

03 How to Change

Resonac's Long-Term Vision

What We Will Focus on to Achieve Change

What are our specific measures to change society through the power of chemistry?

This section describes our sustainability and business strategies to help you understand how we intend to accomplish our purpose.

2020

Former Hitachi Chemical joins the Showa Denko Group



2021

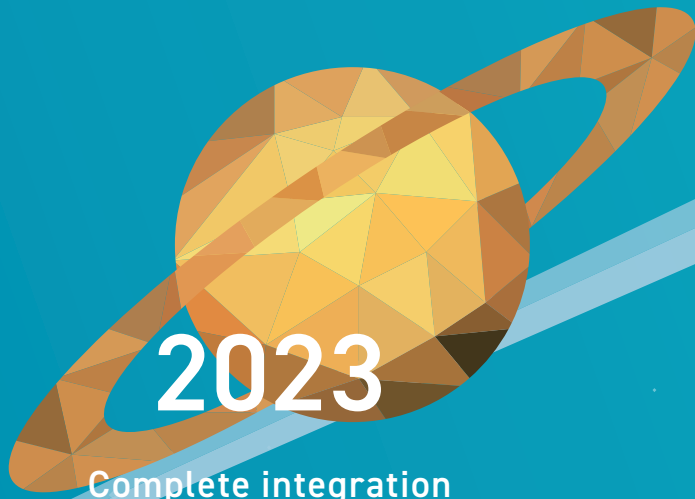
Long-term vision for the Newly Integrated Company (2021-2030) begins

- 45 — Resonac's Long-Term Vision
- 49 — Financial and Capital Strategies
- 55 — Promoting Sustainability
- 57 — Material Issues and Non-financial KPIs
- 59 — Resonac Pride Products & Services
- 62 — CTO Roundtable with Young Researchers

- 65 — R&D and Intellectual Property Strategies
- 69 — Marketing Strategies
- 71 — Digital Strategies
- 73 — Semiconductor Materials Global Top Management Roundtable
- 77 — Semiconductor and Electronic Materials
- 81 — Mobility
- 83 — Innovation Enabling Materials
- 85 — Chemicals



Brief introduction of future-oriented projects



2023

Complete integration as Resonac

RESONAC
Chemistry for Change

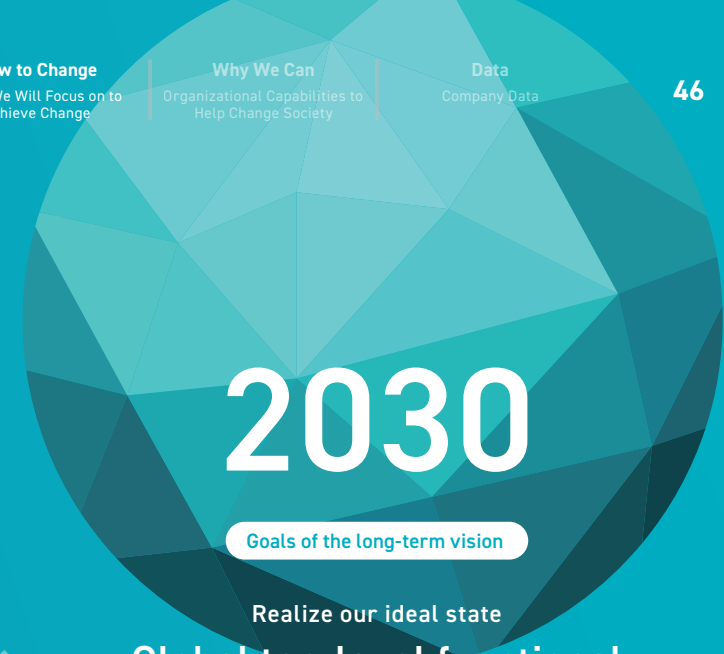


2025

Establish a leading position and secure strong growth potential on a continuous basis as a materials manufacturer driving the high growth of cutting-edge semiconductors

Financial targets for 2025

EBITDA margin 20 %
ROIC 10 % over the medium to long term
Net D/E ratio Aim to achieve 1.0



2030

Goals of the long-term vision

Realize our ideal state

Global top-level functional chemical manufacturer from Japan

- **TSR:** Rank among the chemicals industry's top 25% over the medium to long term
- Achieve Sustainability Vision

Yoshishige Okuno
General Manager,
Research Center for Computational
Science and Informatics

Now!!



First semiconductor materials manufacturer in Japan to apply virtual reality (VR) in product development
Molecular design applying VR leads to R&D achieving the required properties. This initiative takes advantage of our advanced computational science and technology for deeper material analysis and discovery of new materials. First, we intend to promote the use of VR throughout Resonac, and in the future, we envisage positioning it as an in-house infrastructure. We will accelerate R&D by fully utilizing computational science and simulation.

Yohei Shimizu
Materials Informatics Platform Group
Research Center for Computational
Science and Informatics

Future?



Promoting the space business through co-creation with ispace, inc., a startup
A team composed of people who aspire to contribute to the sustainable development of global society by creating functions required of the times as an advanced material partner in the field of space development are promoting a project to establish a space business. Not only through cross-sectional collaboration but also through open innovation with ispace, inc. and other external partners, we are firstly focusing on branding that will lead to enhancement of corporate value with a view to future commercialization.

Overview of the Long-Term Vision

Showa Denko acquired Hitachi Chemical during the period of the medium-term management plan to 2021. The company set its course toward growth and declared its goal of becoming a global top-level functional chemical manufacturer by 2030. In January 2022 Showa Denko and Hitachi Chemical substantially integrated their management and formulated the purpose. In February 2022 Showa Denko revised its long-term vision announced in December 2020 and began value creation as a Co-creative Chemical Company. In January 2023 Resonac was established.

Resonac's Long-Term Vision: Our Ideal State for 2030

In order to become a global top-level functional chemical manufacturer, we must enable our unique essence to blossom while satisfying the requirements of stakeholders with respect to both financial and nonfinancial aspects. Positioning sustainability as the cornerstone of its corporate strategy, Resonac has established measures and nonfinancial targets linked to its envisioned ideal state and material issues for sustainability (materiality), with a view to achieving its long-term vision by promoting initiatives.

Long-term vision Ideal state

Company that can compete on the world stage



World-class competitiveness and profitability

Company that contributes to a sustainable global society



Capability to create innovations and to develop new businesses

Company that develops co-creative talent that represents Japan's manufacturing industry



Ability to train competitive talent with shared values



Material Issues for Sustainability (Materiality)

Strengthen co-creation & competitiveness and create social value through innovation

Gain credibility through responsible business management

Develop autonomous, creative, and active human resources and culture

Financial targets and results

| | Results in 2022 | Targets for 2025 |
|---------------|-----------------|----------------------------------|
| Net sales | ¥1.4 trillion | Over ¥1 trillion |
| EBITDA margin | 12.2% | 20% |
| ROIC | 3.3% | 10% over the medium to long term |
| Net D/E ratio | 1.07 | Aim to achieve 1.0 |

Nonfinancial targets and results (examples)

| | Results in 2022 | Targets for 2025 |
|------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Scores of the survey on implementation of the purpose and values | Degree of implementation: 30% Degree of empathy: 60% Degree of understanding: 80% Recognition: Almost 100% | Inculcation of the purpose and values and cultivation of a co-creation culture |
| Greenhouse gas emissions | 4,270 thousand tons | 30% reduction from the level of 2013 |
| Serious occupational accidents | 0 | Zero occurrence |

Overview of the Long-Term Vision

Key strategies for achieving the long-term vision



Establishment of a world-class revenue base

- Letter from the CFO [P25](#)
- Scale and Profitability to be a Company that can Compete on the World Stage [P49](#)
- Instillation of ROIC-focused Management [P51](#)
- Semiconductor Materials Global Top Management Roundtable [P73](#)
- Business Strategies [P77](#)



Improvement in Portfolio Management

- Financial and Capital Strategies [P49](#)
- Strategic Allocation of Management Resources [P52](#)
- Direction and Progress in Portfolio Reform [P52](#)



Innovation (technology x business model)

- Special Feature: What is a Co-creative Chemical Company? [P13](#)
- Special Feature: Resonac Pride Products & Services [P59](#)
- CTO Roundtable with Young Researchers [P62](#)
- R&D and Intellectual Property Strategies [P65](#)
- Marketing Strategies [P69](#)



Strengthening of management foundation (platform)

- Human Capital Management Dialogue [P37](#)
- Team Takahashi: Aspirations for Human Resources Development [P41](#)
- Resonac's Human Capital Management [P89](#)
- IT and Digital Technology Strategies [P71](#)
- Roundtable: Our Transformation of the Board of Directors [P113](#)

Direction and progress

Topics

Analysis of Opportunities and Risks for Achieving the Long-Term Vision

We held a workshop in June 2023 to analyze opportunities and risks linked to Resonac's three material issues. Participants included the CFO, CSO, CHRO, CTO, and other executives and discussion ranged from financial aspects to nonfinancial aspects such as human resources and R&D. In particular, we need to keep a close eye on changes in the internal environment as a result of company integration. Paying greater attention to internal changes in the process of integration in addition to changes in the external environment in management's monitoring and evaluation, we will reflect those internal changes in goal setting.

Opinions expressed at the workshop held in June 2023

- Opportunities**
- Transformation triggered by the integration of two companies
 - New synergy derived from different technological fields
 - Greater efficiency and creativity through business process integration
 - Creation of new value, mindful that chemistry is a building block of industries

- Risks**
- Decline in engagement of human resources due to changes resulting from the integration of two companies / human resources retention risk / loss of the heritable culture as well as experience and know-how learned from failure
 - Decline in co-creation capabilities and competitiveness due to delays in industry restructuring and portfolio reform
 - Weakening of the management foundation owing to lack of understanding of potential risks and lack of risk-taking



[Video](#) Workshop on opportunities and risks linked to materiality