

# 02 Where to Go

## — Leaders' Letters

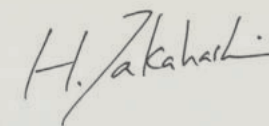
### What Resonac Aims for

What kind of vision do we aim for to change society, what challenges do we face, and what transformations do we intend to bring about? The passionate feelings of Resonac's management are conveyed in these messages.

19	Letter from the CEO
25	Letter from the CFO
29	Letter from the CSO
32	Letter from the CTO
35	Letter from the CHRO
37	Human Capital Management Dialogue Collaboration between the CEO and CHRO Accelerates the Speed of Management
41	Team Takahashi: Aspirations for Human Resources Development
44	Team Takahashi—Excelling in Times of Change



# Letter from the CEO



President and CEO

## A startup with 26,000 employees! We are transforming ourselves ——for Resonac to “change society”

### What I Want to Achieve at Resonac

In January 2023, Showa Denko and Hitachi Chemical were integrated to form the functional chemical manufacturer Resonac. This is often referred to as the second founding, and I rather consider myself as a founder. As the founder of a startup company with 26,000 employees, what I want to realize, as stated in our purpose, is to change society through the power of chemistry. It is true that the chemical industry has its lights and shadows. Chemistry has contributed to the development of industries and affluent lives by creating materials for products such as plastics, semiconductors, and electronic components, which are indispensable in our daily lives. The reason I am in the chemical industry is that I was fascinated by the potential of chemistry. On the other hand, chemistry has continued to damage the global environment, such as CO2 emissions and marine plastics.

I have two favorite books. One is “Free to Choose” by Milton Friedman, and the other is “Silent Spring” by Rachel Carson. While Friedman affirmed the pursuit of growth by companies in a survival-of-the-fittest capital market, Rachel Carson sounded the alarm about environmental pollution caused by chemical manufacturers. The economy and the environment, once considered to be a dichotomy, we are now seeking a balance under the keyword sustainability. That's why I believe we can change society through the power of chemistry in this era.

The reason I want to take the lead in changing society through the power of chemistry is driven by a strong sentiment. It is anger and introspection regarding the current state of Japan. I love both Japan and the Japanese people, but I wonder why Japan is always trailing behind the world in various fields, why many talented Japanese cannot compete on a global level, why Japan's GDP per capita is only half of Singapore. I feel frustration about these things and regret that I couldn't change this situation as a business leader. I want to create a world-class functional chemical manufacturer from Japan. I want to change the industry's conventional practice to achieve this. This is my desire and responsibility.

However, my aspirations can't be realized by my abilities alone. That's why we need to co-create with various companies, including competitors, and many stakeholders, innovate, and grow. For this to happen, Resonac first needs to change. The new company name “Resonac” was created by combining the word “resonate” and the “C” of “chemistry.” As the name of our company suggests, we seriously want to transform society as a Co-creative Chemical Company.



## Letter from the CEO

### What We are Pursuing Now to Achieve this

A certain scale of business and high profitability are required to become a world-class functional chemical manufacturer. If we don't generate a good profit as a company, we cannot contribute to society or invest in innovation. To be a "good company," we first need to be a profitable company. For this reason, Resonac aims to achieve a 20% EBITDA margin by 2025, while maintaining net sales of ¥1 trillion.

What Resonac wants to achieve after becoming profitable is to bring innovation to society. Chemistry is the starting point of all industries. We definitely need the power of chemistry to bring innovation to society. We will pursue the power of chemistry for that purpose, and even if we acquire highly competitive technology and know-how through co-creation, we do not intend to keep them to ourselves at all. I believe that is our responsibility as a chemical company and the ideal form of a Co-creative Chemical Company.

For example, one of the important innovations that Resonac should bring about is reducing environmental load. We are currently taking various measures toward carbon neutrality, and of course, various chemical companies are innovating their own techniques and proceeding on their own paths. I believe that such efforts will reveal a winning strategy in the near future. Even if we can seize that winning strategy, I would like to make our technology and know-how open so that the entire industry can work on it.

There are three things Resonac should promote to change society through the power of chemistry. The first is human resource development and corporate culture change. This is the most important issue. The second is to refine material creation, in other words, to innovate materials that support the evolution of semiconductors and electronic components with as much added value as possible with the power of chemistry. The third is to maximize corporate value by effective business portfolio management easily understandable for shareholders and investors.

### Development of Co-creative Human Resources and the Cultivation of Organizational Culture

The differentiating factor for corporate growth lies in whether the management team has the gusto to carry out the strategy and whether the human resources to support it have been developed. As the CEO of Resonac, what I prioritize the most is the development of human resources to enhance individual capabilities and corporate culture change. I believe that achieving this will lead to the maximization of corporate value.

To enhance individual capabilities, we have established several training programs, such as training sessions to bolster the co-creative collaboration capabilities and co-creative leadership training. For the cultivation of organizational culture, employees frequently hold roundtables, town hall meetings, and Moyamoya Meetings at their workplaces. The Moyamoya Meeting is a symbolic initiative to maximize Resonac's corporate value, and it started this January. About 20 young employees gather and raise three things they are typically frustrated or concerned about, and I and CHRO Imai facilitate the discussion, encouraging open and frank dialogue. The important thing is not to set a theme in advance. Young employees always have something they are concerned about. This meeting is not about solving these concerns but an opportunity to think about how our Values can support them, and it's also a chance to bring young voices to the management team.

The Moyamoya Meeting is a symbolic initiative to maximize Resonac's corporate value.

First, as the first round, we think about whether participants' concerns can be solved with our four Values, specifically, Passionate & Results-Driven, Agile & Flexible, Open Minds & Open Connections, and Solid Vision & Solid Integrity. The issues are grouped into categories: those that can be resolved by an individual, those that can be resolved collectively, and those that cannot be resolved through our Values. By going through this process, participants will understand how to use Values. In the second round, participants prioritize the concerns that can be resolved with Values in terms of effectiveness and importance and propose solutions to the plant managers present. Employees' concerns often get stopped at their immediate supervisors and tend not to easily reach the plant managers as the top management. Conversely, the plant managers also have the opportunity to hear directly from young employees. Additionally, if there are any obstacles that make it difficult for a plant manager to decide whether to adopt a solution, I can also remove those obstacles on the spot. While the purpose of the Moyamoya Meeting is to deepen understanding of Values, what I want to convey most is "enjoy your work and face things with a more open mind". I believe it's essential for me, as the CEO, to actively participate and contribute in these meetings in order to create an environment where we promote co-creation based upon our Values.

There are two keywords for co-creative human resources. One is co-creation, and the other is autonomy. Japanese people often operate efficiently within a vertical command system, following top-down directives, but there can sometimes be a lack of collaboration when it comes to lateral interactions. People who can navigate this are co-creative human resources.

[P35 / Letter from the CHRO](#)

The portfolio strategy and human resources strategy must match in Resonac's human capital management. The portfolio strategy is to transform into a specialty chemical company. We must move from being a traditional diversified chemical manufacturer centered on petrochemicals to a functional specialty chemical company. In specialty chemicals, sales representatives listen to customer requests, and the development division purchases materials, produces prototypes,



## Shifting towards specialty chemicals and co-creative, autonomous human resources are the two key drivers for maximizing corporate value.



verifies them, and then proposes them to customers. This requires negotiation and communication skills. While it might seem obvious, in the traditional bulk chemical industry, this kind of careful alignment wasn't necessary. Instead, top-down commands were most important in petrochemical complexes to prevent accidents. Our company's shift toward specialty chemicals and developing co-creative, autonomous human resources are the two main drivers for maximizing corporate value, and this is the essence of Resonac's human capital management.

[P89 / Resonac's Human Capital Management](#)

The strength of Resonac's human capital management lies in the complete synchronization of the CEO and the CHRO, dedicating our all to it. Another strength I pride myself on is having a clear vision for the company 10 years from now. This is drawn from my experience at the General Electric Company (GE), where I used to work for. They were sharing values and fostering competition. Although there was a sense of tension, because values were shared, everyone was able to feel a sense of accomplishment when they succeeded. I strongly feel that I want to create that world.

I tell our employees, "I will provide everyone with an equal opportunity. Choosing your career path is up to you. It's not about work-life balance, but work-life choice." While the company offers you the opportunity to choose a way of living and working that makes yourself feel happy, don't think that you are unhappy because your way is different from others. Naturally, if profitability differs depending on the business

## Letter from the CEO







division in which you are enrolled, you may be envious of the business division next door. That's why we offer job rotations and internal job postings. Since learning opportunities vary by business, you can experience various roles in sequence, promoting personal growth.

At this year's acceptance ceremony, I said, "I don't know what the industrial structure will look like 30 years from now, and I won't make any light promises about that future. Instead, I promise to turn you into individuals who can thrive anywhere." This, I believe, is the hallmark of a genuinely employee-friendly company, and I want to make Resonac a "dojo" - a place that trains individuals society needs.

Additionally, Resonac has adopted a Chief X Officer (CXO) system. We have 23 business units and approximately 100 plants and offices, each of which operates independently with diverse business management methods. The CXO system facilitates cross-functional roles for them. For instance, a person in charge of finance in a business unit reports not to general manager of the business unit, but to the CFO. Similarly, the CHRO serves as the supervisor of each business unit's personnel staff members. Finance and personnel representatives in each business unit, under the CFO and CHRO respectively, align with the policies of the headquarters while also acting as partners to general managers of business units. This organizational structure that emphasizes on horizontal connections can certainly be considered one of Resonac's growth engines.

### Refining Materials Creation

Within chemistry, semiconductors and electronic materials are one of the fields where Resonac will be able to demonstrate its strengths. In the field of semiconductor materials, Japanese companies, including Resonac, have a dominant presence in the world. In order to improve the quality of functional materials used in semiconductor materials, it requires the iteration of a wide range of experiments – an area where persistent Japanese firms excel, building formidable industrial barriers. On the other hand, the petrochemical industry is difficult to demonstrate its competitiveness, and earnings tend to fluctuate, affected by market conditions such as crude oil prices. In that sense, in the field of semiconductors and electronic materials, reorganization is needed to win, while in the petrochemical industry, reorganization is needed to avoid losing."

At Resonac, synergies are gradually beginning to emerge between the strengths of the former Showa Denko and the former Hitachi Chemical. The fusion here is "Chemistry to Synthesize" of the former Showa Denko, which is strong in raw materials, and "Chemistry to Formulate" of the former Hitachi Chemical, which has a high market share in finished products for semiconductor manufacturers.

It is our strength that we can now address the performance requirements of semiconductor manufacturers comprehensively, going all the way back to resin materials. For example, we have a product called "copper-clad laminate" in printed wiring board materials, which holds the top market share globally. This product is manufactured by laminating copper foil, glass cloth, and resin, and the resin can be made from the molecular design level at the former Showa Denko. In addition, CMP slurry, the world's top market share product in the mixtures used for polishing semiconductor wafers, can also be manufactured from the molecular design level of the particles, since the former Showa Denko has ceramic business. Indeed, by merging the know-how and technologies of both companies, we have triggered a "chemical reaction" to produce products with even higher specifications. The integration is not something where results can be achieved overnight, but we believe it holds great upside potential for the future.

[P32 / Letter from the CTO](#)

Reorganization to win in the field of  
semiconductors and electronic materials  
Reorganization needed in petrochemicals  
to avoid losing

## Building a Business Portfolio with a Focus on Shareholder and Investor Perspectives

In terms of portfolio strategy, we aim to transition from a traditional diversified chemical manufacturer centered on petrochemicals to a specialty chemical company that performs specific functions. To achieve this goal, we've been pushing for a transformation centered on profitability, positioning semiconductors and electronic materials as our core growth businesses, and have set a goal to increase their sales composition ratio from just over 30% to 45% by 2030. Growth should be achieved with this business. It is of utmost importance to continuously grow by developing quality materials successively without lagging behind the pace of our customers.

Meanwhile, we are currently reshuffling our portfolio, including selling off several businesses. For the petrochemical business, the focus is on increasing profit margins and safely operating the facilities. In the ceramics and resins business, the goal is to advance R&D and supply high-quality materials for semiconductors. If asked what corporate value means to me, it is the stock price. However, the stakeholder I spend the most time with is our employees. I publicly declare that the customer follows that. This does not mean that I take our shareholders and investors lightly. By investing my time in our employees and enhancing their engagement, and by building a strong relationship with our customers, I believe we can maximize our corporate value, leading to maximum returns for our shareholders and investors.

[P25 / Letter from the CFO](#)

## Gaining Empathy from Shareholders and Investors

While we will thoroughly explain the changes in our business portfolio to our shareholders and investors, we will not announce them as a medium-term management plan because I don't see the point in setting numerical targets in the medium term. However, we will be sure to indicate the direction Resonac should take in the future, explain our non-financial

# Maximizing corporate value by developing co-creative human resources and bringing innovation to society

KPIs based on materiality for sustainability and their progress, and the process we take toward them.

[P25 / Letter from the CFO](#)

The equity stories to persuade shareholders and investors are clear. They consist of the story of growing the semiconductor and electronic materials business and the story of preparing people and the organization for transformation. I want to clearly communicate to our shareholders and investors that we will endeavor to realize these two stories.

[P73 / Semiconductor Materials Global Top Management Roundtable](#)

The current stock price and PBR levels are far from the image of Resonac I envision for 10 years from now. However, as Resonac develops the ability to generate profits, and gains understanding from our investors and shareholders that it will be able to achieve long term growth through strengthened business portfolio, and for that goal it is developing human resources and fostering an organizational culture, I believe the stock price and PBR will gradually reflect these factors.

Recently, the number of long-term shareholders and investors who resonate with Resonac's story is undoubtedly increasing. We will continue to passionately tell the Resonac's story through proactive IR and SR activities.

We hope you will join us in our excitement about Resonac's mission to change society through the power of chemistry. We hope for your continued support in this endeavor.

## Letter from the CEO





### Contributing to the Improvement of the Performance of the Japanese Economy

When I entered the workforce, it was the end of the bubble era, precisely when the Nikkei average hit its peak. Over the next 30 years or so, Japan's economic competitiveness gradually declined. As a result of the deflationary economy, Japan became so inefficient that it fell to the bottom of the OECD countries in terms of GDP per capita. Very recently, even the Nikkei average, which is said to be at its highest post-bubble value, has yet to surpass its peak level at the end of 1989. In the past 20 years, the average annual salary of workers in major countries has approximately doubled, but the average annual salary of Japanese workers has decreased.

## Overcoming a number of challenges, Resonac takes a leap forward

I strongly feel that our generation of Japanese people has a responsibility for causing such a decline in Japan. I am driven by a strong sense of responsibility and frustration to put all my effort into breaking through this situation as long as our generation is involved in industry. The Japanese workforce in the chemical industry has about 900,000 people. Let's say that Resonac, with our 26,000 employees, took actions to break the vicious cycle of Japanese industry and as a result, was able to significantly enhance our corporate value. I have a wild dream that if we achieve this, through the chemical industry, customers, suppliers, and other workers and their families, about 10% of Japanese households, or 5 million households, will become vibrant, which in turn will help invigorate the Japanese economy as a whole. Concepts sprout from a strong wild dream. Once a wild dream becomes a concept, it can be articulated as a vision and turned into an action plan. Once you have a plan, all that's left is to put it into practice. I believe that Resonac's core business in semiconductors and electronic materials is a global treasure, and our long-term vision is the concept of taking this business to the next level.

Under this long-term vision of Resonac, I see my role as CFO in realizing the enhancement of Resonac's profitability and corporate value. Through my past experiences at investment



banks, extensive experience in the technology sector, serving as the CFO of a semiconductor business at an electronics manufacturer, and launching new businesses, I've learned many things such as the importance of replacing business portfolios, cash flow management, and having in-house pricing power, which is the key to improving profitability. While I am aware that our company currently faces challenges in both financial and business efficiency, I believe that by fully utilizing my past experiences, insights, and personal networks, we can resolve these issues one by one.

I describe the source of motivation as adrenaline. Given the various challenges our company faces now, I feel that my adrenaline levels are at their peak in my own history. I am committed to working every day with the determination to accomplish the reformation of Resonac at any cost and maximize the corporate value of Resonac.

[P49 / Financial and Capital Strategies](#)

### Concentration of Resources on Resonac's Advanced Semiconductor Packaging Technology

The reason I believe our semiconductor materials business is a global treasure is that the semiconductor market is currently at a major turning point, and the next decade will be an era in which material manufacturers hold the key to further advancements in semiconductor performance. Until now, the improvement in the performance of semiconductor chips was based on the world of More Moore, in which miniaturization technology in semiconductor circuit formation (front-end process) has been the primary technology driver. In the world of More Moore, semiconductor equipment manufacturers and wafer manufacturers enjoyed the benefits. However, with the evident physical and cost limitations of miniaturization in the front-end process, it's said we have entered the era of More than Moore. In the world of More than Moore, we believe that our strong product lineup, which contributes to advanced packaging technology in the back-end process, will be essential for improving the added value of semiconductors. Resonac, as a material manufacturer, will not only provide the materials that semiconductor manufacturers, our customers, demand but will also draw and propose a roadmap for advanced packaging technology ourselves. In doing so, we can simultaneously further improve presence in our industry, strengthen our profitability, and enhance our corporate value. This is a clear growth story that only the Company can envision in the world. To realize this, the Company has decided to concentrate management resources on the semiconductor and electronic materials business.

To ensure the successful execution of Resonac's growth story, I have been moving forward with each measure by acting swiftly and with a strong will of my own since I became CFO. In our long-

term vision, we have set a medium- to long-term ROIC target of 10%. Capital efficiency improvement is also a significant theme, and bold initiatives are required. Within the Company, we have introduced rules that will serve as a discipline for investment policies based on the portfolio attributes of each business to concentrate management resources on the semiconductor and electronic materials business, which has the potential to realize high profit margins. We will limit investments in Stable Earnings businesses within the limits of depreciation and amortization, and actively expand investments in growth businesses. We have also reformed our internal Investment Committee, which asks the owners of each investment project to go beyond analyzing the appropriateness of the investment from a numerical standpoint, and to ask whether they are prepared to achieve a reliable return on their investment, and to request a thorough discussion of the issue. I am the chairman of the Investment Committee, and members from a strategic perspective (CSO), engineering perspective (CMEO), risk management perspective (CRO), and technical strategy perspective (CTO) also participate, and we have in-depth discussions at each meeting. In some cases, multiple rounds of debate have been held at the Investment Committee, and I feel that we have a system in place for meaningful and serious discussions.

[P52 / Strategic Allocation of Management Resources](#)

In addition, I felt a strong discomfort at the end of 2021, shortly after I joined the Company, about cross-shareholdings that only generate only a return significantly lower than the cost of capital and can be considered dormant assets from the standpoint of capital efficiency. In the process of confirming the validity and necessity of the reasons for holding cross-shareholdings in each business division, for example, when the business organization claims that transactions with its customers are made possible by cross-shareholdings, I ask, "Do you really need to own stock to have a business relationship with them? If you want, I can make an appointment and go talk to your business partner." As a result, the mindset of the parties involved was reset, and company-wide activities to eliminate these cross-shareholdings accelerated. And as a result of the diligent negotiations by the business division members, we were able to almost reach a point where we could sell all of our cross-shareholdings.

[P128 / Cross-Shareholdings](#)





## Overcoming Immediate Challenges in Pursuit of Our 2025 Targets

In order to ensure that Resonac will make great strides in the future, we must quickly overcome the challenges at hand. As CFO, I take seriously the fact that the financial results for fiscal 2023 will be severe, and we intend to take this opportunity to clean up the negative legacy of the past by removing the “pus” that has become visible in the current challenging business environment. It is necessary to promptly reform our earnings structures and accelerate our portfolio reforms.

In our core semiconductor and electronic materials business, due to sluggish demand for semiconductors and data centers, we foresee a significant decline in profit for fiscal 2023. This is the flip side of our decision to concentrate management resources largely on the semiconductor and electronic materials businesses, and in this sense, we somewhat expected the influence of the semiconductor cycle on the business structure and prepared for such circumstances. However, the semiconductor industry, which is essentially our customer base, serves a wide range of sectors like consumer goods, automotive, industrial, and data centers. Accordingly, we believe that by diversifying our customer base and applications, we can transform our business structure to one that targets more stable, higher growth. In addition, in the Mobility segment, the parts business for internal combustion engines has been affected by the market shrinking faster than anticipated, affecting our profits.

To address this situation, Resonac's policy is to undertake radical, unconventional actions and structural reforms based on an accurate understanding of demand projections and changes in the business environment, and we are determined to secure a performance recovery from fiscal 2024 onwards at any cost.

Our top priority for all business domains is to ensure that we provide appropriate added value to our customers through products that enable us to secure our standard marginal profit ratio, and to improve our business structure so that we can generate solid profits. In other words, accelerating the elimination of unprofitable businesses is of utmost importance. Eliminating unprofitable businesses is also key to achieving a 20% EBITDA margin in fiscal 2025, which is the focus of our long-term vision. In the mobility segment, 30% of sales are from unprofitable businesses, and other segments also have a fair share of such businesses. For each unprofitable business division, we have set milestones for cost-cutting strategies such as substantial price increases, and we have defined policies and action plans to down-size or withdraw businesses that cannot improve profitability within the specified period and are monitoring them quarterly.

 P50 / Elimination of Unprofitable Products

It was also necessary to change the mindset of our business divisions' employees towards prioritizing profit margins, even at the cost of reduced sales. Accordingly, in our long-term vision set three years ago, we lowered the sales target for 2025 of 1.6 trillion yen, signaling our intent to prioritize the eradication of unprofitable businesses and enhancement of profitability, and we have revised our sights to maintaining sales of 1 trillion yen or more. While some measures require approval from our customers and can be time-consuming, we are already making progress, and the effects are gradually becoming apparent. In cases where it is difficult for a business division to reach an agreement with the customer alone, I personally step into negotiations with the customer.

On the other hand, in conversations with our shareholders, some express concerns that we might be allocating too much management resource to solving our businesses facing challenges. They point out that this could mean fewer resources for growth investments or considerations of alliances and acquisitions in the semiconductor materials field, potentially posing a significant risk. Certainly, it's true that we are currently investing a lot of resources into businesses facing challenges. However, as mentioned earlier, we are continuously monitoring and gathering information about potential alliance targets, including opportunities in the semiconductor material industry and capital expenditures in growth areas discussed in the Investment Committee, and this includes listing potential companies in long and short lists. While working on our businesses facing challenges, we also actively consider discontinuous growth and acquisition opportunities in collaboration with CSO Tomomitsu Maoka to consider them in a timely manner.

## For the Development of the Future Generation Supporting Resonac and a Sustainable CFO Organization

Each of the initiatives to improve profitability and corporate value I am sharing with you, are by no means something that only I can think of, but rather measures and ideas that may not be common knowledge in our company or in the chemical industry, but are commonplace in other industries. We are currently in an intense period of change, and as someone who has come from outside, I'm leading the charge. However, in order for Resonac to continue to grow in the future, it is essential to build a stronger CFO organization, develop the generation that will lead the company in the future, and foster a culture in which people can demonstrate their values.

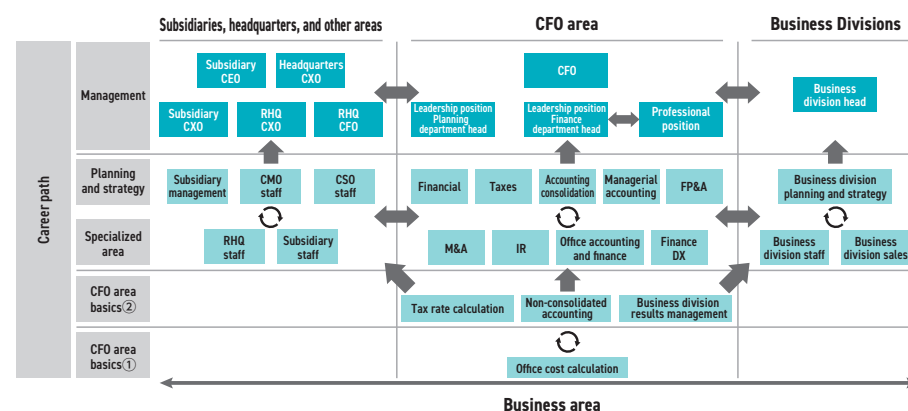
In terms of the organization, I have been transforming the way the CFO organization operates since taking my position. Firstly, I transferred teams responsible for budgeting, medium-term management planning, and M&A considerations, which were previously under Resonac's strategy divisions, to be under my direct control in the CFO organization. I have strongly advocated for a reform of the CFO organization mission and transformed our CFO organization, which

had previously focused on supporting strategy, into an organization that can also lead strategic decisions. Additionally, over 150 accounting members, who were affiliated with individual business units, were restructured to be under the CFO organization, rather than remaining affiliated with their respective business units. By doing this, we have been able to promote cross-divisional perspectives, and advance task standardization and human resource development from a Group-wide viewpoint rather than a strongly siloed mindset.

In terms of human resource development, I have placed a specialist dedicated to human resource development directly under me. We have introduced systems unique to the CFO organization, such as department-wide job rotations and career planning, and this includes accounting members from individual business units. While we have many promising young employees in our company, many had difficulty visualizing themselves as career owners, and it has become customary for them to work in the same department for long periods of time. I've been promoting a system where you create your own career in order to transform the mindset of each member of the CFO organization. At the end of last year, I personally explained using several career tree examples, and together we discussed possible future career plans for all members of the CFO organization. Following that, we conducted career interviews with all employees for each department at the beginning of this year, and the results show that each individual, especially younger employees, is becoming much more motivated.

In addition, last year we started an in-house MBA program called *Some Lab*. For this program, I myself served as a lecturer, and the program consisted of about half practical case studies based on my own experience and half lectures by university professors. In the end, each group was asked to formulate and present a strategic proposal to Resonac.

## CFO area career tree



Following last year's first phase, in which participants were selected from the CFO organization, this fiscal year's second phase had participants from other CXO organizations and business divisions as well and even through the *Some Lab*, I strongly feel the motivation of our employees has increased. I will use my time generously so as not to let that fire of motivation die out, and I cannot wait to nurture the younger members.

## To our stakeholders

I would like to reiterate that the Company has a clear story for future growth. Since last year, we have been focusing on IR activities to convey what kind of company we want Resonac to be seen as. As a result, global institutional investors with long-term holding (long-only) who empathize with our growth story and transformation story have been increasing as top shareholders.

However, at the same time, the current stock price and PBR of Resonac still show a small conglomerate discount. We are aware that the Company is not yet fully trusted by all investors. To gain further trust from our investors in the future, it's essential to ensure our scenarios are executed and promises with our investors are kept, and deliver solid results in terms of business performance. We are strongly aware of this part of our daily transformation.

Lastly, I want to mention three reasons why I believe Resonac will surely leap forward. The first is that the Company has the ability to develop semiconductors and electronic materials, which can be said to be the world's treasure, and above all, I personally have a passionate desire to achieve growth. As CFO, I want to take action myself and support the Company in continuing to be at the forefront of the semiconductor industry, focusing on the evolution of advanced packages. The second is the quality of CEO Hidehito Takahashi as a president. I believe that Mr. Takahashi will become a president that is representative of the Japanese manufacturing industry. As a key member of Team Takahashi, while committing to the complete execution of various management policies, I strongly hope that Team Takahashi can bring about a reformation in Japanese companies that will lead to improved performance not only at Resonac, but also in the Japanese economy as a whole, which has lost its vitality. The third is the power of human resources. We are committed to human resource development across the entire company, and within the CFO organization, we passionately focus on human resource development, striving to unlock individual awareness and potential in an aim to drive transformation into a Co-creative Chemical Company, ultimately enhancing corporate value.

We hope that you watch Resonac's growth, as a company genuinely dedicated to changing society through the power of chemistry.



## Maximizing corporate value through strategic intelligence

### Materials Manufacturers Pressed to Transform to Compete on the World Stage

I joined the former Showa Denko in October 2021, and with the launch of the new system in January 2022, I took on the role of CSO. The role of the CSO is to define what needs to be done to become a world-class functional chemical manufacturer and broadly promote the purpose of the integrated new company to change society through the power of chemistry.

With the full integration of former Showa Denko and former Hitachi Chemical, the scale of the Company has grown significantly. However, just because of this integration, the fundamental essence of the Company does not change immediately. To compete as a global company in

the global market, not only the size but the content and quality must also change. To make Resonac a world-class functional chemical manufacturer, we need to identify any gaps with the world and chart a course to close those gaps through means such as reviewing our business portfolio, establishing a competitive business model, strengthening partnerships inside and outside the company, and reforming organizational operations.

This gap was not something that only became apparent after the integration. Looking at the history of the semiconductor and electronic materials industry, which we position as our core business, it is evident that Resonac must change.

I have built up my career at foreign-owned consulting firms, semiconductor and PC manufacturers, and Japanese semiconductor manufacturers. During this time, I witnessed the decline of Japan's high-tech industry firsthand. Particularly in the semiconductor device industry, manufacturers are constantly merging, especially in the U.S., and I believed that the effects of this industry reorganization, such as negotiation power between customers and suppliers and technological concentration, would undoubtedly impact the surrounding ecosystem. However, I did not see any signs of this in the adjacent semiconductor materials industry,

and I wondered why, even though it should be compelled to transform as an industry to compete globally.

Then, at the end of 2019, news came of the merger between Showa Denko and Hitachi Chemical. I thought, "It's finally here; it's beginning." Later, I met the current CEO Hidehito Takahashi, and felt confident that our visions aligned. Driven by the desire to create a company that could compete globally, I decided to join. I was convinced that I could demonstrate my abilities in this environment precisely because of the merger with Hitachi Chemical.

### Concept of the Strategic Intelligence Required

The key to our strategy is to transfer our technology and potential to the value of the actual applications in which our products are used.

The former Showa Denko had expertise in changing the physical properties of materials, having strengths in the upstream of the material supply chain. Meanwhile, the former Hitachi Chemical had strengths in the downstream, combining materials to create functions and offering them to customers. Being able to integrate material development and its combinations internally expands the options for optimizing product functionality. Moreover, understanding the downstream applications more profoundly allows us to direct development resources in a direction where added value increases. Understanding the entire supply chain is crucial in building a business model as it bridges the gap between the buyer's value standards and the provider's logic.

Regarding overall optimization as a company, until now there were business strategies for individual business units, but a comprehensive Companywide strategy had not been fully laid out. What was previously called a Companywide strategy was a bundle of individual business strategies with a simple addition of numerical aspects. To maximize growth and profit Companywide, it is necessary to intentionally decide which businesses to expand and which not to. For this reason, we've emphasized distinctions among business units, meaning we've clearly determined variations in the allocation of company resources across different business units.

[P52 / Strategic Allocation of Management Resources](#)

In portfolio construction, we will focus our resources on the Semiconductor and Electronic Materials segment as our Core Growth business. At the same time, for products that cannot be expected to generate a certain level of profit on a regular basis, we will consider price increases or withdrawals and make business decisions accordingly.

I believe it is essential to incorporate the concept of strategic intelligence to execute this strategy. We will analyze and process intelligence obtained from internal and external

sources and utilize it for strategy. At the same time, it's also essential for the Company to proactively disseminate information.

As part of such efforts, we've set up a governmental liaison office directly under the Corporate Planning Department and started its operation. Semiconductors are a business that is very sensitive to geopolitical factors. It's clear from last year's supply chain disruptions that situations arise that can't be resolved with just private company measures. However, despite our presence in the semiconductor materials market, we lacked the ability to consolidate our various government contacts and build stable relationships. For this reason, we have established a function to strengthen our connections with government agencies and to accumulate the knowledge and experience generated as a result on a regular basis as an organization.

[P73 / Semiconductor Materials Global Top Management Roundtable](#)

### Scenario Planning for Intelligence Enhancement and Establishment of RHQ

Furthermore, we're also engaging in scenario planning to probe the potential impact of geopolitical risks in the future. Scenario planning involves constructing various scenarios from both long-term and short-term perspectives within teams. We estimate a wide range of impacts in terms of business impact and risk without bias, even for events deemed unlikely. We actually intentionally examine even those events seen as having a low likelihood of occurrence.

The essence of scenario planning is to prepare management for unforeseen events by conducting thought experiments on events that are not considered as an extension of daily operations, such as the costs and methods of response to anticipated impacts. An urgent issue was the impact on business from Russia's invasion of Ukraine last year. In the semiconductor field, the effects of U.S.-China decoupling are already apparent, and we expect these effects to continue.

Although the scenario planning thought process is becoming widely known, few companies incorporate it as a regular activity. These efforts are essential for our long-term strategy of being a company that can compete on the world stage, and one of the ways we are further accelerating this strategy is by strengthening our regional headquarters (RHQ).

The background for establishing RHQs is the decentralization and diversification of business environments in each country and region in terms of laws, regulations, and business





practices. Rather than only controlling each region directly from Japan, it is also necessary to coordinate with each region's unique business environment to find the optimal relationship. For this reason, we have set up four RHQs: in San Jose, U.S. as our North American base, in Wiesbaden in Germany as our European base, in Shanghai as our Chinese base, and in Singapore as our Southeast Asian base.

We are building a chain of command between Japan and each region, customizing operational policies in each region, and strengthening support in corporate functions. Additionally, based on the information from the RHQ, we will clarify how the headquarters will make decisions, or how the RHQ will make judgments promptly, establishing clear distinctions between their roles.

### Positioning Sustainability at the Core of Management

Last year, the Company established three issues of materiality for sustainability as crucial management issues to ensure sustainable growth together with society. At the same time, we announced both internally and externally the policy that sustainability is at the core of management. This means that whether it's a Companywide strategy or a management strategy, both exist to support the realization of materiality. Realizing materiality is the key to achieving our management strategy and long-term vision.

We launched the monthly Sustainability Promotion Council last year as a mechanism to realize materiality. The council is attended by all CXOs and business unit heads also participate once every three months. We have defined sustainability as a central issue that top management must decide upon, and a system has been established to discuss and make decisions on a wide range of issues, including carbon neutrality and human rights, within the Sustainability Promotion Council. We have set nonfinancial KPIs at the Companywide level based on materiality and discuss initiatives to implement them. [P55 / Promoting Sustainability](#)

Achieving sustainability requires Companywide involvement. We have added sustainability items to the performance evaluations of all CXOs and business unit heads from this year.

### Bringing the Resonac Brand of Functional Chemicals to the World

The company Resonac was born in January 2023. It was our second foundation. We have changed our company name from Showa Denko to Resonac, shifted from a diversified chemical company to a functional chemical company, and we want to convey to everyone around the world that our innovative management team is implementing company reforms. We are building our brand strategy based on this sentiment.

To be honest, although the name Showa Denko was somewhat known, many people didn't know what the company did. To prevent this from happening for Resonac, we must communicate effectively that we are a global functional chemical manufacturer and that we are strong in semiconductors and electronic materials. By strengthening the brand power of Resonac, we hope to boost employee pride, gain widespread recognition in society, and attract human resources who can compete globally. This will contribute to improving corporate value.

The field we will be competing in is the world, and we need to respond quickly. In the future, there will be fewer and fewer things that can be solved by a single company. In order to deepen collaboration both within and outside the semiconductor industry, we will put even more effort into digitalization and globalization in our brand strategy.

### Now That We Have the Resources, We Need to Win in the World

A year and a half has passed since a new system was established through the substantive integration and I joined as CSO. In the midst of various matters related to the integration, I have played the role of a compass. Even if it was sometimes unpleasant to hear, we have always looked at the medium- to long-term and responded as a team.

From my own experience, it's rare for a company of this size to make decisions and act with such speed. I believe that I am able to exercise leadership because I am an outsider. I want to be the catalyst for innovation by looking at the Company objectively, based on my career experience developed outside of Resonac.

Resonac now has everything it needs to compete: human resources, technological capabilities, system, and strategy. I feel that resisting decline and aiming to win is a great motivation, and it's an admirable thing. I don't want to see any more Japanese companies lose, and I don't feel like Resonac, which has all these resources, will lose. We hope for your continued support for Resonac competing on the world stage.



# Letter from the CTO

Masato Fukushima

Chief Technology Officer (CTO)



## The Job of the CTO is to Bring the Future Toward Us

I assumed the position of CTO at the birth of the new Resonac. The CTO is a technical specialist in the Company's CXO structure, and the highest position of engineers for a typical manufacturer, but that role is evolving for Resonac today. For example, I come from the hard disk media business of the former Showa Denko, so I don't understand every aspect of technology, especially when compared to frontline employees. This is even more the case for the former Hitachi Chemical. So, what does a CTO do? I see the CTO's role as pointing the direction where Resonac should go from a technical point of view, or bringing the future toward us.

## Resonac launches —Creating an exciting future through dialogue and co-creation!

Since the industrial revolution, manufacturers following a self-sufficient policy under capitalism and consumer-based economy have invested capital in technological development to produce goods and earn returns from society. The primary role of CTOs back then was to refine technology as a weapon and unite the engineers. Now that the foundational notion is crumbling, it is also important to point in the direction of technology that is good for the Earth and what employees can be proud of. To do so, there are limits to thinking only by yourself and an overview of technology is essential. That's the ability that "brings the future toward us", which a CTO should demonstrate.

## A Ceaseless Sense of Urgency—If We Don't Change, We'll Decline

I've always thought that if we don't change, we'll decline. Perhaps change may be the only way to even maintain the status quo. I see this integration as a very positive opportunity to incorporate new ways of thinking. Of course, change can be extremely stressful, but we must and will change, even to the point of renaming our company. If we can't overcome this, we won't remain a company that people around the world will support for the next 100 years. That's why I believe we must be people who can enjoy change.

The hard disk media business, which I had been a part of for many years, began about 40 years ago and has continued to expand. However, during this time, the number of equipment manufacturers, material manufacturers, and customers has decreased. Surviving this competition is a testament to our success, and there's potential for further growth with new technologies. However, it is true that both the technology and the market are saturated, and the increased scale means less room for error, making it harder to take on the challenges of new technologies or customer needs. Generations that experienced growth and failures see things differently than those who joined after the company scale expanded, and I am contemplating how to share those perspectives and create spaces where failures are allowed, for instance by using strategic personnel rotations as an alternative.

### The Dialogue Triggered by the Integration Creates Synergy

This integration, combining two companies each with a 100-year history, is quite challenging. However, in the field of R&D, I feel that the straightforwardness that engineers from both companies show to customers is very similar. Yet, the ways they fight against challenges differ. The former Showa Denko has a strong belief in chemistry as the seed of industry. It has a strong sense of being upstream in the value chain as a technological culture, with a history of seeking electricity and building businesses based on electrochemical engineering. For this reason, it is good at making and improving what it wants to make with the equipment it designed, and the relationship between its manufacturing equipment and processes is unique. Meanwhile, the former Hitachi Chemical is located downstream, relatively close to the end consumers, and is very skilled at understanding needs and mixing various materials to create new functions.

After two years of trial and error since the decision was made to integrate the two companies, we have come to know each other and have begun a dialogue about how we can bring their different strengths together to create products that can be used in a certain way, given their different technologies. For example, when a petrochemical business engineer from the former Showa Denko develops a catalyst that is a key technology, an engineer from the former Hitachi Chemical will consider it and try to apply it in another business. For another example, if a midstream and downstream resin developer who asks, "Is there a resin like this?," gets to understand the upstream production technology, it will be possible to come up with ideas such as, "If we improve the manufacturing equipment in this way, we can make it," or "If we redesign the raw material itself, it can express new functions like this." We have this way of creating synergies, and we would like to create a mechanism to maximize the expression of such synergies.

[P65 / R&D and Intellectual Property Strategies](#)

### Accelerating Open Innovation by Promoting Dialogue Through the Stage for Co-creation

[P15 / What is a Co-creative Chemical Company?](#)

Regarding open innovation not only internally but also with external parties, in 2017 we conceived the concept of providing a venue where diverse people can gather for the creation of new pipelines, and in 2022 we promoted this concept mainly through the Stage for Co-creation that was established in Yokohama. Not bound by conventional methods, the Stage for Co-creation is positioned as a place to explore new initiatives. Under the direct supervision of the CTO, Resonac is pursuing R&D themes that aim to "change society" as long-term R&D, and it is also working on enriching the technology database and establishing coaching and mentoring systems as platforms to achieve this goal.

The situation for the Stage for Co-creation has changed dramatically in the six years since the concept was created. I believe that we must conduct a grand experiment on this Stage for Co-creation. One of our long-term R&D efforts is the development of next-generation high-speed communications materials with an eye toward 6G (Beyond 5G). In a 6G world, although the frequency band used will exceed 100 giga, materials that can be used in that frequency band do not exist today. We would like to integrate upstream and midstream technologies to provide world-class composite materials in the 6G domain, and provide essential technologies for the coming society. We are also working to develop innovative technologies to achieve carbon neutrality. Aiming for the "carbon resource recycling" of basic chemical products, we are taking on the challenge of developing waste plastic-to-olefin recycling technologies in the plastic chemical recycling process, which involves collecting waste plastics and turning them back into raw materials. Currently, we are pursuing open innovation with partner companies. We are also working with our petrochemical business on CO<sub>2</sub> separation, capturing and use initiatives as a method to develop technologies to replace fossil fuels. Ideas for such efforts stem from a love for our children and grandchildren, serving as motivation for engineers.

This development requires understanding what customers and various other stakeholders are currently contemplating and what they wish to achieve next, and jointly brainstorming newer perspectives, materials, and processes. Pursuing immediate R&D too much often leads one astray from the actual intentions of the customers or the market trend. Under



such circumstances, we must pause, verify the direction of the chosen research with stakeholders such as customers or partner companies, and then determine the best path to the future that we should be working toward. Furthermore, the challenge lies in how we can transform the material and chemical industries, which have traditionally been required in the society where massive consumption of chemicals has been a premise. The Stage for Co-creation going forward must be a venue where we will consider such issues from a broad perspective, while technological trials and errors are continuously undertaken with an eye toward the next 100 years.

### Achieving Further Acceleration Through the Use of Materials Informatics

The changes as a result of the integration are not limited to the organizational culture, business portfolio, and human resources. The forms of open innovation, as well as the levels and nature of computational and information sciences, are also evolving.

Materials informatics is a method that statistically processes how materials are combined to create what kind of product, predictively determines combinations of materials and manufacturing conditions that satisfy required functions, thereby significantly streamlines and expedites development. In process manufacturing industries that utilize chemicals and petroleum as raw materials like the Company, the application of this method is expanding, and I believe an era when engineers and customers routinely use computational science and information science is quickly approaching. For this reason, customization tailored to specific needs will be important. While achieving this is highly challenging, members of our Research Center for Computational Science and Informatics are striving to achieve it by understanding the aspirations of their customers (internal users). Members who have been envisioning the future and creating internal networks of partners since about a decade ago, when there were even no budgets, are now leaders, and they're deepening dialogues within our company and the market and generating businesses with young engineers.

Having a diverse range of businesses has a major positive effect on the acceleration of our R&D. In the market, our product portfolio ranges from petrochemicals and basic chemical products to semiconductor material products, as well as materials like resins, metals, and ceramics, and the combinations of these materials are endless. In some cases, answers that might take a century of experimentation can be produced in a few minutes to hours with this method. In addition, the evolution of materials supporting *monozukuri* (manufacturing) not only drastically enhances performance but also enables the creation of new applications.

### Becoming Engineers Who Take Pride in Changing Society Through the Power of Chemistry

It is important to realize that the starting point is the engineer. For example, take the concept of carbon neutrality. Up until now, there's been a tendency not to be open about the progress of one's own technology. However, in an environment where no one knows if what we're doing is 100% correct, sharing information and using technology collectively would actually be a better option. This is even more so if everyone has the same goal of helping the Earth. Of course, to continue research sustainably, pursuing profit is necessary, and the balance is not easy to achieve. However, this may be solved by considering intellectual property strategies and new forms of alliances.

For this reason, engineers must think autonomously and go beyond their own boundaries. When in doubt, our purpose and values are where we return to. We are also further increasing opportunities for dialogue within our research centers, discussing how to specifically interpret them from technological development perspectives.

Engineers are people who can't help but enjoy testing hypotheses based on their own ideas and insights. And of course, engineers want to win and succeed after all. However, R&D is a series of uncertainties. In order for such people to realize our purpose to "Change society through the power of chemistry," it would be necessary as the first step to ensure that what they create brings joy to customers and the market, and that if that leads to profit, research and development budget might eventually increase, leading to desired research opportunities. Another necessary aspect is the pride in knowing that the technology engineers contributed to is protecting the Earth and guiding it in a better direction.

[P&2 / CTO Roundtable with Young Researchers](#)

To this end, diverse career paths for researchers and engineers are desired. Although I spent most of my career in development field in business unit, I also experienced being General manager of Marketing Department before becoming General Manager of Production & Technology Control Department. In the future, R&D theme leaders might even come from marketing backgrounds.

### Heading Toward an Uncertain But Exciting Future

Lastly, let's consider why Resonac needs a CTO like me today. Firstly, I already have a blueprint of what we are going to do in the future. I know the approach, having always aimed to compete globally and having continued "co-creative" R&D. Having regrettably experienced a significant restructuring during my time in business unit, I also understand how game-changing technologies emerge, how customers utilize them to innovate, and the pace of that change. Secondly, I possess decision-making skills developed amidst rapid changes.

My other qualities are a certain confidence and generosity. Join me aboard the Spaceship Earth proposed by thinker Fuller and admired by Steve Jobs, and move together toward a bright, positive, and uncertain but exciting future!



# Letter from the CHRO

Nori Imai Chief Human Resource Officer (CHRO)



People drive business growth

We focus on developing co-creative talent who can change society

## Resonac's Human Capital Management

Our portfolio strategy is to become a functional chemical manufacturer that can compete and co-create globally. The value of a functional chemical manufacturer is not just selling chemical products but providing functions that customers and society demand (such as maintaining high adhesion even with ultra-thin films). A broad technology platform is necessary to create such functions, and by integrating the former Showa Denko and the former Hitachi Chemical, we have built a broad technology platform, both organic and inorganic. Using this platform as a starting point, we aim to combine technologies in unconventional ways through collaboration and co-creation with stakeholders, primarily customers, and provide new functions, which are achieved by "co-creative talent"<sup>\*1</sup>. Our human resource strategy is to create co-creative talent, and Resonac's human capital management aligns our management and business strategies with our human resource strategies.

[P37 / Human Capital Management Dialogue](#) [P89 / Resonac's Human Capital Management](#)

## Key Issues and Initiatives in Human Resource Strategies

We aim to grow as a functional chemical manufacturer through co-creative talent, and we have identified four categories of human resources issues as key focus area in our strategies, and set as "HR Materiality". KGI/KPI targets for 2030 have been set for each material issue. In the two years from 2023, we will launch an initiative as "the start of co-creative talent development", and we aim to "deepen and establish a co-creation culture in the Group" by 2025. We have set the goal for 2030 as "making a leap forward to a co-creative

chemical company that can compete on a global level", aiming to establish uniform human capital management globally.

We are currently focusing on the following three key measures.

The first is the creation of a corporate culture. Creating an environment in which all Group employees can eliminate unconscious bias and maintain psychological safety is first of all an important foundation for each individual to achieve their own potential. We then aim to cultivate a culture that promotes the activities of co-creative talent who autonomously connect laterally based on purpose and values to drive projects with passion and ambition. For example, the global award AHA! is one of the leading initiatives to generate co-creation. While the demonstration of values has been incorporated into personnel evaluations, we also want to encourage and praise people who practice these values from a different perspective. By sharing each initiative with all global employees, we aim to foster co-creation beyond boundaries and create a culture of mutual growth and refinement. We have therefore carried over and restarted the global awards previously held by both the former Showa Denko and Hitachi Chemical.

The second measure is the provision of growth opportunities. We view Resonac as a "management training ground," with a diverse range of businesses in different industries and stages. Experiencing different phases of business through strategic rotations significantly broadens one's perspective and enhances one's adaptability. I always say that "If you're uncertain about your career, choose the harder path." This is because it increases the experience. In the age of VUCA, growth is less about acquiring knowledge and skills, but

<sup>\*1</sup> Co-creative talent: "People who embody 'Purpose and Values (see P.03)," as talent who can "autonomously connect with others beyond companies and departments with empathy and resonance, leading creative transformation and problem-solving through co-creation."

more about first doing, gaining insights from such experiences, and then connecting it to the next action. Therefore, based on the idea that each and every employee is the owner of their career, we also have an internal recruitment system that contributes to autonomous career development.

The third measure is to provide learning opportunities to logically support growth obtained from experience. We have prepared unique training programs tailored to our human resource strategies, such as co-creative leadership training where one learns the leadership skills needed to develop subordinates, and training sessions to bolster the co-creative collaboration capabilities, which teaches methods required to lead co-creation beyond departments, without relying on organizational hierarchy. In addition, we are conscious of training that focuses on the individuality and strengths of each employee, and we have adopted the FFS theory<sup>\*2</sup> and competency assessment training.

We will gradually expand these personnel measures starting from senior-level managers, including officers, and roll them out to all employees. Although the penetration of the Company's purpose and values among employees has started to show results, it may take about 10 years to fully take root, so a steady approach is necessary. It's important to drive transformation with the participation of all employees. Based on a recent comprehension survey performed globally, although nearly 100% recognize the purpose and values, 80% understand them, 60% empathize, and only 30% have implemented them. While each person may proceed in different ways and speeds, it is important to increase the percentage of employees who implement the purpose and values.

[P14 / What is a Co-creative Chemical Company? -Who?](#) [P91 / Human Resource Strategies](#)

## Mission as CHRO

The key to the Company's growth is to focus on the individuality and strengths of each employee, unleash their hidden potential, and create teams where everyone can demonstrate their strengths. We all should know the joy and excitement of succeeding as a team. I believe that the feeling of contributing to something greater than oneself is essential for happiness. A company is a perfect community for achieving this. I believe that my mission as CHRO is to build a system that strengthens the three elements of individuals, teams, and corporate culture, as well as environment where diversity can be sublimated into collective knowledge, and where everyone can feel growth and happiness derived from their contributions.

The source of Resonac's strength is its wide-ranging technology platform linked to diverse businesses. However, as soon as each business unit begins to operate in isolation, this technolo-

gy platform gets fragmented, and this strength disappears. Conversely, if we move in a direction that connects these pieces of the platform, endless possibilities emerge. Especially since we do not produce final products, there are countless opportunities to provide functions to any industry and create new growth businesses. It's the people who can connect these pieces of the technology platform, forming teams that mutually enhance each other's strengths.

Since the decision to integrate the former Showa Denko and former Hitachi Chemical, I led the integration preparation as the person in charge of the integration at former Hitachi Chemical. In fact, when the former Hitachi Chemical was choosing a partner, I was the first to say, "Showa Denko would be a good choice!" There are many areas where the two companies can complement each other, and I sensed great potential. I am confident that the functional chemicals we aim for can become a great industry originating from Japan with a global presence. As CHRO, I want to put Resonac on a growth trajectory and continuously improve its corporate value.

There are two reasons why I think I can lead these efforts.

The first is my strong desire to thoroughly engage with the uniqueness of each and every employee and unleash their potential. My strong commitment to engage with each individual, regardless of their position, gender, or affiliation, serves as a driving force in leading our human resource strategies. I travel to various locations with the CEO, directly interacting with employees, getting a feel for the atmosphere in the field, and considering what initiatives are needed right now. The Moyamoya Meeting was one of the measures I thought of during this process.

The second is the presence of encouraging team members from diverse backgrounds. My capabilities alone are limited, so I always propose what I want to do to team members and try to involve various departments in co-creation.

Since joining the former Hitachi Chemical, I have experienced different workplaces every two to three years, from setting up a joint venture with DuPont to PR and IR, sales in the U.S., and business planning. As a novice everywhere, the reason I managed in all these roles is that I gradually acquired the ability to form a team while addressing each individual's uniqueness. I believe in the endless possibilities of a team once it is formed.

The Company is now in a period of transformation, and the key to leading it to a global, top-level functional chemical manufacturer is co-creative talent. We will firmly establish the development of co-creative talent and achieve sustained growth in this age of VUCA. We hope for your continued support in this endeavor.



<sup>\*2</sup> For FFS (Five Factors & Stress) theory, see [P44](#).

## Human Capital Management Dialogue

# —Collaboration between the CEO and CHRO Accelerates the Speed of Management—

What should be the approach to management and human resource development to create co-creative talent?

We invited Hiroko Ozawa, who has a deep understanding of human capital management, to hold a dialogue with CEO Hidehito Takahashi and CHRO Nori Imai.

**Hidehito Takahashi**  
Chief Executive Officer (CEO)

**Hiroko Ozawa**

ESG/Responsible Investment Research Center Head,  
Japan Shareholder Services Ltd.  
Researcher at People Analytics & HR Technology  
Association

**Nori Imai**

Chief Human Resource Officer (CHRO)





## What Are the Trends and Essence of Human Capital Management?

**Ozawa:** I believe there are two main approaches Japanese companies take toward their human capital currently.

One approach is companies that are rushing internally, driven by the need for disclosure. With the advent of a human capital boom, companies are trying not to miss out and striving to somehow make an appeal for what they are doing. The obligation to disclose in securities reports has become a significant trigger, and many companies are pondering how to respond.

The other approach is from companies that genuinely understand the essence of the importance of human capital and are seriously working to enhance human capital. Such companies view respect for individuals as the source of a company's competitiveness, and under the commitment of the top management, place human capital at the core of their business. Compared to the former approach, the latter approach seems to be in the minority.

The way of thinking about disclosure also differs between the two approaches. The former companies focus on collecting and organizing data about their human resources, while the latter companies aim to express how important their human capital is in management at the heart of their business strategy. Even just looking at disclosure, such polarization is occurring.

When looking specifically at the efforts of Japanese companies, many seem to focus primarily on enhancing systems. Japanese companies have historically built personnel systems based on lifetime employment. It might make sense to invest a lot of managerial resources in system enhancement, given the assumption of long-term employment. However, times have changed, and it's only natural to think that the mobility of human resources will accelerate further. Just like Western companies, a time will come when Japan will need human capital management that isn't based on the assumption of long-term employment. Incentives will be important in this process. People feel excitement when the achievements of individuals or teams lead to organizational achievements. It's important to think about how to give back to individuals or teams based on organizational achievements. The system that creates excitement and the incentivization of returns from organizational achievements should be considered as a set. Companies with a high amount of excitement, which is different from a club of good friends, are very strong.

**Takahashi:** I completely agree. Japanese companies have traditionally had a package of the four elements of mass hiring of new graduates, academic elitism, a seniority system, and lifetime employment, and I believe this package led to the stagnation of Japanese companies and the Japanese economy after the bubble burst. I do not think Japan can regain its vitality unless this package is dismantled.

I don't guarantee lifetime employment to new employees. Instead, I tell employees that "I will make sure you become a valuable asset that can be useful in any company." I believe that achieving this is what human capital management is all about. I have experience working in major Japanese companies and top global companies, and I feel that Japanese companies should learn from the human capital management of top global companies. Although many Japanese companies have strongly focused on ensuring transparency in promotions, raises, and maintaining equality, I personally find this approach unsettling. Whether Japanese companies will try to bridge this gap in the future is uncertain. Some companies might try to change, and others might not. However, in the long run, there might be a shakeout.

**Imai:** The reason human capital management is gaining attention in today's society is due to the arrival of an uncertain era, known as the age of VUCA. From the two speakers today, I have realized that this means that it has become impossible to solve problems by extending existing solutions or making minor adjustments to the status quo. Given this age of VUCA, we are genuinely required to solve problems with diverse team members who have entirely different perspectives and thoughts.

Considering this, it means that it is necessary to think about how to bring out individual abilities and how to form types of teams that are different from those up until now. We might need to consider the diversity of combinations of the good qualities that each individual has, and to consider the division of roles.

Hierarchical command systems based on traditional hierarchies can't solve our problems. We need to genuinely engage with each individual, bringing out their strengths, and if we don't treat people appropriately, management will suffer. I feel that this is becoming the fundamental challenge now.

**The Purpose only leads to enhancing corporate value when employees make it a personal concern. Resonac is trying to integrate the purpose and values into individual behaviors and value judgments, which will be the key to achieving human capital management.**

Hiroko Ozawa







**As strategies are becoming commodities, the differentiating factors between companies are the management team that executes the plans and the people supporting that management. I see human resource development as the quickest path to maximizing corporate value.**

Hidehito Takahashi

**Takahashi:** The term human capital management seems to have taken on a life of its own, and it is difficult to see the essence of the concept. It is a given that people are important, and the very idea of enhancing growth strategies and the business portfolio has already become a commodity. While every company may have a medium-term management plan and an admirable approach, they are all essentially the same. What differentiates companies is whether they have a management team that can execute those plans and whether they have developed human resources to support that management. In this sense, we view human resource development as the shortest path for maximizing corporate value.

**Ozawa:** I agree. Among the various forms of management resources, only human capital has a will. Because each person acts based on his or her own will, it takes time and involves difficulty to achieve results as an organization. The sum of each person's will becomes the individuality of an organization, which serves as the source of the organization's competitiveness. In other words, the individuality of an organization is determined by the multiplication of the will of each individual member.

### What Kind of Talents Are Needed to Become a "Co-creative Chemical Company?"

**Takahashi:** We have clearly defined the talents who support the Resonac Group as a "Co-creative Chemical Company." One is a talent who can work while involving the people around him or her, literally co-creating with them. Another is an autonomous talent who can take the necessary action on their own, rather than waiting for instructions.

[P14 / What is a Co-creative Chemical Company? -Who?](#)

In order to develop such talents, we place importance on four values: "Passionate & Results-Driven," "Open Minds & Open Connections," "Agile & Flexible," and "Solid Vision & Solid Integrity." Ms. Imai and I continue to tell employees at events such as town-hall

meetings at each business site, "Let's aim to be people who strongly hold these values and are capable of taking action."

Furthermore, we are also working to reflect these four values in our personnel evaluations this year. We are in the process of training all managers to be able to measure employees performance on the two focus points of achievement of KPIs and demonstration of the four values, and to incorporate this appropriately in their evaluations. The Company has 23 business units, and I believe that by developing co-creative talents who share common values and can thrive in any business unit, we can avoid the conglomerate discount to some degree. By having the purpose and values as a shared language Companywide, when discussions occur, we can say things such as, "That's not open-minded," or "Isn't agility lacking?" and return to the essence of who we are.

**Imai:** I believe that autonomy is based on having passion. The will to change society through the power of chemistry, the conviction that the Resonac Group can do it, and the passion to make sure it gets done are important. It is important to extend this passion to other units and other companies, and not just your own unit.

The Resonac Group's style is to allow people to act freely and autonomously based on their values, with the Purpose as the key and the Values that are the mode of action to achieve the Purpose as the basis of their decisions. We are trying to ensure that this style is first thoroughly implemented as an action of the management team, and then gradually extended to all employees. We hold workshops at each workplace to discuss what the Purpose is at the workplace and what it means to demonstrate our Values, and receive feedback and clarification on how we are evaluated, so that we can make the purpose and values a personal concern and put them into practice. The ability to gain management experience in different businesses based on shared values and a shared language is a strength of the Resonac Group that also fosters employee growth.

**Ozawa:** Indeed, for chemical manufacturers like the Resonac Group with diverse business domains, it's easy to imagine they might fall into vertically segmented organizations where each business unit develops its own customs and values and specializes in its own particular area of expertise. I believe that new business opportunities can be created by having a shared language as you have explained, recognizing differences in ways of thinking, and transcending boundaries. We might see a new paradigm if such challenges bear fruit and more people get excited about creating value across business units.

From this discussion, it's clear that Resonac Group has explicitly defined its purpose and values, and is trying to spread them throughout the company and incorporate them into its human resources system and evaluations. The numerous town-hall meetings and

roundtables that are held and the intent of the management team to communicate directly with all employees are truly commendable.

Many Japanese companies seem to just create and announce a purpose but fail to clarify how they aim to link this purpose with daily business operations and tasks, what kind of people they are looking for, and how to reflect this in actions and decisions, and there seems to be a lack of clear implementation in many cases. It's quite a waste given the time and effort invested. Needless to say, to link the purpose to maximizing corporate value, it is necessary to instill it and link it to business activities. Rather than addressing a stated purpose as an obligation, it won't empower the organization unless employees should see the potential of finding a connection to their own work and have the will to take initiative.

In this respect, the Resonac Group has a well-crafted grand design of purpose and values, and they're addressing everything from individual actions to value judgments. I felt that this is a significant strength.

## Collaboration Between the CEO and CHRO Accelerates the Speed of Management

**Takahashi:** I believe the strength of the Resonac Group is that both the CEO and the CHRO are firmly committed to human resource development and human resource strategies. If there were just one of them, real reform would be a challenge. The reason I can commit to HR to this extent is that we operate the business as a team. Goals related to the portfolio, business reform, and strengthening the management foundation are shared at the management level, and it is possible to delegate things entirely to business unit heads and CXOs.

To return to the topic of human resources and cultural change, I have a rough idea of what awaits me in the future through my accumulated experiences. Of course, while I won't say that everything is correct about my image of the future, we discuss talents with a shared language based on common values, and we aim to build on successes with an excellent team that demonstrates teamwork and maintains a sense of tension. I envision achieving success in 10 years by improving and adjusting our approach year by year. I will never waver from this belief in the future. Decision-making is quick with the CHRO as we share the same objectives. It's common to discuss the next measures with the CHRO on the spot during roundtable discussions with employees.

**Imai:** Indeed, it's surprising how aligned my vision is with Mr. Takahashi (laughs). Mr. Takahashi is a visionary leader skilled at defining the *why* and the *what*. While I serve as a sounding board for the *why* and *what*, my role is to think about the *how*, and I'm currently implementing the reforms I've always wanted to make and saw as necessary. The human resources domain is evolving at a surprisingly rapid pace. For example, while I sometimes consider the necessary processes for driving change based on adult development theories, in the future, we won't just use psychology but also approaches from neuroscience. Changing a person's mindset and achieving a state in which the purpose and values are fully embodied isn't easy and takes time. Firstly, based on hypotheses and while obtaining feedback, while consistently applying a data-driven improvement cycle as scientifically as possible, I want to achieve a transformation with the participation of everyone through persistent, direct dialogue with employees.

**Ozawa:** The collaboration between Mr. Takahashi and Ms. Imai, who share the same values and goals, is truly wonderful. Unlike the two of you, I suspect that CEOs and CHROs in not a few Japanese companies lack a common goal setting based on shared business strategies or are unable to collaborate effectively. I believe the teamwork between the CEO and CHRO ensures that the top management's vision reaches all employees. Once town-hall meetings or roundtable discussions are over and employees return to their daily tasks, their actions and words are heavily influenced by the evaluations of their immediate superiors. I think future challenges will involve getting leaders in the field and middle management on board. I urge you both to overcome these challenges with your teamwork skills. I am very much looking forward to your future growth.

For Resonac's human capital management initiatives, please also refer to [Human Capital Management on](#)

[P89](#) and [Human Resource Strategies on](#) [P91](#).

**We want to develop co-creative people who can passionately change society through the power of chemistry and involve those around them. We aim to create a company where each individual embodies their own sense of purpose and values by consistently engaging in dialogue with employees.**

Nori Imai



# Team Takahashi

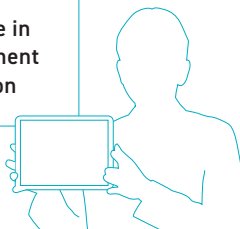
## Thoughts on Human Resource Development

—Toward a company that  
develops co-creative talent—

Here, the Team Takahashi management team of Resonac introduces what they keep in mind in human resource development and what is expected from employees.

What the management team holds in their hands are the values that each emphasizes the most in human resource development within one's organization. The Company's four values are "Passionate & Results-Driven," "Agile & Flexible," "Open Minds & Open Connections," and "Solid Vision & Solid Integrity." We strive to practice these values in various situations.

The most important value in  
human resource development  
within one's organization



### Hidehito Takahashi

Chief Executive Officer  
(CEO)

☑ P19 P37



#### People who can execute strategy are what Resonac needs for development

What I want to create is a group of people who can act autonomously. Whether a company is good or not depends on how many people are able to execute strategies. This ability to execute means thinking about what should be done toward a goal, deciding what needs to be decided, and having the power to see it through. We will implement various personnel reforms so that employees can unleash their potential and work with vitality and enthusiasm.

### Hideki Somemiya

Chief Financial Officer  
(CFO)

☑ P25 P49



#### I want to develop the best financial navigators who can demonstrate abilities beyond their roles

I hope that members of the CFO organization will aim to be the best navigators for Resonac as a whole and its operating companies. The more each individual can utilize their specialized skills beyond the confines of existing organizations and daily operations, the closer we get to enhancing corporate value and achieving "best navigator." As a CFO, I will ensure that everyone is conscious of this in their work.

### Keiichi Kamiguchi

Chief Risk Management  
Officer (CRO)

☑ P113



#### Supporting the Group's initiatives with a strong sense of ethics and becoming a trusted company

For Resonac to remain a trusted company, I expect the members of the CRO organization to refine their knowledge and skills while maintaining a strong sense of ethics and foresight for the future as governance professionals. By doing so, we believe we can firmly support the transformation of employee consciousness and efforts toward co-creation, and provide services that satisfy both internal and external stakeholders.

### Tomomitsu Maoka

Chief Strategy Officer  
(CSO)

☑ P29 P55 P73



#### Communication beyond boundaries is vital, not bound by preconceived notions or precedents

Because the CSO organization plays a role in guiding the entire Company's direction while constantly communicating with internal and external stakeholders, transcending boundaries is of utmost importance. In addition, as Resonac takes on many new challenges, there is no need to follow any preconceived notions or precedents. In other words, we demand members to transcend existing boundaries even in their ideas.

## Shigeru Fujita

Chief Marketing Officer (CMO)

[P69](#)



### Sharing information beyond business unit boundaries to deliver additional value

As a cross-functional organization for the entire Company's sales and marketing functions, we aim to develop human resources who autonomously drive Resonac's sustainable growth and the expansion of high value-added products. By sharing market and customer information beyond business unit boundaries, each member broadens the scope of information, and by understanding Resonac's products and technologies, we aim to deliver more value to our customers.

## Nori Imai

Chief Human Resource Officer (CHRO)

[P35](#) [P89](#) [P113](#)



### Flexible thinking, changing processes, and management skills to lead teams are essential

Human Resources' operations often tend to be approached with caution and take time because of its significant impact on employees. However, sometimes testing on the go is necessary to respond quickly to changes in the world. We encourage members of the CHRO organization to co-create with other units from the conceptual stage, move flexibly, link business strategies and Human Resources activities, and support transformation according to the different ways of delivering value in each business.

## Masami Tobito

Chief Operations, Manufacturing and Engineering Officer (CMEO); Chief Quality Officer (CQO)

[P97](#)



### Open-minded communication is the key to achieving results

Having an open mind toward the people we work with is the most important thing for responding quickly and achieving results. We aim to foster a culture that values psychological safety throughout the Group and encourages helping professionals from various fields through "Open Minds & Open Connections." For a safe and secure workplace, we also promote the principle of "Bad News First, Fast."

## Hideki Shibata

Chief Digital Officer (CDO)

[P71](#)



### I want to nurture individuals who can flexibly and positively accept diverse ideas and grow on their own

"Open Minds & Open Connections" is a key for driving DX for improving corporate value, and is essential for personal and organizational growth. We strive to develop people who, without being constrained by fixed boundaries and biases, can flexibly and positively accept diverse ways of thinking. We will promote internal and external collaboration, and encourage active engagement with new ideas.

## Masato Fukushima

Chief Technology Officer (CTO)

[P32](#) [P62](#)



### I want to develop people who have the courage to win others over and create excitement

Co-creative technology development can only be achieved when a person with the ability and confidence as a professional strives to win others over, possessing respect for what they don't know and the capabilities of others. We believe that people who can transform the communication environment into a bright, fun, and motivated world will shape the future of Resonac.

## Hiroyuki Yamashita

General Manager, Electronics Business Headquarters

[P73](#)



### A deep commitment to results and taking on challenges with pride

In units directly involved in the business, where the results of one's efforts are easily reflected in numbers, I indeed hope that members will remain focused on outcomes. Although efforts might not always be rewarded, we still believe that our pride of being "Passionate & Results-Driven" will contribute to the growth and development of the Company, which in turn will produce results that meet the expectations of our customers, shareholders, many stakeholders, and future employees.



## Yasushi Makabe

General Manager,  
Device Solutions  
Business Unit

[P77](#)



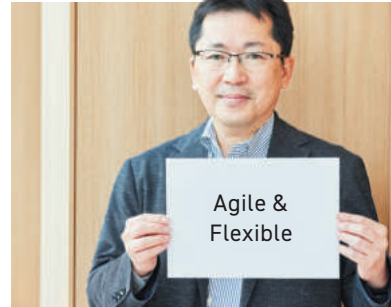
### Promote coaching to discover personal strengths and desires

People have diverse perspectives, some conservative, others eager to take on the challenge of trying various things. Though careers are self-designed, often people might not realize what they want to do and what suits them. People are often reminded of what they are good at by feedback from others. We emphasize human resource development offering as many of these opportunities as possible.

## Yoshito Ishii

General Manager,  
Mobility Business  
Headquarters

[P81](#)



### Developing teams that take on the challenge of change and lead transformations in the CASE era

The automotive industry faces a once-in-a-century transformation, and a radical business turnaround is necessary to achieve SDGs and CASE. We are faced with the need to consciously increase our speed, think flexibly without being anchored in the past, and open up new businesses. We value the agility and flexibility to support the CASE era, transforming into teams that embrace the challenge of change without fear.

## Mitsuo Katayose

General Manager,  
High Performance  
Materials Business  
Headquarters

[P83](#)



### Expanding connections with people and co-creation to enhance the added value of materials

The High Performance Materials Business Headquarters possesses diverse materials and members with diverse experiences. Through internal and external co-creation, we will discover new market opportunities and enhance the added value of Resonac's materials. We believe that people who practice "Open Minds & Open Connections" and connect autonomously with others can achieve this.

## Hirotsugu Fukuda

General Manager,  
Olefins & Derivatives  
Business Unit

[P85](#)



### Building relationships where one can discuss freely without barriers leads to results

Trust and respect for values are the basics of not only business but also human relationships. Improving communication is essential to achieve this. It starts with the person next to you, then moves on to the neighboring group, department, and business unit. Only when barriers are removed and a relationship in which one can freely discuss is built, can we fully harness the strengths of individuals and teams.

## Satoshi Hara

General Manager,  
Basic Chemicals  
Business Unit

[P85](#)



### Working with passion and pride to realize the Kawasaki Chemical Park\*

Although the basic chemicals business has a long history at Resonac, there is no business that simply continues from the past to the future. We want to move forward and continue creating new value, aiming to establish the Kawasaki Chemical Park\*. To this end, we want to be a group that possesses passion and pride, is thoroughly committed to results, and exhibits high capability through co-creation.

\* Please refer to [P84](#).

## Makoto Takeda

General Manager,  
Graphite Business Unit

[P85](#)



### Engaging with team members with an open mind and supporting future potential

Engaging with team members with an open mind and supporting future potential. In human resource development, it is important to gain a variety of experiences from early stage of business career and not to limit future possibilities by narrowing the boundaries of one's career. We will realize a positive cycle of human resource development by approaching each individual with an open mind and managing our organization flexibly to ensure that employees can envision their own careers and excel in the appropriate paths.

# Team Takahashi— Excelling in Times of Change

Resonac's current management team, Team Takahashi, is structured in a manner suitable for a period of transformation. CEO Hidehito Takahashi leverages the characteristics of LM (leadership personnel) to lead everyone, while TG (tugboat personnel) is responsible for pioneering, and ML (management personnel) is in charge of improvements. Going forward, Resonac will utilize the FFS theory in its organizational structuring to create teams where each individual can demonstrate his or her strengths.

## Five Factors & Stress (FFS) Theory

The following five items are quantified numerically, indicating whether the characteristic is strong or weak.

- **Condensable Factor:** Intensity of commitment
- **Receptive Factor:** Ability to accept unconditionally
- **Discriminative Factor:** Ability to distinguish between black and white
- **Diffusible Factor:** Ability to break out and move forward
- **Preservative Factor:** Ability to build up while maintaining

The following becomes possible with quantification.

- Understanding whether an individual's latent strengths are being positively or negatively expressed
- Enabling the optimal team configuration by objectively understanding and evaluating the relationships between people

Developer: Dr. Keichi Kobayashi

The Five Factors & Stress (FFS) theory was developed in the study of stress and personality. It measures the patterns of how people think and act, either deliberately or unconsciously, in five factors, and analyzes whether they react positively or negatively in terms of stress values. As a result, an individual's latent strengths can be objectively understood.

