creation is a source of competitiveness that generates new value. To date, we have implemented many measures to raise awareness and understanding of our purpose and values in order to make Resonac a stage for co-creation, and have achieved a certain level of success. Going forward, we are in the phase of each employee carrying out our purpose and values, and we believe that it is important to link specific co-creation to results so that we can directly feel that the corporate culture has taken root. To visualize the progress of the aforementioned initiatives, we will set the KGI of “purpose and values implementation survey score” as an indicator to monitor.

Examples of Process KPI

- ▶ Psychological safety survey score
- ▶ Ratio of female managers
(9.5% on a consolidated basis in 2022)
- ▶ Total number of participants in the global award program, etc.

Measures to Combat Climate Change (Disclosure in Line with the TCFD Recommendations and Carbon Neutrality Initiatives)



Mission of Creating Value

Although it uses fossil raw materials and fuels in its product manufacturing processes and emits a considerable amount of greenhouse gases (GHG), the Group has many products that contribute to energy conservation and the carbon cycle. We regard measures to combat climate change as a management priority in terms of both risks and opportunities. In May 2019, we announced our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In accordance with these recommendations, we are promoting dialogue with our stakeholders while evaluating risks and opportunities related to climate change, conducting scenario analysis to inform initiatives that enhance our resilience, and disclosing information based on the TCFD framework.

Governance

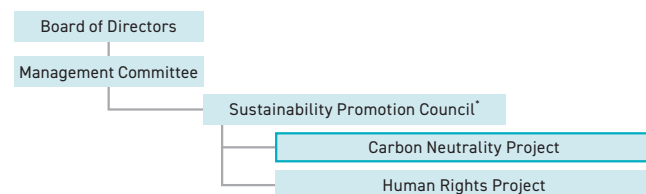
Role of board of directors and monitoring system

Sustainability is a building block for our company management, and we define our Purpose as "change society through the power of chemistry." To this end, we have established Sustainability Vision 2030, identified material issues for sustainability including climate actions to implement the major strategies of our long-term vision, and raised awareness throughout the Company.

The Group CEO supervises the risks and business opportunities, targets, and specific initiatives associated with climate change, while the Group CSO takes responsibility for promoting actions. After being discussed at the Carbon Neutrality Project, those issues are deliberated at the Sustainability Promotion Council and the Management Committee. The progress of each initiative is regularly monitored, and remedial measures are discussed when needed.

The Board of Directors receives periodic reports of what the Sustainability Promotion Council and the Management Committee discussed, and on which points they made decisions and deliberates and supervises them from the perspective of maximizing corporate value. From 2022, we have aligned the evaluation indexes for inside directors and executive officers with the initiatives in the long-term vision and countermeasures against sustainability issues, including climate change, with the aim to strongly incentivize them to manage the Group from a long-term perspective and promote the sustainable growth of the Group.

Positioning of carbon neutrality project (As of June 30, 2023)



*The members are composed of CEO and all CXOs and business division heads.

Targets and results of KPIs on material issues

P58 / Material Issues and Non-financial KPIs

KPIs and 2030 targets	Results in 2022
Reduction of greenhouse gas (GHG) emissions: <ul style="list-style-type: none"> 30% reduction in GHG emissions (Scope 1 + Scope 2) from fiscal 2013 (consolidated) 	<ul style="list-style-type: none"> 7.6% reduction in GHG emissions (Scope 1 + Scope 2) from 2013 (consolidated)

*Given the integration of the two companies, the actual reduction has been revised. Also, we consider starting the calculation and disclosure of Scope 3 emissions from upstream activities before setting a reduction target.

Risk Management

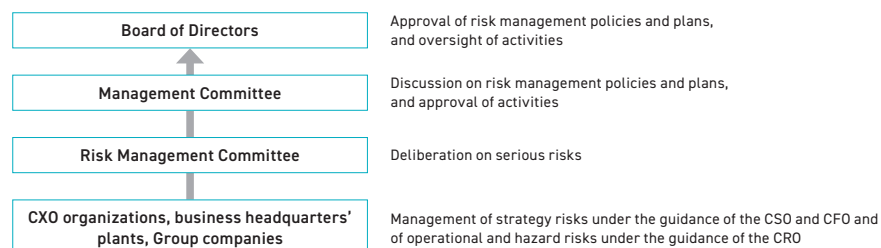
Process to assess, identify, and manage risks

The Group conducts a scenario analysis to assess "transition risks" and "physical risks" arising from climate change for each business, identifies material risks for the Group, and then develops countermeasures against them. Material issues in identifying risks and developing countermeasures are reported to the Board of Directors. We will continue to conduct the scenario analysis to update risks and countermeasures, along with monitoring the progress of the existing countermeasures.

Integration into enterprise risk management

Given the importance of building an enterprise risk management system, the Group pursues integrated risk management using a common framework across the Group. Information on climate change and other risks with the potential to impact the Group's management is registered in an integrated manner into our risk management system via companywide risk identification activities (as part of risk assessment procedures). Top risks, which are deemed to have a particularly high frequency or degree of impact, are deliberated by a dedicated committee (Risk Management Committee). Important matters examined by the Sustainability Promotion Council and the Risk Management Committee are submitted to the Management Committee for deliberation and decision before being reported to the Board of Directors.

Risk management structure (as of June 30, 2023)



Measures to Combat Climate Change (Disclosure in Line with the TCFD Recommendations and Carbon Neutrality Initiatives)

Strategies

Short-, medium- to long-term climate change-related risks and opportunities and responses to them

Amid the successful transition to a carbon-neutral society, the Group sees climate change as both a risk and opportunity. The Group will exercise its social responsibility as a company and build further competitive advantages to reduce GHG emissions across the value chain by providing products and services that contribute to decarbonization, achieving co-creation with partners, improving energy efficiency, and increasing usage of renewable energy. Given the above, the Group analyzes risks and opportunities to evaluate the impact of climate change on the Group businesses under the following two scenarios: (1) The average global temperature will increase by 4°C or more and (2) The average global temperature rise can be kept well below 2°C and continue efforts to limit it to 1.5°C based on the Paris Agreement, which were released by the Intergovernmental Panel on Climate Change (IPCC) or the International Energy Agency (IEA). Based on the analysis, we determine the necessary countermeasures.

Transition risks affecting the Group businesses include increased operating costs due to a rise in energy taxes including carbon pricing. We aim to reduce CO₂ emissions to about 3.2 million t-CO₂ by 2030, or a 30% reduction from 4.6 million t-CO₂ in 2013. Assume that Scope 1 and 2 emissions in fiscal 2030 resulting from sales growth are estimated to be about 5 million t-CO₂, the carbon pricing is set at ¥10,000/t-CO₂ based on the IEA's 2°C scenario (SDS)^{*1} and others, and we need to offset the portion that falls short of reduction target through emission trading. In that case, if we fail to reduce emissions by 30%, the operating cost will increase by about ¥18 billion per year, implying that hitting the reduction target will lead to reducing operating costs. As a company that interrelates with society, we will continue to use other scenario analyses to contribute to realization of a carbon-neutral society in various ways, take measures against climate risks, and achieve a sustainable growth.

Climate change-related risks and opportunities and major response measures (The following is a selected extract—please see our [Web](#) for full details)

	Impact of climate change	Domain	Risk category	Opportunity category	Time frame ^{*2}	Response
Transition risks and opportunities	Increase in tax (cost) due to the introduction of carbon pricing (ICP)	All business domains	○ Policy/Regulation		Medium term	<ul style="list-style-type: none"> ● Revision of GHG emissions reduction targets for 2030 and establishment of the roadmap P99 ● Implementation of carbon neutrality initiatives pertaining to chemicals and petrochemicals P87 ● Participation in the GX League
	Government support under the policies for decarbonization initiatives of companies		○ Policy/Regulation	○ Product/Service/Market	Short to medium term	<ul style="list-style-type: none"> ● Development of eight-inch SiC wafers for next-generation green power semiconductors (adopted as part of the NEDO Green Innovation Fund project) P79 ● Development of a low-concentration CO₂ separation system employing an innovative separation agent (adopted as part of the NEDO Green Innovation Fund project) P87 ● Reinforcement of the global semiconductor material supply chain (adopted under the Ministry of Economy, Trade and Industry subsidiary program for overseas market survey projects for building resilient supply chains in the Indo-Pacific area) P80
	Increases/decreases in sales due to changes in consumer behavior and awareness		○ Market/Technology	○ Product/Service/Market	Short to medium term	<ul style="list-style-type: none"> ● Promotion of products, development of new products, and improvement of competitiveness in response to the needs of a decarbonized society P59 ● Advancement of R&D based on long-term themes at the Stage for Co-creation (new research facility) P15
	Greater request for initiatives and disclosure related to decarbonization from customers		○ Market/Technology		Short term	<ul style="list-style-type: none"> ● Establishment of life cycle assessment (LCA) P66 and carbon footprint of products (CFP) calculation frameworks, tracking of CO₂ emissions, and formulation of reduction plans P66 P99
	Re-evaluation by investors depending on how effectively the Group captures needs from society and customers to solve environmental issues		○ Reputation	○ Product/Service/Market	Short to medium term	<ul style="list-style-type: none"> ● Adding value to our products/services to help solve the problems that society and customers face P59 ● Attracting investments through proactive measures against climate change and promotion of a recycling-oriented society
	Response to technological innovation and reductions to the electricity consumption of semiconductor devices	Semiconductor and Electronic Materials	○ Market/Technology	○ Product/Service/Market	Short to medium term	<ul style="list-style-type: none"> ● Establishment of the JOINT2 consortium to develop next-generation semiconductor packaging technologies (adopted as part of the advanced semiconductor manufacturing technology development project under the NEDO post-5G telecommunications system platform reinforcement R&D program) P15 ● Assessment of environmental standard conformity of product designs, and development of low-carbon products
	Growing demand for energy-saving, next-generation power semiconductors in conjunction with an increase in data processing volumes brought about by digitalization		○ Market/Technology	○ Product/Service/Market	Short to medium term	<ul style="list-style-type: none"> ● HD media R&D to reduce electricity consumption of data centers P79 ● Response to increased demand for SiC power semiconductors
Physical risks	Suspended operation of manufacturing sites due to flooding, and decrease in profit caused by an increase in the equipment repair cost	All business domains	○ Acute		Short term	<ul style="list-style-type: none"> ● Analysis of flood risks at manufacturing sites ● Regular risk identification and reduction activities, and enhancement of business continuity planning P109

*1 2°C scenario (SDS): Sustainable development scenario *2 Time frame: Short term: less than three years; Medium term: three to less than 10 years; Long term: 10 to 30 years

Measures to Combat Climate Change (Disclosure in Line with the TCFD Recommendations and Carbon Neutrality Initiatives)

Indicators and Targets

GHG emissions reduction targets and results

Toward carbon neutrality in 2050, upon the formation of the new company, we reviewed our GHG emissions reduction targets for 2030 in 2021 and set the target of a 30% reduction relative to the 2013 level. We will review medium- to long-term plans for each business, aiming to create a low-carbon economy. To achieve our GHG emissions reduction targets for 2030, we will further reduce our GHG emissions and promote energy conservation. Carbon neutrality will also be pursued leading up to 2050, to accomplish the goal of becoming a company that contributes to a sustainable global society as put forth by our long-term vision. In 2022, we reduced our GHG emissions by 7.6% compared to the level in 2013, due to a decrease in production volume in some products and a procurement of renewable energy.

Gold Award in the 2022 global award program: Initiatives toward carbon neutrality - Resonac Automotive Products (Thailand) Co., Ltd.

Resonac Automotive Products (Thailand) Co., Ltd. manufactures interior and exterior automotive parts such as instrument panels and bumpers. To achieve our Purpose and respond to the requirements that the automotive industry should achieve a decarbonized and recycling-oriented society, we have established short-, medium-, and long-term goals and accelerated our efforts. Specifically, we choose low-carbon, eco-friendly materials, reduce component weight, review manufacturing processes, switch fuels with lower CO₂ emissions, reuse resources, electrify transportation equipment, and train employees. As a result, we have reduced GHG emissions by more than 20% compared with the 2013 level (base year) at our plants.

We do not regard carbon neutrality as just a concept or philosophy that people must learn, but as an important theme changing people's minds and actions. We will continue to make efforts to achieve a net zero society.



Life cycle assessment and carbon footprint of products initiatives



Eriko Takeda
Sustainability
Department

Life cycle assessment (LCA) is a means of quantitative assessment of the environmental impacts of products and services throughout their entire life cycle, or within a specified portion of the life cycle. As part of measures to achieve the GHG emissions reduction target in the new company, based on the accumulated experience and insight on life cycle assessments, we work to apply LCA methodologies to measure the total amounts of greenhouse gas emissions, or carbon footprint of products (CFP).

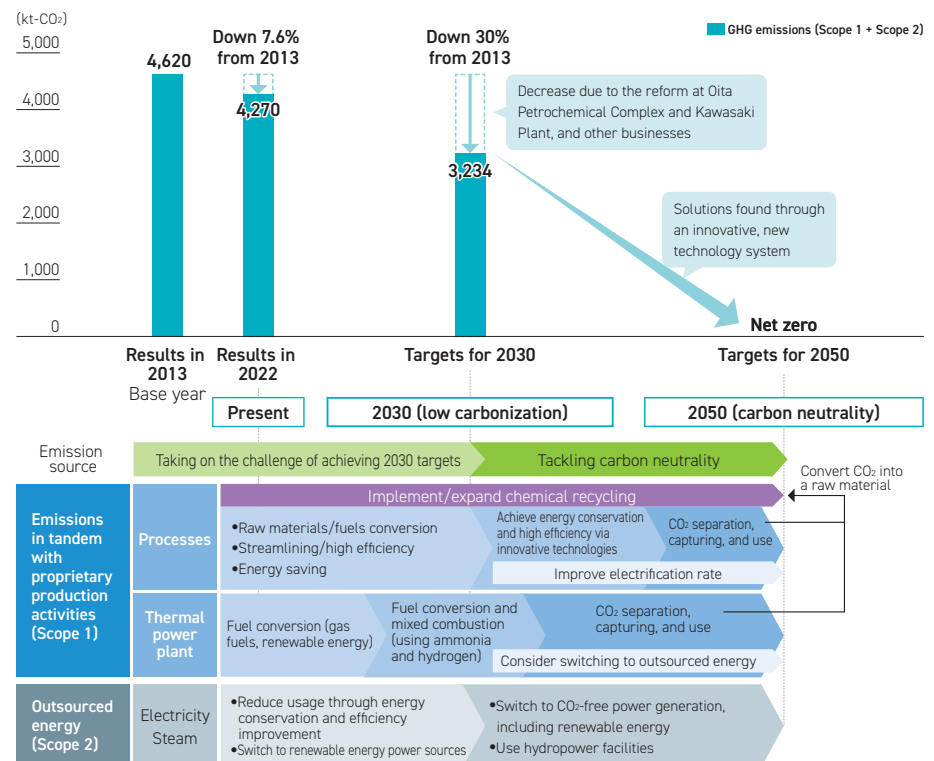
During 2022, we accumulated the calculation data of our CFP through the pilot operation, while preparing calculation guidelines and appointing persons in charge at each business division to roll out the initiatives throughout the Group. In 2023, we will prioritize the CFP calculation of products manufactured in Japan to grasp the current status of the GHG emissions. Then, we will go further to reduce GHG emissions throughout the supply chain and other environmental loads. With these perspectives in mind, we will engage in research and product development based on LCA.

Roadmap to carbon neutrality in 2050

Toward carbon neutrality in 2050, we will streamline our businesses, increase efficiency, save energy, and switch to gas fuels (high-efficiency co-generation system) until 2030. Furthermore, the Group will develop technology for sustainable plastic chemical recycling and facilitate new technology for CO₂ separation, capturing, and use. From 2030 onward, with the aim to achieve 2050 target, the Group plans to promote fuel conversion and mixed combustion to ammonia and hydrogen, as well as electrification of manufacturing processes. We will also change our manufacturing process to those using our own hydroelectric power generation and renewable energy sources. We pursue carbon neutrality by implementing sustainable plastic chemical recycling technologies, applying innovative CO₂ separation and capturing technologies, and using recycled CO₂ as chemical materials. To achieve the target, we have broken it down to business division level targets, reduction measures, and actions.

Road to carbon neutrality

*Given the integration of the two companies, the actual reduction has been revised.



*We consider starting the calculation and disclosure of Scope 3 emissions from upstream activities before setting a reduction target.

Realization of Recycling-oriented Society



Mission of Creating Value

Resonac globally promotes activities underpinning value creation by reducing the environmental load of our products throughout their life cycles and contributing to global environmental preservation.

Policies and Management

Cyclical use of resources and improvement of per-resource productivity are vital to the long-term use of limited natural resources and energy on the earth. Toward a recycling-oriented society, we work hard to recycle waste and use resources efficiently. To this end, our business and R&D divisions promote their activities by paying attention to the entire product life cycle from product design and development to disposal.

Strategy for Realizing the Long-Term Vision

Toward a recycling-oriented society, we focus on the following agendas, while considering setting specific goals and KPIs going forward.

- **Design and development:** Reduce consumption of minerals, fossil fuels and other resources; Use recyclable materials; Control waste generation; Improve recyclability; Extend product life; Quantify environmental impact of products through the life cycle assessment
- **Manufacturing:** Minimize consumption of energy, water, and other resources throughout the product life cycle
- **Value chain:** Pursue co-creation with diverse stakeholders such as suppliers, customers, government agencies, municipalities, and international bodies

Roadmap for realizing the long-term vision

Results in 2022	Plan for 2023	Vision for the future (2030)
Resources <ul style="list-style-type: none"> ● Captured/integrated data about resource consumption and waste volume Products <ul style="list-style-type: none"> ● Recycling of plastic chemicals: Achieved one million tons of cumulative throughput 	Resources <ul style="list-style-type: none"> ● Reinforce global environment management systems Increase product-related initiatives <ul style="list-style-type: none"> ● Boost up production capacity of lithium-ion battery conduction additives by 30% to contribute to extending battery lifespan and reduce CO₂ emissions ● Conduct a joint study to promote recycling businesses of used plastics and fibers 	Implement a number of relevant initiatives to realize a recycling-oriented society through the power of chemistry (targets and KPIs currently under development) Improve traceability and visualization of recycling toward a recycling-oriented society

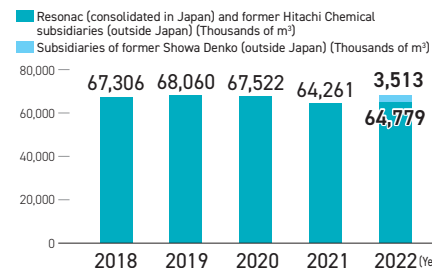
Targets and results of KPIs on material issues

P58 / Material Issues and Non-financial KPIs

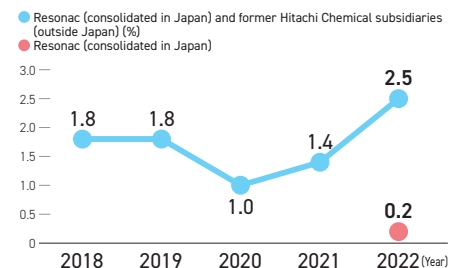
KPIs and 2025 targets	Results in 2022
Reduction of industrial waste sent to landfills: <ul style="list-style-type: none"> ● 0.5% or less of waste generated (consolidated in Japan) 	<ul style="list-style-type: none"> ● 0.2% of waste generated (consolidated in Japan)

* For more integrated reporting, targets for subsidiaries outside Japan are currently being reconsidered, and their results are also in the process of scrutiny.

Water intake (excluding marine water)



Ratio of industrial waste sent to landfills



Initiatives for reducing water consumption

The importance of water resources is recognized globally, and it is regarded as a social requirement to use water resources in an appropriate and efficient manner, thereby reducing the consumption of water. It is also necessary to ensure that water circulates through its natural cycle with its quality and functions maintained at a level that is suitable for human activities and environmental conservation. The Resonac Group regards a shortage of water as a global issue and is working to make effective use of water and reduce its consumption. We also treat the water used in our activities to reduce its environmental impact before releasing it back into the environment.

Electronics Production Center of the Electronics Business Headquarters is working to reduce water consumption under the environmental target of efficiency improvement by 1% per year. The Environmental Management Committee, held monthly, monitors the status of efficiency improvement of each department to help achieve the water consumption reduction target. In 2022, we successfully improved efficiency by about 1.8%. The Shimodate Plant took measures such as the reduction of the cooling water consumption through improved efficiency of heat exchangers, the prevention of water leakage by renewing aging underground piping, and the increase in the recycled and reused amount of cooling water by bolstering chiller facilities. As a result, we reduced groundwater consumption by about 70%.

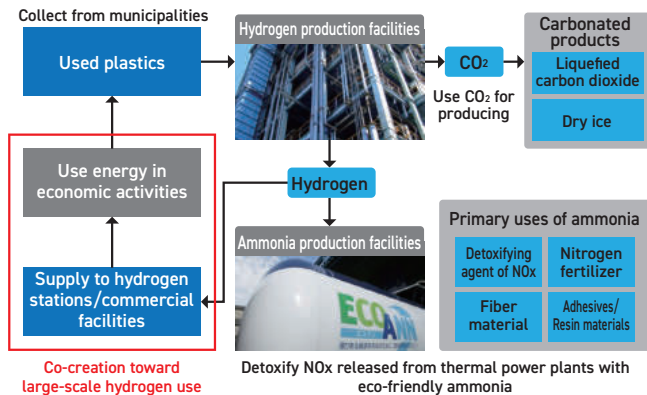
Initiatives for achieving zero emissions

By defining zero emissions as the state in which the ratio of industrial waste sent to landfills to total waste generated is 0.5% or less, we reduce the generation of waste and promote the effective use and recycling of resources. We also inspect our sub-contractors for intermediate treatment and final disposal of waste to confirm that they appropriately treat and dispose of our waste. In 2020, to enhance measures against the inappropriate disposal of waste, the government mandated companies that generate specially controlled industrial waste in the annual amount of 50 tons or more to use the electronic manifest for the reporting of their wastes. The Resonac Group's relevant sites have already put this system in place and started producing reports using the electronic manifest.

Realization of Recycling-oriented Society

Basic chemicals and Industrial gases: Promotion of plastic chemical recycling and co-creation toward large-scale hydrogen use

Under the Kawasaki Plastic Chemical Recycling (KPCR¹) operations, the Kawasaki Plant implements various initiatives, such as providing hydrogen extracted through the decomposition of used plastics to fuel cells for hotels. Resonac is the only provider of ammonia in the world with a long history of synthesizing ammonia by utilizing low-carbon hydrogen extracted from gas produced through the process of used plastic chemical recycling, and as a result, the total volume of used plastic recycled reached one million tons in January 2022. Moreover, the Company aims to establish hydrogen fueling stations in the coastal area of Kawasaki City to create a virtuous cycle for expanding supply and demand to use hydrogen. Since March 2022, we have promoted this initiative by coordinating with six other partners across various sectors² as a collaborative network for hydrogen use to track medium- to long-term hydrogen demand and supply network feasibility within the area.



¹ KPCR is an acronym for Kawasaki Plastic Chemical Recycling, a plastic recycling business operated at the Kawasaki Plant.
² Six other partners across various sectors are Asahi Kasei Corp., Ajinomoto Co., Inc., ENEOS Corporation, East Japan Railway Company, Toshiba Energy Systems & Solutions Corporation, and Kawasaki City.

P85 / Chemicals

Almic-can, an eco-friendly product that also contributes to reducing food loss

Almic-can enables the foods to keep their flavor and prevent their color from changing, whereby reducing food loss. KAWASHO FOODS CORPORATION, known as its flagship product, Nozaki's Corned Beef, tested for preservation of its corned beef using Almic-can. The test showed that Almic-can helped extend its best-before date to three and a half years from three years when using the traditional trapezoidal "makura kan" (pillow-shaped can). Almic-can is suitable for an emergency food stock as you can keep the foods at room temperature and eat without cooking. Almic-can also contributes to eco-friendly packaging. These days, plastic containers are used for many food products, but microplastics are regarded as a cause of extensive marine pollution. When TANEYA CO., LTD., a Japanese confectionery company, changed its packaging for Japan agar to Almic-can, the company successfully reduced plastic usage per unit from 38.3 g to 12.1 g, or a whopping 68% reduction in plastics. Assuming that the amount of energy required to develop aluminum base metal from mineral (bauxite) is 100, the amount of energy required to create recycled base metal from collected aluminum would be only about three, meaning recycling aluminum contributes to decarbonization. Leveraging the strengths of Almic-can, we plan to enter into the fields, such as nursing care foods, pet foods, and pharmaceuticals.



Nozaki's Corned Beef of KAWASHO FOODS CORPORATION



Honnama Yokan of TANEYA CO., LTD.

Environment Risk Measures

Policies and Management

We appropriately assess the impact of our business on the environment and work to reduce our environmental load and implement measures for preserving the environment based on the findings of such assessments, while contributing to achieving a sustainable society. The Group CEO is the highest authority for environmental preservation activities and environmental risk measures. The environment & safety managers at each business division and site are appointed, and information on the environment is shared through the environment & safety managers meeting. At the same time, instructions from the Management Committee are circulated throughout the Group. At each site, the head of the site and the environment & safety manager lead environmental preservation activities based on their environment and safety action plans.

Strategy for Realizing the Long-Term Vision

To identify environmental risks and opportunities, and compliance obligations, and to ensure that we address them appropriately, we will establish and implement an environmental management system, which covers an implementation structure, securing of resources, education, communication, monitoring and measurement, emergency preparedness and response, and internal audits, whereby consistently improving our environmental risk measures.

Roadmap for realizing the long-term vision

Results in 2022	Plan for 2023	Vision for the future (2030)
<ul style="list-style-type: none">Developed the system to understand and manage environmental risk eventsPrepared the regulations for environment & safety management system	<ul style="list-style-type: none">Establish a system to manage environmental risk eventsRoll out an environment & safety management system globallyImplement the compliance system	<ul style="list-style-type: none">An integrated environment & safety management system is in place on a global scale.The environment management status is visible on a global scale so that we can understand issues and take countermeasures against them promptly.

Targets and results of KPIs on material issues

P58 / Material Issues and Non-financial KPIs

KPIs and 2025 targets	Results in 2022
Zero environmental accidents ● Zero environmental accidents (consolidated)	● 0 (consolidated)

Environmental measures in Kitakata City, Fukushima

In October 2020, at our production base for the aluminum specialty components business located in Kitakata City, Fukushima Prefecture, substances including fluorine were detected in an amount exceeding the regulatory standards in the groundwater flowing beneath the premises. In response, we have implemented remediation measures in line with the Soil Contamination Countermeasures Act.

Niigata Minamata disease

Regarding the Niigata Minamata disease, the outbreak of which was officially confirmed in 1965, we acknowledge that former Showa Denko's wastewater polluted the Agano River, causing great inconvenience to victims and people living around the site. Resonac, in cooperation with the national and local governments, will continue to respond in good faith to the victims of the incident and work to solve the related problems in line with the laws and regulations that provide for compensation to be paid for the damage caused by the pollution.

Efforts for Preservation of Biodiversity

Mission of Creating Value

In order to pass down to the next generation the beautiful scenery provided by ecosystems and rich natural resources, the Resonac Group will work to conserve, restore, and improve biodiversity.

Policies and Management

While biodiversity, the gift of nature, supports human life and business activities, biodiversity is rapidly being eroded and faced by various environmental issues. The Group regards biodiversity conservation as essential to recovering the natural power that ecosystems generate. This is why we work to assess business activities' impact on ecosystems so that we can sustainably use natural resources including forests, soil, water, air, and biological resources. Not only assessing the impact of the business activities on ecosystems, but we also cooperate with various stakeholders, such as society, customers, business partners, central and local governments, international bodies, non-profit organizations (NPOs), and non-government organizations (NGOs) to protect biodiversity.

Strategy for Realizing the Long-Term Vision

For protecting biodiversity, we take the following to set concrete targets and KPIs in the future.

- Evaluate and reduce the impact of the Resonac Group's business activities on biodiversity
- Work to restore threatened biodiversity
- Reinforce initiatives through dialogue and cooperation with stakeholders

Roadmap for realizing the long-term vision

Results in 2022	Plan for 2023	Vision for the future (2030)
<p>Actively engaged in a reduction of environmental load by ensuring appropriate maintenance and management of green spaces and reducing wastewater</p> <ul style="list-style-type: none"> ● Surveyed aquatic life living in the stream flowing in Kitakata Plant in Fukushima Prefecture ● Engaged in conservation activities of ecosystem in Kasumigaura area in Ibaraki Prefecture ● Volunteers from Resonac Asia Pacific Pte. Ltd. participated in cleanup program of national gardens 	<ul style="list-style-type: none"> ● Collect examples of activities serving biodiversity conservation and draw up action plans ● Examine biodiversity indicators ● Reinforce existing initiatives 	<p>Assess impact of Group's business activities on ecosystems and partner with various stakeholders to use natural resources in a sustainable way, while preserving, restoring, and improving them (Targets and KPIs are currently under review)</p>

Biodiversity conservation, restoration, and improvement activities at Kitakata Plant in Fukushima Prefecture

We survey aquatic life in the stream flowing within the premises of Kitakata Plant to protect endangered life and maintain biodiversity in the area. The survey confirmed the presence of many types of organisms,



including fish such as amur minnow and Japanese dace, amphibians such as Japanese tree frogs and wrinkled frog, insects such as water stick insect and agabus japonicus, and shellfishes.

We will make a new plan of preparing waterway while preserving the habitat of aquatic life and start biodiversity conservation activities as the plant-wide initiative.



Wrinkled frog



Water stick insect

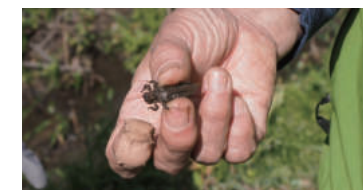
Biodiversity conservation in Kasumigaura area (Environmental Rehabilitation Activity around Kasumigaura)

The Resonac Group obtains water for industrial use from Kasumigaura. From fiscal 2012, we are working with an NPO named "Asaza Fund" to undertake the Environment rehabilitation activity around Kasumigaura. Specifically, we have been carrying out activities to regenerate the Satoyama environment (undeveloped woodland near populated areas) while also growing rice and improving the environment on abandoned cultivated land in Sakuragawa City, Ibaraki Prefecture, where we place our operation base.

In cooperation with the locals, we improve the surrounding environment by cutting grass and creating biotopes in line with programs, such as rice planting, weeding, and harvesting, and keep the organism living in the area under observation from certain point. According to the observation, the abundance of life such, as pleuroceridae and brown frogs is increasing compared with those before the activity, and we aim to see more organisms in the future. We also confirm the existence of species such as giant water bug, whirligig beetle, and Japanese eight-barbel loach, which are on the red lists released by The Ministry of the Environment. We continue to work on ecosystem conservation. Due to the spread of COVID-19, those on-site activities had been suspended since 2020, but we resumed our activities in 2023.



April 2023: Rice planting and aquatic life survey



Jumbo dragonfly larvae

Occupational Health and Safety Web

Mission of Creating Value

We view safety as being what qualifies us to remain in the manufacturing business. As we strive to "gain social credibility through responsible business management," we will be building a safety infrastructure and safety culture for the Resonac Group, and globally promote activities underpinning enterprise value creation.

Policies and Management

"Safety First" is stipulated in Article 1 of "Our Code of Conduct," and our senior management have expressed a strong commitment to it. Based on our basic philosophy of "safety as our top priority," we will protect the health and safety of all our work colleagues, including those at partner companies, and ensure that our workplaces enable them to do their jobs with peace of mind.

The CEO is the highest authority for safety activities, and based on the mantra of "Bad News First, Fast," information on safety within the Group is shared with the senior management team at safety meetings, which are normally held every other week, and instructions are issued to the entire Group. In addition, we provide forums for discussion of matters related to health and safety by executives and labor union representatives, and proactively engage in activities that involve both the management and labor sides, such as jointly-run workshops and patrols.

Initiatives in 2022

Global safety awareness survey

In 2022, we conducted a safety awareness survey of all our employees across the globe.

The results highlighted issues with the Group's overall safety culture, and based on those findings, we set the following goals for our future activities: *instilling the belief that the number of accidents and disasters can be reduced to zero, fostering leadership, nurturing a safety culture in which personnel educate each other (mutual enlightenment), and implementing initiatives for giving praise where it is due.*

Rollout of the SCP (Safety Communication Program)

The SCP is a program designed to help managers and supervisors improve their observation and communication skills to enable them to engage in interactive and constructive discussions with workers about safe work practices on the frontline.

The program is one of a number of initiatives aimed at nurturing a safety culture of *mutual enlightenment*, i.e., one in which good behavior is praised and unsafe behavior is corrected, and problems are solved together, through patrols that emphasize dialogue rather than repeatedly pointing out faults.



Safety patrols that emphasize dialogue



Strategy for Realizing the Long-term Vision

- We have declared the following strategy for building a safety infrastructure and safety culture at Resonac:
- 1 Reform our safety culture by transforming it into one based on mutual enlightenment
 - 2 Roll out a risk-based environment and safety management system globally and improve it on an ongoing basis
 - 3 Ensure safe behavior and raise safety awareness based on our safety code of conduct and 10 safety principles
 - 4 Reinforce efforts to prevent accidents and disasters by introducing process safety management
 - 5 Disseminate information and increase the speed of responses by implementing a Groupwide safety data management system

Roadmap for realizing the long-term vision

	Results in 2022	Plan for 2023	Vision for the future (2030)	
Fostering of a culture emphasizing safety	<ul style="list-style-type: none">Conducted a safety awareness survey and formulated an improvement planHeld safety workshops facilitated by senior executivesIntroduced the Safety Communication ProgramRan the "My Safety Declaration" campaign	<ul style="list-style-type: none">Promote mutual enlightenment through local gatherings and activity presentation meetingsImplement the Safety Communication Program by senior executives	<ul style="list-style-type: none">A mutual-enlightenment safety culture has been instilled based on leadership from the top	[Zero accidents/disasters]
Establishment of safety infrastructure	<ul style="list-style-type: none">Established global rules for the environmental and safety management system	<ul style="list-style-type: none">Begin operation of the environmental and safety management systemIntroduce process safety managementBegin operation of the safety data management system	<ul style="list-style-type: none">A safety infrastructure has been established and the integrated environment and safety management system is in place on a global scale	
Invigoration of safety activities	<ul style="list-style-type: none">Established our safety code of conduct and 10 safety principles	<ul style="list-style-type: none">Promote comprehension and penetration of our safety code of conduct and 10 safety principles	<ul style="list-style-type: none">All Group personnel maintain high levels of safety awareness and behave in a highly safe manner	

Targets and results of KPIs on material issues

P58 / Material Issues and Non-financial KPIs

KPIs and 2025 targets	Results in 2022
Fostering of a culture emphasizing safety: <ul style="list-style-type: none">Establish a culture emphasizing safety to eliminate occupational accidents	<ul style="list-style-type: none">Drafted improvement measures based on the results of the global safety awareness survey (launched the Safety Communication Program)Harmonized safety standards (ongoing)
Occupational accidents: <ul style="list-style-type: none">Zero serious occupational accidents (consolidated)	<ul style="list-style-type: none">0 (consolidated, includes partner companies)
Lost time incident rate: <ul style="list-style-type: none">0.1 or less (consolidated, equivalent to zero accidents resulting in lost time over a 10-year period at a site with 500 employees)	<ul style="list-style-type: none">0.54 (consolidated, excludes partner companies)
Equipment-related accidents: <ul style="list-style-type: none">Zero serious equipment-related accidents (consolidated)	<ul style="list-style-type: none">0 (consolidated)

Quality Assurance



Mission of Creating Value

Through our quality assurance activities, we will continue to supply customers with products and services that are safe and provide peace of mind over the entire product lifecycle. And by aiming to maximize the value that we deliver through co-creation with suppliers and various other stakeholders that is based on relationships of trust, we will contribute to the sustainable development of society.

Policies and Management

We have declared a quality policy of providing world-class quality that contributes to the sustainable development of society. The Chief Quality Officer (CQO) leads an oversight organization responsible for the design of quality-related systems, human resource development, management, and audit, and we will be making improvements by following a PDCA (plan-do-check-act) cycle that involves close coordination with the quality assurance manager at each business site.

Furthermore, by establishing a group in charge of functions for strengthening global governance and functions for moving forward with IT system development, our policy is to translate these functions into superior quality assurance and more efficient and sophisticated operations for the Resonac Group as a whole.

Strategies

<Priority measures>

1 Reinforcement of quality assurance governance

We will entrench and continuously review rules, establish an RHQ* structure, and simplify and standardize operations.

2 Human resources development and fostering of a safety culture

We will improve quality-related education programs, and roll them out throughout the Group. Through an e-learning program, we will endeavor to prevent the inappropriate inspections that were uncovered at former Hitachi Chemical in 2018 from being forgotten, and will strive to develop human resources with high levels of skills and ethics and to foster a safety culture.

3 DX to maximize the value we provide

By building IT systems, we will make our quality assurance operations more sophisticated and efficient and strengthen functions for managing changes and modifications, and by managing trends, we will enhance our administrative capabilities.

*RHQ: Regional Headquarters (regional oversight companies) See [P30](#)

Roadmap for realizing the long-term vision

Results in 2022	Plan for 2023	Vision for the future (2030)
<ul style="list-style-type: none"> In the final stage of the integration, we established and put into effect rules related to quality assurance, the cornerstone of global governance We laid the foundations for the establishment of an RHQ for Greater China, administered a quality-assurance integration education program ahead of time, and strengthened the head office quality assurance department's functions for audit and surveillance of each business site 	<ul style="list-style-type: none"> To increase solidarity among all the people involved in quality assurance as members of Resonac, and firm up the foundations for their activities, we will entrench integrated rules; launch the RHQs; conduct a quality awareness survey and feed the results back into education plans; systematically build quality-related IT systems; and continuously reduce complaints and nonconformance 	<ul style="list-style-type: none"> The entire Group is being administered under a globally-integrated quality assurance framework Through quality, relationships of trust have been established with customers, and the value provided through business activities has been maximized

Targets and results of KPIs on material issues

[P58 / Material Issues and Non-financial KPIs](#)

KPIs and 2025 targets	Results in 2022
Zero product-related accidents: <ul style="list-style-type: none"> Zero product-related accidents (consolidated) 	<ul style="list-style-type: none"> 0 (consolidated)
Zero quality compliance violations: <ul style="list-style-type: none"> Zero violations (consolidated) 	<ul style="list-style-type: none"> 1 (consolidated)

Initiatives in 2022

Regarding measures that constitute major modifications for internal departments, such as the establishment and implementation of integrated rules related to quality assurance, we conducted multiple rounds of awareness-raising activities to get the measures off to a smooth start. As a result, business sites have been implementing them in a systematic fashion since the beginning of the fiscal year. We have decided to build the global governance structure in stages, and have embarked on the first stage by commencing a fact-finding survey of Greater China and starting work on determining a course of action for the region.

As for quality compliance, the CQO sent out messages connected to our purpose and values. And besides taking such measures as providing periodic education, we used the internal intranet to share information about the inappropriate inspections incident, and began building an archive of related information to facilitate mutual learning.

In the area of IT systems, we made progress with expanding systems for preventing quality-related misconduct based on a medium-term plan. These systems included ones for automatically importing inspection data and ones for automatically issuing test performance documentation.

Chemicals Management

Mission of Creating Value

Our mission is to realize a "Co-creative Chemical Company" that transforms society through the power of chemistry. We are dedicated to ensuring chemicals management compliance and providing safety and peace of mind throughout the entire product lifecycle. With the concept of new value through safety, we aim to maximize enterprise value through our effort to ensure a sustainable society considering environmental impact and safety, health, and the genuine prosperity of individuals.

Policies and Management

As part of the integration of the two companies, a new chemicals management oversight organization was established. The members of this organization are working collaboratively to establish a global framework for ensuring chemicals management, and are striving for continuous improvement by employing PDCA cycles in areas such as regulatory compliance, risk management, global governance, and safety evaluation.

We provide safety and peace of mind through a commitment to rigorous compliance and the promotion of product stewardship. We also aim to create new value for the future through the proactive identification and autonomous/self-motivated management of potential product risks. Furthermore, we will work towards achieving our mission by creating mechanisms for continuously developing and producing professional personnel in chemicals management and safety assessment, and by promoting the building of systems and infrastructure to ensure that all initiatives related to chemicals management are implemented effectively.

Strategies

<Priority measures>

1 Reinforcement of global governance

Through the establishment of a chemicals management network function, formulating Resonac group's chemicals management rules, developing an integrated chemicals management system, and comprehensive collaboration via RHQs*, we aim to further enhance governance both domestically and internationally, and ensure comprehensive chemicals management compliance.

2 Promotion of product stewardship

We will provide sustainable value through safety and peace of mind that reassures our stakeholders by continuously performing chemical risk assessments, enhancing the level of product safety assessments, and expanding product-related safety information.

3 Education/human resource development

We will implement a chemicals management professional development program that focuses on e-learning and online seminars, enabling participants to take courses from any location and at any time, and fostering human interaction and specialized training within the Resonac Group.

*RHQ: Regional Headquarters (regional oversight companies) See [P30](#).

Roadmap for realizing the long-term vision

Results in 2022	Plan for 2023	Vision for the future (2030)
<ul style="list-style-type: none"> Initiated the merger of the two companies with the integration of rules, chemicals management audits, and various education programs, as well as the launch of an internal chemicals management portal site Achieved 100% execution rate for risk assessment of priority risk assessment substances (within Japanese business sites of the former Showa Denko) 	<ul style="list-style-type: none"> Advance efforts to establish a comprehensive global management framework, encompassing the enhancement of legal compliance, implementation of chemicals management audits and education, integration of chemicals management systems, and the multilingualization of the portal site Select priority risk assessment substances and conduct associated risk assessments 	<ul style="list-style-type: none"> Establish global chemicals management governance framework to enable Resonac to compete on the international stage Contribute to maximizing enterprise value by providing safety and peace of mind through co-creation with stakeholders

Targets and results of KPIs on material issues

[P58 / Material Issues and Non-financial KPIs](#)

KPIs and 2025 targets	Results in 2022
Promotion of product stewardship: <ul style="list-style-type: none"> 100% execution of risk assessment of priority risk assessment substances* (consolidated in Japan) 	<ul style="list-style-type: none"> 100% execution of risk assessment of priority risk assessment substances* (former Showa Denko non-consolidated, 68 substances)

*The assessment was implemented by issuing a safety summary report for substances stipulated by the Company.

Initiatives in 2022

The departments responsible for chemicals management from both companies collaborated to integrate their efforts and establish a united organizational structure. This culminated in the inauguration of Resonac's Chemicals Management Department in January 2023. As part of that process, we pressed ahead with the integration of rules, chemicals management audits, and various education programs, as well as the launch of an internal chemicals management portal site, laying the groundwork for future initiatives to reinforce global governance and educate and develop human resources. Also in 2022, we conducted risk assessments, similar to the previous year. Notably, we achieved a 100% assessment rate for our priority risk assessment substances (within Japanese business sites of the former Showa Denko), disclosing the results in safety summary reports. These were awarded the first prize in the Japan Initiative of Product Stewardship (JIPS) award program*, organized by the Japan Chemical Industry Association, for the second consecutive year. This initiative has had the effect of invigorating risk communication both within and outside Resonac and boosting internal motivation among our personnel, which will drive our ongoing product stewardship efforts.



JIPS award (first prize) plaques
(2021 and 2022)

*The JIPS award is presented by the Japan Chemical Industry Association (JCIA) to member companies that have conducted superior initiatives in disclosing their safety summary reports as part of the autonomous/self-motivated initiatives in chemicals management.

Sustainable Procurement

Mission of Creating Value

As we endeavor to evolve into a "Co-creative Chemical Company," the mission of procurement departments is to work with suppliers and all other stakeholders to contribute to the realization of a sustainable society. To that end, it will be essential to build long-term relations of trust with suppliers, and we will therefore adhere to high ethical standards in our procurement activities and develop fair and impartial procurement frameworks to promote *sustainable procurement* as responsible procurement activities.


Policies and Management

To make our procurement sustainable, our basic policy comprises the following three activity components:

- **Corporate social responsibility (CSR):** Better fulfill our social responsibilities in all our business activities from development/manufacturing to final consumption
- **Fair procurement activities:** Select optimal suppliers and conduct fair procurement after comprehensively considering not only quality, safety, and economy, but also CSR
- **Partnerships:** Build equitable collaborative relationships with suppliers based on mutual understanding and trust

To further entrench these activities, our procurement departments will play the leading role in sustainable procurement, establishing specialist teams to perform internal monitoring of purchasing, contracting, and legal compliance; provide compliance-related education internally; and conduct CSR questionnaire surveys of suppliers and give them feedback.

Strategy for Realizing the Long-term Vision

We pursue sustainable business activities throughout our supply chain, from raw materials procurement to manufacturing, sale, and logistics, and have made available Sustainable Procurement Guidelines  detailing the efforts that we want suppliers to make alongside us. By jointly adhering to these guidelines, both Resonac and its suppliers are taking action to enhance their value as enterprises. Procurement departments will be designing and implementing effective measures with the following objectives in mind:

- **Ensure penetration of the Sustainable Procurement Guidelines by distributing them to suppliers and obtaining from the suppliers written confirmation that they have received them**
- **Build a foundation for high-quality communication by improving methodologies for CSR questionnaire surveys and CSR visits**
- **Help strengthen the businesses of both Resonac and its suppliers through open exchanges of opinions with suppliers**
- **Improve the skills and professionalism of purchasing managers by providing them with ongoing education and conducting awareness-raising activities**

Roadmap for realizing the long-term vision

Results in 2022	Plan for 2023	Vision for the future (2030)
<ul style="list-style-type: none"> ● Published the Resonac Group Sustainable Procurement Guidelines ● Conducted a CSR questionnaire survey (response rate: 92%) ● Made CSR visits (47 companies*, former Showa Denko suppliers) 	<ul style="list-style-type: none"> ● Improve the functionality of CSR questionnaire tools and make sure they are used ● Gauge current levels of CSR efforts at suppliers, and set evaluation standards 	<ul style="list-style-type: none"> ● Work with suppliers to raise effort levels and realize a sustainable society

Targets and results of KPIs on material issues

 P58 / Material Issues and Non-financial KPIs

KPIs and 2025 targets	Results in 2022
Improvement of quality of communication with suppliers: <ul style="list-style-type: none"> ● CSR questionnaire response rates improved, and a higher proportion of suppliers exceeded the satisfactory threshold 	<ul style="list-style-type: none"> ● Began formulating the Sustainability Procurement Guidelines for the newly integrated company

Initiatives in 2022

We conduct CSR questionnaire (self-assessment) surveys of important existing suppliers once every three years, and all new suppliers normally have to respond to the questionnaire when we start doing business with them. In 2022, we received responses from 339 companies (response rate: 92% of all those surveyed). The results were aggregated, and applicable suppliers were provided with feedback reports that clarified their standing relative to the average of all suppliers and of their own industry and gave advice on making improvements. We also made "CSR visits" to 47 companies, during which we exchanged various opinions with them on how to practice sustainable procurement.

Results of Supplier CSR Self-assessment (CSR questionnaire survey) in 2022

Number of suppliers responded: 339 companies Average total score: 63.0

Score	Number of suppliers (% of total)	Improvement efforts
50 or more	273 companies (81%)	Suppliers were urged to work on matters that needed improvement and to pursue higher-scoring initiatives
30 to below 50	52 companies (15%)	Suppliers were urged to work on matters that needed improvement, and offered Resonac's proposal on improvement measures Note: Visits made as needed, to exchange opinions on efforts made by both parties and check the status of improvement at the next self-assessment.
Below 30	14 companies (4%)	Suppliers were urged to work on matters that needed improvement, and offered Resonac's proposal on improvement measures Note: Visits made as needed, to discuss early improvement and check the status of improvement at the next self-assessment.

Respect for Human Rights Web

Mission of Creating Value

Conducting our business activities with consideration for human rights is essential to protect our employees, as well as gain the trust of our business partners, customers and local communities in our collective aim to create a better society.

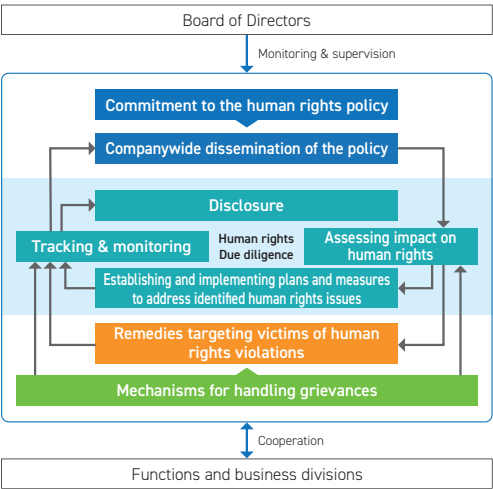
We respect human rights as the core of our business activities in all countries and regions where we operate to help bring about a society that leaves no one behind and where the dignity of all is ensured and everyone is treated equally without exception.

Policies and Management

In 2021, we published a human rights policy that places respect for human rights at the core of our business activities in all countries and regions where we operate. This policy was formulated not only for all of our employees, but also for our business partners, including our suppliers, to understand and adopt.

We are continuously deepening our human rights due diligence in line with this policy.

Our commitment to human rights is driven by a company-wide, cross-sectional human rights project team. This comprises members selected from our Strategy, Personnel, Risk Management, Occupational Safety, Procurement, and other specialized departments, as well as each Business Division that forms the core of our human rights initiatives. Alongside regular gatherings of the Sustainability Promotion Council, attended by the Group's CXOs including the CEO, matters of importance are deliberated and decided upon in management meetings and reported to the Board of Directors, thereby strengthening governance to reduce business risks.



P55 / Promoting Sustainability

Roadmap for realizing the long-term vision

Results in 2022	Plan for 2023	Vision for the future (2030)
<ul style="list-style-type: none">Investigated human rights issues in high-risk areas and chemical companies and began to gain an understanding of the company's risk profile	<ul style="list-style-type: none">Conduct employee assessments, including overseas, and investigate human rights risks in the supply chain, identifying high-risk areas and considering improvement measuresImplement human rights education for all Group employees through our dedicated e-learning system.	<ul style="list-style-type: none">To have implemented measures for prevention and mitigation against identified human rights risks, as well as established a series of processes to evaluate their effectivenessTo have established a corporate culture in which all Group employees, including those overseas, respect human rights and are able to transform diversity into co-creative and competitive strengths

Targets and results of KPIs on material issues

P58 / Material Issues and Non-financial KPIs

KPIs and 2025 targets	Results in 2022
Respect for human rights: <ul style="list-style-type: none">Established a human rights due diligence implementation framework	<ul style="list-style-type: none">Initiated an investigation into human rights risks, including within our supply chainBegan raising awareness of Sustainability Procurement Guidelines that reflect our human rights policy

Initiatives in 2022

In 2022, in preparation for the launch of Resonac, we formulated "Our Code of Conduct" [P111](#) to reflect our human rights policy, and worked toward embedding it within the workplace. In addition, on account of the increasing geopolitical risks and new business activities following the integration, we began identifying human rights issues, including those in high-risk areas and within the supply chains of chemical companies. Along with that, we also ensured that our human rights policy was reflected in our Sustainability Procurement Guidelines [P106](#), which clearly set out matters for collaboration between Resonac and our suppliers. These guidelines were subsequently shared with our suppliers.

Plan for 2023

In 2023, we will conduct employee assessments, including those overseas, and investigate human rights risks in the supply chain, identifying high-risk areas and regions and considering improvement measures. At the same time, we will aim to further embed our human rights policy throughout the Group via training.

Strengthening Internal Communication within our Group

In January 2023, we embarked on a fresh journey under the new company name of "Resonac." We are committed to fulfilling our social responsibilities and delivering value to all our stakeholders. By doing so, we aim to earn their trust and esteem, paving the way for co-creation. The foundation for this lies in internal communication within our Group. We are strengthening our communication as a group to enhance sustainable corporate value and address societal challenges through our business activities.

April 2020

Completed the TOB (Tender Offer Bid) for the former Hitachi Chemical

January 2022

Effectively merged via the unification of management structures

January 2023

Resonac is born (corporate merger)
Holding company: Resonac Holdings Corporation
Newly merged company (operating company): Resonac Corporation

RESONAC
Chemistry for Change

Strategy for Realizing the Long-term Vision

We aim to be a company that can compete on a global stage. To drive transformation, create synergies through the merger of the two companies, and foster co-creation, it is essential for us to bridge any gaps in understanding and awareness between management and employees. We will do this through town hall meetings and face-to-face events with the CEO and other members of the leadership team, as well as through transparent communication such as Internal Group magazines that showcase the faces of our employees.

Initiatives in 2022

Since the effective merger of the two companies in January 2022, we have been focusing on promoting mutual understanding, communicating the progress of the merger and other business information, as well as encouraging dialogue between management and employees. This has included town hall meetings between the leadership and employees, "Global Kickoff Meetings" where members of the management team from all our worldwide locations convene, as well as a New Year's address by the President. Additionally, we have been actively disseminating information via our Internal Group magazines. The New Year's address by the President was planned and executed with a greater emphasis on two-way communication. In the town hall meetings, our president has listened to employee requests and concerns, and communicated his action plans. We've further enhanced our direct communication with employees by holding sessions in Japanese, English, and Chinese, complemented with real-time Q&A sessions. We have also revamped the traditional Internal Group magazine format and launched the Internal Group magazine titled "BRIDGE," which is centered around the concept of showcasing the faces of our employees and communicating initiatives and achievements that can make us proud of the Group." It overlays the company's direction, management policies, and sentiments with the efforts of our employees. The online Internal Group magazine places emphasis on articles with the themes of co-creation, purpose & values, as well as our



"WITH UNSUNG LEADERS" features. For employees who don't typically use computers, we produce digests of our online Internal Group magazines that are displayed at our physical locations.

"WITH UNSUNG LEADERS" features highlight those unheralded leaders in our company who bravely confront challenges and continuously learn through trial and error, all in pursuit of a brighter future. We develop articles based on this concept on our website and in Internal Group magazines.



Topics

Global Kickoff Meeting 2023

In February 2023, we held our first "Global Kickoff Meeting." At the meeting, 178 attendants, consisting of the Group's senior executives and presidents of our major affiliated companies, shared the strategies and policies of each business unit and corporate function, and deepened their understanding of the Group's current priority initiatives. Lively two-way discussions were held, fostering a sense of unity within the management team.



Topics

Creation of the "Resonac Pride Award" to Recognize and Encourage Employee Sustainability Activities

We established the "Resonac Pride Award" to honor employees who, through their involvement in social contributions, environmental conservation, and cultural or sporting activities, embody our purpose and values. Their efforts contribute towards enhancing our company image and invigorating internal morale and vitality. In 2022, we received 65 nominations from ten different countries. Ms. Fujichika from our Oita Office, who founded and manages the futsal club "ENTRADA" for those with intellectual disabilities, received the gold award.



Risk Management

Mission of Value Creation

We will endeavor to ensure that each individual possesses solid integrity and that all personnel manage risks with an eye to the future, and will contribute to the sustainable development of both Resonac and society. By considering our direction and appropriateness for addressing risks, such as promotion of companywide risk assessment and business continuity management, and repeatedly following a cycle of verifying effectiveness, we will clarify the risks and their impact on business management to support management decision-making and thereby facilitate the optimal allocation of resources.

Risk/Crisis Management Systems

Risk management system

Resonac has established a risk management system that is compliant with the ISO 31000 standard. We have also organized the Risk Management Committee chaired by the CEO. The Committee facilitates cross-organizational deliberations by senior executives on the risk management system, key risks facing the Group, and countermeasures for addressing them. The matters deliberated on by the Risk Management Committee will be discussed and approved by the Management Committee, and then reported to the Board of Directors, which supervises assessments of the appropriateness and effectiveness of the risk management system and the progress being made with its implementation.

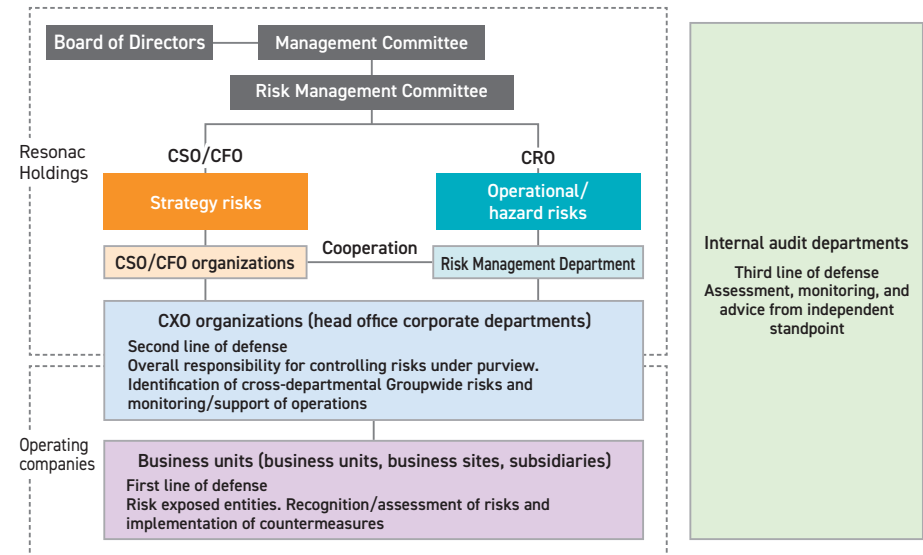
In addition, at business divisions/sites and major Group companies in Japan, we have assigned risk owners, risk officers, and risk managers, who are responsible for identifying and assessing risks in each business and workplace and implementing countermeasures to address them. We have also clarified who is responsible for implementation in divisions performing risk assessment. Furthermore, the CXO organizations, which are head office corporate departments, act as risk oversight divisions by taking overall responsibility for controlling the risks under their purview. They also conduct reviews of and provide support for the establishment of the companywide risk oversight standards, risk assessments conducted by divisions performing risk assessments, and countermeasures, all from a cross-departmental perspective over the entire Group. We have therefore put in place a structure that allows risk management to be performed in an integrated fashion with senior management and frontline personnel working together as a united team.

Crisis management system

Should a crisis occur, we set up a crisis response headquarters led by the CEO, which handles the initial response in a swift and appropriate manner. For example, it assesses the extent of damage and its impact on our business operations, issues instructions to take steps to prevent any escalation of damage, and considers what information to provide to external parties.

Following the initial response, if the crisis is expected to have a significant impact on business continuity, BCPs (business continuity plans) developed in advance for selected products are executed. In this way, we endeavor to maintain/continue or swiftly resume business operations in order to fulfill our responsibility to continue supplying customers with products essential for maintaining social infrastructure.

Risk management organization



Roadmap for realizing the long-term vision

Results in 2022	Plan for 2023	Vision for the future (2030)
Establishment of risk management system Development of risk management system <ul style="list-style-type: none"> Established risk management system/rules and expanded functions of secretariat ahead of launch of Resonac in January 2023 Risk assessment <ul style="list-style-type: none"> Conducted the 2022 risk assessment Added review process by CXOs BCM&BCP <ul style="list-style-type: none"> Selected products for which BCPs are to be established 	Expansion of risk management processes Sophistication of risk management system <ul style="list-style-type: none"> Reinforcement of risk oversight through addition of control implementation and assessment processes BCM&BCP <ul style="list-style-type: none"> Formulation of BCM&BCP guidelines Based on the guidelines, revise BCPs for products for which BCPs have been established and establish an effective administrative structure Establishment of risk management systems outside Japan <ul style="list-style-type: none"> Establishment of structures for functional design and implementation at core subsidiaries outside Japan Provision of risk management education and training <ul style="list-style-type: none"> Production of educational content and development/implementation of education plans 	<ul style="list-style-type: none"> Achieve world-class management by establishing and improving risk management structure and system that support the three lines of defense Develop an effective administrative structure that also covers BCM&BCP formulation, and fulfill social responsibilities even in emergencies Instill risk management principles and approaches by propagating a risk-attentive culture among Group personnel and developing their risk awareness Begin establishing risk management systems outside Japan in 2025

Risk Management

Targets and results of KPIs on material issues

P58 / Material Issues and Non-financial KPIs

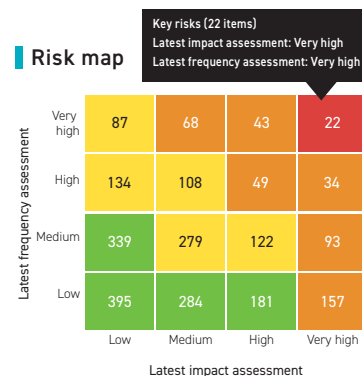
KPIs and 2025 targets	Results in 2022
Development and operation of comprehensive risk management system: <ul style="list-style-type: none"> Expand the new comprehensive risk management system covering external environment change risks, operational risks, and hazard risks 	<ul style="list-style-type: none"> Improved and codified comprehensive risk management system (including accountability structure for business execution departments and oversight departments and processes for reporting key risks to the Board of Directors and the Management Committee)
Reinforcement of functions of second line of defense: <ul style="list-style-type: none"> Expand the Group's internal control framework through data linkage with the second/third lines of defense Expand processes outside Japan and centralize risk data within the Group 	<ul style="list-style-type: none"> Produced FY2022 Risk Assessment Report based on comparisons with external disclosure information, and gave feedback on companywide risk inventory status Added "review process by CXO organizations for key risks" to risk assessments and further enhanced granularity of data

Initiatives in 2022

Sophistication of risk assessment

In 2022 we made improvements to risk assessment processes. Based on risk data registered by divisions taking risk inventories, oversight divisions (CXO organizations) reviewed current responses to risks under their purview and plans for addressing them, and added a process for promoting communication, including on the need for support.

Note that in 2022 the Risk Management Committee deliberated on 22 key risks, including those related to accidents/disasters, legal compliance, personnel/labor, information security, supply chains, and changes in market trends.



Serious risks identified through frequency and impact assessments of approx. 2,400 risks

Main risks and countermeasures

Personnel/labor	Information security (cybersecurity risk)	Supply chains
Intensification of recruitment or retention of top-flight talent with excellent management or technical capabilities Countermeasures <ul style="list-style-type: none"> Identified four material issues for human resource strategies (P91), determined KGIs and KPIs to tackle them, and conducted periodic monitoring 	Adverse impact on production activities, information leakage, etc. resulting from cyberattacks targeting internal systems or manufacturing equipment Countermeasures <ul style="list-style-type: none"> Deployed global-standard security solutions Established/improved methods of implementing Resonac's global information security standards 	Supply chain interruptions and logistical disruptions due to natural disasters, accidents, infectious diseases, etc. Illegal/antisocial conduct or lack of respect for human rights or protection of the environment by suppliers Countermeasures <ul style="list-style-type: none"> Produced a manual for assessing damage to suppliers and impact on our own business activities, and provided BCP training based on the manual Formulated Sustainable Procurement Guidelines, demanded that suppliers abide by them, and periodically confirmed their adherence

BCM Promotion

1 Formulate BCM&BCP guidelines

Business divisions/sites used to formulate their own BCPs, but with the aim of achieving Groupwide standardization of BCPs and making them more sophisticated, we put together a set of BCM&BCP guidelines. Previously, BCPs were based on scenarios by specific disaster such as earthquakes. However, by producing BCPs that reflect outcomes, such as damage to corporate resources, we switched the methodology to setting targets for resuming operations based on stakeholders' business requirements.

We also reviewed the system for conducting BCP practice drills, which had been organized independently at each workplace, and will be developing guidelines and a system for assisting with practice drills by 2025.

We will be periodically reviewing our BIA (business impact analysis) and BCPs, while following a PDCA cycle by verifying effectiveness through BCP practice drills, as we endeavor to deepen employees' understanding of BCP to make them more effective and standardized.

2 Selection of products for which BCPs are to be established and BCP development planning

From all of our products and services, we selected ones that we would prioritize for the allocation of corporate resources should an event that would hinder business continuity occur. The selected products and services are primarily ones that are used in social infrastructure.

Based on the BCM&BCP guidelines, we are going to conduct a full review of the BCPs for these selected products, and plan to redesign them by 2024.

Development of comprehensive risk management system that encompasses external environment change risks

Nowadays, the global external environment is becoming increasingly complex and uncertain, with mounting geopolitical risks, changes in the economic security landscape, world-scale environmental issues such as climate change, and rapid advances in technological innovation. However, we recognize that conventional risk assessment methodologies are limited in their ability to extract risks that reflect such megatrends and discontinuous changes in the external environment.

Therefore, after identifying external environmental changes that we should watch closely from among the myriad of megatrends, we will explore potential risks and their impacts, and prepare plans for addressing them. By doing this, we will examine whether it would be possible to introduce mechanisms for responding swiftly and flexibly to future changes in the external environment (risk scenario formulation and impact assessment).

In addition, we will aim to put together a structure for making the risk events and countermeasures extracted using risk scenarios centrally identifiable and visible, establishing processes for periodically monitoring them, and managing them alongside risk information drawn from conventional risk assessments.

P29 / Letter from the CSO

Web Business Risks

Compliance

Mission of Creating Value

We view soft-law-based compliance, which goes beyond legal and regulatory compliance, as a key principle for business continuity. We will endeavor to become a company that contributes to a sustainable society by ensuring that each individual possesses high ethical senses and acts autonomously and independently based on the Group Code of Conduct.

Policies and Management

We are implementing systems and initiatives to entrench, throughout the organization, an ethical value based on honesty, impartiality, and integrity alongside our commitment to compliance with the laws, regulations, and social norms of every country and region that we serve. In January 2023 as Resonac, we began instilling awareness of corporate ethics and compliance among all Group employees, including those outside Japan. And since then, we have been installing and operating frameworks to appropriately monitor the state of compliance.

The Compliance Group in the Legal Department as a CRO organization takes the lead in spearheading compliance initiatives, and works with each chief officer organization and business division to advance them. In addition, a compliance officer is assigned to each business site, Group company, corporate division, etc. The structure is designed to ensure communication between the Compliance Group and the officers, and to allow measures to be taken to forestall legal violations, detect issues at an early stage, make improvements, and prevent recurrences.

Strategy for Realizing the Long-Term Vision

Roadmap for realizing the long-term vision

Results in 2022	Plan for 2023	Vision for the future (2030)
<ul style="list-style-type: none">As the new company, we established the Global Compliance Standards and a code of conduct, and harmonized policies for the whistleblower system. To roll out these rules globally, we had them translated into major languages and began preparations for introducing them	<ul style="list-style-type: none">Build a compliance network for connecting the holding company with operating companies' key departments and Group companiesTake action to entrench the code of conduct. The Global Compliance Standards and subordinate rules are scheduled to be introduced throughout the Group before the end of the year	<ul style="list-style-type: none">Both individuals and organizations are autonomously and independently practicing soft-law-based compliance, which goes beyond legal and regulatory compliance, and we are getting closer to the realization of our purpose

Targets and results of KPIs on material issues

 P58 / Material Issues and Non-financial KPIs

KPIs and 2025 targets	Results in 2022
Entrenchment of "Our Code of Conduct": <ul style="list-style-type: none">Increase the degree of entrenchment (investigate through surveys)	<ul style="list-style-type: none">The new code of conduct was resolved by the Board of Directors and its English and Chinese translations were published.Rolled it out companywide via internal intranet
Penetration of Global Compliance Standards (GCS): <ul style="list-style-type: none">Reduce the number of serious legal violationsIncrease the number of reports through the whistleblowing system by raising awareness of it	<ul style="list-style-type: none">GCS was resolved by the Board of Directors and its English and Chinese translations were published.The number of reports through the whistleblowing system reached 81 as a result of raising awareness of it

Group Code of Conduct

In January 2023, we formulated Our Code of Conduct as guidance to be followed by everyone working in the new Resonac Group (it was drafted by the management team and an internal working group and finalized following approval by the Board of Directors). It presents specifics on how Group officers and employees should conduct themselves on a day-to-day basis to realize our purpose, and during the preparation process we considered how it relates to our values and material issues for sustainability as well as the perspectives of stakeholders. We have produced versions in Japanese, English, and Chinese, and have been taking systematic steps to make everyone aware of it. For example, we have held briefings for personnel at Group sites both inside and outside Japan.

And to ensure that each and every employee acquires a deep-level understanding of the code and incorporates its principles into their day-to-day work and social lives, we are planning to produce the Code of Conduct Handbook and provide related education during 2023.

 *Our Code of Conduct*

Steps to entrenchment of the Group Code of Conduct

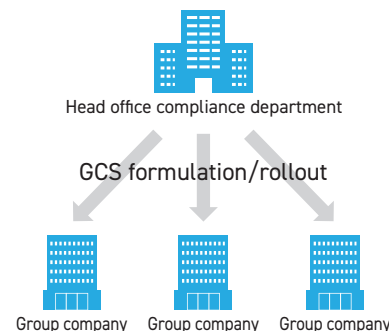
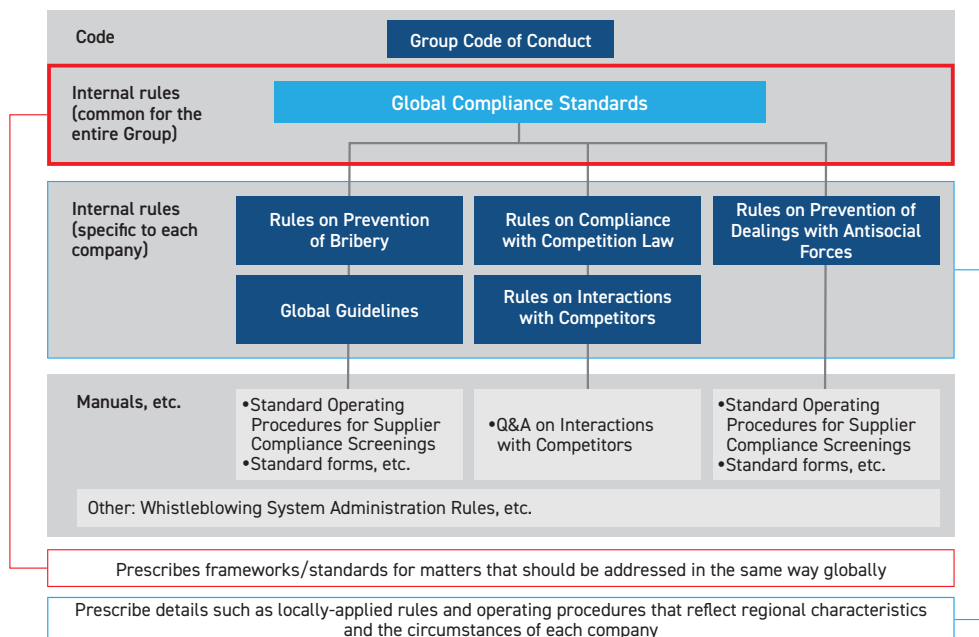
	Step 1: Recognition of its existence/ have a general understanding	Step 2: Gain a deep level of empathy and comprehension	Step 3: Foster an organizational culture
Attributes as an individual	<ul style="list-style-type: none">Recognize that the code of conduct existsHave an interest in the code of conductGain a general understanding of the code of conduct	<ul style="list-style-type: none">Have a deep level of comprehension of the code of conductImprovements are seen in the individual's day-to-day conduct, and they accept the code as a natural part of their work	<ul style="list-style-type: none">An organizational culture is fostered as the code forms the basis for judgements by each individual and they all conduct themselves in accordance with it
Example approaches	<ul style="list-style-type: none">Organize briefingsDistribute various materials to propagate awareness of the codeObtain written pledges to abide by the code	<ul style="list-style-type: none">Provide training, e-learning programs, etc.Offer support to employees on a day-to-day basis (e.g., being available to give advice when asked)Praise best practicesConsider code adherence when evaluating performance	<ul style="list-style-type: none">Continue the measures taken at Step 2Conduct employee awareness surveysCheck understanding and conduct on an ongoing basis, and explore additional measures if personnel are still coming up short

Compliance

Establishment of Global Compliance Standards

To ensure compliance across the entire Group, we have established the Global Compliance Standards (GCS). The GCS prescribe structures and frameworks that all Group companies must deploy to ensure not only legal and regulatory compliance, but also conformance with the standards of compliance demanded by the international community. We believe that the proper design and effective implementation of the GCS will allow misconduct to be prevented or spotted at an early stage, and also facilitate swift action in response should misconduct be uncovered. We plan to introduce the GCS and subordinate rules throughout the Group before the end of the year.

Positioning of the GCS



Based on the GCS, Group companies develop rules and manuals, put structures in place to prevent, monitor, and address legal and regulatory violations, and drive action

Oversight division (head office compliance department): Identifies changes in global regulations and the social environment, and formulates a policy to cope with each compliance risk phenomenon and event.

Group companies (business execution department): Implement rules based on the policy, autonomously and independently endeavor to design mechanisms for ensuring legal compliance.

"Resonac Group Hotline," consultation and whistleblowing system

In the Resonac Group, we have set up compliance hotlines that are available to all internal and external stakeholders who wish to seek consultation or report any issues regarding compliance. We make proper and prompt responses to such reports, with due consideration to confidentiality and the prevention of disadvantageous treatment of hotline users.

The whistleblowing system is one of important tools for early-stage detection of misconduct. To increase enterprise value and achieve sustainable development, we administer the whistleblowing system in an appropriate manner to enhance the ability of our organizations to self-cleanse. In this way, we strive to maintain the trust of our stakeholders and ensure legal and regulatory compliance.

In 2022, we received 81 reports through the whistleblowing system. Among the 81 reports, there were 10 cases of suspected legal or regulatory violations, but none of them were serious enough to be reported to the Management Committee. While aiming to reduce the number of serious legal and regulatory violations by 2025, we also want the whistleblowing system to become widely known internally as an organizational self-cleansing device, and for usage of it to increase.

Each quarter, the head office compliance department conveys details of reports received via the whistleblowing system to the Audit & Supervisory Board Members, who review the progress made with dealing with them and the corrective action taken.

Roundtable

Outside Director,
Representative Director and Chairman of the Board,
CRO, CHRO

Our transformation of the Board of Directors

Why does the Board of Directors need to be transformed? And why should it be happening now? Let us examine the role and function of Resonac's Board, and how it will look going forward, as we strive to further enhance our value as an enterprise.



Kohei Morikawa
Representative Director and
Chairman of the Board

Tetsuo Tsuneishi
Outside Director

Keiichi Kamiguchi
Director, Managing Corporate Officer,
Chief Risk Management Officer (CRO)

Nori Imai
Corporate Officer,
Chief Human Resource Officer (CHRO)

As Resonac endeavors to expand globally, what should be the relationship between the Board of Directors and the execution side?

And what should be the role of the outside directors?

Morikawa Since the transition into Resonac, the biggest change has been that the goal of expanding globally has really started to take shape. If the execution side is trying to get us up to a level where we can compete worldwide, the Board of Directors, which monitors that, must also meet world-class level standards. And that means the Board needs to completely reinvent itself. We're kind of in an emergency, so going global makes monitoring all the more important. At normal times, gaps between targets and performance don't occur all that often, but in the midst of an emergency, there's a danger of enormous gaps arising.

Tsuneishi Since taking on the role of an outside director at Resonac, what's struck me is that this is a company of the like that's rare in Japan, as it has boldly set sights on achieving large-scale growth, and is implementing a major transformation to accomplish that objective. Even though it's a company with over a century of history and tradition behind it, it is, in some way, like a start-up. And this transformation has only one aim: to increase corporate value. Strategy is consistent, and all the employees are working toward the same goal, which is exciting and appealing to me. Because it's the frontline personnel who are the ones that will actually reach the goal, it's vital to get every employee on board. The role of an outside director is to verify that the company's strategy is *viable* and that there are no risks lurking out of view. Outside directors don't know the ins and outs of the firm's industry or business, so in a sense they're novices. Yet I think that the fact that they aren't experts in the sector means that they can sometimes notice hidden risks. On the other hand, there are also outside directors who regard themselves as business administration professionals, and are

fully cognizant of the implications of the numerical targets, such as EBITDA of 20% and ROIC of 10%, announced by President Takahashi. I hope that we will be able to provide support and useful advice for hitting those numbers.

Morikawa I'd like you, Mr. Tsuneishi, to serve as Resonac's navigator as we seek to enhance our corporate value. Not only are you knowledgeable about the semiconductor field, but you've already played a central role on the board of a company that competes on the world stage, and produced fantastic results in increasing its corporate value. I want you to give us a dose of that experience. Monitoring a board of directors is like being an athletic coach in a car cheering a runner in an *ekiden* road race (long-distance running multi-stage relay race, mostly held on roads), with the runner representing the execution function. I hope that you can be our coach in a car.

Board transformation that began with free discussion Invigorated debates and changed agendas

Kamiguchi When Japan's Corporate Governance Code took effect, the Board of Directors of Showa Denko discussed governance, and I also took part in these talks as the officer in charge. The evaluation of board effectiveness emerged as a key agenda, but we were unable to hammer out a concrete proposal. However, the recent integration provided an impetus for making changes to the authorities and responsibilities of the execution side, and at the same time moves to transform the Board of Directors re-emerged. As part of that process, Chairman Morikawa and the outside directors had open discussions last year, and we are able to settle on a general direction for reform.

Morikawa We decided to have free discussions because the atmosphere at Board meetings can get a bit stiff, and we wanted to avoid that.

Kamiguchi What we all came away with from the discussions was recognition that the Board always seems to get busy with examining individual projects or transactions, leaving no time left for deep-diving into major themes that will affect the company's value over the medium to long term. We also agreed on the need to initiate essential discussions for maximizing Resonac's corporate value.

Morikawa Board meeting agendas have undergone a clear-cut change, with topics like monitoring and medium-to-long range planning coming up.

Kamiguchi With the Board of Directors transformation, the plan was to start with changes that were easy to make, so last year we set about enriching pre-meeting explanations of agenda items. We made sure sufficient time was allocated to properly explain agenda, and had an appropriate person from the department submitting the proposal, rather than the Board secretariat, give the explanations. We also revised the criteria for referring matters to the Board. Matters to be resolved have to be more important and involve more money than before to require Board authorization. This has reduced the time the Board spends to deliberate on individual projects or transactions and allowed it to pivot its focus to medium- to long-term strategy.

Even though it's a company with more than a century of history, it is, in some way, like a start-up. It's intent on enhancing its value as an enterprise, and all the employees have their eyes fixed on the same goal, which is another exciting aspect. Fostering a great corporate culture and employee motivation will be critical for the success of this "second inauguration."
(Tsuneishi)



Tsuneishi Getting prior explanations of the issues up for discussion has been helpful. And as a by-product of the COVID pandemic, meetings can now be held online, which makes it much easier to get all the outside directors and auditors together at the same time. Arranging face-to-face meetings to suit everyone's schedule would have been a real headache.

Kamiguchi During the effectiveness evaluation process, some voiced the view that the execution side and the outside directors ought to communicate with each other more. So, for example, we're thinking of having the outside directors visit our plants and offices and creating opportunities for them to communicate with executives and employees. In this context, I think that your visit to the Stage for Co-creation was a fantastic opportunity.

Imai There are lots of other things going on, too, so we'd love you to come and see some other sites.

Morikawa Mr. Tsuneishi, since you joined the Board, my impression is that discussions at Board meetings have got a lot livelier. Because in the past, there was a proposal that didn't generate much in the way of opinions.

Imai With that proposal, it was made clearer how it would serve to increase corporate value, and this facilitated discussion. And thanks to explanations being provided in advance, there was also a drop in the number of questions aimed at just getting familiarized with an agenda.

Morikawa Yes, because there used to be questions about little details such as figures. So, I feel that the discussions have moved up a level.

Kamiguchi When discussions are centered on individual projects or transactions, the person putting forward the proposal inevitably tries to defend it, so the directors tend to only ask detailed questions for them to get familiarized with the proposal. But if the theme is raising corporate value, the questions and discussions change. And I feel that this is when big ideas for transforming the company get generated.

Establishing a management structure and a governance approach that are best suited and most appropriate for corporate value maximization

Tsuneishi To increase corporate value in a sustainable way, it will be critical to get all the employees on the same page and moving in that direction, and to magnify that passion across the entire corporate group. And of course, unless employees are happy, the company will never be great.

Imai Corporate value is the product of three elements: strategy (including the business portfolio), the individual competencies of employees, and the company's culture, and among these elements, fostering a corporate culture that enables each employee to demonstrate their capabilities is crucial. The world has become so complex that it's difficult to predict what's going to happen next. So, what's required of companies is organizational agility, or the ability of employees to adapt. That adaptability defines the corporate culture. And only when it is embedded in the corporate culture can the company be trusted. I'm looking forward to discussing with Mr. Tsuneishi how to nurture such a corporate culture and maximize corporate value.

Tsuneishi Agreed. The objective of maximizing corporate value is shared by every company in the world.

Imai We've also made changes in areas such as compensation, but with non-financial indicators becoming increasingly important, more discussion will be needed. And the biggest issue to be tackled is CEO succession, which will be discussed by the Nomination Advisory Committee. We intend to allocate plenty of time to these discussions, considering the unique characteristics of Resonac.

Tsuneishi The main tasks of the Nomination Advisory Committee members are to propose the selection or dismissal of the CEO, prepare nomination proposals for the next Board members, and check the effectiveness of the succession plan. Above all, having the authority to propose the selection or dismissal of the CEO means possessing one of the largest and most important powers that a Board member can have. I therefore view discussion as to whom to entrust with that power as vital. Since nomination advisory committees have the power to propose the selection and dismissal of the CEO, it is the norm

When discussions are centered on individual projects or transactions, the person putting forward the proposal inevitably tries to defend it, so the directors tend to only ask questions to get confirmation of the details. But if the theme is raising corporate value, the questions and discussions change.

(Kamiguchi)



Organizational agility, or the ability of employees to adapt, is what defines corporate culture. And only when that adaptability is embedded in the corporate culture can the company be trusted. I'm therefore looking forward to discussing how to nurture such a corporate culture and maximize corporate value.

(Imai)



internationally for the CEO not to be a member of such committees. However, President and CEO Takahashi is currently a member of the Nominating Advisory Committee. Resonac has just undergone a major integration and a "second inauguration," and I therefore view the composition of the Nomination Advisory Committee, including the CEO succession plan, as appropriate for "now." Every company is different, and it's important for firms to choose the management structure and governance approach that are best suited and most appropriate for them. That being said, the best way to position for growth inevitably changes over time, so I believe that changes should be made as appropriate in response to the conditions at the time.

Imai This year we've deployed SAP Success Factors to make our human resources visible. To start with, we're having potential successors identified for all manager positions in Japan. Business divisions will confirm their respective lists of candidates, and finally all the Management Committee members will review the succession plans for key positions. We're going to do the same for overseas personnel, and will be introducing global grading next year. We are looking to accelerate the establishment of systems and develop talent in an organized fashion to expedite the sustainable growth of our businesses. Regarding the CEO, it's as Mr. Tsuneishi said earlier. I'd like the Nomination Advisory Committee to scrutinize the succession planning process for the succession of officers other than the CEO.

Tsuneishi I doubt there's a perfect textbook on how governance structures and advisory committees for areas like nomination and compensation should be organized. Increasing corporate value as the cornerstone of growth requires thought to be given to the question of what the optimal approach to take now to deliver results over the short, medium, and long term would be. This applies to all companies, not just Resonac. This means it's also important to evaluate and reconsider, as appropriate, Resonac's current governance approach and advisory committee structure, as well as the style of having an outside director chair the Nomination Advisory Committee and the Remuneration Advisory Committee. Furthermore, it's crucial to always be conscious of what would be most appropriate in the context of the individual company's situation.

Morikawa It's the same for executives, the Board of Directors, and employees in that everyone's aiming for a goal and aiming to get to the top. We're all running together. I'd like people to look at Resonac from that perspective, but a variety of viewpoints are needed, so I think it's important to combine the views of people outside the company, which reflect their own experience up to now, with those of people inside the company.

What sort of relationships between the Board of Directors and the execution side, and with employees, will Resonac need going forward?

Morikawa Resonac was officially launched this year, 2023, though the effective integration took place last year. At the same time, we began discussions with the outside directors on transforming the Board of Directors. This led to the determination of a general direction for the role that the Board, centered on the outside directors, should play in increasing corporate value. To borrow a word Mr. Tsuneishi used, I feel that we developed a shared understanding that the role of the Board is to verify whether measures proposed by the execution side are *viable* in terms of raising corporate value. The key question here is how to develop capabilities for verifying viability. I think improving verification capabilities, including the ability to identify hidden risks, will prove to be a considerable challenge.

Tsuneishi Indeed. With every merger or acquisition plan, there's always a wonderful growth plan, but when you actually start taking action, things often don't go according to plan. When this happens, it's imperative to examine what went wrong and quickly and correctly adjust your course.

Morikawa Yes, you need to take a look at why the deviation from the plan occurred, and whether the verification carried out by the executive side was adequate.

Tsuneishi If further deviation occurs even after verification by the execution side, it would beg the question of whether there's something amiss on the execution side. The executives will find themselves under pressure, being asked what on earth their previous explanations and verifications were all about. The outside directors could have some harsh words for them.

Morikawa But by eliciting various opinions in this way, both the execution side and the Board of Directors will be raising the bar for one another.

I doubt there's a perfect textbook on how nomination advisory committees and governance structures should be organized. This means it's also important to evaluate and reconsider, as appropriate, Resonac's current governance approach and style. Furthermore, it's crucial to always be conscious of what would be most appropriate in the context of the individual company's situation.

(Tsuneishi)

I feel that we developed a shared understanding that the role of the Board of Directors is to verify whether measures proposed by the execution side are *viable* in terms of raising corporate value. The key question here is how to develop capabilities for verifying viability.

(Morikawa)



Kamiguchi Regarding issues that need to be addressed in the future, such as agenda reform and communication, the execution side will first consider them carefully, after which measures will probably be taken through a process of trial and error with input from Mr. Tsuneishi and the other outside directors. So, the first thing that needs to be done is determine an approach and structure for the execution side.

Imai As our operating environment and the management issues facing us change, what we need to constantly be thinking about is what is required of us as a management team not in the future, but right now. This means looking at things like who our directors and officers are, and asking ourselves whether the current line-up is suitable. I also want to make the Board a forum for testing out our reform processes in an agile manner through dialogue with our various stakeholders. We will continue striving to enhance our value as an enterprise through co-creation with an even broader range of stakeholders and fulfilment of our purpose of contributing to the protection of the earth's environment and to society. I therefore hope that Board meetings will see plenty of unreserved discussion.

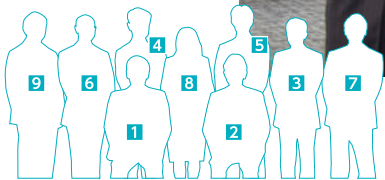
Tsuneishi As for nurturing corporate culture, I think it will be good if we can take the best aspects of the cultures of pre-merger Showa Denko and Hitachi Chemical and combine them into one. Also, I often hear that the engagement levels of all employees are being monitored, and that they are being gauged in terms of numerical scores. However, while the numbers coming back from engagement surveys are important, I also think that ascertaining engagement by asking how enthusiastic employees are and what their level of commitment is will ultimately translate into better performance. Fostering a great corporate culture and employee motivation will be critical for the success of this "second inauguration." It will also be important to show all employees what happens when performance improves and what incentives are on offer, as this should substantially increase the likelihood of all employees moving in the same direction.

Morikawa The Board of Directors mustn't be allowed to backslide into ritual and ceremony, though conversely, it would be a problem if it became too powerful a presence. I'd like it to be a presence that runs together with the execution side, and I intend to carry on thinking hard about how to make this happen.



Directors

(As of June 30, 2023)



1

Kohei Morikawa
Representative Director; Chairman of the Board
Attendance at BoD meetings in 2022: 14/14

April	1982	Joined Showa Denko K.K. (currently the Company)
January	2013	Corporate Officer; General Manager, Electronic Chemicals Division
January	2016	Managing Corporate Officer; Chief Technology Officer (CTO)
March	2016	Director; Managing Corporate Officer; Chief Technology Officer (CTO)
January	2017	Representative Director; President and Chief Executive Officer (CEO)
January	2022	Representative Director; Chairman of the Board (incumbent) (up to the present)

2

Hidehito Takahashi
Representative Director; President and Chief Executive Officer (CEO)
Attendance at BoD meetings in 2022: 14/14

April	1986	Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)
February	2002	Joined GE Japan Holding Corporation (currently GE Japan Inc.) as General Manager, Business Development Department
October	2004	Asia Pacific President, GE Sensing & Inspection Technologies, GE Japan Holding Corporation
October	2008	Joined Silicones Business, Momentive Performance Materials Japan Inc. as President & CEO
January	2013	Joined GKN Driveline Japan plc as President and CEO
October	2015	Joined Showa Denko K.K. (currently the Company), Senior Corporate Fellow

January 2016	Corporate Officer; General Manager, Corporate Strategy Department
January 2017	Managing Corporate Officer
March 2017	Director; Managing Corporate Officer
July 2017	Director; Managing Corporate Officer; General Manager, Carbon Division
January 2020	Director; Managing Corporate Officer; Director; Managing Corporate Officer; Chief Strategy Officer (CSO)
June 2020	Director, Showa Denko Materials Co., Ltd. (currently Resonac Corporation)
January 2022	Representative Director; President and Chief Executive Officer (CEO), Showa Denko K.K. (currently the Company) (incumbent) Director, President and Chief Executive Officer (CEO), Showa Denko Materials Co., Ltd. (currently Resonac Corporation)
January 2023	Representative Director, President and Chief Executive Officer (CEO), Resonac Corporation (incumbent) (up to the present)

Directors (As of June 30, 2023)

3 Keiichi Kamiguchi

Director

April 1983	Joined Showa Denko K.K. (currently the Company)
September 2008	General Manager, Corporate Strategy Office
January 2011	Corporate Officer; General Manager, Corporate Strategy Office
January 2013	Corporate Officer; General Manager, Corporate Strategy Department
January 2015	Corporate Officer
January 2017	Corporate Officer; Chief Risk Management Officer (CRO)
March 2017	Director; Corporate Officer; Chief Risk Management Officer (CRO)
March 2020	Corporate Officer; Chief Risk Management Officer (CRO)
January 2021	Managing Corporate Officer; Chief Risk Management Officer (CRO) (incumbent)
January 2022	Managing Corporate Officer; Chief Risk Management Officer (CRO), Showa Denko Materials Co., Ltd. (currently Resonac Corporation)
January 2023	Representative Director; Chief Risk Management Officer (CRO), Resonac Corporation (incumbent)
March 2023	Director; Managing Corporate Officer of the Company (incumbent) (up to the present)

4 Hideki Somemiya

Director

Attendance at BoD meetings in 2022: 11/11

April 1990	Joined Nomura Research Institute, Ltd., and was assigned to the Office for Research in Corporate Finance
June 1997	Joined Nomura Securities Co., Ltd., as Deputy Head Researcher, Institute for Financial Research
May 1999	Joined Merrill Lynch Japan Securities Co., Ltd. (currently BofA Securities Japan Co., Ltd.), and was assigned to the investment bank section
January 2007	General Manager, Telecommunication & Media Technology Group, Merrill Lynch Japan Securities Co., Ltd.
July 2009	Joined JPMorgan Securities Japan Co., Ltd., as Managing Director, Technology, Media & Telecommunication Group, Investment Banking Division
July 2015	Joined Sony Corporation (currently Sony Group Corporation), as Vice President Attached to CFO, Chief Financial Strategist
May 2016	Temporarily transferred to Sony Semiconductor Solutions Corporation
June 2016	General Manager, Corporate Strategy Headquarters, Sony Semiconductor Solutions Corporation
December 2016	General Manager, Planning & Administration Headquarters (CFO), Sony Semiconductor Solutions Corporation
June 2019	General Manager, System Solution Division, Sony Semiconductor Solutions Corporation
July 2020	Corporate Officer in charge of the solution business, Sony Semiconductor Solutions Corporation
March 2021	Officer Attached to CFO in charge of special assignments, Sony Corporation
October 2021	Joined Showa Denko K.K. (currently the Company) as General Manager, Preparation Office for Group CFO
January 2022	Managing Corporate Officer; Chief Financial Officer (CFO)
January 2022	Managing Corporate Officer; Chief Financial Officer (CFO), Showa Denko Materials Co., Ltd. (currently Resonac Corporation)
March 2022	Director; Managing Corporate Officer; Chief Financial Officer (CFO), Showa Denko K.K. (currently the Company) (incumbent)
January 2023	Director; Chief Financial Officer (CFO), Resonac Corporation (incumbent) (up to the present)

5 Tomomitsu Maoka

Director

Attendance at BoD meetings in 2022: 11/11

April 1999	Joined A.T. Kearney, Inc.
April 2005	Joined Infineon Technologies Japan K.K. as General Manager in charge of Strategy in Japan
May 2009	General Manager, Industrial & Chip Card Business Headquarters, Infineon Technologies Japan K.K.
October 2010	General Manager, Industrial & Multi Market Business Headquarters, Infineon Technologies Japan K.K.
December 2011	Joined Lenovo Japan Corporation as Lenovo/NEC Project Director
April 2012	Strategy Director, Lenovo Japan Corporation
April 2013	Commercial Operations Director, Lenovo Japan Corporation
December 2013	Joined Renesas Electronics Corporation as General Manager, Corporate Planning, Planning Headquarters
December 2015	Corporate Officer; General Manager, Corporate Planning, Renesas Electronics Corporation
February 2016	Corporate Officer; Deputy General Manager, Second Solution Business Headquarters, Renesas Electronics Corporation
March 2017	Corporate Officer; China Business Headquarters, Renesas Electronics Corporation
April 2019	Corporate Officer; Deputy General Manager, Production Headquarters, Renesas Electronics Corporation
August 2019	Corporate Officer; Deputy General Manager, Automotive Solution Business Headquarters, Renesas Electronics Corporation
October 2021	Joined Showa Denko K.K. (currently the Company) as General Manager, Preparation Office for Group CSO
January 2022	Managing Corporate Officer; Chief Strategy Officer (CSO)
January 2022	Managing Corporate Officer; Chief Strategy Officer (CSO), Showa Denko Materials Co., Ltd. (currently Resonac Corporation)
March 2022	Director; Managing Corporate Officer; Chief Strategy Officer (CSO), Showa Denko K.K. (currently the Company) (incumbent)
January 2023	Director; Chief Strategy Officer (CSO), Resonac Corporation (incumbent) (up to the present)

6 Kiyoshi Nishioka

Outside Director

Attendance at BoD meetings in 2022: 14/14

April 1977	Joined Nippon Steel Corporation
April 1997	Plant Manager, Thick Steel Plate Plant, Kimitsu Works, Nippon Steel Corporation (General Manager)
April 2001	General Manager, Thick Steel Plate Sales Department, Head Office, Nippon Steel Corporation
June 2005	Director; General Manager, Technology Development Planning Department, Technology Development Headquarters, Nippon Steel Corporation
June 2006	Corporate Officer; General Manager, Technology Development Planning Department, Technology Development Headquarters, Nippon Steel Corporation
June 2009	Counselor, Nippon Steel Corporation
November 2012	Special Professor, Research Center for Advanced Science and Technology, The University of Tokyo
April 2017	Adviser, Research Center for Advanced Science and Technology, The University of Tokyo (incumbent) Visiting Professor, Ehime University (incumbent)
March 2018	Outside Director, Showa Denko K.K. (currently the Company) (incumbent)
July 2019	Representative Director, VCRI Co., Ltd. (incumbent)
May 2022	Research Adviser, Institute of Industrial Science, The University of Tokyo (incumbent) (up to the present)

7 Kozo Isshiki

Outside Director

Attendance at BoD meetings in 2022: 14/14

July 1969	Joined Japan Development Bank (currently Development Bank of Japan Inc.)
April 1993	General Manager, General Affairs Department, Japan Development Bank
May 1994	Executive Secretary, Japan Development Bank
June 1996	General Manager, Industry & Technology Department, Japan Development Bank
May 1998	General Manager, Human Resources Department, Japan Development Bank
June 2001	Executive Director, Development Bank of Japan, Inc.
May 2005	Chairman of the Board, Technology Alliance Investment, Ltd.
July 2007	External Director, Fukuoku Mutual Life Insurance Company
June 2009	Standing Corporate Auditor (External), Isuzu Motors Limited
June 2015	Director, Medical System Network Co., Ltd. (Outside Director) (incumbent)
January 2019	External Corporate Auditor, Hirotsaki Lifescience Innovation, Inc.
March 2019	Outside Director, Showa Denko K.K. (currently the Company) (incumbent) (up to the present)

8 Noriko Morikawa

Outside Director

Attendance at BoD meetings in 2022: 14/14

April 1981	Joined CHORI CO., LTD.
August 1988	Joined Daiwa Securities America Inc.
September 1991	Joined Arthur Andersen
March 1995	Joined Motorola Inc.
March 2005	Director, in charge of accounting and finance; General Manager, Accounting and Finance Headquarters in Japan, Motorola Inc.
June 2009	Joined Bosch Corporation
August 2010	Director; Vice President, in charge of Administrative Headquarters, Bosch Corporation
June 2018	Outside Director, CHORI CO., LTD.
March 2020	Outside Director, Showa Denko K.K. (currently the Company) (incumbent)
June 2020	Outside Director, Mitsubishi Heavy Industries, Ltd.
October 2020	Advisory Board member, Dai-ichi Life Holdings, Inc. (incumbent)
June 2021	Outside Director and Audit Committee Member, Mitsubishi Heavy Industries, Ltd. (incumbent) (up to the present)

9 Tetsuo Tsuneishi

Outside Director (Newly appointed)

April 1976	Joined Tokyo Electron Laboratories, Inc. (currently Tokyo Electron Ltd.)
June 1987	General Manager, KLA Department, Tokyo Electron Ltd.
October 1990	General Manager, Semiconductor Production Equipment 3rd Division, Tokyo Electron Ltd.
April 1992	General Manager, Overseas Marketing Headquarters, Tokyo Electron Ltd.
June 1992	Corporate Director, Tokyo Electron Ltd.
June 1996	Executive Managing Director, Tokyo Electron Ltd.
June 1998	Representative Director; Executive Managing Director, Tokyo Electron Ltd.
June 2003	Corporate Director; Senior Executive Vice President, Tokyo Electron Ltd.
June 2013	Corporate Director, Tokyo Electron Device Ltd. (incumbent)
June 2015	Corporate Director, Chairman of the Board of Directors (part-time), Tokyo Electron Ltd.
June 2017	Representative Director; Chairman of the Board of Directors
June 2020	Corporate Director; Chairman of the Board of Directors
May 2022	Vice Chairman, The Japan Association of Corporate Directors (incumbent)
March 2023	Outside Director of the Company (incumbent) (up to the present)

Audit & Supervisory Board Members and Corporate Officers (As of June 30, 2023)



1 Toshiharu Kato

Audit & Supervisory Board Member
Attendance at BoD meetings in 2022: 14/14
Attendance at A&S Board meetings: 13/13

April	1981	Joined Showa Aluminum Corporation (currently the Company)
August	2014	General Manager, Finance & Accounting, Showa Denko K.K. (currently the Company)
January	2016	Corporate Officer, General Manager, Finance & Accounting Department
January	2017	Corporate Officer, Chief Financial Officer (CFO); General Manager, Finance & Accounting Department
March	2017	Director, Corporate Officer, Chief Financial Officer (CFO); General Manager, Finance & Accounting Department
January	2018	Director, Corporate Officer, Chief Financial Officer (CFO) in charge of Finance & Accounting and Information Systems departments
January	2019	Director, Attached to President
March	2019	Audit & Supervisory Board Member (incumbent)
January	2023	Audit & Supervisory Board Member, Resonac Corporation (incumbent) (up to the present)

2 Jun Tanaka

Audit & Supervisory Board Member
Attendance at BoD meetings in 2022: 14/14
Attendance at A&S Board meetings: 13/13

April	1982	Joined Showa Denko K.K. (currently the Company)
January	2007	General Manager, Development Department, Chemicals Division, Chemicals Sector
January	2011	Deputy General Manager, Advanced Battery Materials Department
January	2012	Corporate Fellow, Deputy General Manager, Advanced Battery Materials Department
January	2013	Corporate Officer; General Manager, Advanced Battery Materials Department
January	2017	Managing Corporate Officer; Chief Technology Officer (CTO)
March	2017	Director; Managing Corporate Officer; Chief Technology Officer (CTO)
January	2019	Director; Managing Corporate Officer; Chief Technology Officer (CTO) in charge of Advanced Battery Materials Division, Institute for Integrated Product Development, Advanced Technology Laboratory, Corporate R&D and Intellectual Property Departments
January	2020	Director, Attached to President
March	2019	Audit & Supervisory Board Member (incumbent)
January	2023	Audit & Supervisory Board Member, Resonac Corporation (incumbent) (up to the present)

Audit & Supervisory Board Members and Corporate Officers (As of June 30, 2023)

3 Kiyomi Saito

Outside Member

Attendance at BoD meetings in 2022: 14/14

Attendance at A&S Board meetings: 13/13

April	1973	Joined Nikkei Inc.
September	1975	Joined Sony Corporation (currently Sony Group Corporation)
August	1984	Joined Morgan Stanley Investment Bank
January	1990	Executive Director, Morgan Stanley Investment Bank
April	2000	Director, President, JBond Co., Ltd. (currently JBond Totan Securities Co., Ltd.)
June	2005	Outside Corporate Auditor, Tri-Wall Limited (currently Tri-Wall Japan Co., Ltd.)
June	2006	Outside Corporate Auditor, Astellas Pharma Inc.
March	2012	Audit & Supervisory Board Member, Showa Denko K.K. (currently the Company) (incumbent)
June	2012	Outside Director, Toshiba Corporation
June	2013	Outside Director, Japan Post Insurance Co., Ltd.
June	2015	Outside Director, Kajima Corporation (incumbent)
June	2021	Outside Director, Kadoya Sesame Mills Incorporated (incumbent)
October	2021	Representative Director, JBond Totan Securities Co., Ltd. (incumbent) (up to the present)

4 Masako Yajima

Outside Member

Attendance at BoD meetings in 2022: 14/14

Attendance at A&S Board meetings: 13/13

April	1994	Registered at Dai-Ichi Tokyo Bar Association Joined Nishimura Law Office (currently Nishimura & Asahi)
March	2001	Registered as a lawyer in the State of New York
April	2004	Assistant Professor, Law School, Keio University
January	2006	Partner, Nishimura & Tokiwa (currently Nishimura & Asahi) (incumbent)
April	2007	Professor, Law School, Keio University (incumbent)
March	2020	Audit & Supervisory Board Member, Showa Denko K.K. (currently the Company) (incumbent) (up to the present)

5 Yasuyuki Miyasaka

Outside Member

Attendance at BoD meetings in 2022: 14/14

Attendance at A&S Board meetings: 13/13

November	1975	Joined Tohmatsu & Aoki (currently Deloitte Touche Tohmatsu LLC)
March	1980	Registered as a certified public accountant (CPA)
June	1990	Partner, Deloitte Touche Tohmatsu (currently Deloitte Touche Tohmatsu LLC)
August	1993	Resident at the Singapore Office, Deloitte & Touche
October	2010	General Manager, Risk Management & Examination Office (International Financial Reporting Standards), Deloitte Touche Tohmatsu LLC
July	2017	Established Yasuyuki Miyasaka CPA Office, and became President of the CPA Office (incumbent)
June	2018	Outside Director, ITOCHUSHOKUHUIN Co., Ltd. (incumbent) Outside Corporate Auditor, Board of Corporate Auditors, Santen Pharmaceutical Co., Ltd.
March	2022	Audit & Supervisory Board Member, Showa Denko K.K. (currently the Company) (incumbent) (up to the present)

President	Hidehito Takahashi	Chief Executive Officer (CEO)
Managing Corporate Officers	Keiichi Kamiguchi	Chief Risk Management Officer (CRO)
	Hiroyuki Yamashita	General Manager, Electronics Business Headquarters
	Hideki Somemiya	Chief Financial Officer (CFO)
	Tomomitsu Maoka	Chief Strategy Officer (CSO)
Corporate Officers	Mitsuo Katayose	General Manager, Advanced Functional Materials Business Headquarters
	Shigeru Fujita	Chief Marketing Officer (CMO)
	Yoshito Ishii	General Manager, Mobility Business Headquarters
	Nori Imai	Chief Human Resource Officer (CHRO)
	Masami Tobito	Chief Operations, Manufacturing and Engineering Officer (CMEO) Chief Quality Officer (CQO)
	Hideki Shibata	Chief Digital Officer (CDO)
	Masato Fukushima	Chief Technology Officer (CTO)
Executive Officers	Taichi Nagai	Oita Complex Representative, Olefins & Derivatives Business Unit
	Hirotsugu Fukuda	General Manager, Petrochemicals Division
	Hiroyuki Eda	General Manager, Aluminum Specialty Components Business Unit, Advanced Functional Materials Business Headquarters
	Makoto Takeda	General Manager, Graphite Business Unit
	Katsuyuki Tsuji	Deputy General Manager, Mobility Business Headquarters and General Manager, Advanced Battery Materials Business Unit
	Atsushi Doi	General Manager, Legal Department
	Takuya Hirano	Deputy General Manager, Mobility Business Headquarters

Skill Matrix

The Company has prepared a skill matrix detailing the expertise and experience of directors and Audit & Supervisory Board members. The skills required of directors and Audit & Supervisory Board members were identified based on the following three perspectives.

Three Perspectives for Skill Identification

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."

	Name	Inside / Outside	Term of office (Years)	Global business	Innovation and fusion of technology	ESG and sustainability	Portfolio management	Finance / accounting	Personnel management / development	Legal / risk management
Directors	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 Members	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

Messages from Outside Directors and Outside Members of Audit & Supervisory Board



Kiyoshi Nishioka



Kozo Isshiki



Noriko Morikawa



Kiyomi Saito



Masako Yajima



Yasuyuki Miyasaka

Messages from Outside Directors

For Mr. Tsuneishi's message, please see "Special Feature" on page 113.

Kiyoshi Nishioka Outside Director

I conduct research and development at a university on technologies related to, uses of, and practical applications of various base materials and composites. I am also endeavoring to **improve the production engineering capabilities of Japanese manufacturing companies through the use of IoT technology**, as well as **working on human resource development**, and I hope to leverage the insights and experience I have gained from these activities to contribute to the advancement of the new Resonac.

Kozo Isshiki Outside Director

In the world of finance, I have experience of **long-term financing**, and also of **launching new technology companies through an investment fund**. In the industrial field, I handle the chemical industry and chemical companies, which has deepened my knowledge of various areas. In this era of incredible transformation of the structure of industry across the globe, I will be doing whatever I can to support Resonac as it aims to become the top functional chemical manufacturer.

Noriko Morikawa Outside Director

I wish to deploy the knowledge I have gained from my experience of management and overseas assignments at Japanese and foreign global companies to help Resonac grow to become a company that can compete in a dynamically changing world. To that end, I intend to **help the company invest in diverse human resources and promote a sustainable portfolio strategy**.

Messages from Outside Members of Audit & Supervisory Board

Kiyomi Saito Outside Member of Audit & Supervisory Board

I founded an electronic trading company for Japanese government bonds and grew it into the dominant player in the repo market. In addition to performing my duties as an Audit & Supervisory Board member, I seek to **repurpose the skills I have honed running a start-up**, albeit one in a different industry, to **benefit the new Resonac as it moves forward from its so-called second inauguration**.

Masako Yajima Outside Member of Audit & Supervisory Board

As an attorney at a law firm that focuses on corporate law, I handle cases related to crisis management and disputes. At Resonac, **besides conducting legality audits**, I will strive to contribute proactively by **leveraging my knowledge and experience of preventative jurisprudence** to provide advice on **preventing issues from escalating into legal disputes**.

Yasuyuki Miyasaka Outside Member of Audit & Supervisory Board

In recent years, the company has been championing portfolio management and pursuing a select-and-focus approach to business. As such, assessing whether new business investments are appropriate is hugely important. **From my standpoint as a specialist, I hope to provide useful advice on how Resonac can earn sufficient returns that exceed its cost of capital**.


Corporate Governance

Basic Policies

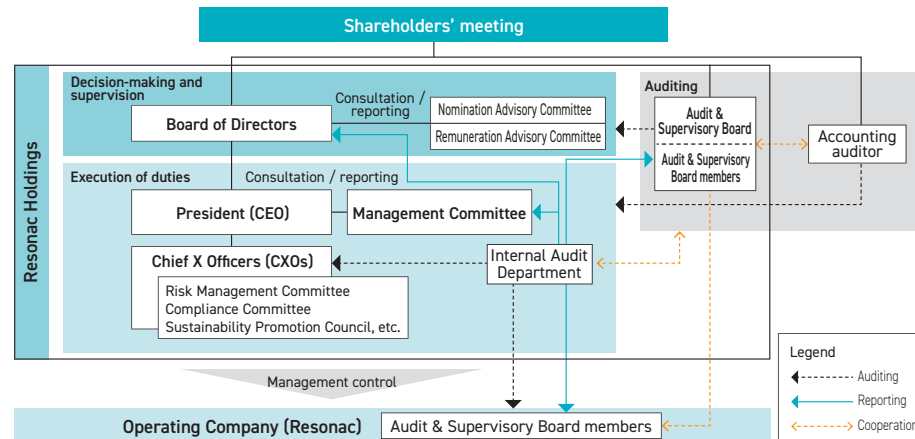
The Company works to increase its corporate value and expand profit for both the company and its shareholders by collaborating appropriately with stakeholders, including shareholders in line with its Corporate Governance Basic Policies.

We are committed to promoting our corporate governance to ensure the soundness, effectiveness, and transparency of management and to continue enhancing our corporate value, thereby earning more trust and receiving a higher rating from society. We describe our efforts made to this end in our Corporate Governance Report, while fostering constructive dialogue with investors and shareholders.

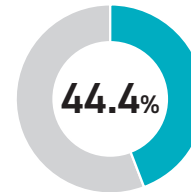
Review of 2022

- We revised the remuneration system for directors and corporate officers. The revised system increases the degree to which remuneration is linked to the management indicators and initiatives defined in the Long-term Vision. 
- We established a framework to audit and oversee the entire group through collaboration between the Audit & Supervisory Board members of both the holding and operating companies.
- The Board of Directors of the holding company has assumed the responsibility of overseeing the entire group by exercising its supervisory role over the Chief X Officers (CXOs) and the business unit (BU) heads.

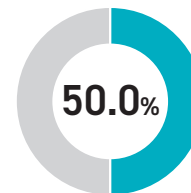
Corporate governance structure (As of June 30, 2023)



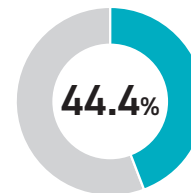
Ratio of Outside Directors



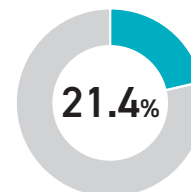
Ratio of Outside Officers (Directors, Audit & Supervisory Board members)



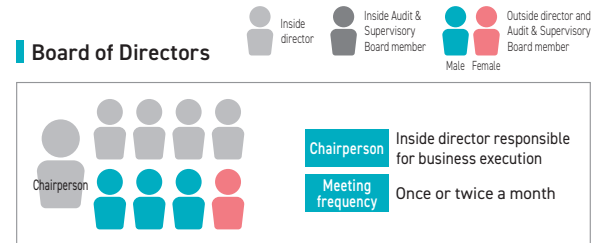
Ratio of Directors Not in Charge of Business Execution



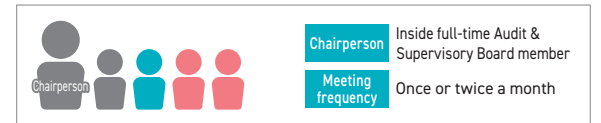
Ratio of Female Officers (Directors, Audit & Supervisory Board members)



Board of Directors

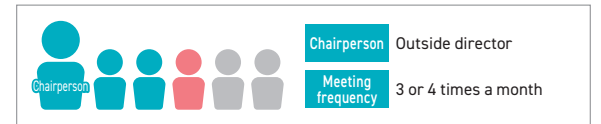


Audit & Supervisory Board

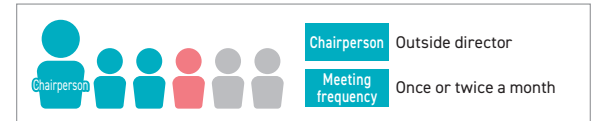


Nomination Advisory Committee

Priority discussion topics in fiscal 2022: Nomination of candidates for chief executive officer and other management positions



Remuneration Advisory Committee



Management Committee



Corporate Governance

Evaluation of the Board of Directors' Effectiveness

Evaluation method

Regarding the effectiveness of the Board of Directors in 2022, we conducted a survey in December 2022 in which the directors and Audit & Supervisory Board members answered questions and made free comments. Then, in March 2023, the Board of Directors held a meeting for all directors and Audit & Supervisory Board members to discuss the collected self-evaluation results and the board reform deliberated upon during the opinion exchange meetings among directors and corporate officers held in June and September 2022, create a summary of the evaluation results for fiscal 2022, and formulate an action plan for fiscal 2023. To ensure the objectivity of the survey and further boost the effectiveness of the Board of Directors, the survey is conducted, and the results are tabulated by an external organization.

Evaluation process of the Board of Directors' effectiveness

1. Self-evaluation	Those subject to assessment	Directors, Audit & Supervisory Board members
	Method	An anonymous questionnaire survey conducted by an external organization
2. Board-level evaluation	Method	Discussions within the Board of Directors based on views shared during opinion exchange meetings and other interactions among directors and corporate officers
3. Disclosure of summarized evaluation results	Details	Evaluation methodologies, evaluation results, and overview of action plan
	Method	Corporate Governance Report

Evaluation results

The evaluation results have determined that, in Board of Directors' meetings, highly effective Board members with a broad perspective and values reflecting a variety of experiences and expertise are engaged in discussions that help to increase corporate value. Handouts and explanations about agendas are standardized and provided beforehand to encourage the members to take part in vigorous and constructive discussions and allow sufficient time for discussions. With regard to the action plan for 2022, which was made based on the results of evaluation of overall effectiveness of the Board of Directors for 2021, members of the Board of Directors and Audit & Supervisory Board have confirmed facts and issues as follows.

- Concrete efforts were launched to increase efficiency of the Board of Directors by aiming to secure enough time and opportunities for discussion.
- 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 accelerate separation of execution and supervision
- Set agenda for the Board of Directors in the future based on its objectives and roles
- Secure additional communication opportunities and improve the current method
- Make a new system for sharing information and improve the current method

Initiatives to harness the insights of outside officers

During the period, we held opinion exchange meetings for outside officers (remuneration for directors and corporate officers was discussed at the meeting in May 2022), distinct from the activities of the Remuneration Advisory Committee. We are dedicated to sharing and discussing the latest trends concerning other companies, which includes integrating recent executive remuneration regulations, compensation governance, and sustainability indicators into compensation considerations.

Nomination Process

Approach to nomination

The Company selects candidates for positions as director based on the criteria for knowledge, insight, fair judgment, ability to take actions, practical experience, and other requirements for directors. For the selection of management, individual performance as well as corporate performance are also taken into consideration. Candidate Audit & Supervisory Board members must possess sufficient knowledge, experience, and capabilities to fulfill their obligations, including an appropriate level of expertise in the areas of finance and accounting.

The Nomination Advisory Committee deliberates on the nomination of candidates for the aforementioned positions and submits recommendations to the Board of Directors. The committee is an advisory board to the Board of Directors, and more than half of its members are outside directors designated as independent directors.

● Dismissal of the chief executive officer and other members of management

In the event it is revealed that any of the directors, including the chief executive officer, has substantially damaged the corporate value of the Company or does not meet the selection criteria for directors, the Nomination Advisory Committee will discuss whether the person is still suitable for the position and report the results to the Board of Directors, which will make the final decision.

Implementing a succession plan

The Company is taking Groupwide and global steps to cultivate the future leaders who will be necessary to advancing its growth strategies.

Corporate officers are responsible for selecting potential successors, with due consideration paid to diversity, and for formulating development plans. These plans are discussed and confirmed by the Nomination Advisory Committee based on the Corporate Governance Basic Policies. The Board of Directors monitors all succession planning initiatives based on reports from the Nomination Advisory Committee.

Composition of the Nomination Advisory Committee

Chairman: Tetsuo Tsuneishi (Outside Director) Members: Kiyoshi Nishioka, Kozo Isshiki and Noriko Morikawa (Outside Directors) Kohei Morikawa and Hidehito Takahashi (Inside Directors)

Corporate Governance

Matters discussed, etc.

Time of meeting and matters discussed	Participants
September 2022 Discussed the Nomination Advisory Committee's structure and direction, and received an update on the implementation status on the company-wide talent review	All members
October 2022 Discussed the structure of corporate officers and the Board of Directors for fiscal 2023	All members
November 2022 Discussed the structure of Board of Directors for fiscal 2023	All members

With the exception of Mr. Tsuneishi, who assumed office in March 2023, all the aforementioned members, along with Mr. Oshima, a former outside director and Chairman of the Committee, were present at every meeting.

Remuneration

Basic policies on remuneration

The policy for determining the remuneration for respective directors of the Company is established by the Board of Directors after the Remuneration Advisory Committee, comprising a majority of outside and independent officers, deliberates on the appropriateness of the policy each fiscal year. While deliberating, the Remuneration Advisory Committee considers the evolving business environment, along with feedback from shareholders and investors. Additionally, it sources essential information for its discussions from third-party organizations with extensive global experience and knowledge.

[Directors (excluding Outside Directors)] <ul style="list-style-type: none">● Establish a remuneration scheme appropriate for recruiting and retaining talented human resources from inside and outside Japan suited to a global top-level functional chemical manufacturer.● Incentivize them to achieve performance targets and increase medium- to long-term corporate value, thereby driving the sustainable growth of the Group● Maintain a transparent, fair, and rational process for deciding remuneration from the viewpoint of accountability to shareholders and all other stakeholders [Outside Directors] <ul style="list-style-type: none">● Establish a remuneration scheme appropriate for the role and responsibility of supervising management from an independent and objective standpoint

In determining the remuneration for respective directors for fiscal 2022, the Remuneration Advisory Committee, comprising a majority of outside and independent officers as outlined in the adjoining section, conducted a multifaceted assessment utilizing objective and specialized information necessary for deliberation, ensuring alignment with the Policy for Determining Remuneration for Directors and Corporate Officers. The Board of Directors generally acknowledges decisions made by the Committee and deems the content to be appropriate and in line with the aforementioned determination policy.

Composition of the Remuneration Advisory Committee

Chairman: Kiyoshi Nishioka (Outside Director) Members: Kozo Isshiki, Noriko Morikawa and Tetsuo Tsuneishi (Outside Directors) Hidehito Takahashi and Hideki Somemiya (Inside Directors)

Primary roles and authority of the Remuneration Advisory Committee

Matters to be resolved	Matters to be deliberated or confirmed
<ul style="list-style-type: none">● Basic compensation for individual directors● Targets and evaluation of performance indicators associated with short-term incentives (STIs) for directors, and amounts paid to individual directors● Position-based standard points, TSR evaluation, and the number of earned points and shares to be delivered to individuals associated with long-term incentives (LTIs) for directors	<ul style="list-style-type: none">● Policy for determining the remuneration for directors and corporate officers● Details of remuneration for respective corporate officers (excluding those concurrently serving as directors), executive officers, and directors● Formulation, amendment, or revocation of significant company rules and procedures related to remuneration for directors and corporate officers, along with descriptions presented in important public announcements and other relevant communications

In order to appropriately fulfill its roles and exercise authority in deliberating on matters entrusted or consulted by the Board of Directors, the Remuneration Advisory Committee carefully considers consistency with the Policy for Determining Remuneration for Directors and Corporate Officers, while also accounting for the evolving business environment and feedback from shareholders and investors. Furthermore, the Committee obtains information, advice, and other insights necessary for its deliberations from Willis Towers Watson (WTW), a third-party organization with a wealth of international experience and knowledge.

Compensation consultants from WTW were present at all meetings of the Remuneration Advisory Committee throughout the period. In addition, the Remuneration Advisory Committee reported the matters deliberated upon or resolved to the Board of Directors in a timely and appropriate manner during the period. Accordingly, the Board of Directors confirmed the reasonableness and appropriateness of the reported matters.

Matters discussed, etc.

Time of meeting and matters discussed	Participants
December 2022 <ul style="list-style-type: none">● Collected and analyzed up-to-date information on domestic and international executive compensation practices to identify prevailing trends● Confirmed that the current remuneration aligns appropriately in level and composition with the Policy for Determining Remuneration for Directors and Corporate Officers after verifying the appropriateness of the composition and levels of remuneration for directors and corporate officers through a comparison with global chemical or other material companies of a similar scale (No revision would be made in fiscal 2023.)	All members (excluding a newly appointed director)
January and March 2023 <ul style="list-style-type: none">● Determined the individual standard compensation amounts and the number of LTI standard points to be granted to each director for fiscal 2023● Discussed the evaluation of performance indicators (consolidated financial results and personal performance) for the fiscal 2022 STI to determine the individual amounts to be paid to each director. The process of personal performance evaluations for each evaluated director (President and CEO, CTO, CFO, CSO) began with an initial assessment by the President and CEO (including a self-evaluation for the President and CEO). The final evaluations were then conducted through deliberation and confirmation of their appropriateness.● Opted not to grant shares for the fiscal 2022 LTI to a director (who is not an outside director) who resigned in March 2023, based on the TSR evaluation through the end of the fiscal year immediately preceding his resignation● Discussed the targets of performance indicators for the fiscal 2023 STI, deliberated and confirmed the appropriateness of personal performance targets after receiving explanations from each director and candidate for reappointment as a director (President and CEO, CTO, CFO, CSO) who were under evaluation● Confirmed the details of remuneration for directors and corporate officers that were to be disclosed in the Business Report and Securities Report for fiscal 2022	All members (excluding a newly appointed director)

Corporate Governance

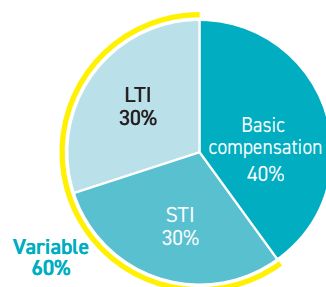
Composition and levels of remuneration

Directors (excluding Outside Directors)

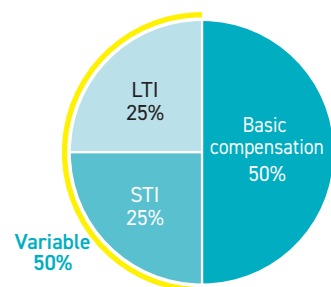
- The remuneration of directors (excluding outside directors) consists of basic compensation (fixed compensation) based on the position, a short-term incentive (STI) tied to annual performance, and a long-term incentive (LTI) contingent upon medium- to long-term performance and corporate value.
- The ratio of variable compensation (STI and LTI) to total compensation is set at 50% or higher, with the intention to reinforce management's commitment to improving business performance and other results, as well as corporate value. Given the substantial responsibility for business performance and stock price, the Chairman of the Board and the President receive a greater portion of variable compensation in comparison to other directors.
- The levels of remuneration are established at appropriate amounts, aligning with benchmarks from other companies (comparison with global chemical or other material companies of a similar scale to the Company) based on surveys conducted by external specialized organizations.

Composition of remuneration for directors (standard amount) for fiscal 2023

Chairman of the Board and President, CEO



Directors and CRO/CFD/CSO



Outside Directors

- Outside directors are paid basic compensation (fixed compensation) only.
- The members and chairman of the Remuneration Advisory Committee or the Nominating Advisory Committee receive additional allowances corresponding to their designated duties.
- The levels of remuneration are established at appropriate amounts, considering the time and efforts spent by each outside director to fulfill their expected roles and functions, as well as benchmarks from other companies (comparison with global companies of a similar scale to the Company) based on surveys conducted by external specialized organizations.

Composition of remuneration for directors (standard amount) for fiscal 2023

Types of remuneration			Recipients			
Fixed / variable	Monetary / non-monetary	Composition	Executive directors, corporate officers	Director and chairman of the Board (without right of representation)	Outside director	Audit & Supervisory Board members
Fixed	Monetary	Basic compensation	○	○	○	○
		Short-term incentive (bonuses)	○	—	—	—
Variable	Non-monetary	Long-term incentive (stock-based compensation)	○	○	—	—

Short-term Incentive (STI)

The amounts to be paid to individuals as STI are calculated by multiplying the position-based standard amount by two factors: (1) companywide performance evaluation coefficient (evaluation ratio of 70%); and (2) personal performance evaluation coefficient (evaluation ratio of 30%). This approach aims to enhance incentives for achieving companywide performance targets. The performance evaluation coefficient ranges from 0% to 200%, based on performance results and other factors.

$$\text{Individual amount granted as STI} = \text{Position-based standard amount} \times ((1) \text{ Companywide performance evaluation coefficient} + (2) \text{ Personal performance evaluation coefficient})$$

Key performance indicators (KPIs) used to calculate the companywide performance evaluation coefficient and the personal performance evaluation coefficient are selected from the financial and strategic indicators prioritized by the Company to achieve its Long-term Vision.

Key Performance Indicators (KPIs) for the fiscal 2023 STI

	KPIs	Evaluation weight	Reasons for selection
Company-wide performance evaluation	EBITDA	20%	Driver for enhancing medium- to long-term profitability in the newly integrated company
	EBITDA margin (%)	30%	Strive for growth and innovation with a focus on electronics and mobility businesses, while also implementing structural reforms and addressing the recovery from the impact of COVID-19, among other objectives.
	ROIC	20%	Indicator of profit distribution to shareholders and investors
Personal performance evaluation	Endeavors aligned with the long-term vision, actions to resolve sustainability issues, and more.	30%	Strive to optimize the business portfolio and the net debt-to-equity ratio of the newly integrated company, aiming to enhance ROE over the medium to long term.
			Strongly encourage management from a long-term perspective to attain sustainable growth of the Company

EBITDA = Consolidated operating income + Depreciation and amortization + Amortization of goodwill, etc.

EBITDA margin (%) = EBITDA ÷ Consolidated net sales

ROIC = (Operating income + Equity in earnings of unconsolidated subsidiaries and affiliates - Income taxes) ÷ (Interest-bearing debt + Total net assets)

Sustainability issues are discussed at the Sustainability Promotion Council

Corporate Governance

The performance evaluation coefficient is determined through an evaluation of financial indicators and measures. The primary financial indicators include consolidated net sales and consolidated EBITDA, which are management indicators the Company focuses on and suitable for objective and clear evaluation based on business results.

Regarding the consolidated operating results for fiscal 2021, net sales amounted to ¥1,419,635 million, exceeding the target of ¥1,280,000 million. EBITDA stood at ¥202,644 million, exceeding the target of ¥165,100 million. In light of the evaluation results and other factors, the STI payment to each director for fiscal 2022 was 160% of the standard amount.

Long-term incentive (LTI)

The LTI system is designed to deliver a certain number of shares calculated by multiplying the standard points based on the position-based standard amount by a coefficient corresponding to the Company's TSR (Total Shareholder Return) over a three-year period, with the aim of enhancing corporate value in the medium to long term. To further enhance value sharing with shareholders, the actual delivery of shares is deferred to the time of resignation of each director.

Number of shares delivered to individuals as LTI = Position-based standard points x TSR evaluation coefficient

The TSR evaluation coefficient is decided based on a rank order of three-year TSR evaluation by comparison with companies (in the chemical and material industries with similar business models and of the same size or larger). The target for TSR ranking is set at mid-range or higher to realize the long-term vision of "TSR: Aiming to be in the top 25% in the chemical industry in the medium to long term."

This system has been operational since 2022, and the first TSR evaluation period (linked with the fiscal 2022 LTI) spanned three years from 2022 to 2024. Subsequently, the TSR evaluation period rolls over every year to maintain a three-year evaluation period.

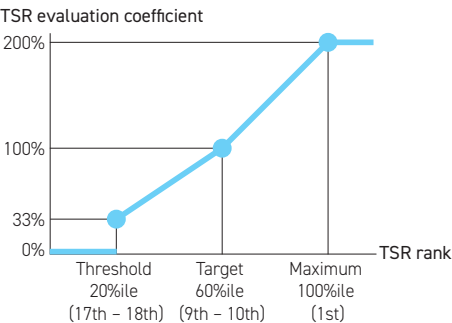
Once the number of shares (points) to be delivered is determined through the TSR evaluation, the equivalent amount of dividends during the interval until the shares are physically delivered (until the time of resignation) is deemed to be reinvested, thereby adding the count of shares (points) slated for delivery.

TSR evaluation period and timeline for determining the number of shares (points) to be delivered under the LTI plan per fiscal year

Plan	2022	2023	2024	2025	2026	...	Resignation
2022 LTI	←TSR evaluation period→			Fixing of points→ → →			Share issuance
2023 LTI		←TSR evaluation period→			Fixing of points→		Share issuance

As this system was implemented in fiscal 2022 and the first TSR evaluation spanned three years from 2022 to 2024, no LTIs were subject to final evaluation in fiscal 2022. Yet, for a director (who is not an outside director) who is slated to resign in March 2023, the shares of the Company' stock will be delivered as LTI based on the TSR evaluation performed up to the fiscal year immediately prior to his resignation. The Company will not grant its shares to resigning directors as the fiscal 2022 LTI due to the Company's TSR of 89.4% for the period from January to December 2022. The Company's ranking was at the 18.9%ile among the 22 entities in the chemical and textile industries, namely between the 18th and 19th spots out of the 22 companies.

Calculation method for the TSR evaluation coefficient for the fiscal 2023 LTI



Adjustment of compensation, request for return of compensation, etc.

In case of deterioration in the Company's business performance, or such problems that could damage its corporate or brand value as quality issues, serious accidents, or scandals, the Company reserves the right to temporarily decrease or withhold remuneration and other benefits for directors.

Regarding the short-term incentive (STI), if temporary special factors emerge, which was not anticipated when the targets were set at the beginning of the period, individual bonus amounts may be recalculated based on reassessed performance and other elements with the exclusion of the impact of such factors.

Regarding the short-term incentive (STI) and long-term incentive (LTI), if a director or corporate officer is involved in misconduct or if payment was made based on incorrect financial statements, the Company may nullify the right to receive associated benefits on account of such fact or demand return of compensation already paid to the individual concerned.

Corporate Governance

Remuneration of Directors and Audit & Supervisory Board members

Category	Total amount paid (Millions of yen)	Total amount paid by remuneration type (Millions of yen)			Number of recipients
		Basic compensation	Short-term incentive (STI)	Long-term incentive (LTI)	
Directors	557	340	106	109	12
Outside directors	65	65	—	—	4
Audit & Supervisory Board members	104	104	—	—	6
Outside Audit & Supervisory Board members	38	38	—	—	4

Notes:

- 1 The amounts of basic compensation and short-term incentive above are the total amount of compensation paid in fiscal 2022 (all monetary compensation).
- 2 The amount of STI above is the total amount of compensation paid in March 2022 (all monetary compensation), based on the performance and other results achieved during fiscal 2021. The amount of STI for fiscal 2021 for five directors excluding outside directors was resolved at the 113th Ordinary General Meeting of Shareholders held on March 30, 2022 to be no more than ¥119 million in total.
- 3 The amount of LTI above is the total amount expended in fiscal 2022. The Company's LTI represents the number of shares of the Company's stock determined based on the results of the three-year TSR (Total Shareholder Return) evaluation, to be deferred and delivered upon resignation. For the LTI management, we utilize the Stock Benefit Trust of Mizuho Trust & Banking Co.
- 4 The amount of remuneration for directors from fiscal 2022 onward was resolved at the 113th Ordinary General Meeting of Shareholders held on March 30, 2022, and the details are as presented below. The STI and LTI amounts are paid to directors, excluding outside directors.

Category	Date of resolution of the General Meeting of Shareholders	Monetary remuneration (Basic Compensation + STI)	Stock-based compensation (LTI) (Amount of BBT contribution / Points granted)	Number of applicable persons
Directors	The 113th Ordinary General Meeting of Shareholders held on March 30, 2022	Up to ¥850 million per year (Of which, outside directors: ¥100 million)	Up to ¥1.35 billion for 3 fiscal years (Up to 410,000 points per fiscal year)	10 (Of which, 4 outside directors)

- 5 The amount of remuneration for Audit & Supervisory Board members was resolved at the 96th Ordinary General Meeting of Shareholders held on March 30, 2005 to be no more than ¥12 million per month. The number of Audit & Supervisory Board Members as of the close of the said General Meeting of Shareholders was four, including three outside Audit & Supervisory Board members.

Individual remuneration amounts (limited to the President and CEO or those with a total amount of remuneration paid by the Group of ¥100 million yen or more)

Principal position and name during fiscal 2022	Total amount paid (Millions of yen)	Total amount paid by remuneration type (Millions of yen)			Company category
		Basic compensation	Short-term incentive (STI)	Long-term incentive (LTI)	
Representative Director and Chairman of the Board Kohei Morikawa	135	66	46	22	Resonac Holdings
Representative Director, President and CEO Hidehito Takahashi	117	75	17	24	Resonac Holdings

Cross-Shareholdings

Policy on reduction of cross-shareholdings

In principle, the Company adheres to a policy of not engaging in cross-shareholdings, and steps are currently underway to reduce existing cross-shareholdings.

Review on the appropriateness of cross-shareholdings

The Board of Directors verifies each year whether the profitability and business feasibility of holdings are rational given the associated capital costs.

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.

Numbers of cross-shareholdings and amount on the balance sheet*

	Holdings	Amount on the balance sheet (Millions of yen)
Unlisted stocks	52	1,924
Other stocks	4	763

Holdings for which numbers of shares held increased in fiscal 2022*

	Holdings	Acquisition costs of additional shares (Millions of yen)	Reason for increase
Unlisted stocks	3	56	Due to investments in decarbonization-related businesses and organization restructuring
Other stocks	—	—	

Holdings for which numbers of shares held decreased in fiscal 2022*

	Holdings	Sales proceeds associated with reduction in the number of shares (Millions of yen)
Unlisted stocks	10	2,462
Other stocks	18	15,875

* Cross-shareholdings held by Resonac Corporation