Material Issues and Non-financial KPI Targets and Results

Resonac's material issues consist of management issues that contribute to realizing its long-term vision in terms of both society's expectations and degree of importance to the Company. Material issues are discussed and determined by the entire management team at the Sustainability Promotion Council, taking into consideration the intent of the frontlines through individual discussions in each CXO area (function). Material issues are reported to the Board of Directors and continually reviewed while exchanging opinions with internal and external stakeholders. We will maximize corporate value by creating an environment conducive to long-term growth, continuing to record profits (economic value), and contributing to the sustainability of society (creating social and environmental value and minimizing/eliminating negative impacts). We also continue to review the opportunities and risks associated with the three material issues.

Material issues

	Gain credibility through responsible business management	Strengthen co-creativity & competitiveness and create social value through innovation and business	Develop autonomous, creative, and active human resources and culture
Economic value	**Improvement of motivation, raising of productivity, reduction of costs, and enhancement of brand value** through eradication of all types of accidents and other incidents and increased efficiency of internal processes	Enhancement of corporate value by achieving **business growth** through the provision of social and environmental value **Enhancement of employee motivation** by helping employees to gain a solid sense that we are realizing our purpose through our businesses	**Active involvement of employees and higher employee motivation** through strategic job rotations and development of leaders from the perspective of Companywide optimization and realization of high productivity
Social value	**Balancing of our contribution to the resolution of social issues and duty** as a chemical manufacturer through responsible business management	**Maximization of our positive impact and minimization of our negative impact on society and the environment** through the thorough implementation of responsible consumption and production as a chemical manufacturer that serves as the basis for a variety of industries	**Resolution of social issues by co-creation and innovation** through the growth and active involvement of autonomous and creative co-creative talent and the nurturing of a corporate culture conducive to the attainment of such objectives
Environmental value	**Reduction of environmental impact** through reduction of GHG emissions, waste reduction, and improved recycling rates		

Components of opportunities and risks

Risks	● Loss of trust in society due to environmental, safety, and quality incidents ● Weakening of the management foundation due to lack of understanding of potential risks and lack of appropriate risk-taking ● Decline in co-creation capabilities and competitiveness due to delayed response to regional and national laws and regulations and soft law, including international norms	● Obsolescence of material manufacturers' technologies due to development of digital and AI technologies ● Decline in co-creation capabilities and competitiveness due to delayed response to environmental and social issues ● Decline in co-creation capabilities and competitiveness due to delays in industry restructuring and portfolio reform	● Personnel retention risk due to inability to cultivate and maintain organizational culture and engagement ● Stagnation of innovation due to lack of psychological safety
Opportunities	● Helping customers ensure quality by offering safe and secure products and services ● Increased added value through realization and maintenance of advanced manufacturing processes	● Creation of social value based on applicability to resolution of wide-ranging social issues (environment-friendly products, new materials, etc.) ● Enhancement of corporate value by flexibly responding to changes in customers and capital markets and to their expectations	● Facilitation of innovation through development and creation of co-creative human resources

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

Composition	Key items (Non-financial KPIs)	2025 Targets	2024 targets
Creation of social value through our businesses	Resonac Pride Products and Services*1	● Completion of accreditation for major products by open process in each business	● Through internal and external review committees, the gasification chemical recycling business for used plastics at the Kawasaki Plant and the Packaging Solution Center's initiatives to promote open innovation in semiconductor packaging materials and processes were certified as Resonac Pride Products and Services. ● Set as a key performance indicator (KPI) for executive remuneration
	CFP*2-related initiatives	● Completion of CFP calculation for major products	● In Japan: Complete calculations for approximately 50% of applicable products
Marketing	Create large-scale projects through the penetration of problem-solving marketing	● Launch new theme creation projects in each business area	● Establishment of a new development team to identify key development areas for major themes. Start exploring how to approach projects to create new themes
	Use of digital platforms	● Strengthening of overseas and regional information dissemination using digital marketing	● Automation of digital marketing in cooperation with business units takes root, contributing to the creation of new key projects
		● Contribute to sales efficiency and business growth by utilizing customer data and project information from CRM*3 tools	● Increase in the number of business units using CRM tools. Utilization of data from CRM tools to increase sales productivity
Open innovation, R&D and intellectual property strategies	Co-creation with internal and external parties	● Promotion of open innovation and increase of the ratio of external cooperation themes / year on year increase in the number of papers and external presentations	● Promotion of open innovation / Cooperation outside the Company: 56 (2023: 59) ● Number of papers and external presentations: 196 (2023: 192)
	Strengthening of R&D and intellectual property strategies	● Increase in the CFP calculation ratio and enhancement of intellectual property indicators, such as Market Coverage (MC), which indicates market value, and Technology Relevance (TR), which indicates technological value	● CFP calculation ratio: 32% (2023: 31%) ● Intellectual property indicators MC: 0.76, TR: 1.09 (2023: MC: 0.75, TR: 1.02)
	Human resource development	● Assignment of leaders and professional-minded human resources at an appropriate ratio / Completion of a venue for co-creation	● Start exploring human resource development and placement using the Five Factors & Stress (FFS) theory ● Fostering a culture of co-creation through leadership networking events and various working groups within the CTO organization
Digital transformation	Data-driven management	● Completion of preparations for level-one master data for financial KPIs that can be automatically accumulated ● Completion of creation of GHG visualization and data acquisition process	● Definition of master structure for unified management across the Company with a focus on the key master data. Completion of a prototype management tool for some master data ● Company-wide rollout of a unified management system aimed at visualizing and reducing GHG emissions. Start of process design for the visualization and reduction of Scope 3 emissions, and product-specific LCA calculation
	Promotion of digital transformation and development of professional-minded human resources	● Horizontal deployment of IT/DX business partners' activity knowledge and start of business units' self-led BPR project promotion activities ● Optimization of personnel allocation by utilizing the skills and competencies of talent in the CDO organization	● Promotion of BPR projects utilizing business process improvement methods, as it was discovered that half of the company's IT/DX issues were caused by business processes ● Implementation of training using visualized skill assessments and clarification of organizations' human resource issues
	Enhancement of IT and digital literacy	● Entrenched use of IT and digital tools in operations	● Implementation of company-wide training to foster a digital mindset and contribute to improving employees' IT/digital literacy

*1 Resonac Pride Products and Services: Please see P127

*2 Carbon Footprint of Products (CFP): Calculated by converting the amount of GHG emissions emitted across the entire lifecycle of a product or the GHG emissions associated with it into the equivalent amount of CO_2

*3 CRM: Customer Relationship Management

Material Issues and Non-financial KPI Targets and Results

Gain credibility through responsible business management

Composition	Key items (Non-financial KPIs)	2025 Targets	2024 Results
Safety	Fostering a culture emphasizing safety	●Establishment of a culture emphasizing safety to eliminate occupational accidents	●Safety message delivered by upper management ●Employees' "My Safety Declaration" ●Raise safety awareness and create opportunities for dialogue with superiors ●Expansion of the Safety Communication Program (SCP*6)
	Number of serious occupational accidents*4	●Serious occupational accidents (All group companies, including partner companies):0	●Serious occupational accident (All group companies, including partner companies): 1
	Lost time incident rate	●Lost time incident rate (Japan): less than 0.1	●Lost time incident rate (Japan): 0.64
	Number of serious equipment-related accidents*5	●Serious equipment-related accidents (All group companies): 0	●Serious equipment-related accidents (All group companies): 0
Quality assurance	Number of serious product-related accidents*7	●Serious product-related accidents (All group companies): 0	●Serious product-related accidents (All group companies): 0
	Number of serious quality compliance violations	●Serious quality compliance violations (All group companies): 0	●Serious quality compliance violations (All group companies): 0
Chemicals management	Product stewardship	●Establishment of a Resonac policy for containment controlled substances and designation of chemical substances based on the said policy*5	●100% completion of risk assessment of priority risk assessment substances and issuance of safety summary reports. 10 new cases, 49 revisions. ●Also awarded the JIPS*8 Award by the Japan Chemical Industry Association (JCIA) in 2024 (fourth consecutive year)
Environment	Reduction of greenhouse gas emissions	●GHG emissions (All group companies): 30% reduction (Scope 1 + Scope 2) from fiscal 2013 (2030 target)	●Scope 1 + Scope 2: 2023 results (All group companies): 8.3% reduction from the level of 2013
	Reduction of industrial waste sent to landfills	●Reduction of waste sent to landfills compared to 2024 (All group companies)	●2023: 10,845 tons → 2024: 8,655 tons (All group companies)
	Number of serious environmental accidents*7	●Serious environmental accidents (All group companies): 0	●Serious environmental accidents (All group companies): 0
Human rights	Respect for human rights	●Establishment of a human rights due diligence operation structure	●Implemented human rights training on a global basis ●Started due diligence for suppliers, focusing on high-risk regions and businesses (including compliance with European Batteries Regulation)
Procurement	Improvement of quality of communication with suppliers	●Maintain a response rate of at least 90% for CSR questionnaires	●CSR questionnaire response rate: 93% (2023: 91%)
		●Improvement of the ratio of suppliers above the satisfactory threshold 85% or more (2028 target: 90% or more)	●Suppliers above the satisfactory threshold: 91% (2023: 89%)
Compliance	Inculcation of "Our Code of Conduct"	●Improve inculcation of "Our Code of Conduct"	●Inculcation of Code of Conduct across all employees through e-learning
	Thorough implementation of Group global compliance standards	●100% adoption of regulations at overseas Group companies*9	●60% adoption of regulations at overseas Group companies
	Increase in number of whistleblowing reports	●Increase in number of reports through the whistleblowing system	●Increase in the number of whistleblowing cases through raising awareness of the system (81 in 2022 → 97 in 2023 → 101 in 2024)
Risk management	Operation of comprehensive risk management systems	●Development of a new comprehensive risk management system	●Scenario-based top-down risks were identified in addition to bottom-up risks from the field, and key risks were identified through detailed analysis using generative AI. Risks were ranked through deliberation by the management team
	Reinforcement of the function of the second line of defense	●Expansion of the Group's internal control framework	●Collaborated with flag bearers for managing critical risks (S and A-ranked risks) to define risk scenarios, developed a shared CXO dashboard, and clarified the potential business impact and mitigation strategies.
		●Launch of expansion outside Japan and centralization of risk data	●Steadily rotate the cycle of the Risk Control Implementation Evaluation Function introduced in 2023

*4 Serious occupational accidents are defined as those that qualify for disability certification (Disability Grades 1 to 7 under the Labor Standards Act) or death.
*5 Among fires, leaks, equipment damage, etc., serious equipment-related accidents are defined as those involving the following: (1) an accident resulting in lost work time or more occurs within the workplace; (2) an emergency transport, evacuation order, environmental pollution, etc., occurs outside the workplace, and has a large social impact.
*6 SCP (Safety Communication Program): Safety patrol activities conducted by managers and supervisors that are not aimed at pointing out issues. Managers are expected to recognize risks by observing the on-site situation and conversing with employees in the field, and take responsibility for solving problems.
*7 Definitions are based on the Company's accident standards.
*8 JIPS (Japan Initiative of Product Stewardship): The JIPS award is presented by the Japan Chemical Industry Association to member companies that have conducted superior initiatives in disclosing their safety summary reports as part of the autonomous/self-motivated initiatives in chemicals management.
*9 Revised KPIs

Develop autonomous, creative, and active human resources and culture

Composition		Key items (KGI/KPI)	2025 Targets	2024 Results
Hire & Develop talent for the business	KGI	Future talent portfolio formation (REH + REC)	●Portfolio formation for target divisions	●Formation for two target divisions
	KGI	Succession planning readiness rate (REH + some Group companies in Japan)	●150%*10	●142.7%
		Establish portfolio role models, positions, and development plans (REH + REC)	●Formulate role models for target divisions	●Formation for two target divisions
Become an Employer of choice	KGI	Employee engagement score (All group companies)	●Improved year on year	●57%
		Engagement survey response rate (All group companies)	●85% or more	●88%
		Rate of male employees taking childcare leave and number of days taken (REH + REC)	●Acquisition rate: 100% ●Number of days: Greater than or equal to the previous year	●Acquisition rate: 97% ●Number of days: 37.3 days
		Gender wage gap (REH + REC)	——	●75.6%
Develop self-driven professionals		Percentage of line managers who participated in co-creative leadership training (filing company and Resonac Corporation)	●90%	●87%
Cultivation of corporate culture conducive to co-creation	KGI	Purpose and Values implementation survey score (All group companies)	●Improved year on year*11	●Purpose implementation: 57% ●Values implementation: 67%
		Purpose and Values empathy survey score (All group companies)	●Improved year on year*11	●Purpose implementation: 71% ●Values implementation: 74%
		Positive evaluations for global award AHA! (All group companies)	●Improved year on year	●71%
		Psychological safety survey score (All group companies)	●Improved year on year*11	●61%
		Inclusion safety survey score (All group companies)	●Improved year on year*11	●59%
		Ratio of female managers (All group companies)	●13%	●12.7%
		Diversity at the decision-making level (All group companies)	●Under consideration	●12.1%
		Employment rate of persons with disabilities (REH+REC)	●2.50%*11	●2.51%

*10 Succession planning readiness rate: (the number of people in succession pool/the number of general managers of business units/CXO-1 and higher positions) x 100
*11 Targets for 2025 have been revised based on 2024 results
While the Group manages indicators and related data, and is implementing specific initiatives, some indicators do not apply to all companies in the consolidated Group. As such, some indicators cover Resonac Holdings Corporation, Resonac Corporation, and some domestic Group companies.

Scope of Data

All group companies: REH + REC + Group companies in Japan + Group companies overseas
Japan: REH + REC + Group companies in Japan
Overseas: Group companies overseas

REH: Resonac Holdings Corporation
REC: Resonac Corporation
REH + REC: Resonac Holdings Corporation and Resonac Corporation