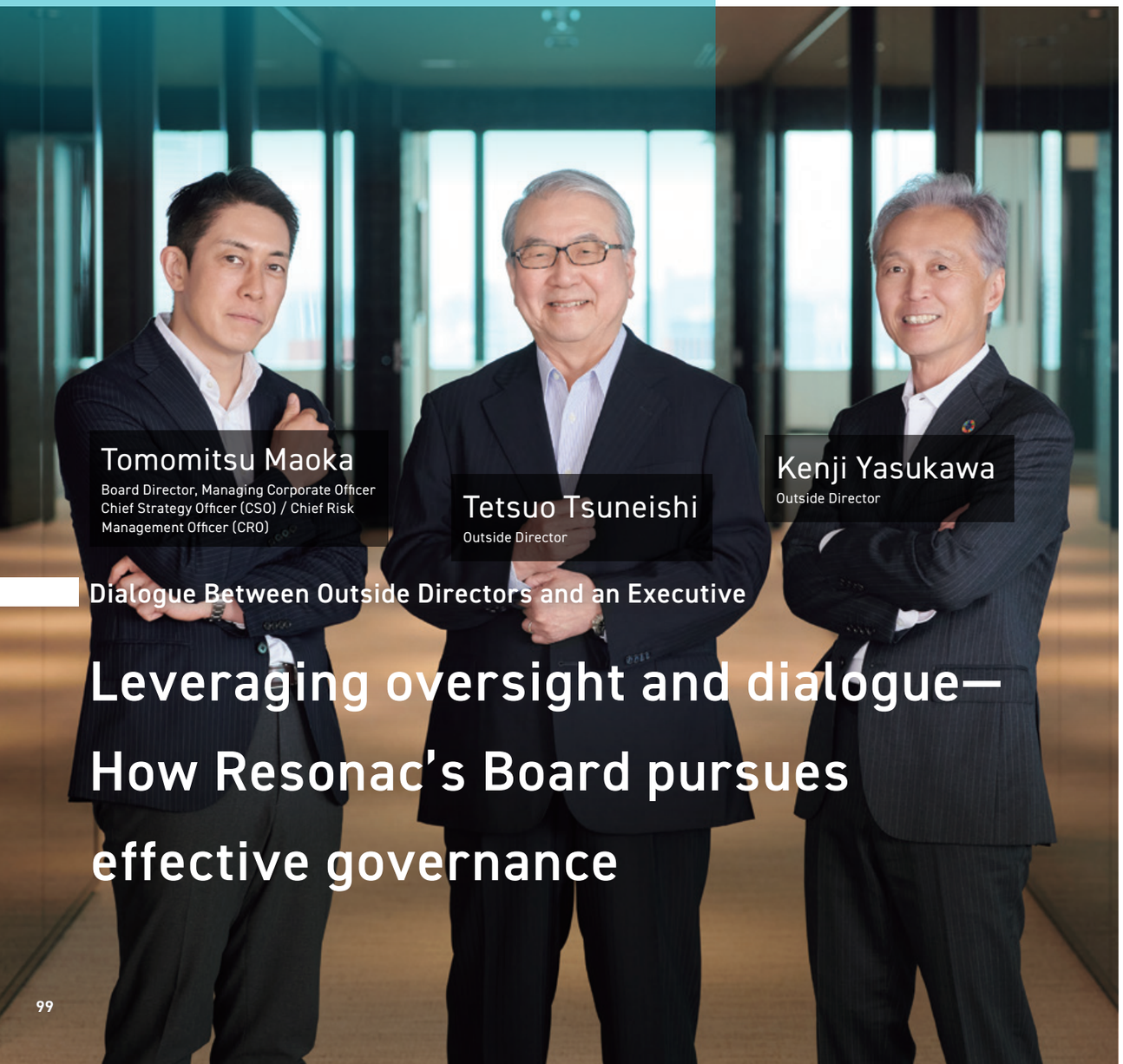
05 Resonac's Governance

Here we introduce the progress of corporate governance reformation for enhance Resonac's corporate value.



Dialogue Between Outside Directors and an Executive

Leveraging oversight and dialogue— How Resonac's Board pursues effective governance

Since our two companies merged, Resonac has focused on building a new corporate culture and reorganizing its management system.
At the Board of Directors, we have started by clarifying the Board's monitoring role, reviewed agenda setting and the criteria for appointing directors, and strengthened communication. This has steadily improved our system, ensuring that policies and practices are aligned.
Our fiscal 2024 focus on defining Resonac-style monitoring functions has been a key initial effort to strengthen governance effectiveness.
We had a candid discussion, including perspectives of outside directors, about how to divide oversight and execution roles, optimize diversity and skills, and tackle future challenges.

Progress and current status since integration

Maoka Until recently, Board of Directors had become more like slightly stricter Management Committee. The line between oversight and execution was blurred. I think this happened because, although the "when" and "where" were clear, discussions moved forward without defining the other elements of the 5 Ws and 1 H framework. In our Board of Directors so far, we have primarily focused on clarifying the Board of Directors' role to improve the quality of its discussions. That has involved refining how we select board agenda items by raising the financial threshold for discussions. We also shifted our focus to monitoring function, and introduced pre-briefings for important matters and casual opinion exchange meetings. We especially put a lot of effort into defining the monitoring that would ensure the Board functions effectively.

Tsuneishi I joined as an outside director in March 2023, so I haven't observed changes in the Board over a long period. However, I feel that the new management team led by CEO Takahashi is strongly cohesive and has built a strong framework. Another notable feature of the Company is that, despite being long established, more than half of upper management (inside directors) joined in just the last few years. However, while Resonac has many locations both in Japan and abroad, there are still issues in terms of whether each site has built strong relationships and achieved ideal co-creation operations. Given the company's size, governance challenges are likely significant, so we need to keep a close watch on this. That said, it is unmistakably a rationally driven implementing organization that makes quick decisions. In this ultra-VUCA (volatility, uncertainty, complexity, and ambiguity) society of rapid change, Resonac's ability to make quick decisions and act swiftly is a major strength.

Yasukawa I also haven't been in my position long enough to fully assess the changes. But I'm impressed by the strong commitment to creating a new culture, along with the ability to put it into action, instead of keeping the old traditions of the former Showa Denko and the former Hitachi Chemical after their major merger. However, from a business perspective, the different areas of focus of the former companies have resulted in limited interaction among staff at the operational level, which is a challenge. Different cultures could develop at each business site, so we need to closely monitor how this issue is addressed. Portfolio management is a frequent

Dialogue Between Outside Directors and an Executive

topic in Board discussions. I feel that the Board of Directors is eager to embrace changes to meet its goals. However, since Resonac is a manufacturing company that produces complex parts and materials, it would be good, I believe, to hear more about quality control and quality improvement.

The essential elements for more effective monitoring

Maoka In 2024, the Board of Directors had in-depth discussions about the style of monitoring that would suit Resonac. "Monitoring" is easy to say, but surprisingly hard to define precisely. But to make monitoring more effective, we need a clear definition. That's why we started by discussing a Resonac style of monitoring so we could put that into words. To sum up, we haven't reached a final decision yet. We have just set up initial guidelines to gradually provide feedback as discussions continue. Tsuneishi-san and Yasukawa-san, what perspectives do you think the Board of Directors at Resonac now needs to improve the effectiveness of its monitoring functions? As outside directors, what do you focus on to ensure effective monitoring?

Tsuneishi And when you delve deeper into the term "monitoring," you find its function essentially means watching over business execution from a shareholder point of view. And when you delve deeper into the term "monitoring," you find its function essentially means watching over business execution from a shareholder point of view. With that in mind, in order to enhance functionality, the focus should be on how three bodies within the Board of Directors, namely the Nomination Advisory Committee, the Remuneration Advisory Committee, and the Audit & Supervisory Board, can stay independent and effective while improving their performance as committees. That said, if I were asked whether monitoring is the Board's ultimate goal, I would say it is not. The true objective of both the Board of Directors and the Management Committee is to increase corporate value in the short, medium and long term, and monitoring is simply one effective means of achieving this. In recent years, "diversity" often comes up with monitoring. It's also important to clearly recognize a viewpoint that the purpose of embracing "diversity" is to strengthen corporate value. Although it's not entirely a case of mixing up means and ends, we often see a focus on methods and forms without clearly defining the objectives.

Yasukawa I'll tell you about my approach to ensuring effective monitoring. From a short-term business perspective, what I focus on most is setting accurate goals. The goal must be on the highest point you can reach through effort. If the goal is too low or too high, that can slow down the business. We need to watch closely whether the goals have a solid, logical foundation. So, we would like to ask executive management to provide detailed information to support this. The priority from a medium- to long-term perspective is portfolio management. Now Resonac has a strong position in semiconductor back-end processes. But if it's recognized that this area is profitable, competitors from around the world might enter the market. What are we going to do if that happens? Will we move to another field or will we develop our experience and achievements into strengths? We need to discuss which path to take from the many options available. We also need to be well-prepared for both strategic and environmental risks. For something like decoupling, I want to ensure that the company doesn't get caught off guard, not knowing what to do next. By categorizing and focusing on various challenges and risks, I am eager to actively contribute to Board discussions myself.For something like decoupling, I want to ensure that the company doesn't get caught off guard, not knowing what to do next. By categorizing and focusing on various challenges and risks, I am eager to actively contribute to Board discussions myself.

Saying "monitoring" is easy, but defining it precisely is hard. Enhancing effectiveness requires alignment in thinking. [Maoka]

We could make the Board to further enhance its effectiveness by building a system that allows flexible adjustment of its composition to match changes in times and shareholder composition.

[Mr. Yasukawa]

Skills and diversity required for the Board

Maoka Your discussion is directly connected to the three areas defined in the fiscal 2025 action plan—sustainability, portfolio management, and risk management. In 2024, we also reviewed the selection criteria for directors. The selection criteria used before were quite generic and not tailored to Resonac. It was not an acceptable situation for us, as we stood at the new starting point following the integration of historic Japanese chemical manufacturers, determined to increase corporate value through global competition. That's why we've redefined the skills and selection criteria that Resonac needs for the future. Tsuneishi-san and Yasukawa-san, what do you think are the skills and diversity required for the Board of Directors?

Tsuneishi As I mentioned earlier, a board's diversity should increase corporate value. You could hire people with backgrounds that are not relevant to the company or its business just for the sake of diversity, but you won't increase corporate value by that. Companies should first find people who can excel in the companies, their industry, and business model. Companies should first find talented people who can excel in the companies, their industry, and business model. Then, they should decide how to increase diversity among

Dialogue Between Outside Directors and an Executive

those candidates. Recently, there has been too much focus on diversity itself without carefully tying it to increasing corporate value. We have to go back to basics. Expectations of the Board of Directors should align with the Board's core role. That means overseeing, advising, and supporting business execution from the perspective of representing shareholders. Appointments should be based on this approach.

Yasukawa Tsuneishi-san is exactly right about the skills and diversity required for the Board. Building on that, to make the Resonac's Board more stable, we need a system that allows flexible adjustment of its composition to match changes in times and shareholder composition. Resonac's Board composition is now focusing on monitoring, but in a few years, the Board might be expected to engage more in strategic discussions. To respond to changing needs and circumstances, setting fixed terms for outside directors would be one effective way to help the Board maintain an optimal composition. Setting a term enables us to find successors in advance and handle unexpected resignations more easily.

Tsuneishi It's also important to know whether they can handle their duty. Even if someone is highly capable, if they serve as outside directors for many companies other than Resonac, they will inevitably have limited time and energy to commit. Simply asking someone to join doesn't guarantee they'll do so. To keep things running smoothly, we need to expand our pool of strong candidates for the 2 to 3 years ahead.

Yasukawa Times are changing quickly, and we need to find the right people for each era. Long tenures might not be helpful for this. Of course, if someone has made a significant contribution, we can extend their term with everyone's agreement. Keeping things flexible is more beneficial.

Governance challenges in 2025 and outlook

Maoka As mentioned, Resonac is currently defining its monitoring function while incorporating feedback. Our main focus is to refine this process. We are now putting a lot of effort into cultivating corporate culture, developing human resources, and optimizing the business portfolio. But since things are always changing, it's important to regularly reassess our agenda. We are now putting a lot of effort into changing corporate culture, developing employees, and optimizing the business portfolio. But since things are always changing, it's important to regularly reassess our agenda. We must tackle the quality control issues Yasukawa-san pointed out at the beginning of the discussion and truly integrate our business processes and information systems which have become increasingly complex due to the integration. Leaving aside whether these are governance issues, without focusing on these details, the Company cannot evolve as a business.

Tsuneishi From a board governance perspective, we must strengthen the independence and effectiveness of the advisory committees. I believe the current level is already quite high, but it's not something that can ever be considered finished. We must keep working on it. From a company-wide perspective on global and group governance, Resonac has a large number of locations and businesses, so it is necessary to consider how to effectively connect them and strengthen these connections. It is especially important to ensure psychological safety and create an environment where all of our over 20,000 employees can speak their minds freely to anyone, anywhere. Building a corporate culture like this could ultimately help establish group governance. While formally written group governance structures are important, governance truly thrives in a culture and atmosphere that goes beyond rigid documentation.

Yasukawa We live in an era of multistakeholder capitalism. Companies must contribute to all stakeholders in the society we are part of, including shareholders, employees, business partners, customers, and the local community. Shareholder capitalism may focus solely on short-term profits, but multistakeholder capitalism requires us to think about sustainability as well as profits. The Board of Directors must advance discussions to benefit all stakeholders. In portfolio management, businesses should always discuss how to spot and use current market trends. When selling a business, for instance, it's crucial to regularly review and assess which factors should have been monitored to ensure a more successful sale. We are keenly aware that, having just been through the major transformation after the merger, Resonac is not yet in a stable position. Over the next year or two, I'd like to hear the Board identify promising opportunities and the investments needed to nurture growth from them. I look forward to delving into deep discussions about those opportunities.

We need to create an environment where all of our over 20,000 employees can speak their minds freely to anyone, anywhere. Building this kind of corporate culture allows governance to truly thrive. [Mr. Tsuneishi]

• About this dialogue

Participants : Tetsuo Tsuneishi, Outside Director; Kenji Yasukawa, Outside Director; Tomomitsu Maoka, Board Director, CSO/CRO

Aim : Showing the steps we have taken to strengthen governance (achievements and current status), what the governance system is needed to further enhance Resonac's strengths and which points we believe governance needs to be strengthened.

• Keywords of the dialogue

Governance reforms that have been promoted	Careful selection of agenda items for Board of Directors, shift to monitoring-focused functions, introduction of advance explanations and opinion exchange meetings for important matters, and verbalization of definitions.
Improving the effectiveness of monitoring functions	Improving the independence and performance of the Nomination and Compensation Committees and the Audit Committee, setting goals, portfolio management, strategic risk and environmental risk management
Composition of the Board of Directors	Criteria for appointing directors, diversity to enhance corporate value, supervision and support from the perspective of shareholders, and flexible system development
Issues and the Future of Governance	Agenda setting tailored to the situation, global governance, a corporate culture that ensures psychological safety, and multi-stakeholderism

Directors and Audit & Supervisory Board Members

We have set "maximizing corporate value" as a common goal for the Board of Directors (supervision) and the management team led by the CEO (execution). The Board of Directors is run with an emphasis on the monitoring function, performed mainly by Outside Directors. The Board goes beyond that and deepens discussions by offering opinions and suggestions from diverse viewpoints. We position portfolio management, sustainability, and risk management as the most important issues to be supervised and discussed at Board of Directors, and have set appropriate and specific agenda items to ensure that the Board of Directors' monitoring function is carried out effectively.

Tetsuo Tsuneishi

Outside Director

Skills possessed

Please see the website for profile WEB

Term of office as Board Director: 2 years Attendance at BoD meetings in 2024: 15/15

Introduction After joining the then Tokyo Electron Laboratories, Inc. (current Tokyo Electron Ltd.) in 1976 and gaining overseas business experience, he became Chairman of the Board of Directors in 2015. His track record of leading companies to growth as a manager has given him advanced expertise and extensive practical experience in global management and the semiconductor business. He was appointed Vice Chairman of the Japan Association of Corporate Directors in 2022. Since becoming an Outside Director of the Company in 2023, he has been providing important advice on corporate governance reforms aimed at by the Company, utilizing his knowledge of corporate governance.

Significant concurrent positions Corporate Director, Tokyo Electron Device Ltd.

Resonac is characterized by a strong sense of unity among its executive team and agile decision-making and action. To achieve corporate growth through effective monitoring, we discussed the diversity of our Board of Directors in 2024 and established the requirements and necessary skills of Board members.

Kenji Yasukawa

Outside Director

Skills possessed

Please see the website for profile WEB

Term of office as Board Director: 1 year Attendance at BoD meetings in 2024: 12/12

Introduction He joined the then Yamanouchi Pharmaceutical Co., Ltd. (current Astellas Pharma Inc.) in 1986. In April 2023, he was appointed as Representative Director, Chairman of the Board of the company (current position). With a background in a top Japanese pharmaceutical firm that operates globally and has undergone corporate integration, he possesses development experience in the U.S., has been involved in the formulation of management strategy and sales oversight, and has broad experience and insights as a manager of a leading company with diverse human resources. Since taking office in 2024, he has been providing us with important advice from various perspectives by utilizing his knowledge as a corporate manager.

Significant concurrent positions Representative Director, Chairman of the Board, Astellas Pharma Inc.

In terms of remuneration, we established a remuneration system for upper management that matches global levels. We discussed target levels for corporate growth and clarified criteria to ensure that results are reflected in remuneration. Outside directors also represent shareholders, so it is important to have governance that can be clearly explained.

Skills

We have identified the following skills required of Board members to effectively discuss agenda items.

- Global business
- Portfolio management
- Sustainability
- Risk management
- Finance / accounting / capital markets
- Innovation
- Human resource development / corporate culture
- Legal / compliance

Masaru Onishi

Outside Director

Skills possessed

Please see the website for profile WEB

Term of office as Board Director: — Attendance at BoD meetings in 2024: Newly appointed

Introduction He joined Japan Airlines Co., Ltd. in 1978. After accumulating experience in both the maintenance and planning departments, he was appointed as top management of the company immediately after it filed for bankruptcy in 2010. He led the company's rehabilitation as a corporate executives, contributing to its resurgence, and also possesses wide-ranging experience and insight as an outside director in various industries. He also has deep knowledge of and provides advice on safety, which the Company prioritizes.

I am incredibly excited to be joining the Board this year. Although Resonac and Japan Airlines, a manufacturer and an airline, are in very different industries, I plan to utilize my experience to contribute to corporate culture in areas such as safety and diversity.

Izumi Sakakibara

Outside Director

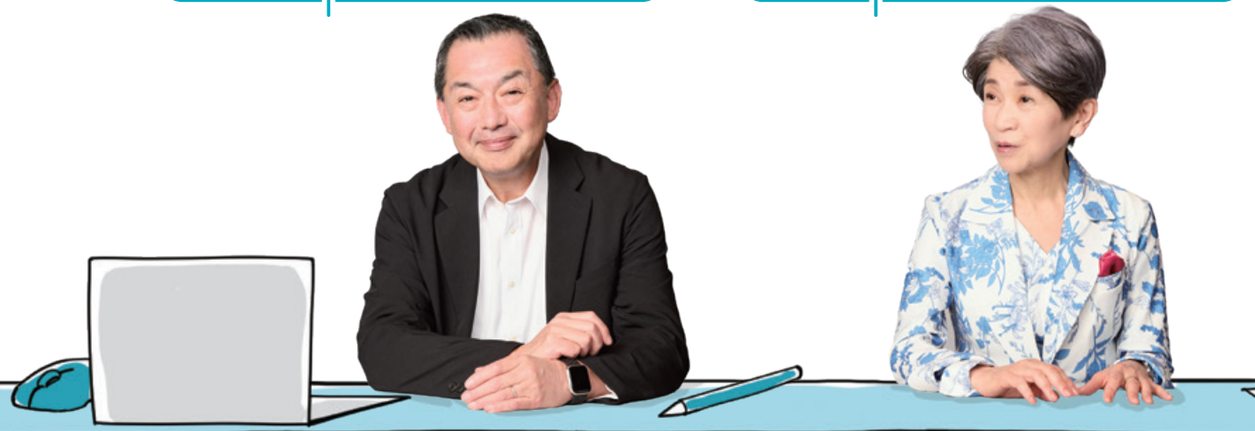
Skills possessed

Please see the website for profile WEB

Term of office as Board Director: — Attendance at BoD meetings in 2024: Newly appointed

Introduction She joined the Ministry of Health and Welfare (current Ministry of Health, Labour and Welfare) in 1982. She possesses experience in the establishment of heart transplant systems, among others, at the Health Policy Bureau, and in the life science field, she was involved in business development, portfolio restructuring, and M&As in Japan and overseas at Toray Industries, Inc., Otsuka Group, and FUJIFILM Corporation. She provides valuable advice to the Company by utilizing her strategic perspectives gained through this wide-ranging experience.

First as an engineer in the field, and then as a manager, I have been working to maximize business value and facilitate innovation. Having been appointed as a Board Director of the Company this year, I will strive to support Resonac in achieving sustainable growth.



Directors and Audit & Supervisory Board Members

Hidehito Takahashi

Skills possessed

Representative Director, President and Chief Executive Officer (CEO)

He joined the then Mitsubishi Bank, Ltd. (current MUFG Bank, Ltd .) in 1986. He has held management positions at GE Japan Holding Corporation and several other foreign companies. Having joined the Company in 2015, he has been promoting the Company's growth strategy as the Chief Strategy Officer (CSO) since 2020. Since 2022, he has overseen the company-wide management strategy as Representative Director and Chief Executive Officer (CEO) and completed the integration with Hitachi Chemical. He leads Team Takahashi with ample knowledge and practical experience in business, leadership, and execution skills.

Term of office as Board Director: 8 years
Attendance at BoD meetings in 2024: 15/15
Please see the website for profile WEB

Kohei Morikawa

Skills possessed

Board Director, Chairman of the Board President, Chairman of Japan Association for Chemical Innovation

He joined Showa Denko K.K. (currently the Company) in 1982. After being in charge of the R&D and business units for specialty chemicals and high-purity gases for semiconductors, he was appointed as Chief Technology Officer (CTO). From 2017, he oversaw company-wide management strategy as the Representative Director and Chief Executive Officer (CEO). He has knowledge and experience in the technology and markets of functional chemicals that the Company focuses on. He has been promoting reform of the Board of Directors to enhance its monitoring function since 2022, as the Chairman of the Board.

Term of office as Board Director: 9 years
Attendance at BoD meetings in 2024: 15/15
Please see the website for profile WEB

Hideki Somemiya

Skills possessed

Board Director, Chief Financial Officer (CFO)

He joined Nomura Research Institute, Ltd. in 1990. He has advanced expertise and extensive practical experience in corporate finance and accounting based on his track record as a financial officer at foreign investment banks and Sony Corporation. He also led strategies and business related to semiconductors and system solutions at Sony. Since joining the former Showa Denko in 2021, he has been implementing financial and accounting strategies to improve profitability and corporate value.

Term of office as Board Director: 3 years
Attendance at BoD meetings in 2024: 15/15
Please see the website for profile WEB

Tomomitsu Maoka

Skills possessed

Board Director, Chief Strategy Officer (CSO), Chief Risk Management Officer (CRO)

He joined A.T. Kearney, Inc. in 1999. He joined Renesas Electronics Corporation in 2013 after serving as a strategy and business manager at foreign companies. He has accumulated a track record in a number of corporate planning and China business management executive positions, and possesses advanced expertise and extensive practical experience in management strategy and global management of technology companies. Since joining the Company in October Since joining the Company in October 2021, he has been promoting the advancement of management strategy and risk management, as well as global expansion.

Term of office as Board Director: 3 years
Attendance at BoD meetings in 2024: 15/15
Please see the website for profile WEB

Nori Imai

Skills possessed

Board Director, Chief Human Resource Officer (CHRO)

She joined former Hitachi Chemical in 1995. In addition to sales experience in the US, she has experience in multiple businesses and corporate planning. She served as a leader from Hitachi Chemical during the integration of the two companies. Since 2022 after the integration, she has been leading the permeation of Purpose and Values, integration of HR systems and personnel systems, and laying the foundation for cultural transformation as the Chief Human Resource Officer (CHRO).

Term of office as Board Director: 1 year
Attendance at BoD meetings in 2024: 12/12
Please see the website for profile WEB

Toshiharu Kato

Skills possessed

Full-time Audit & Supervisory Board member

He has been involved for many years in the corporate planning department as well as in the finance and accounting departments both in Japan and overseas, and since 2017, he has served as the Chief Financial Officer (CFO), overseeing the finance and accounting departments. He has ample knowledge and extensive practical experience in management, finance, and accounting.

Term of office as A&S Board member: 6 years
Attendance at BoD meetings in 2024: 15/15
Attendance at A&S Board meetings in 2024: 14/14

Mitsuo Katayose

Skills possessed

Full-time Audit & Supervisory Board member

He joined former Hitachi Chemical in 1987. He was involved in R&D in the electronics materials area, functional materials business planning, and the automotive parts business, and led the creation of new businesses and products as Chief Technology Officer (CTO). After integration, as General Manager of the High Performance Materials Business Headquarters, he has promoted the integration of both companies' materials businesses and the creation of technical synergies. He has the ability, knowledge, and broad experience to perform audits of business operations in an accurate and fair manner.

Term of office as A&S Board member: 1 year
Attendance at BoD meetings in 2024: 12/12
Attendance at A&S Board meetings in 2024: 11/11

Masako Yajima

Skills possessed

Outside Member of Audit & Supervisory Board, Foreign Law Joint Enterprise Partner, Nishimura & Asahi

As an attorney at a law firm that focuses on corporate law, she handles cases related to crisis management and disputes. She has experience and a high level of insight as a lawyer with extensive international experience in corporate legal affairs. In addition to ensuring the appropriateness and legality of business execution in the globalization of the Company's business and M&As, she has been providing forward-looking legal advice utilizing knowledge and experience in preventive law.

Term of office as A&S Board member: 5 years
Attendance at BoD meetings in 2024: 15/15
Attendance at A&S Board meetings in 2024: 14/14

Yasuyuki Miyasaka

Skills possessed

Outside Member of Audit & Supervisory Board, President, Yasuyuki Miyasaka CPA Office

As a certified public accountant involved in audits domestically and internationally for many years, he possesses advanced expertise and extensive experience in corporate finance and accounting. He has served as an Outside Member of Audit & Supervisory Board of the Company since 2022 and provided advice from the perspective of ensuring the appropriateness of business execution. From his standpoint as a specialist, he provides useful advice on how the Company can earn sufficient returns that exceed its cost of capital.

Term of office as A&S Board member: 3 years
Attendance at BoD meetings in 2024: 15/15
Attendance at A&S Board meetings in 2024: 14/14

Kiyoko Toda

Skills possessed

Outside Member of Audit & Supervisory Board

She has extensive business experience and advanced expertise in corporate finance and accounting, and ethical compliance related to manufacturing and financial institutions that operate globally. She gained experience in the audit division of a major auditing firm, and has been involved in the management of Japanese subsidiaries of foreign companies as the head of the finance and accounting department and the ethics and compliance department.

Term of office as A&S Board member: 1 year
Attendance at BoD meetings in 2024: 12/12
Attendance at A&S Board meetings in 2024: 11/11

Corporate Officers

President

Hidehito Takahashi Chief Executive Officer (CEO)

Executive Vice President

Hiroyuki Yamashita General Manager, Electronics Business Headquarters, Resonac Corporation

Managing Corporate Officers

Hideki Somemiya Chief Financial Officer (CFO)

Managing Corporate Officers

Tomomitsu Maoka Chief Strategy Officer (CSO) / Chief Risk Management Officer (CRO)

Nori Imai Chief Human Resource Officer (CHRO)

Corporate Officers

Shigeru Fujita Chief Marketing Officer (CMO)

Nami Matsuko Chief Sustainability Officer (CSuO)

Corporate Officers

Naobumi Shimpo Chief Operations, Manufacturing and Engineering Officer (CMEO) / Chief Quality Officer (CQO)

Masato Fukushima Chief Technology Officer (CTO)

Satoshi Hara General Manager, Mobility Business Headquarters, Resonac Corporation

Takafumi Sakurada General Manager, High Performance Materials Business Headquarters, Resonac Corporation

Hidenori Abe CTO for Semiconductor Materials

Skill Matrix

The skills required of Board members identified to effectively discuss key agenda items set by Resonac Holdings are as follows:

	Name			Term of office (years)	Attendance at BoD meetings in 2024:	Attendance at A&S Board of Directors in 2024:	Global business	Portfolio management	Sustainability	Risk management	Finance / accounting / capital markets	Innovation	Human resource development / corporate culture	Legal / compliance
Board Director	Hidehito Takahashi			8	15/15		○	○	○		○		○	
	Kohei Morikawa			9	15/15		○	○	○			○		
	Hideki Somemiya			3	15/15		○	○	○		○		○	
	Tomomitsu Maoka			3	15/15		○	○	○	○				○
	Nori Imai			1	12/12		○	○	○				○	
	Tetsuo Tsuneishi	Outside	Independent	2	15/15		○				○		○	○
	Kenji Yasukawa	Outside	Independent	1	12/12		○	○	○			○	○	
	Masaru Onishi	Outside	Independent	-	Newly appointed					○			○	○
	Izumi Sakakibara	Outside	Independent	-	Newly appointed		○	○	○			○		
							8	7	7	2	3	3	6	3
Audit & Supervisory Board Members	Toshiharu Kato			6	15/15	14/14			○		○			
	Mitsuo Katayose			1	12/12	11/11		○				○		
	Masako Yajima	Outside	Independent	5	15/15	14/14				○				○
	Yasuyuki Miyasaka	Outside	Independent	3	15/15	14/14				○	○			
	Kiyoko Toda	Outside	Independent	1	12/12	11/11					○			○
							0	1	1	2	3	1	0	2

Corporate Governance

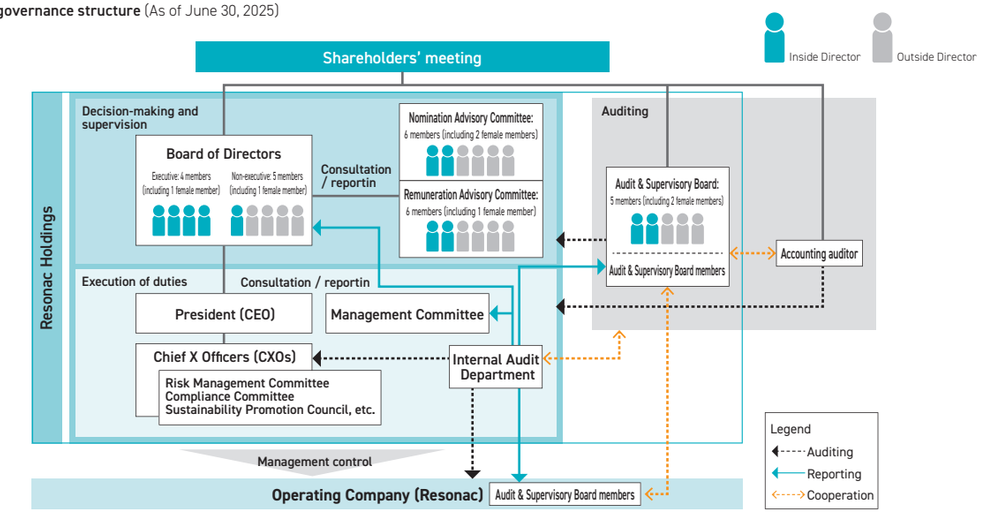
Please also read the "Corporate Governance" page on our website.

Basic Policies

Resonac believes in the importance of continuously enhancing its corporate governance in terms of supporting efforts to create the functions required of an advanced materials partner according to the times; contributing to the sustainable development of global society; and realizing the Group's Purpose of "Change society through the power of chemistry."

Company shall ensure soundness, effectiveness and transparency of management and swift decision-making. The Company shall also build a system that allows us to demonstrate our corporate value and fully take advantage of our resources, with a focus on objectives such as strengthening our management and technological foundations and improving the capabilities and motivation of our employees.

Corporate governance structure (As of June 30, 2025)



Board of Directors

Chairperson Inside director not in charge of business execution Meeting frequency Once a month in principle

Audit & Supervisory Board

Chairperson Inside full-time Audit & Supervisory Board member Meeting frequency Once a month in principle

Nomination Advisory Committee

Chairperson Outside director Meeting frequency 5 or 6 times a year

Remuneration Advisory Committee

Chairperson Outside director Meeting frequency 3 or 4 times a year

Management Committee

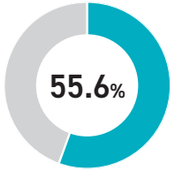
President, CXOs, and division heads whose presence on the committee is deemed necessary by the president

Chairperson President Meeting frequency Twice a month in principle

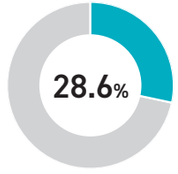
Ratio of Outside Directors

Ratio of Outside Officers
(Directors, Audit & Supervisory Board members)

Ratio of Directors Not in Charge of Business Execution



Ratio of Female Officers
(Directors, Audit & Supervisory Board members)



Corporate Governance

Evaluation of the Board of Directors' Effectiveness

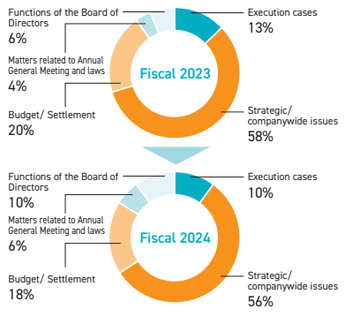
Evaluation method

The Company evaluates the effectiveness of the Board of Directors every year, aiming to strengthen corporate governance and improve effectiveness of the Board of Directors in and after the next fiscal year. To be specific, in December 2024, the Company surveyed respective Directors and Audit & Supervisory Board Members through unidentified questionnaires and free descriptions to evaluate the effectiveness of the Board of Directors in fiscal 2024. Then, in March 2025, the Board of Directors held a meeting for all directors and Audit & Supervisory Board members to discuss the collected self-evaluation results and the discussions on the Board of Directors reform held in fiscal 2024, create a summary of the evaluation results for fiscal 2024, and formulate an action plan for fiscal 2025. Note that we have outsourced the questionnaire survey and aggregation of the results to an outside institution in order to ensure its objectivity and enhance future effectiveness of the Board of Directors.

Evaluation results (Actions taken in 2024)

Issues recognized in the review of the management of business in fiscal 2023	● Discrepancies exist in the skills which are recognized as being necessary for the members of the Board of Directors. Discussion on this matter requires a lot of time. ● An agenda setting appropriate for monitoring is required. ● Some Directors said it is necessary to improve information sharing with advisory committees. Some Directors also said it is necessary for the Board of Directors to have substantial discussion about requests from investors.
Action plan for fiscal 2024	1. Continue discussion on how the Board of Directors' meetings should be (including composition of the Board of Directors and skills of each Director) in order to make it function effectively as a monitoring board. 2. Formulate and implement agenda optimized for the Board of Directors to function as a monitoring board. 3. Enhance effectiveness of the Board of Directors through continuous improvement in various opportunities of communication and information sharing.
Actions taken in fiscal 2024	1-1 To further invigorate discussions, we added a new category of agenda items titled "Discussion Items" in addition to the previous resolution and reporting matters. 1-2 Utilized "Discussion Items" and forums for exchange of opinions to articulate the Board of Directors' supervisory function, clarified the subjects of supervision, and engaged in deep discussions about the skills that the Board should possess 2-1 Conducted discussions regarding the subjects that the Board should supervise and corresponding agenda discussions, as well as discussions on agenda setting for 2025 2-2 Starting from fiscal 2024, established and commenced operation of an agenda focused on the Company-wide key issues 2-3 Established a follow-up cycle for issues identified by the Board of Directors, and set an agenda based on these identified issues 3-1 Improved the sharing of the content of pre-meeting explanations and began supplemental explanations during proposal presentations based on prior explanations 3-2 Shared the minutes of advisory committee meetings with Board members who are not committee members, and initiated presentations by committee chairs on key discussion points at the Board of Directors' meetings 3-3 Started holding meetings between the accounting auditor and outside directors 3-4 Held lunch meetings among outside officers only, including Outside Members of Audit & Supervisory Board

Changes in the characteristics of matters discussed at the Board of Directors' meetings caused by changes in standards for bringing up matters for discussion to the Board of Directors' meetings



[Strategic/companywide issues]
- Business strategies, portfolio reform, and human resource strategies Strategies for R&D and intellectual properties, governance system
- Material issues for sustainability
- Progress in risk management promotion, important CXO issues, etc.

Action plan for fiscal 2025 based on the reviews of business execution in fiscal 2024 is as follows.

Issues recognized in the review of the management of business in fiscal 2024	● While there are voices expressing appreciation for efforts to optimize the agenda in terms of the appropriateness of proposals, there is also a call for further enhancement of strategic discussions over the medium to long term ● Feedback on investor opinions and the sharing of information from advisory committees have received mixed evaluations among members. There are calls for improvements in the quantity and quality of information, opportunities for better understanding of the Company, and collaboration with various organizations. ● Although a common understanding has been established regarding the role that the Board of Directors should fulfill, there is a significant disparity in evaluations of the Board's composition between inside and outside officers, with calls for discussions on independence and diversity
Action plan for fiscal 2025	1. Focus on enhancing the functions of the Board as a monitoring body by optimizing the agenda centered around sustainability, portfolio management, and risk management as well as deepening of discussions 2. Enhance effectiveness of the Board of Directors through continuous improvement in various opportunities of communication and information sharing. 3. Continue discussion on the functioning of the Board of Directors (including its composition).

Information sharing and dialogue with outside directors

With the aim of further improving its effectiveness, the Board of Directors also holds lunch meetings and plant visits, among other measures, to increase opportunities for information sharing and dialogue. In November 2024, we held the first Board meeting outside the Head Office since the COVID-19 pandemic at the Kawasaki Plant. On the day of the meeting, Board members shared information on the status of sustainability initiatives, including carbon neutrality and non-financial KPIs, as well as activities to enhance engagement, and engaged in lively discussion. They also toured our plastic chemical recycling (KPR) facilities, which served as an opportunity to deepen their understanding of the business.

Nomination Process

Approach to nomination

In electing and nominating candidates for Directors, the Nomination Advisory Committee, an advisory body to the Board of Directors, that consists of a majority of independent outside directors shall deliberate matters related to nomination and report the results of its deliberation to the Board of Directors. Candidates for Audit & Supervisory Board Members shall have the knowledge, expertise and capabilities required to fulfill their duties, including those with strong expertise in finance and accounting.

Composition of the Nomination Advisory Committee

Chairman: Tetsuo Tsuneishi (Outside Director)
Members: Hidehito Takahashi (Representative Director; President and Chief Executive Officer)
Nori Imai (Director)
Kenji Yasukawa (Outside Director)
Kozo Isshiki (Outside Director)*1
Noriko Morikawa (Outside Director)*1
Masaru Onishi (Outside Director)*2
Izumi Sakakibara (Outside Director)*2

*1. Retired on March 26, 2025
*2. Assumed office on March 26, 2025

The meeting was held seven times from April 2024 to March 2025, and all members attended all meetings.

Selection criteria for Directors

- Directors must possess deep knowledge and insights, strong sense of ethics, and fair and impartial judgment required to fulfill their duty of enhancing corporate value over the short, medium, and long term.
- Directors must be of excellent character, possess a strong will to fulfill their duties, and be able to maintain a healthy mind and body.
- Directors must be able to secure the time and effort necessary to properly fulfill their roles and responsibilities.
- Directors must not fall under any of the grounds for disqualification of a director as stipulated in Article 331, Paragraph 1 of the Companies Act.
- The appointment of such directors must help maintain diversity in the expertise, experience and attributes of the Board of Directors and ensure efficient and effective corporate governance.

Additional selection criteria for Outside Directors

- Outside directors must supervise the management of the Group and conflicts of interest between the Company and the management team, and be able to provide appropriate advice on business execution.
- Outside directors must meet the independence criteria for outside officers established by the Company.
- In principle, the term of office shall be no more than four years. If the term of office is to be extended beyond this period, a request must be made by the Nomination Advisory Committee and the relevant outside director must consent to it.

Dismissal of the CEO or other members of management

If any concern arises that a Director may fall under the criteria for dismissal, the Nomination Advisory Committee shall investigate and deliberate the matter and report the results to the Board of Directors, which shall then make a final decision to present the matter as a proposal for the General Meeting of Shareholders.

Implementing a succession plan

The Company is conducting company-wide talent reviews, at the Groupwide and global levels, to cultivate the future leaders who will be necessary to advancing its growth strategies.

The Nomination Advisory Committee discusses and confirms the viability of management's selection of potential successors and its formulation of development processes. The Board of Directors continually monitors all succession planning initiatives based on reports from the Committee.

Corporate Governance

Officer Remuneration

Basic policies on remuneration

The policy for determining the amount of remuneration and number of shares to be granted to respective directors of the Company is established by the Board of Directors after the Remuneration Advisory Committee, comprising a majority of outside and independent officers, deliberates on the appropriateness of the policy each fiscal year. While deliberating, the Remuneration Advisory Committee considers consistency with the Policy for Determining Remuneration for Directors and Corporate Officers, the evolving business environment, and feedback from shareholders and investors. Additionally, it sources essential information for its discussions from third-party organizations with extensive global experience and knowledge.

Composition of the Remuneration Advisory Committee

Chairman: Kenji Yasukawa (Outside Director)
Members: Hidehito Takahashi (Representative Director; President and Chief Executive Officer)
Hideki Somemiya (Director)
Tetsuo Tsuneishi (Outside Director)
Kozo Isshiki (Outside Director)*1
Noriko Morikawa (Outside Director)*1
Masaru Onishi (Outside Director)*2
Izumi Sakakibara (Outside Director)*2

*1. Retired on March 26, 2025
*2. Assumed office on March 26, 2025

The meeting was held seven times from April 2024 to March 2025, and all members attended all meetings.

Primary roles and authority of the Remuneration Advisory Committee

Matters to be resolved	Matters to be deliberated or confirmed
● Basic compensation for individual directors ● Targets and evaluation of performance indicators associated with short-term incentives (STIs) for directors, and amounts paid to individual directors ● Position-based standard points, TSR evaluation,and the number of earned points and shares to be delivered to individuals associated with long-term incentives (LTIs) for directors	● Policy for determining the remuneration for Directors and Corporate Officers ● Details of remuneration for respective corporate officers (excluding those concurrently serving as directors) ● Formulation, amendment, or revocation of significant company rules and procedures related to remuneration for directors and corporate officers, along with descriptions presented in important public announcements and other relevant communications

In order to appropriately fulfill its roles and exercise authority when deliberating and making decisions, the Remuneration Advisory Committee carefully considers consistency with the Policy for Determining Remuneration for Directors and Corporate Officers, while also accounting for the evolving business environment and feedback from shareholders and investors. Furthermore, the Committee obtains information, advice, and other insights necessary for its deliberations from Willis Towers Watson (WTW), a third-party organization with a wealth of international experience and knowledge.

Compensation consultants from WTW were present at six out of the seven meetings of the Remuneration Advisory Committee throughout the period. The Remuneration Advisory Committee reported the matters deliberated upon or resolved to the Board of Directors in a timely and appropriate manner during the period. Accordingly, the Board of Directors is confirming the reasonableness and appropriateness of the reported matters.

Matters discussed, etc.

Time of meeting and matters discussed		Participants
January and March 2024	● Determined the individual standard compensation amounts and the number of LTI standard points to be granted to each director for fiscal 2024 ● Discussed the evaluation of performance indicators (consolidated financial results and personal performance) for the fiscal 2023 STI to determine the individual amounts to be paid to each director. The process of personal performance evaluations for each evaluated director (President and CEO, CRO, CFO, CSO) began with an initial assessment by the President and CEO (including a self-evaluation for the President and CEO). The final evaluations were then conducted through deliberation and confirmation of their appropriateness. ● For LTIs for fiscal 2022 and 2023, determined the number of shares to be delivered to directors who resigned in March 2024 (based on the TSR evaluation through the end of the fiscal year immediately preceding resignation). ● Discussed and determined the targets of performance indicators (consolidated financial results and personal performance) for the fiscal 2024 STI. Deliberated and confirmed the appropriateness of personal performance targets after receiving explanations from each director and candidate for a director (President and CEO, CFO, CSO/CRO, CHRO) who were under evaluation. ● Confirmed the details of remuneration for directors and corporate officers that were to be disclosed in the Business Report and Securities Report for fiscal 2023.	All members (excluding newly appointed members)
July, September, October, November and December 2024	● Confirmed that the remuneration for directors and corporate officers for fiscal 2024 was appropriate in accordance with the Policy for Determining Remuneration for Directors and Corporate Officers. Meanwhile, we also held repeated discussions about what kind of attractive remuneration would be appropriate for the management team of a company that can compete on the world stage to further support our reforms toward global top-level functional chemical company and the maximization of our corporate value. Specifically, discussions were focused on revisions to compensation benchmark companies, increasing remuneration levels (especially performance-linked remuneration), reviewing the TSR evaluation method for LTI (PSUs), introducing a new LTI (performance-linked RS), and enhancing our shareholding guidelines. ● Considered granting stock-based compensation (RS) to outside directors in order to encourage them to supervise and advise management with an awareness of enhancing corporate value over the medium to long term. ● Examined the remuneration level and composition for the position of the Chairman of the Board of Directors to be established from fiscal 2025, based on its role and responsibilities, as well as remuneration levels at other companies. ● Confirmed the submission of a remuneration revision proposal related to the above at the 116th Ordinary General Meeting of Shareholders.	

*1 PSU: Performance share unit *2 RS: Restricted stocks

Details of remuneration for Directors and Corporate Officers for fiscal 2024

Remuneration of Directors and Audit & Supervisory Board members

Category	Total amount paid (Millions of yen)	Total amount paid by remuneration type (Millions of yen)			Number of recipients
		Basic compensation	Short-term incentive (STI)	Long-term incentive (LTI)	
Directors	623	338	119	166	11
Outside directors	70	70	—	—	5
Audit & Supervisory Board members	111	111	—	—	7
Outside Audit & Supervisory Board members	44	44	—	—	4

*1 The amounts of basic compensation and STI are the total amount of compensation paid in fiscal 2024 (all monetary compensation).
*2 The amount of STI above is the total amount of compensation paid in March 2024 (all monetary compensation), based on the performance and other results achieved during fiscal 2023.
*3 The amount of LTI above is the total amount expensed in fiscal 2024. The Company's LTI represents the number of shares of the Company's stock determined based on the results of the three-year TSR (Total Shareholder Return) evaluation, which will be promptly delivered after the end of the said three-year TSR evaluation period (50% will be delivered in cash at fair market value). For the LTI management, we utilize the Stock Benefit Trust of Mizuho Trust & Banking Co.
*4 The amount of remuneration for directors for fiscal 2024 was resolved at the 113th Ordinary General Meeting of Shareholders held on March 30, 2022, and the details are as presented below. The STI and LTI amounts are paid to directors, excluding outside directors.

Category	Date of resolution of the General Meeting of Shareholders	Monetary remuneration (Basic Compensation + STI)	Stock-based compensation (LTI:BBT)		Number of applicable persons
			Contribution amount	Points granted	
Directors	The 113th Ordinary General Meeting of Shareholders held on March 30, 2022	Up to ¥850 million per year (of which, outside directors: ¥100 million)	3 fiscal years Up to ¥1.35 billion	1 fiscal year Up to 410,000 points	10 (of which, 4 outside directors)

* The amount of remuneration for directors from fiscal 2025 onward was resolved at the 116th Ordinary General Meeting of Shareholders held on March 26, 2025, and the details are as presented below. For STI and BBT, the amount is for executive directors. BBT-RS is a stock benefit trust with Mizuho Trust & Banking Co. related to newly introduced restricted stock (RS), and is available to all directors (including non-operating executive and outside directors).

Category	Date of resolution of the General Meeting of Shareholders	Monetary remuneration (Basic Compensation + STI)	Stock-based compensation (LTI:BBT and BBT-RS)		Number of applicable persons
			Contribution amount	Points granted	
Directors	The 116th Ordinary General Meeting of Shareholders held on March 26, 2025	Up to ¥1.1 billion per year (of which, outside directors: ¥150 million)	3 fiscal years Up to ¥2.2 billion per year (of which, outside directors: ¥100 million)	1 fiscal year Up to 410,000 points (of which, outside directors: 20,000 points)	9 (of which, 4 outside directors)

* The amount of remuneration for Audit & Supervisory Board members was resolved at the 96th Ordinary General Meeting of Shareholders held on March 30, 2005 to be no more than ¥12 million per month. The number of Audit & Supervisory Board Members as of the close of the said General Meeting of Shareholders was four including three Outside Member of Audit & Supervisory Board.

Individual remuneration amounts (limited to the President and CEO or those with a total amount of remuneration paid by the Group of ¥100 million yen or more)

Principal position and name during fiscal 2024	Total amount paid (Millions of yen)	Total amount paid by remuneration type (Millions of yen)			Company category
		Basic compensation	Short-term incentive (STI)	Long-term incentive (LTI)	
President and CEO Hidehito Takahashi	180	74	50	56	Resonac Holdings
Chairman of the Board Kohei Morikawa	149	66	33	50	Resonac Holdings

Please see page 89-90 of our securities reports for the calculation method and evaluation results of performance-linked compensation for fiscal 2024. (in Japanese only)

Corporate Governance

"Policy for determining the remuneration for Directors and Corporate Officers" for fiscal 2025 and changes thereto

Method for determining the Policy for determining the remuneration for Directors and Corporate Officers

The policy for determining the remuneration for respective directors of the Company is established by the Board of Directors after the Remuneration Advisory Committee, comprising a majority of outside and independent directors, deliberates on the appropriateness of the policy each fiscal year. While deliberating, the Remuneration Advisory Committee considers the evolving business environment, along with feedback from shareholders and investors. Additionally, it sources essential information for its discussions from third-party organizations with extensive global experience and knowledge.

Main changes applied in fiscal 2025

With the aim of becoming a World-class Functional Chemical Company, we are rapidly revamping our business portfolio and focusing investments on growth businesses. In order to realize attractive remuneration appropriate for a company that can compete on the world stage and to acquire and retain talented management personnel, from fiscal 2025 we have shifted to remuneration levels and systems that match those of major manufacturing companies with global operations at their core. Furthermore, to encourage outside directors to supervise and provide advice to management with an awareness of enhancing corporate value over the medium to long term, we will grant them stock-based compensation equivalent to approximately 10% of their total basic compensation (excluding allowances for committee members and chairpersons). Outside Director The main changes from fiscal 2025 are as follows.

Item	Before revision	After revision
Compensation benchmark companies	Companies of the same size and in the same industry, including the chemical industry, are selected	Major manufacturing companies with global operations at their core are selected
Compensation composition ratio (basic compensation: STI standard amount: LTI standard amount)		
President	40%:30%:30%	25%:25%:50%
Managing Corporate Officers	50%:25%:25%	42%:29%:29%
LTI		
PSU system	The Company's three-year TSR is compared and evaluated against those of domestic companies in the chemical and textile industries. Points are awarded based on this, with shares equivalent to the number of accumulated points delivered at the time of resignation.	The Company's three-year TSR is compared and evaluated against those of domestic companies in the chemical and textile industries and major stock price index constituents in Europe and the U.S. Shares, etc., and shares are delivered based on the evaluation (a certain percentage of the shares delivered (initially expected to be 50%) will be paid in cash equivalent to the market value).
Introduction of performance-linked RS	(Newly established)	RS will be delivered to executive directors based on annual sustainability evaluations (transfer restrictions will be lifted upon resignation; a certain percentage of the delivered RS (initially expected to be 30%) will be retained as points and paid in cash equivalent to their market value at the time of resignation)
Introduction of RS	(Newly established)	RS (transfer restrictions will be lifted upon resignation) equivalent to approximately 10% of basic remuneration (excluding allowances for committee members and chairpersons) will be granted to outside directors each fiscal year
Remuneration for the Chairman of the Board	(Newly established)	Remuneration for the Chairman of the Board (inside director) consists of basic remuneration and LT (IRS) based on his/her roles and responsibilities
Shareholding guidelines (President)	Strive to hold shares worth at least 1.5x basic remuneration	Strive to hold shares worth at least 3.0x basic remuneration

Policy for determining the remuneration for Directors and Corporate Officers

Basic policies

[Directors (excluding Outside Directors)]

- Establish a remuneration scheme appropriate for recruiting and retaining talented human resources from inside and outside Japan suited to a World-class Functional Chemical Company
- Incentivize them to achieve performance targets and increase medium- to long-term corporate value, thereby driving the sustainable growth of the Group
- IMaintain a transparent, fair, and rational process for deciding remuneration from the viewpoint of accountability to all shareholders including stakeholders

[Outside Directors]

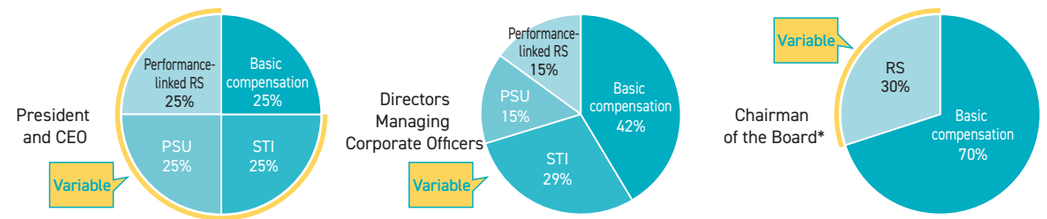
- A remuneration scheme appropriate for the role and responsibility of supervising management from an independent and objective standpoint, and providing advice on management that is conscious of enhancing corporate value over the medium to long term

Composition and levels of remuneration

[Directors (excluding Outside Directors)]

- The remuneration of directors (excluding outside directors) consists of basic compensation (fixed compensation) based on the position, a short-term incentive (STI) tied to annual performance, and a stock-based compensation (LTI) contingent upon medium- to long-term performance and corporate value. Stock-based compensation (LTI) consists of performance share units (PSUs), in which common stock of the Company is delivered according to business performance and stock price over a three-year period, and performance-linked RS, in which restricted stock (RS) is delivered based on annual sustainability evaluations.
- Remuneration levels and the ratio of variable compensation (STI and LTI) to total compensation are established at appropriate amounts and ratios, aligning with benchmarks from other companies (comparison with major manufacturing companies with global operations at their core) based on surveys conducted by external specialized organizations. Given the substantial responsibility for business performance and stock price, the proportion of variable compensation will be set higher for higher-ranking positions.
- Notwithstanding the above, remuneration for the Chairman of the Board will be individually set according to their respective roles and responsibilities.

Composition of remuneration for directors (standard amount) for fiscal 2025



* Remuneration for the Chairman of the Board, whose primary role is to oversee management (in their capacity as chairperson), will consist of base remuneration and Restricted Stock (RS) without performance conditions. Transfer restrictions for RS will be lifted upon resignation.
* As figures are rounded to the nearest whole number, the sum of each column may not add up to 100%.

[Outside Directors]

- Compensation for outside directors consists of basic compensation (fixed compensation) and restricted stocks (RS). Transfer restrictions for RS will be lifted upon resignation.
- The members and chairman of the Remuneration Advisory Committee or the Nomination Advisory Committee receive additional allowances corresponding to their designated duties.
- RS shall be approximately 10% of basic remuneration (excluding allowances for committee members and chairpersons).
- The levels of remuneration are established at appropriate amounts, considering the time and efforts spent by each outside director to fulfill their expected roles and functions, as well as benchmarks from other companies (comparison with major companies across all industries with global operations at their core) based on surveys conducted by external specialized organizations.

Corporate Governance

Short-term Incentive (STI)

The amounts to be paid to individuals as STI are calculated by multiplying the position-based standard amount by two factors: (1) companywide performance evaluation coefficient (evaluation ratio of 70%); and (2) personal performance evaluation coefficient (evaluation ratio of 30%). This approach aims to enhance incentives for achieving companywide performance targets. The performance evaluation coefficient ranges from 0% to 200%, based on performance results and other factors.

Individual amount granted as STI = Position-based standard amount × ((1) Companywide performance evaluation coefficient + (2) Personal performance evaluation coefficient)

Key performance indicators (KPIs) used to calculate the companywide performance evaluation coefficient and the personal performance evaluation coefficient are selected from the financial and strategic indicators prioritized by the Company to achieve its Long-term Vision.

Key Performance Indicators (KPIs) for the fiscal 2025 STI

	KPIs	Evaluation weight	Reasons for selection
(1) Company-wide performance evaluation	EBITDA*1	20%	**Indicators for becoming a World-class Functional Chemical Company** Through business growth centered on electronics + innovation and structural reform, we aim for scale and profitability appropriate for a company that can compete on the world stage.
	EBITDA margin to sales*2	30%	
	ROIC*3	20%	**Indicators for maximizing corporate value and profit distribution to shareholders** In addition to fitness for strategy and best owner, encourage management that is more aware of discipline (profitability and capital efficiency), aiming to further enhance portfolio management and improve medium to long-term ROE.
(2) Personal performance evaluation	Endeavors aligned with the long-term vision, actions to resolve sustainability issues, and more.	30%	Strongly encourage management from a long-term perspective to attain sustainable growth of the Company

*1. EBITDA = Core operating profit + Depreciation and amortization
*2. EBITDA margin to sales = EBITDA ÷ Consolidated revenue
* When evaluating performance for 1 and 2 above, the exchange rates used for full-year forecasts for fiscal 2025 (announced on February 13, 2025) are applied to make a foreign currency adjustment.
*3. ROIC = (Core operating profit ± Equity in earnings of unconsolidated subsidiaries and affiliates − Income taxes expense) ÷ (Interest-bearing debt + Total equity)

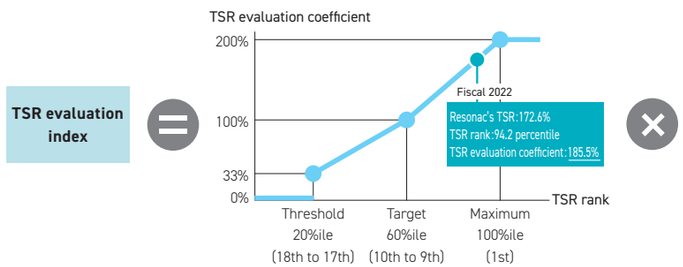
Performance Share Unit (PSU)

Our PSU system is designed to deliver a certain number of shares calculated by multiplying the standard points based on the position-based standard amount by a coefficient (0 to 240%) corresponding to the Company's TSR (Total Shareholder Return) over a three-year period, with the aim of enhancing corporate value in the medium to long term.

The TSR evaluation coefficient will be determined by comparing Resonac's three-year TSR with that of the domestic peer group (chemical and textile companies of similar size or larger that operate a similar business model to Resonac) and with the growth rate of stock indices composed of chemical companies in Europe and the U.S. To ensure objectivity and transparency, benchmark indices that are widely recognized among shareholders and investors will be selected as stock indices in Europe and the U.S. A certain percentage of the delivered shares (expected to be 50% initially) will be paid in cash equivalent to their market value.

2025 PSU plan (Evaluation period: January 2025 to December 2027)

Comparison with domestic peer group*1



*1 Chemical and textile companies of similar size or larger that operate a similar business model to Resonac (22 companies)

Comparison with major European and U.S. stock indices*2

TSR ÷ Index growth rate (European/U.S. average)	Adjustment coefficient
120% or more	120%
110% - 120%	110%
90% - 110%	100%
80% - 90%	90%
Less than 80%	80%

*2 The growth rate of the STOXX Europe 600 Chemicals index will be used for Europe, and the growth rate of the S&P 500 Chemicals (Industry) index will be used for the U.S.

The TSR evaluation coefficient (actual figure) for the fiscal 2022 LTI was 185.5%, based on our TSR (172.6%) for the three years spanning January 2022 to December 2024 and our ranking among 22 companies in the chemical and textile industries (94.2 percentile, i.e., between second and third place of the 22 companies).

TSR benchmarks (22 companies)

Chemical
- Mitsubishi Chemical Group
- SUMITOMO CHEMICAL
- Asahi Kasei
- Kao
- Mitsui Chemicals
- Shiseido
- Nippon Paint Holdings
- Nitto Denko
- Tosoh
- DIC
- FUJIFILM Holdings
- Shin-Etsu Chemical
- SEKISUI CHEMICAL
- Nippon Sanso Holdings
- AIR WATER
- Unicharm
- UBE
- MITSUBISHI GAS CHEMICAL
- KANEKA
- Kuraray

Textile
- Toray Industries
- TEIJIN

Performance-linked RS

We introduced performance-linked RS from fiscal 2025 to strengthen management that is conscious of stock price and support the realization of Sustainability Vision 2030. The performance-linked RS system is designed to deliver a certain number of restricted stock (RS) calculated by multiplying the standard points based on the position-based standard amount by a coefficient based on annual sustainability evaluations. The delivered RS will be non-transferable until resignation. A certain percentage of the calculated number (expected to be 30% initially) will be retained as points and paid in cash equivalent to the market value at the time of resignation.

The sustainability evaluation coefficient for fiscal 2025 will be determined based on the employee engagement score, the degree of implementation score for the Purpose and Values, and the achievement status of the number of certified Resonac Pride Products and Services*.

Number of shares delivered to individuals = Position-based standard points x Sustainability evaluation coefficient (85%–115%)

* Resonac Pride Products and Services are initiatives to demonstrate our Purpose and Values through our business. In terms of certification, we aim to integrate the points of view of third parties in evaluation from the perspectives of value provided to customers and society by changing society based on our Purpose as well as the appropriateness of Resonac's four Values, risk assessment such as product environmental assessment and reputation, future potential and impact such as sales plans and market share, and relevance to shared global goals (SDGs). P127 / Resonac Pride Products and Services for more details.

P127/Resonac Pride Products and Services

Restricted stocks (RS)

RS will be delivered to the Chairman of the Board (inside director) and outside directors each fiscal year (after the end of each fiscal year) to encourage them to supervise and advise management with a focus on enhancing corporate value over the medium to long term. The delivered RS will be non-transferable until resignation. RS delivered to outside directors shall be approximately 10% of basic compensation (excluding allowances for committee members and chairpersons).

Adjustment of compensation, request for return of compensation, etc.

In case of deterioration in the Company's business performance, or such problems that could damage its corporate or brand value as quality issues, serious accidents, or scandals, the Company reserves the right to temporarily decrease or withhold remuneration and other benefits for directors.

Regarding the short-term incentive (STI), if temporary special factors emerge, which was not anticipated when the targets were set at the beginning of the period, individual amounts may be recalculated based on reassessed performance and other elements with the exclusion of the impact of such factors.

Regarding the short-term incentive (STI) and long-term incentive (LTI), if a director or corporate officer is involved in misconduct or if payment was made based on incorrect financial statements, the Company may nullify the right to receive associated benefits on account of such fact or demand return of compensation already paid to the individual concerned.

Cross-Shareholdings

Policy on reduction of cross-shareholdings

In principle, the Group adheres to a policy of not engaging in cross-shareholdings, and steps are currently underway to reduce existing cross-shareholdings.

Review on the appropriateness of cross-shareholdings

The Board of Directors verifies each year whether the profitability and business feasibility of holdings are rational given the associated capital costs.

Voting right exercise standard

When the Company exercises its voting rights of cross-shareholdings, the company shall decide approval or disapproval of each item on the agenda by examining whether the item contributes to increasing corporate value and maintaining/increasing shareholders' returns or not.

Holdings for which numbers of shares held increased in fiscal 2024*

	Holdings	Acquisition costs of additional shares (Millions of yen)	Reason for increase
Unlisted stocks	—	—	—
Stocks other than unlisted stocks	—	—	—

Holdings for which numbers of shares held decreased in fiscal 2024*

	Holdings	Sales proceeds associated with reduction in the number of shares (Millions of yen)
Unlisted stocks	6	145
Stocks other than unlisted stocks	—	—

Numbers of cross-shareholdings and amount on the balance sheet*

	Holdings	Amount on the balance sheet (Millions of yen)
Unlisted stocks	62	1,709
Stocks other than unlisted stocks	1	179

*We do not hold any listed shares as of June 30, 2025.