RESONAC REPORT 2023 Contents

Aims of this material

- Introducing the highlighted contents from total 138 pages at once
- To make those who have not yet read our integrated report want to read it.
- To make those who have already read it realize back stories, points etc. and have fun again.

## Chapter 1 Self-introduction
Re-introducing Ourselves

- Path to the Birth of Resonac
- Overview of Resonac’s Business
- Value Creation Process
- What is a Co-creative Chemical Company?
- Financial and Nonfinancial Highlights

## Chapter 2 Leader’s Letters
Our Goals

- letter from the CEO
  A startup with 24,000 employees! Striving to transform into a company that will change society

## Chapter 3 How to
What We Will Focus on to Achieve Change

- letter from the CTO
  Explorers, to be innovative to business growth. Focusing on developing an innovative business

- letter from the CHRO
  Implementing the key to business change. Focusing on developing an innovative business

## Chapter 4 Evidence
Organizational Capabilities to Help Change Society

- Human Capital Management
  Collaboration between the CEO and CHRO accelerates the speed of management

- Team Takahashi: Aspirations for Human Resources Development
  "Team Takahashi!" Works to Fulfill Its Potential at a Major Turning Point

- semiconductor Materials: Business, a Key to Resonac’s Growth

## Why We Can
Organizational Capabilities to Help Change Society

- Boardroom Discussions
  Overview of the Long-Term Vision
  Financial and Capital Strategies
  Promoting Socially Responsible Business
  Material Issues and Non-financial KPIs
  Human Capital: Contributing to Society and Continuity by Reducing Our Impact on the Environment through Responsible Production and Services
  Risk and Intellectual Property Strategies
  Marketing Strategies
  Digital Strategies
  Business Strategies
  Semiconductor and Electronic Materials
  Mobility
  Innovation Enabling Materials
  Chemicals

- Boardroom Discussions
  Resonac’s Human Capital Management
  Sustainability: Human Resource Strategies
  Measures to Combat Climate Change
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- Strategic Planning
  Stabilization
  Strategy Development
  Communication with our Group

- Risk Management
  Internal Control
  Risk Management

- Corporate Governance
  Independent Directors
  Audit & Supervisory Board
  Compensation Structure
  Corporate Governance

- Investor Relations
  Investor Relations
  Investor Relations
  Investor Relations

- Financial Reports
  Consolidated Balance Sheets
  Corporate Governance
  Editorial Policies
✓ The 2022 edition includes thoughts for the “future” and enthusiasm for “self-recognized issues and solutions”
✓ The 2023 edition continues to focus on the “future” and specifically shows the path and trial-and-error process of what and how far we are proceeding “currently” toward that goal.

2023 Edition concept/points

“Here We Go!” RESONAC is at the starting line.
Change society through the power of chemistry is something only we can do.

By posting messages from the CEO, CFO, CSO, CTO, and CHRO, as well as human resource development messages from management, we explain Team Takahashi's sense of unity, including the delegation of authority, and management that is functional and horizontally collaborative.

Resonac's human resources strategy and human capital management, which were introduced in the 2022 edition, will be explained in human capital management dialogue and the special feature on human resource strategies.

Introducing activities that pursue the long-term characteristics of Resonac, such as the progress of business and functional strategies toward goals of the long-term vision and the roundtable discussion that shows the path to board transformation.

Point1

Point2

Point3

*First A4 landscape/interactive version! We also post related videos to better communicate our efforts!
What is an integrated report for Resonac?

**What to Tell?**

“What kind of value have we created from the past to the present?”
“Do we have the structure (business model) and capabilities to create value in the future?”

**To Whom?**

Investors, including investors with a medium- to long-term perspective and other stakeholders who are important to us and with whom we would like to have a long-lasting relationship

**For What?**

A communication tool for fostering trust in Resonac's management and for dialogue.
It also plays the role of fostering an organizational culture by unifying Resonac employees in the same direction through dialogue.

*What is an integrated report?*

An integrated report is a report that reports both internally and externally on the company's past performance as well as its policies and strategies for creating value in the future. We believe that not only financial information, but also non-financial information forms the basis of corporate value creation, so we integrate and disclose it. (Non-financial information includes management philosophy, vision, business model, technology, human resources, governance, environmental and social initiatives, etc.)
In January 2023, Showa Denko and Hitachi Chemical merged to create Resonac as a functional chemical manufacturer!

Resonach, which is in its second founding and has a scale of 26,000 employees, is transforming with the speed of a start-up company.

CEO Takahashi talks about what he wants to achieve and what he is currently working on in order to achieve the purpose of “Change society through the power of chemistry” in his own words. No creation at all.

The “Kiwi” on the T-shirt is inspired by the play button of Resonac, which is currently undergoing reforms - We have posted video links throughout the integrated report, so please take a look at them as well.

Letter from the CEO

A startup with 26,000 employees!
We are transforming ourselves — for Resonac to “change society”
Resonac’s diverse management team “Team Takahashi”. Each CXO supporting the CEO explains their areas of responsibility at these perspectives: “How do I want to change society through the power of chemistry? Why can I lead it? And how do I lead it?”

After the interview, the secretariat created the manuscript, but the CXOs were filled with passion and made substantial additions to it by themselves.
CXOs and BU (Business Unit) heads who are members of the management committee introduce their thoughts on human resource development within one’s organization.

As a new attempt, we disclose Team Takahashi’s FFS* results. It turns out that this lineup is exactly suitable for times of change!

*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.
Highlight (4) Plan to dig deeper into CXO letters

- We carried out round-table discussions and dialogues to **dig deeper into the issues and initiatives** explained in the CEO letter.
- We provide concrete explanations of the current situation, progress, and vision with comments from each person in charge and examples. The Business Strategy pages contain the same items.
A thorough explanation of Resonac’s value creation model, a “Co-creative Chemical Company”

Starting with Why?, we explain our company’s vision from the social background, and introduce the future we aim for and the voices of stakeholders who will co-create our current initiatives.
CEO and CHRO talk with experts about Resonac's human capital management, human resource development, and co-creative human resources. ➞ PAGE 37-40

As "human resource strategies," we present a problem-solving approach that pairs human resources materiality linked to material sustainability issue, KGI, and the status of initiatives, and clarify the path to business growth. ➞ PAGE 89-96

Identify the components and KPIs to achieve human resource materiality, and explain the progress and desired state, including the voices of those in charge of implementing the initiatives. ➞ PAGE 89-96
Contains financial and capital strategies from short-term, medium- and long-term perspectives as a company that can compete on the global stage. Digging deeper into the CFO letter.

Illustrated and explained examples of management KPIs and frontline KPIs related to portfolio strategy, management cycle, and ROIC improvement progress.

**Financial and Capital Strategies**

**Scale and Profitability to be a Company that can Compete on the World Stage**

**Numerical Targets for 2025 under the Long-Term Vision**

Resonac believes that management strategy is both quantitative and qualitative terms is essential for competing on the global stage. In addition to qualitative evaluation of the company’s ability to contribute to society, especially from the perspective of sustainability, a quantitative evaluation of the company’s scale and profitability is to be important.

Our numerical targets for the size and profitability for 2025 under the long-term vision, namely, net sales of ¥1 trillion or more, EBITDA margin of 20% or more, and “entry ticket” to be a company that can compete on the world stage. We aim to maximize corporate value by achieving the numerical targets in pursuit of a solid revenue basis. Moreover, we have been using KPIs as key performance indicators (KPIs) for some time, and we introduced and revised our revised capital (ROIC) to replace ROE used at times of member of the long-term vision in fiscal 2022.

To more accurately highlight our strategic intent and our efforts to improve portfolio management, we changed disclosure segments in fiscal 2022. With the segment disclosure outline, we will aim to show more clearly the effects of the strategic allocation of management resources and continuous revision and replacement of our business portfolio of which the most obvious example is our focused investment on semiconductor materials.

**Management KPIs and Frontline KPIs (Exceptions)**

**To Achieve EBITDA Margin of 20%**

Whereas our target of EBITDA margin for 2025 is 20%, the Management Cycle for Achieving the Long-Term Vision.

The current cycle management cycle involves the long-term vision and KPIs from medium- to short-term and short-term perspectives. (See the figure below for details.)

- From the medium- to long-term perspective, we regularly review our business strategies, strategy implementation, and numerical targets for the next five years, in light of the latest market trends and databases the KIO’s model (taking into account customers, competitors, and the environment). The plan format is referred to as a “five-year rolling plan.” This plan articulates our strategic direction for sustainable growth and maintaining competitiveness. In addition, the scenario for the realization of our long-term vision.

From the short-term perspective, we formulate an annual budget based on the first year of the five-year rolling plan. This annual budget also incorporates a five-year rolling plan to be incorporated into a concrete action plan which tracks the progress and our financial achievements of KPIs are analyzed quarterly, enabling early detection of problems and implementation of countermeasures.

By diligently integrating the management cycle from both medium- to long-term and short-term perspectives, while adhering to the long-term vision, we can flexibly respond to changing market conditions to achieve sustainable growth and maximize profits.

**Installation of ROIC-focused Management**

We are working to raise and instill awareness of ROIC-focused management throughout Resonac from the management level to frontline employees.

In particular, in order to visualize ROIC improvement to frontliners, we are promoting initiatives to link frontline KPIs to ROIC, which is a management KPI, and the ROIC target is set under the long-term vision.

Specifically, we set KPIs, KPIs, and KPIs at each level from the management level to the frontliners. At the frontliners level, we set indicators that can be managed by business and product lines while serving as targets for improvement measures. Frontline personnel and prioritizers related to the degree of impact of each indicator on ROIC, and manage measures, such as what to do and why.

In the future, we will promote horizontal deployment of the best practices of businesses, in which ROIC improvement is rapidly progressing, to other businesses, thus facilitating company-wide installation of ROIC-focused management.
✓ Is sustainability truly at the root of our management? Posting important sustainability issues (materiality), goals, and achievements that correspond to the long-term vision → PAGE 45-48

✓ The status of consideration of evaluation items for inclusion in executive performance evaluation is also disclosed → PAGE 55, 56

✓ A list of social, environmental, and economic values, opportunities, risks, and target KPIs linked to materiality is listed. Details of KPIs are posted on each functional strategy page. In order to create value, we will continue to disclose the progress of non-financial KPIs and conduct reviews as appropriate through dialogue → PAGE 57, 58
As an advanced material partner, we aim to contribute to the sustainable development of global society by creating functions required of the times, with the goal of contributing to the happiness and prosperity of people and to harmony with the global environment. For that, we develop “Resonac Pride products and services” that contribute to society and customers by practicing our Purpose.

Visualizes what kind of value and how much our products and services have provided to customers and society in the value chain, and includes stakeholder feedback.

Case 1: Iron recycling and greenhouse gas reduction for the realization of an advanced recycling-oriented society using graphite electrodes

Case 2: Contribution to a digital society and reduction of environmental impact through copper clad laminates and solder resist
For each segment, we provide (1) financial information, (2) product introductions, as well as (3) strategies for realizing our long-term vision, (4) competitive edge, and (5) co-creation initiatives to resolve social issues. Clarifying strengths, characteristics, and current location

- Semiconductor and Electronic Materials ➔ PAGE 77-80
- Mobility ➔ PAGE 81, 82
- Innovation Enabling Materials ➔ PAGE 83, 84
- Chemicals ➔ PAGE 85-88

Introducing examples of innovation through integration in the words of the person in charge
For each function, we provide (1) mission of creating value, (2) policies and management, (3) strategy for realizing the long-term vision, (4) Co-creation initiatives to resolve social issues, or Initiatives in 2022, and (5) targets and results of KPIs on material issues.

In (3) strategy for realizing the long-term vision, a roadmap towards 2030 is included.
Published under four themes: “climate change,” “recycling-oriented society,” “environmental risk measures,” and “preservation of biodiversity.”

Regarding Measures to Combat Climate Change, based on the recommendations of the TCFD, we clarify the governance system, risk management status, strategy, indicators and targets as Resonac. As a concrete example of our initiatives in 2022, we disclose activities toward carbon neutrality and LCA (CFP) progress at our site in Thailand.

- Measures to Combat Climate Change
  ➔ PAGE 97-99

- Realization of Recycling-oriented Society
  ➔ PAGE 100

- Environment Risk Measures
  ➔ PAGE 101

- Efforts for Preservation of Biodiversity
  ➔ PAGE 102
The 2022 edition includes a dialogue between an outside director and the chairman of the board regarding the “Process for Selecting the New President and CEO”.

In the 2023 edition, we disclose the current progress (process) of the transformation of the Board of Directors, what we aim for, and the issues identified through a round-table discussion with newly appointed outside director Tsuneishi, the chairman of the board of directors (representative director and chairman), CRO, and CHRO.

2022 Why did we select Takahashi as president?

Regarding the second founding, “we were keenly aware of the need to select a leader capable of dealing with this critical period”

2023 Why are we working on the transformation of the Board of Directors?

“If the execution side is trying to get us up to a level where we can compete worldwide, the Board of Directors, which monitors that, must also meet world-class level standards.”

“But if the theme is raising corporate value, the questions and discussions change.”

“Fostering a great corporate culture and employee motivation will be critical for the success of this second inauguration.”
The report entitled “The Japanese materials industry will resolve the social issues of Japan and the world and play a key role in Japan’s reconstruction” resonated with us, prompting us to hold a dialogue.

About the expectations of Gen Z for materials and chemical companies | Sustainability | Resonac

Strengthening engagement efforts with internal and external stakeholders as a “Co-creative Chemical Company”

As examples, we introduce conversations with students, experts, and investors. Please also watch the video!

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About the expectations of Gen Z for materials and chemical companies | Sustainability | Resonac

Dialogue about the concept and standards of our Resonac Pride products and services, as well as the role of companies in society in the future, including human resources strategies.

About Resonac Pride Products and Services | Sustainability | Resonac

Through dialogue, we received a variety of insightful opinions, including how business strategies and human resource strategies are related, how the integration will affect organizational culture, and how this will be reflected in human resource strategies. We use these as references for our efforts and information dissemination.

About Resonac’s Human Capital Management | Sustainability | Resonac

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Investors with a long-term perspective (responsible investment)

Institutional Investors
Collective Engagement Forum
We want you to see how we are first trying to change ourselves as a “startup with 26,000 employees” as we strive to change society for the better. From here, please enjoy the full version of RESONAC REPORT.

- Please send us your opinions and impressions!
  https://forms.office.com/r/8k0SPJ0jY0

- Please download the integrated report from this URL
  Integrated Reports, Website | Sustainability | Resonac

- Please also check out our sustainability site
  Sustainability | Resonac