04 Resonac's Sustainability

Here we discuss how Resonac has repeated trial and error to embed sustainability at the core of its management.

Dialogue: Implementing Sustainability in Business

It has been three years since Resonac's "second founding." Are we ready for the next stage?

We held a discussion between CSuO Matsuko and the Sustainability Advisors to evaluate Resonac's sustainability initiatives so far, identify challenges, and outline future expectations.

Nami Matsuko
Chief Sustainability Officer (CSuO)

Naoya Hasegawa
Professor, Faculty of Sustainability Studies, and Graduate School of Public Policy and Social Governance, Hosei University

Minoru Matsubara
Chief Sustainability Officer and Managing Executive Officer, Resona Asset Management Co., Ltd.

Norihiro Itsubo
Professor, Department of Resources and Environmental Engineering, School of Creative Science and Engineering, Faculty of Science and Engineering, Waseda University

What is a Sustainability Advisor?

Since sustainability spans a wide range of issues, we recognize the importance of drawing on knowledge and experience from outside the company. With this in mind, Resonac has established a new Sustainability Advisor role, filled by outside experts. Advisors serve two-year terms, providing expert guidance and advice to our Board of Directors and business execution divisions. In the first phase (April 2025 to March 2027), we appointed three Sustainability Advisors to help us achieve our Purpose "Change society through the power of chemistry," and to promote our efforts to create value. Dr. Itsubo brings expertise in technology and the environment; Dr. Hasegawa has abundant insight in management and finance; and Mr. Matsubara is an investor with a focus on sustainability.

Please visit our website for more details.

Three years after our "second founding," what have we changed?

Matsuko: Since our second founding, Resonac has focused on reforming our business portfolio and developing co-creative talent and a corporate culture essential for completing this. All of this is to practice our Purpose, to "Change society through the power of chemistry," while increasing corporate value and creating the future we envision. We see sustainability as embedded into this Purpose. Over the past three years, we have aimed to position sustainability at the core of management. The first step was to implement reforms in the mindset towards sustainability within the company. We repositioned sustainability, which had merely been a defensive tool or branding tool, as a management issue. To support this change, we set up the Sustainability Promotion Council, which meets monthly and includes all CXOs (Chief X Officers). This Council, a meeting body linked to the Board of Directors and Management Committee, has defined our material issues and related non-financial KPIs P123 / Material Issues and Non-financial KPI Targets and Results, and has begun monitoring the progress and reviewing them. Through these efforts, we have created a "common language" for sustainability among the top management team.

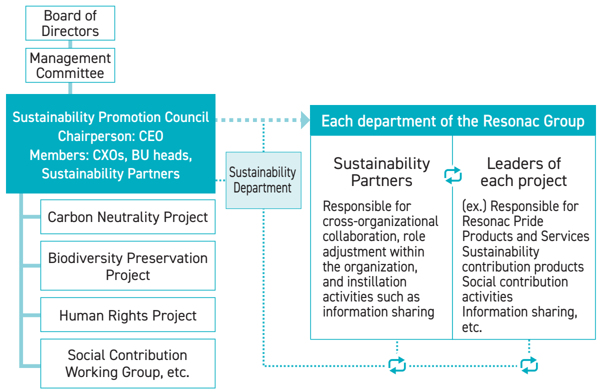
Among the three material issues, "Gain credibility through responsible business management" lays the foundation for our aim of becoming a World-class Functional Chemical Company. Each CXO, including the CMEO/CQO, CRO, and CDIO, is driving this initiative with responsibility, and the achievement of the 2025 KPIs is now within reach.

The CEO and CHRO are leading our push to "Develop autonomous, creative, and active human resources and culture," with all members of Team Takahashi steadily advancing in their respective roles. P17 / How Far We've Come! Fostering Resonac's Corporate Culture From the second year, we have increased the participation of officers in charge of each business in the Sustainability Promotion Council. Starting this year, meetings are held every other month with all officers present. Each session includes a discussion on business initiatives, such as analysis of climate-related business opportunities and risks aligned with TCFD scenario analysis, Resonac Pride Products and Services, and customer sustainability strategy analysis.

Sustainability Partners in each division work with the Sustainability Department to embed these top-down type discussions into practical actions. This ensures that initiatives align with each division's strategies and situations. Meanwhile, we are working to foster a

Please visit our website for detailes of Promoting Sustainability

Sustainability promotion system



sustainability mindset among employees to support bottom-up efforts. P20 / Fostering Corporate Culture

From 2023 onward, we launched a company-wide Carbon Neutrality Project and integrated sustainability evaluations into the remuneration for directors and corporate officers. These initiatives established a foundation for competing on the world stage and earned some external recognition.
P127 / External Evaluation Status such as Incorporating SX Index

As Advisors, how do you evaluate our progress with sustainability so far? Are we ready for the next decade?

Hasegawa: It is striking how sustainability is organically coordinated into the management strategy, driving company-wide transformation through the cultivation of corporate culture, talent development, and strengthened governance. In particular, the corporate culture is led by employees, which closely links to the development of co-creative talent, and sustainability is incorporated into decision-making processes. This an excellent example of how to achieve effective integrated management.

Looking ahead, Resonac needs to turn this sustainability foundation into a competitive advantage. For this purpose, it would be crucial to create a sustainability-driven investment decision model, and communicate more effectively with external stakeholders by showing how non-financial and financial factors connect. By taking this approach, you can clearly show your commitment and strategic intent. This will help deepen stakeholders' understanding and trust.

Matsubara: I also highly evaluate that sustainability is positioned at the core of the corporate strategy, which is revitalizing the key strategies. Material issues are also an effective framework. That is why Resonac should consider what it aims to achieve through co-creation beyond ten years from 2030. I ask you to envision the type of society you want to create, identify necessary reforms, and understand how these will enhance corporate value. This requires an approach from a high-level perspective. I expect to see Resonac enhance its functionality, integration, and credibility over the next decade, building on the sustainability management system design it has established over the past three years.

Matsuko: Thank you for the words of encouragement. I feel confident that the direction we have proceeded in has been correct, and while the upcoming challenges are daunting, they're also exciting. You have shared insights on the significance of sustainability for corporate value and the

It is striking how sustainability is organically coordinated into the management strategy, driving company-wide transformation. I expect it to turn into a competitive advantage. [Dr. Hasegawa]

Material issues and components

Gain credibility through responsible business management

CMEO	Safety, procurement
CQO	Quality assurance, chemicals management
CSuO, CMEO	Environment, human rights
CSuO	Compliance
CRO	Risk management

Strengthen co-creativity & competitiveness and create social value through innovation and business

BU	Creation of social value through our businesses
CMO	Marketing
CTO	R&D and intellectual property strategies
CDIO	Digital transformation

Develop autonomous, creative, and active human resources and culture

CHRO	Hire & develop talent for the business
CHRO	Become an employer of choice
CHRO	Develop self-driven professionals
CHRO	Cultivate corporate culture conducive to co-creation

Looking ahead to the next decade, I'd like to see the company think about the society it wants to build through co-creation, approaching this task from high-level perspectives. I look forward to seeing the company enhance its functionality and integration, building on its established management system design. [Mr. Matsubara]

links between non-financial and financial factors. This prompted us to take a fresh look at what constitutes the corporate value we should aim for. In place of our traditional value creation process diagram, we've developed a new value creation "hypothetical" diagram.
P13 / Resonac's Value Creation Hypothesis The value creation hypothetical diagram outlines our recipe to enhance true corporate value (assuming such a thing exists). It hypothesizes key areas we should focus on and what we want our stakeholders to evaluate, as well as what kind of measures they will be and the metrics they will be reflected in. Going forward, we aim to deepen our engagement with stakeholders through ongoing dialogue.

Itsubo: I was concerned about how effectively the message was being communicated both internally and externally. No matter how impressive a vision or set of initiatives might be, it's meaningless if it doesn't effectively reach the intended audience. When developing products aimed at reducing environmental impact, for instance, it might be more effective to focus on customers who can truly appreciate their value instead of a wide range of stakeholders. By highlighting the technological value to these customers and gathering their feedback, you can potentially enhance economic value. Please consider how to deliver information effectively.

Matsuko: Thank you for your advice. In past Integrated Reports and Sustainability Meetings, we have defined our target audience broadly as important stakeholders with whom we want long-term relationships and sought to address their shared concerns. We keep in mind to clearly communicate our financial strategy while emphasizing value creation through non-financial means by citing the real voices of employees as evidence. I believe this approach has fostered a good degree of understanding among our audience. P33 / Co-creation with Stakeholders
However, we realized that we are now at the stage of implement initiatives through dialogue and our co-creation "kata", or model, by assuming individual and specific customers and products by name, also in the area of sustainability.

Making environmental and social value visible with Resonac Pride Products and Services

Matsuko: The certification of Resonac Pride Products and Services is gaining momentum as we aim to connect our

Sustainability initiatives, review, and outlook

2022
Preparation and Launch
- Started sustainability activities
- Identified material issues, set KPIs, and started monthly promotion meetings

2023 to 2025 (At present)
Trial and Error
- Establishing a foundation for competing on the world stage
- Visualizing value provided by Resonac to society and the environment
- Starting to consider our next vision and material issues, etc., aiming to achieve sustainability by avoiding risks and seizing business opportunities

2026
Blossoming of Resonac's Uniqueness
- Demonstrating initiatives through co-creation
- Strengthening businesses and technologies that change society through the power of chemistry
- Material issues that also focus on social and environmental impact

"Co-creative Chemical Company"

Future we seek to realize through the power of chemistry

Cultivating in employees a sustainability mindset based on Purpose and Values

Dialogue: Implementing Sustainability in Business

Please communicate Resonac's initiatives clearly to the right audience to generate economic value. Especially, highlighting the technological value to customers is crucial. [Dr. Itsubo]

sustainability initiatives with economic value, which you have mentioned. This aligns with the third material issue, "Strengthen co-creativity & competitiveness and create social value through innovation and business."

Launched in 2023, the Resonac Pride Products and Services certification system visualizes how our products and services realize our Purpose, to "Change society through the power of chemistry," and evaluates and certifies them by incorporating third-party perspectives.

Materials are essential components of the finished products used in society. However, they are often found in powdered or liquid forms in particular, so it's not only difficult to track where and how these materials are used but also challenging to assess how they contribute to society when considered independently. Demonstrating some kind of social impact to stakeholders, including our customers, to gain their understanding of how we are changing society, is our challenge in areas where linking sustainability efforts to economic value is not easy. This whole context is expected to instill pride in employees who work on this initiative, and foster a sense of accomplishment in practicing our Purpose and Values.

The standards for deciding Resonac Pride Products and Services are not only the current sales and profits, but also their potential to increase sales and market share, become the center of our business, drive future growth, and expand their social development in the future. The certification process involves visualizing and quantifying contributions to society, the environment, and customers, as well as their validity, including any negative impacts. It also requires presenting a qualitative social value creation narrative (hypothesis) and gathering opinions from a wide range of stakeholders from a co-creation perspective. From 2025, these factors are evaluated incorporating the perspectives of the Sustainability Advisors, and certification is decided by the Sustainability Promotion Council.

We have certified the co-creation activities of the Kawasaki Plastic Chemical Recycling business and the Packaging Solution Center. By 2025, we plan to certify the core products of the remaining five businesses. We also plan to incorporate the initiative into directors' and corporate officers' evaluations.

Hasegawa: The effort to present a social value creation narrative and link it to non-financial KPIs is a proactive effort and a meaningful challenge for the whole industry.

On the other hand, when you visualize social value, you should show not only the benefits to society but also how it links it to financial results. I believe this connection is crucial for future dialogue with stakeholders and investor relations activities. I encourage you to explore how certifying Resonac Pride Products and Services can bring economic returns over the medium to long term. I would like to ask you to craft a narrative that connects social value with financial impact.

Itsubo: I view Resonac Pride as an excellent initiative that demonstrates the intent and strategy to compete on the world stage. I can see that adopting it as an internal KPI has quickly raised awareness. To develop these into growth businesses, please conduct an annual review of the certified projects. I expect you'll quickly visualize the societal benefits of implementing these initiatives and link them to investment and growth.

Matsubara: What role do companies play in stakeholder capitalism, and what exactly is a company? If Resonac was to cease to exist, what legacy would it want to leave behind? I believe that by looking further into the future, you can gain a clearer vision of what lies ahead. I hope you will find your guiding star and build the drive to pursue it, alongside remarkable initiatives like Resonac Pride Products and Services.

Matsuko: Thank you for your words. We will strengthen our communication to show how the materials we make create social value, which should be shared interests with our customers. Looking further ahead, we're committed to advancing our efforts, based on the belief that we will be able to connect the social value to financial outcome, in other words, transform it into economic value. We won't stop at certification. We'll continue our dialogue with stakeholders to show business growth and new developments. We'll thereby ensure that stakeholders understand how our certification considers future challenges like scaling up and horizontal deployment.

*From the next page, we present themes related to the material issue, "Gain credibility through responsible business management," incorporating insights from the Sustainability Advisors.

Resonac Pride Products and Services: Certification steps and key points

Steps of screening	
STEP1	Application for certification by business units
STEP2	Initial screening conducted by the secretariat
STEP3	Collect comments from stakeholders
STEP4	Collect comments from Sustainability Advisors
STEP5	Internal screening by Sustainability Promotion Council
STEP6	Certification as Resonac Pride Products and Services
STEP7	Report to those who made comments
STEP8	Report to Board of Directors

Point! Points of certification

Purpose implementation	Quantified value proposition to society, environment and customers with social value creation narratives
Values implementation	Implementation of four Values
Risk assessment	Risks and negative impacts from a third-party perspective
Relevance to shared global goals	Contributions to the SDGs
Challenges for the future	Potential for expanding future business opportunities and scaling up
Financial impact	Impact on sales, profit, cost saving and future cash flows, including potentials

By certifying Resonac Pride Products and Services, we aim to visualize the impact our products have on society. By linking this impact to our value creation story and gaining understanding, we want to turn it into economic value. [Matsuko]

• About this dialogue

Participants : Three of our Sustainability Advisors (external experts) and CSuO Matsuko
Objective : Gather feedback from Sustainability Advisors on evaluation of our past sustainability initiatives and their future expectations, and use these insights to enhance management and information disclosure

• Keywords of the dialogue

Three and a half years of sustainability progress	The integration of sustainability into business strategies is advancing.
Sustainability information disclosure	We have focused on engaging in dialogue with a wide range of stakeholders. We will strengthen our approach tailored to each stakeholder going forward.
Visualize environmental and social values of products and services	We will visualize values through Resonac Pride Products and Services. We will certify products of all businesses by 2025 and integrate this into directors' and corporate officers' evaluations.

Please visit our website for more details.

P133 / Environmental Initiatives: Information disclosure in accordance with the TCFD and TNFD recommendations

Measures to Combat Climate Change

Dr. Itsubo

Let's start with the initiatives for carbon neutrality.
The target of a 30% reduction by 2030 (compared to 2013) is not particularly ambitious. What are your thoughts on this? The path forward isn't clear and progress on reductions is slow.

Rumi Ueyama
Sustainability Department

We will obtain SBT certification to accelerate our initiatives for achieving carbon neutrality.
We will also continue our efforts to capture business opportunities and visualize our contribution to reducing emissions.

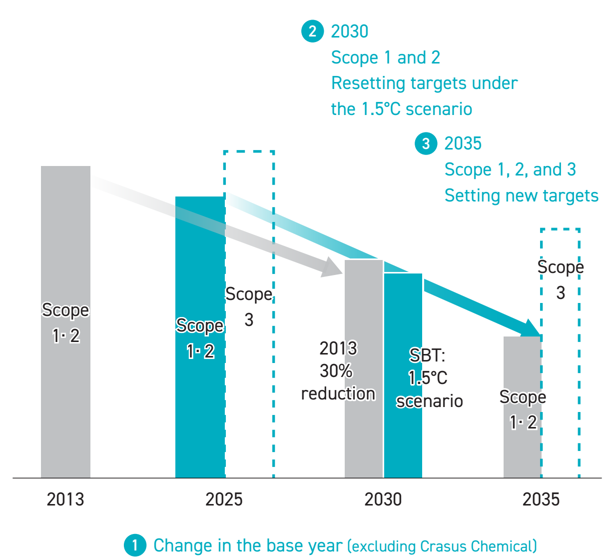
I agree with you. This may sound like an excuse, but the fact of the matter is that the merger has caused our carbon neutrality initiatives to fall behind. Plus, with our portfolio undergoing a reform, Resonac's GHG emissions and their breakdown will change, especially as Crasus Chemical is listed and subsequently excluded from the scope of consolidation in terms of GHG emissions. As the new Resonac, we aim to obtain SBT certification by 2027, when Crasus Chemical is scheduled to go public. Ahead of this certification, we submitted a commitment letter to SBT in June of this year. We are currently working toward changing the base year, raising our 2030 target, and setting a 2035 target that includes Scope 3 emissions, and will enter a full-scale reduction phase from 2026. The road to achieving this target by 2030 is becoming clearer, which will involve shifting to non-fossil fuel energy sources for electricity purchased, continuing thorough energy-saving and streamlining/high-efficiency measures, and undertaking fuel conversion for in-house power generation facilities P134 / Road to Carbon Neutrality. We will also complete our climate change scenario analysis for each business unit this year. The Sustainability Promotion Council discusses analysis results and countermeasures for addressing them, and reflects the results of these discussions in the five-year plans for each business unit. We will also continue our efforts to visualize emission reduction effects for Resonac PrideProducts and Services.

We are working to resolve issues by utilizing our production technology knowledge in order to reduce GHG emissions at our plants.

The CMEO organization also participates in the Carbon Neutrality Project and promotes GHG emission reduction initiatives. To reduce Scope 2 emissions, we are planning to increase the rate of clean electricity use, primarily by promoting the introduction of power purchase agreement (PPA) services for solar power generation. However, the reduction amount is not sufficient based on the available installation space at each plant. Due to this, we are actively considering clean electricity supplied from external power generation companies, such as through off-site PPA services. Meanwhile, this year we have been visiting plants with large GHG emissions to ask about issues they face in relation to energy conservation measures. While the remaining issues are not easy to address, we are conducting investigations including new technologies and providing support for resolving these issues to reduce GHG emissions as much as possible.

Satoshi Tsukahara
Production and Engineering Technology Division

Key points for SBT certification



Dr. Hasegawa

I believe that we need to reduce emissions to the extent possible through our own efforts, and eliminate those we are unable to reduce. What kind of initiatives are you implementing to achieve this?

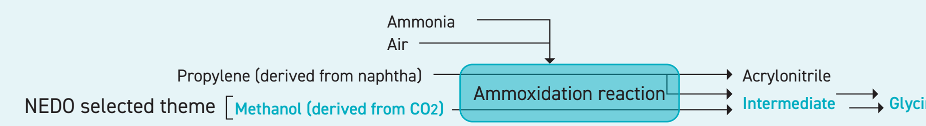
Yoshikuni Okumura
R&D Planning Department
Strategic Planning Group

By establishing technology for the integrated production of glycine from methanol derived from CO_2 emitted from steel plants, thermal power plants, and other facilities, we will promote carbon recycling and significantly reduce CO_2 emissions.

Resonac, Nippon Steel, Nippon Steel Engineering, and the University of Toyama are conducting a joint research project to produce glycine using CO_2 emitted from steel plants. This project was selected by NEDO following its call for proposals for Carbon Recycling and Next-Generation Thermal Power Generation Technology Development, and is scheduled to be implemented from fiscal 2025 through to fiscal 2027. Amid the growing need to reduce CO_2 emissions as a measure to combat climate change, technologies that utilize CO_2 as a resource are attracting attention.
Glycine is a key chemical used in agrochemicals, health foods, and electronic materials. Currently, it is mainly produced from fossil fuels such as naphtha and natural gas. The objective of this project is to establish technology for the integrated production of glycine using methanol derived from CO_2 emitted from steel plants and thermal power plants as a raw material. By doing so, we aim to promote carbon recycling and significantly reduce CO_2 emissions. Specifically, Nippon Steel, Nippon Steel Engineering, and the University of Toyama will take the lead in improving and mass producing catalysts for the synthesis of CO_2-derived methanol, and exploring methanol synthesis processes. Resonac will be responsible for the development and optimization of glycine production processes using CO_2-derived methanol, leveraging our experience with plants producing acrylonitrile from propylene.
Ultimately, we aim to develop technology that maintains the existing quality of glycine while significantly reducing CO_2 emissions from a life cycle assessment (LCA) perspective, and to achieve early social implementation.

A method for producing glycine from CO_2 via methanol (ammoxidation reaction)

Please visit our website for more details.



Dr. Itsubo

Have you introduced carbon pricing?
I think it's fine to have your own rules, but high prices must be set. (Market prices range from ¥5,000 to ¥10,000)

Chie Kaneko
Sustainability Department

We have introduced carbon pricing. We set an internal carbon price based on IEA scenarios and EU emission allowance prices, using it to guide our investment decisions.

We have introduced carbon pricing, and have set our internal carbon price at ¥10,000/t-CO_2, based on the International Energy Agency (IEA) scenarios and EU emission allowance prices. This internal carbon price is used to evaluate investments in anticipation of the future introduction of carbon taxes, etc., and encourages investment decisions in environmentally-friendly projects and technologies. However, amid fluctuating global political trends, we feel that it is extremely difficult to determine an appropriate internal carbon price level, and will also consider setting prices based on the characteristics of each business.

Please visit our website for more details.

Toward Circular Economy / Efforts for Preservation of Biodiversity

Dr. Itsubo

I have high hopes for the plastic chemical recycling at the Kawasaki Plant to help contribute to the realization of a circular economy.
Are you also implementing any new initiatives?

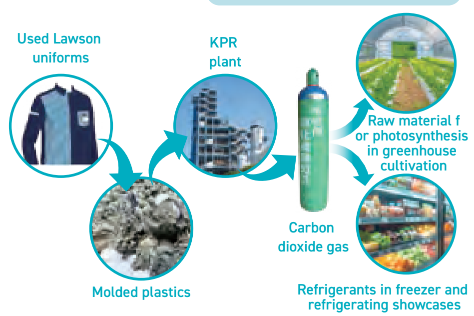
As "Measures to Combat Climate Change," "Efforts for Preservation of Biodiversity," and "Toward Circular Economy" initiatives are interrelated, we believe it is important to implement them simultaneously P129 / Environmental Initiatives. In particular, we started the plastic chemical recycling business in 2003, through which we support chemical recycling in Japan. We also have new initiatives that have been selected by NEDO. Here we introduce some of our specific initiatives.

Case Study: Lawson and Kawasaki Plastic Chemical Recycling Co-creation

We are currently facilitating the chemical recycling of uniforms for Lawson, Inc. A portion of the used uniforms from Lawson stores nationwide (approximately 3,000 pieces, weighing about 900 kg) underwent chemical recycling at the Kawasaki Plant in Kawasaki City, Kanagawa Prefecture, utilizing MC Fashion Co., Ltd.'s waste disposal license under the framework of Wide Area Certification System*1. By refraining from incinerating the used uniforms, this process is expected to reduce CO_2 emissions by approximately 80%*2 compared to traditional incineration methods, while also generating about 2,000 kg of carbon dioxide*2. The newly produced carbon dioxide will be distributed in the market through Resonac and utilized as refrigerants in freezer and refrigerating showcases, as well as a raw material for photosynthesis in greenhouse cultivation of plants.

*1: The Wide Area Certification System is a program that allows businesses to obtain certification from the Minister of the Environment to collect waste on a wide area basis and recycle it into raw materials for products or properly dispose of it.
*2: Based on Resonac research

Old Resonac uniforms are also chemically recycled.

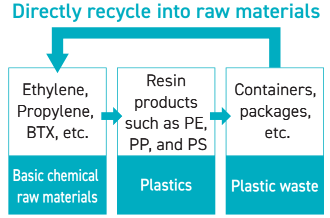


Chemical recycling at Resonac

Case Study: Development of chemical recycling technology to produce basic chemicals from mixed plastic wastes

Noriyasu Tezuka
Stage for Co-creation
Carbon Recycling Group

We are engaged in the research and development of chemical recycling technology that converts and recycles various everyday plastics, such as rice ball wrappers and shampoo bottles, back into basic chemicals such as ethylene and propylene. By fiscal 2032, we aim to produce useful basic chemicals from used mixed plastics with a yield of 60 wt% or more, and to reduce CO_2 emissions during production to less than half the current level. This initiative was selected by NEDO for the Green Innovation Fund Project under the category of Development of Plastic Raw Material Manufacturing Technology Using CO_2, etc. We will first implement small-scale trial production at a laboratory, and, after examining reaction conditions and reactor types, we will scale up to medium-scale trial production and large-scale demonstration phases as we optimize operation conditions. Additionally, potential challenges arising during future commercialization will be identified and addressed concurrently. Through co-creation with related departments within the Company, our joint development partner Microwave Chemical Co., Ltd., academia, government ministries and agencies, and public institutions, we aim to produce R&D results that will change society.



Recycling plastic waste using the shortest route:
In theory, this could be the most efficient process, but recycling mixed plastics such as containers and packages is difficult to put it into practical use with existing technology
→ Working to achieve breakthrough technology

The most difficult phases of the LEAP approach are Assess (assess risks and opportunities) and Prepare (preparing to respond and report). Many companies tend to stop at Locate (discovering connections with nature) and Evaluate (assess dependency and impact), but what approach is Resonac taking?

Mr. Matsubara

Dr. Itsubo

I would like to see you accelerate initiatives for water, chemical substances, and plastics.
Are you also setting targets?

Regarding biodiversity, we are considering our vision for the future (2030), and are proceeding with assessments that follow the LEAP approach, including Assess and Prepare, to achieve this vision. Through the LEAP approach, we have reaffirmed the importance of working to preserve biodiversity as a chemical company, including addressing issues surrounding water, chemicals, and plastics, and are considering setting new medium- to long-term targets in these areas.

Rumi Ueyama
Sustainability Department

Since 2024, we have been carrying out initiatives in line with the LEAP approach advocated by TNFD. Our assessment results for the Locate, Evaluate, and Assess phases are disclosed in our annual securities report and this report P130 / Short-, Medium- to Long-term Nature-related Risks and Opportunities and Responses to Them. In the Locate phase, we assessed the natural conditions at and surrounding a total of 59 manufacturing sites and 40 major supplier sites in Japan and overseas. In the Evaluate phase, we identified key dependency and impacts on nature and evaluated their magnitude. In the Assess phase, our use of water, chemical substances, and plastics were assessed as risks.
Based on the results of these assessments, as part of the Prepare phase, we will continue to thoroughly manage chemical substances in direct operations, an initiative we implement as a chemical company on an ongoing basis, and will also strengthen our efforts, including setting medium- to long-term targets, to reduce and manage plastic and water usage. We feel the importance of conducting initiatives to reduce our plastic usage, particularly as a company that operates a plastic chemical recycling business. With this in mind, we are preparing to include this in our non-financial KPIs starting in 2026. As a specific example of our efforts in the Prepare phase, we are carrying out the following initiatives at our sites in India, which have been identified as being at risk through the LEAP approach, aimed at reducing our water usage. In this way, we will place importance on initiatives that take into account the characteristics of each business and plant, while also prioritizing and accelerating our initiatives across the Company.

Case Study: Initiatives at Allied Resonac Brake India Private Ltd. (ARBI) aimed at achieving zero water usage

AHA! P21

India-based ARBI is a manufacturing base that primarily manufactures brake shoes, brake linings, and brake pads for automobiles. The state of Rajasthan, where it is located, has been designated a water-scarce area by the government, and water usage is subject to restrictions. In order to prepare its production system under these restrictions in 2024, ARBI implemented measures such as changing our cleaning process and reusing water, achieving a reduction in water usage of 3,600 liters per day. ARBI has set a target of zero water usage in manufacturing by 2030, and is currently planning further improvements to its manufacturing processes and a shift in cleaning technology.
ARBI has also installed water purification facilities within its sites to provide employees with safe drinking water, and it also carry out local contribution activities such as installing rainwater reservoirs and providing safe water to schools.

Environmental measures in Kitakata City, Fukushima

In October 2023, we completed environmental remediation work to address soil contamination caused by our business in the past at the Kitakata Plant (Fukushima Prefecture). We will continue to value dialogue and information sharing with local residents.

Niigata Minamata disease

As the company responsible, we once again offer our deepest apologies to the victims of the Niigata Minamata disease, which was caused by wastewater emitted from the former Showa Denko, and to the people living in the surrounding area for the great inconvenience caused. We will continue to work with national and local governments to address this issue in good faith in accordance with the law.

Quality Assurance

Please visit our website for more details.

Q What efforts are you making to control quality risks across the Group?

In 2025, we introduced the Quality Risk/Capability Assessment (QRiC), which integrates our previous quality risk assessments and product compliance audits, to strengthen quality governance across the Group. All plants self-evaluate the status of their own initiatives from seven perspectives, which serve as the basic matters for our quality assurance activities, and compare these with the head office's evaluation results to spot any gaps and highlight strengths and weaknesses across plants.

Previous quality risk assessments	QRiC
• Each year, the head office sets key themes, interviews employees about the challenges faced at each workplace, and makes improvement proposals • There are no uniform company-wide standards, making relative comparisons impossible • There is some overlap with product compliance audits	• Use company-wide standards, and evaluate strengths as well as weaknesses • Audits can be prioritized in accordance with the degree of risk • Plants can clearly see their position within the company and verify the effectiveness and appropriateness of their measures

Seven perspectives we constantly pursue

1. Customers and society
2. Product safety
3. Compliance
4. Quality assurance
5. Quality management
6. Management system
7. People and organizations

We increase audit frequency and guidance from head office for sites identified as high risk in the QRiC results, and also follow up on response measures to strengthen governance in quality assurance. We are also taking measures to reduce the risk of misconduct through quality compliance awareness surveys of domestic and overseas employees, personnel rotations, and the automation of data transfers.

Tomoaki Aoki
Quality Assurance Promotion Division

Chemicals Management

Please visit our website for more details.

Q As a chemical company, how do you manage the chemical substances contained in your products?

We have established rules regarding substances that must be prohibited or controlled, and share these with our suppliers through our Green Procurement Guidelines. We have established three management categories for controlled substances contained in products (including SVHC under EU's REACH regulation): prohibited substances, controlled substances, and self-managed substances, and manage them in accordance with customer inquiries. Resonac is currently planning to establish a new policy and revise our controlled substances contained in products to reflect current social trends. Going forward, we will continue to identify products that use these controlled substances and their usage amounts, and work to gradually reduce or restrict their use.

Examples of initiatives for specific substances of concern

Chemical substances of concern	Target	Initiatives
Toluene, xylene	Reaction solvents	Replacement with other solvents, development of reduced-impact products
Materials with high bioconcentration factors	Resin materials	Development of alternative materials
Fluorine, halogen compounds	Semiconductor-related materials	Development of reduced-impact products

With new restricted substances being added every year across various countries and regions, we recognize the importance of chemical management and hold discussions within our department, including with young managers, to discuss how to manage chemicals.
In particular, the European headquarters collects the latest information through the Japan Business Council in Europe (JBCE), and strives to properly manage the chemical substances contained in our products.

Takashi Kumaki
Chemicals Management Division

Q How are your PFAS initiatives progressing?

We are continuing efforts to collect and analyze customer trends and regulatory information regarding per- and polyfluoroalkyl substances (PFAS). In addition, we have identified key target products based on manufacturing and usage classifications and product sales volumes, and each business unit (BU) is taking concrete measures such as exploring and developing alternatives and conducting supplier surveys. Looking ahead, the Electronics Business Headquarters, which handles semiconductor material products, is conducting PFAS content surveys in collaboration with internal and external stakeholders. In the coating materials business, we view PFAS-free coating materials as a business opportunity and are actively engaging in marketing activities on this front.

Main response steps

Gain insight into external trends → Research applicable products → Check availability of alternative products → Evaluate the functionality of alternative products → Switch/sell

PFAS has attracted significant interest from customers in semiconductor-related fields, and we have initiated industry-leading research to ensure that we can respond quickly and appropriately even if regulations are introduced in the future. While it is challenging to determine PFAS content across the entire supply chain, since 2024 we have been conducting PFAS content surveys with the cooperation of over 200 major suppliers, which is gradually improving visibility into PFAS usage. We have already begun considering alternatives for some of our products. We also aim to design new PFAS-free products.

Osamu Uchida
Electronics Business Headquarters
Global Supply Chain Management Center

Procurement and Supply Chain

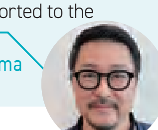
Please visit our website for more details.

Q How do you practice sustainable procurement with your suppliers?
What measures are you taking to manage supply chain risks (BCP)?

We ask all suppliers to comply with the Resonac Group Sustainable Procurement Guidelines and submit a written confirmation of their agreement. We are working to raise awareness by asking new suppliers to complete a CSR Questionnaire when we start working with them, as well as asking major existing suppliers to do so every three years. We also conduct CSR visits every year, visiting approximately 40 suppliers to share information on initiatives pertaining to the environment, human rights, compliance, and other areas. Going forward, we will formulate specific code of behavior for suppliers facing CSR issues to support steady improvements. Furthermore, we upgraded "instability of supply chains" from an A rank risk to an S rank risk as a companywide key risk theme, and are implementing measures to ensure stable and continuous procurement and a stable supply of products to customers, even amid an unpredictable future.

To address supply chain risks, in the procurement field, we have established a Procurement BCP Committee, which is comprised of personnel from each business unit, to standardize and visualize risk level definitions across the Company, and implements various measures to ensure stable procurement by strengthening relationships with suppliers and to prepare for political turmoil, natural disasters, and other emergencies. In the logistics field, we are working to ensure stable logistics by sharing logistics partners across the Company and formulating and promoting policies for improving logistics efficiency. In addition to these initiatives, the status of supply chain risk countermeasures is reported to the management team to promote consistent companywide BCP activities.

Masaomi Shimojima
SCM Division



Advisor's comment

To fulfill your corporate responsibility and turn sustainability into a competitive advantage, you need to go beyond philosophy and establish a consistent operational system integrated with management resource allocation, investment decisions, and human capital development. Considering the nature of Resonac's business, it is important to carry out initiatives that cover employees with diverse nationalities and employment types, as well as various aspects of the supply chain. Please take steps to create an effective framework to achieve this.


Dr. Hasegawa

Safety

Please visit our website for more details.

Q It seems quite difficult to eliminate accidents and disasters, so why have you set the target of zero occupational accidents?

We place safety as our top priority, and in 2024 we launched the "safety model line project" as one of our measures to achieve our vision for the future. We have assigned plants to be responsible for each of six themes identified from the results of past accident analysis and safety activity issues for 2023, which has enabled us to track the status of equipment and operations in the "safety model lines" at plants. Through on-site exchange meetings and spreading output such as rules, we share case studies with each plant, which leads to a reduction in occupational accidents.
We also believe that communication between managers and employees is an important element in establishing a safety culture. As part of measures to achieve this, we are focusing on companywide deployment of the Safety Communication Program (SCP), which is also part of the model lines, to raise safety awareness through feedback from employees and dialogue on accidents and facilitate safe behavior. Using the model lines as a reference, we aim to eliminate occupational accidents by building a mutual-enlightenment safety culture at each workplace.

Identifying the six key model lines

We have built safety model lines that meet basic safety requirements, developed trainers, and set rules that must be followed. Case studies are shared with each plant to prevent occupational accidents.

Six key safety model lines that Resonac focuses on and is building	Designated plant
Elimination of cut/stab injuries	Hikone
Mechanism of Safety Communication Program (SCP)	Shimodate
Model line to eliminate fall accidents	Omachi
Danger prediction training and pre-work danger prediction system	Yamazaki
Elimination of accidents caused by handling heavy objects	Goi
LOTO (lockout/tagout) operation	Oyama

Some people question whether it is realistic to aim for zero occupational accidents. However, because accidents or disasters cause people pain, we will continue to strive for zero. I believe this is a goal we can achieve if the head office and plants work together to map out the path to eliminating accidents and steadily carry out initiatives. Head office staff frequently visit plants to listen directly to on-site feedback, thereby gaining a lot of information that can help prevent accidents and increase overall safety levels.

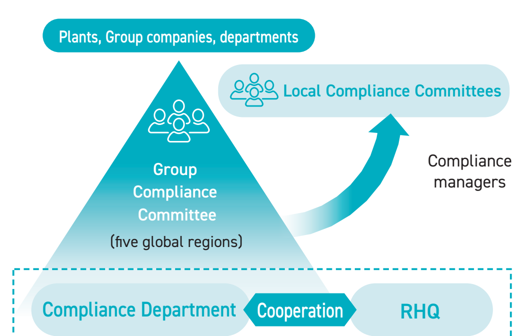
Katsuhiro Takahashi
Environment and Safety Division

Compliance

Please visit our website for more details.

Q What is your global compliance system?

As with safety, compliance is our top priority. Based on our stance of maintaining high ethical standards, holding discussions, pointing out issues to each other, creating a workplace where violations can be prevented, and not tolerating violations, we hold Group Compliance Committee (secretariat: Compliance Department) meetings four times a year in each of our five global regions (Japan, East Asia, Southeast Asia, Europe, and the Americas). The compliance managers who attend these meetings host local compliance committees at each workplace, where they share examples of violations within the Group, implement educational activities, and conduct self-audits to ensure compliance. We are also currently building a collaboration system that connects CXOs as a mechanism for following domestic and international regulatory trends across a wide range of areas where violations may occur, implementing preventative measures including public awareness, and post-event monitoring.



Respect for Human Rights

Please visit our website for more details.

Q How far along is your human rights due diligence?
What are your current challenges and future initiatives?

Regarding human rights risks within the Resonac Group and our supply chain, we conducted a desktop survey covering the business areas of both companies (Showa Denko and Hitachi Chemical) from 2022 to 2023, immediately prior to the merger, to examine human rights issues in regions with high human rights risks and chemical companies. Based on the results, we are currently identifying and addressing risks specific to Resonac's businesses. Additionally, in response to the EU Batteries Regulation*, we have begun due diligence on the environment and human rights in the supply chain for natural graphite, a raw material for anode materials. We asked several companies, including mining companies, to fill out a written questionnaire about the environmental and social risks covered by the EU Batteries Regulation, the stability of mining facilities, and their security systems. Based on the UN's Guiding Principles on Business and Human Rights and OECD guidance, we conducted an evaluation based on two axes: severity (significance) and likelihood of occurrence, and clarified the priority of the issues that need to be addressed. Going forward, we will confirm the plans of each of our relevant business partners to address the identified issues, and continue to request their cooperation in due diligence activities.

*This regulation, which came into effect in August 2023, applies to all batteries sold within the EU, including automotive, industrial, and portable batteries, and requires the reporting of carbon footprints, the introduction of upper limits, the implementation of due diligence, and the recycling of raw materials.

Advisor's comment

Human rights issues arise from interactions between people, so no company is completely free from risk. I would like to see due diligence conducted with the premise that risks are involved, and expect Resonac to disclose what insights were gained and how they were utilized in its measures.

Conclusion

Itsubo: I think Resonac can be proud of the results of our initiatives thus far, as evidenced by our selection into the SX index. Sustainability serves as the basis of a business, so make sure to deliver detailed information to those who need it the most. With regard to the environment, please accelerate your strategies and measures related to the CCS under Scope 1, and hydroelectric and hydrogen power generation under Scope 2 in particular!

Matsubara: My advice from an investor's perspective is that when disclosing non-financial quantitative data, make sure to explain what the data means and what you will do with it. While I believe that numbers indicate a company's intentions, and that a company's resolve can be read from disclosed data, investors do not make decisions based solely on numbers. Furthermore, CEO Takahashi states that "sustainability is now an essential component of corporate management P11," but this component should also include instructions for use, such as "keep the timeframe (for results and returns, which tend to be long) as short as possible" and "ensure thorough information disclosure." In creating value ultimately, I expect you to find a path that is unique to Team Takahashi.

Hasegawa: Sustainability is not just an admission ticket, it is a premium ticket that leads to the enhancement of corporate value. While it certainly requires initial costs and effort, it is something that only companies that are serious about it can achieve, reaping real benefits in terms of competitiveness and trust in the global market, and dialogue with investors. Furthermore, to continuously achieve value creation through co-creation, it is essential to foster a mindset that enables all employees to feel the connection between their work and social value, and to act independently. This won't happen overnight, but that's exactly why you need to be mindful of the timeframe and engage in ongoing dialogue and system building.

Matsuko: Thank you. This was so fun and exciting! We will come together to pursue ways to contribute to society and the environment through the power of chemistry, and what we want to do to achieve that. Please continue to provide your honest opinions and advice moving forward.