Resonac's Value Creation Hypothesis

We have illustrated the "Resonac value creation hypothesis" we came up with as a tool for dialogue with our stakeholders. While not perfect and still incomplete, this is our current approach to how we create value. Moving forward, we will strive to update our initiatives aimed at creating even more value based on your feedback, and make revisions to this hypothetical diagram.

Resonac's cultivated strengths and the issues we aim to resolve

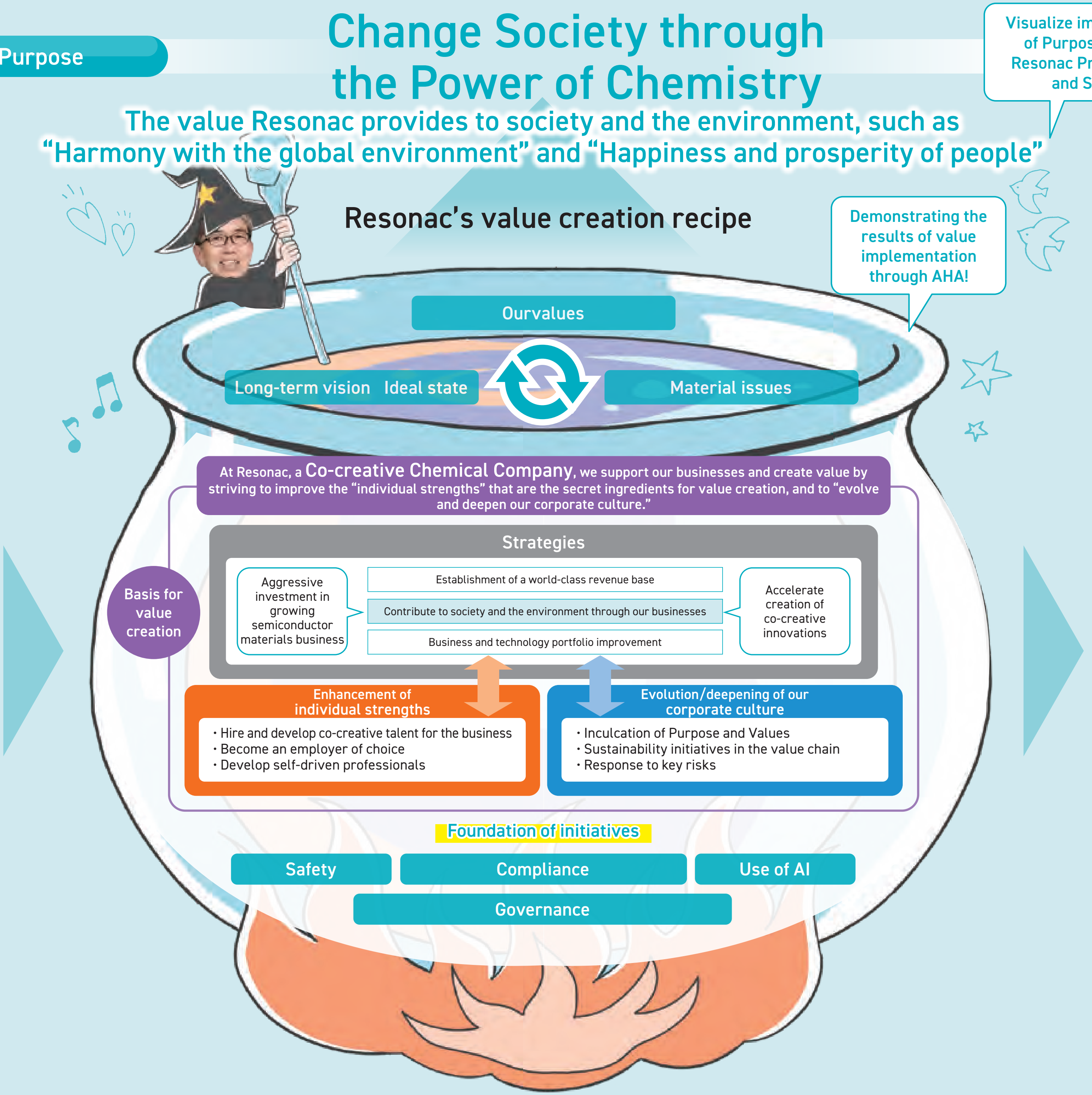
The strengths we see in ourselves

	Strength	Reference
People	**Leadership of the management team and speed of reforms**	P23 P99
	Active roles of autonomous and creative co-creative talent	P59
	The ability to turn the Values of 24,000 people into action	P19
Organization	**Culture of co-creation that embraces innovation and taking on challenges**	P17
	On-site capabilities that enable us to respond flexibly to changing circumstances	P73 P83
	Ability to align with customers and partners	P31 P65
	Cultivated customer base and manufacturing platforms	P31 P73
	Co-creation model represented by PSC and PMiC	P65
Technology	**Wide range of material technologies from midstream to downstream areas**	P51
	Advanced technological capabilities utilizing computational science and AI	P51
	Technologically advanced patents aligned with our business strategies	P57

The risks we face (areas to be strengthened going forward)

- Restructuring of the talent portfolio due to the rise of AI
- Country risks, response to economic security
- Environmental initiatives, including carbon neutrality
- Advancement and automation of equipment
- Further ensuring safety
- Further strengthening of supply chain management
- AI-driven technological innovation, risks arising from market changes
- Information leak, cyberattack risks

P97 / Response to Companywide Key Risks



What indicators will show our achievements (What indicators should be used to evaluate Resonac)

	Indicator	Reference
Indicators that lead to the creation of a sustainable society	Details and number of certified Resonac Pride Products and Services that visualize the realization of our Purpose	P83 P127
	Status of sustainability initiatives, including environmental initiatives	P83 P129
Indicators that lead to economic value	Portfolio reform achievements	P29 P35 P45 P71
	Status of capital investment and capacity expansion in the semiconductor field	P41 P73
	Lineup and market share of semiconductor materials	P74
	Examples of co-creative innovation	P55 P65 P75
	Ability to generate cash Sales x EBITDA	P71 P41
	Capital policy Growth investments, TSR	P71 P43
Indicators that measure our talent and organizational capabilities	Status of future talent portfolio formation, Succession planning readiness rate	P59
	Trends in employee engagement score	P61
	Participation rate for co-creative talent training programs	P17 P21 P59
	Implementation of our Purpose and Values among employees and AHA! results	P17 P59
	Status of response to key risks	P97

P27 / Long-term vision
P123 / Material Issues and Non-financial KPI Targets and Results

What is Resonac's value?

A Framework for Achieving Our Purpose

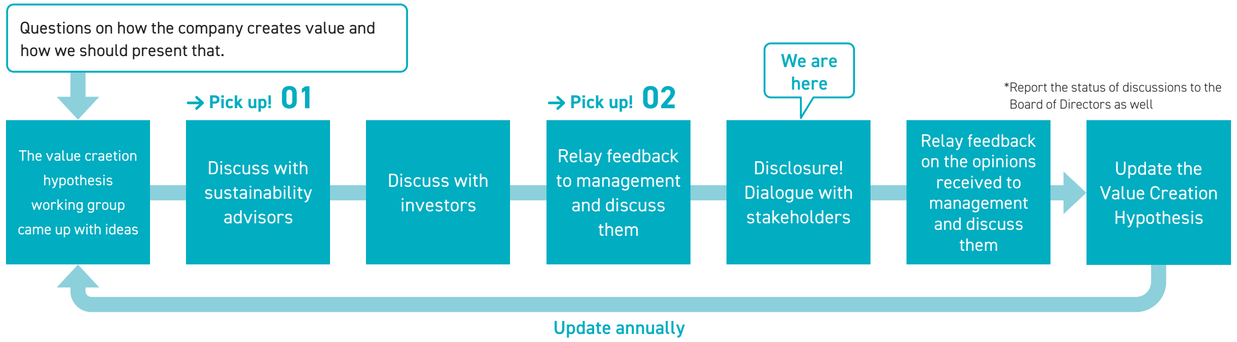
Our deliberation process for Value Creation Hypothesis

Why consider the value creation hypothesis?

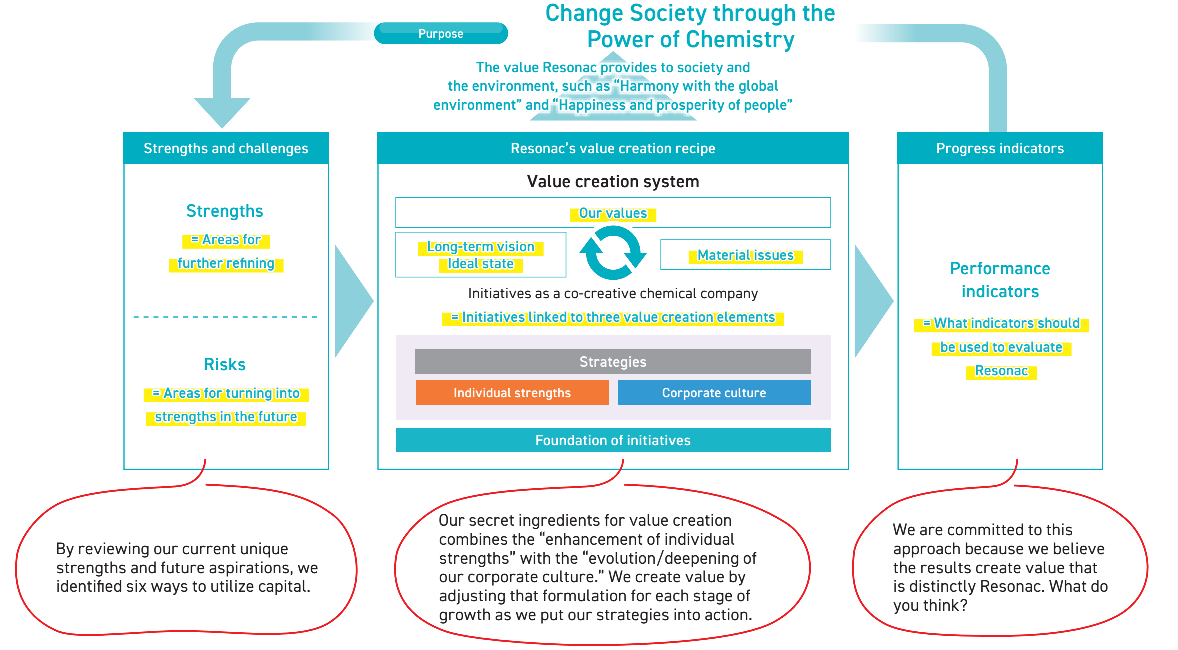
Three years have passed since Resonac's second founding. By combining our cultivated materials technologies, process and evaluation technologies, computational science and infomatics, and by refining our alignment and market development capabilities, we are advancing co-creation to deliver value to people and the planet.

To realize value creation for the economy, society, and environment that only Resonac can achieve, in a way unique to Resonac, we first identified our accumulated strengths and the challenges we must address as the components underlying our corporate value. This is the source of our growth and represents various financial and non-financial capitals (≒ inputs). And the central part of the diagram, which shows how we realize our strategy with the combination of our "individual strengths" and "corporate culture" – our so-called "secret ingredients" – is our "value creation recipe" (≒ business model), and it is connected to the indicators we believe will demonstrate the results (≒ outputs and outcomes). Going forward, we intend to update our initiatives towards further value creation through dialogue with stakeholders, including investors.

Discussion of the Value Creation Hypothesis



Elements of the Value Creation Hypothesis



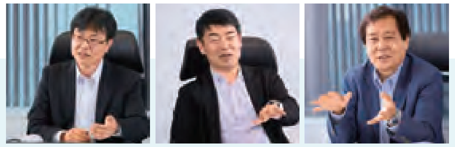
By reviewing our current unique strengths and future aspirations, we identified six ways to utilize capital.

Our secret ingredients for value creation combines the "enhancement of individual strengths" with the "evolution/deepening of our corporate culture." We create value by adjusting that formulation for each stage of growth as we put our strategies into action.

We are committed to this approach because we believe the results create value that is distinctly Resonac. What do you think?

→ Pick up! 01

Review at Sustainability Advisory Meeting



Action: Review Resonac's value creation hypothesis
Attendees: Sustainability Advisor, CSuO, staff from the Sustainability Department

Opinions shared in the meeting (excerpt)

- ✓ It is good to treat this as a **tool for dialogue that keeps evolving through regular review**. It's impressive that you have reached this point.
- ✓ I see this as Resonac's own vision for bringing together financial and non-financial factors in a forward-looking way. However, **if you go too far outside the usual boundaries, you** might get **misunderstanding you did not expect**. It is necessary **to clearly explain the intention that Resonac, a company unafraid of creative destruction, is aiming for creative destruction of corporate value**.
- ✓ **It is important to define the boundaries** of where in the value chain you capture value creation, and for whom.
- ✓ It might be better to show how the indicators that should be used to evaluate Resonac connect with the **current non-financial KPIs and material issues**.
- ✓ You need to make sure you **effectively convey your message to the right people**. Engaging in dialogue and incorporating feedback into management creates a positive cycle.

→ Pick up! 02

Discussion in the value creation hypothesis working group and senior executive study sessions

Discussion in the value creation hypothesis working group and senior executive study sessions
Attendees: Value creation hypothesis working group
CFO, CSO/CRO, CHRO, CSuO, and staff in charge of corporate planning, investor relations, brand communication, human capital management and sustainability
Senior executives study session Team Takahashi (all management personnel)

Opinions shared in the meeting (excerpt)

- ✓ Corporate value is hard to define. For example, how do you measure the value of a private organization? For us, does value creation lie in leveraging our accumulated technologies, combined with the power of AI, to act as a materials enabler and create a new society?
- ✓ Measurable indicators such as stock prices and financial indicators should capture the value created by non-financial factors, too.
- ✓ We want to present the value creation hypothetical diagram as a tool to demonstrate how we would like investors to evaluate Resonac and to facilitate a dialogue to bridge any gaps in understanding.
- ✓ We want to clearly define what sets Resonac apart—including our strengths, challenges, and risks—so we can explain this to stakeholders and engage with them.
- ✓ The value we create includes both what we have already achieved and what we have not yet realized. We want to build on what we have done in the past and keep creating value for the present and future.
- ✓ Requirements for individual strengths and corporate culture shift depending on the strategy. Resonac will strengthen its ability to execute as a co-creative chemical company
- ✓ Our strategy is to become a world-class functional chemical company to achieve this, we will focus on fostering individual capabilities and corporate culture
- ✓ Operational strength is crucial and this is where our capabilities stand out. Many teams are also driving citizen development
- ✓ Business units are also focusing on fostering individual strengths and culture. Securing safety is also important
- ✓ It is important to connect value creation for society, not just functional aspects, to economic value. but for society as well. We are also working to strengthen our resilience

These days, strategy alone does not set you apart! It has become a commodity. What sets you apart is how well you execute on the ground. We focus on evolving and deepening individual strengths and our corporate culture because these are what truly impacts Resonac's corporate value.

Resonac's pursuit of value creation continues...