

Dexerials Integrated Report  
2023





## Dexerials

“Integrity Have Integrity and Sincerity” is the corporate philosophy of the Dexerials Group and “Value Matters Unprecedented innovation, unprecedented value” is our corporate vision.

Utilizing Dexerials’ unique and innovative technologies with a quick and skilled approach, we fulfill customer needs and resolve customer challenges.

With integrity and commitment, each and every employee endeavors to create value that exceeds our customers’ expectations. We have firmly established these ideals as a public corporation within society.

We will continue to develop new products of value to the world, and contribute to the enhancement of the richness and quality of life and our global environment.

This is our mission and the kind of company we should aim for.

“Integrity” and “Value Matters”.

We continue to advance onward as we hold these two ideas close at heart.

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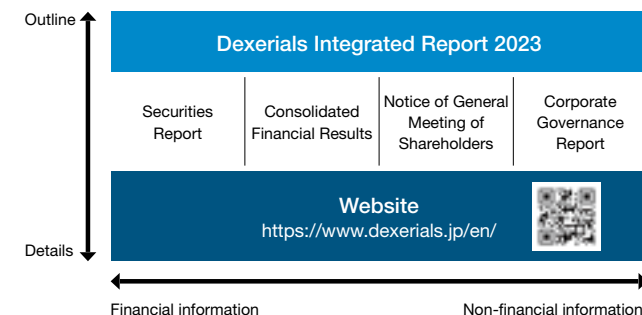
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## Communication Map

Detailed financial information: Please refer to the Securities Report and Investor Relations pages on the Dexerials website.

Detailed sustainability information: Please refer to the sustainability pages on the Dexerials website.



## Editorial Policy

This report covers the Dexerials Group's business strategy, business results, financial information, non-financial information, and so on, and has been published since fiscal 2019 as a communication tool to facilitate understanding of the Group among all stakeholders.

## Applicable Scope and Term

**Applicable Scope:** This report covers Dexerials Corporation and its subsidiaries in Japan and overseas.

**Applicable Term:** This report is based in principle upon the results of activities in fiscal 2022 (April 1, 2022–March 31, 2023); however, some reports and data may refer to past or current information.

## Reference Guidelines

The International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC)

Guidance for Collaborative Value Creation published by the Ministry of Economy, Trade and Industry

GRI "GRI Standards"

ISO26000

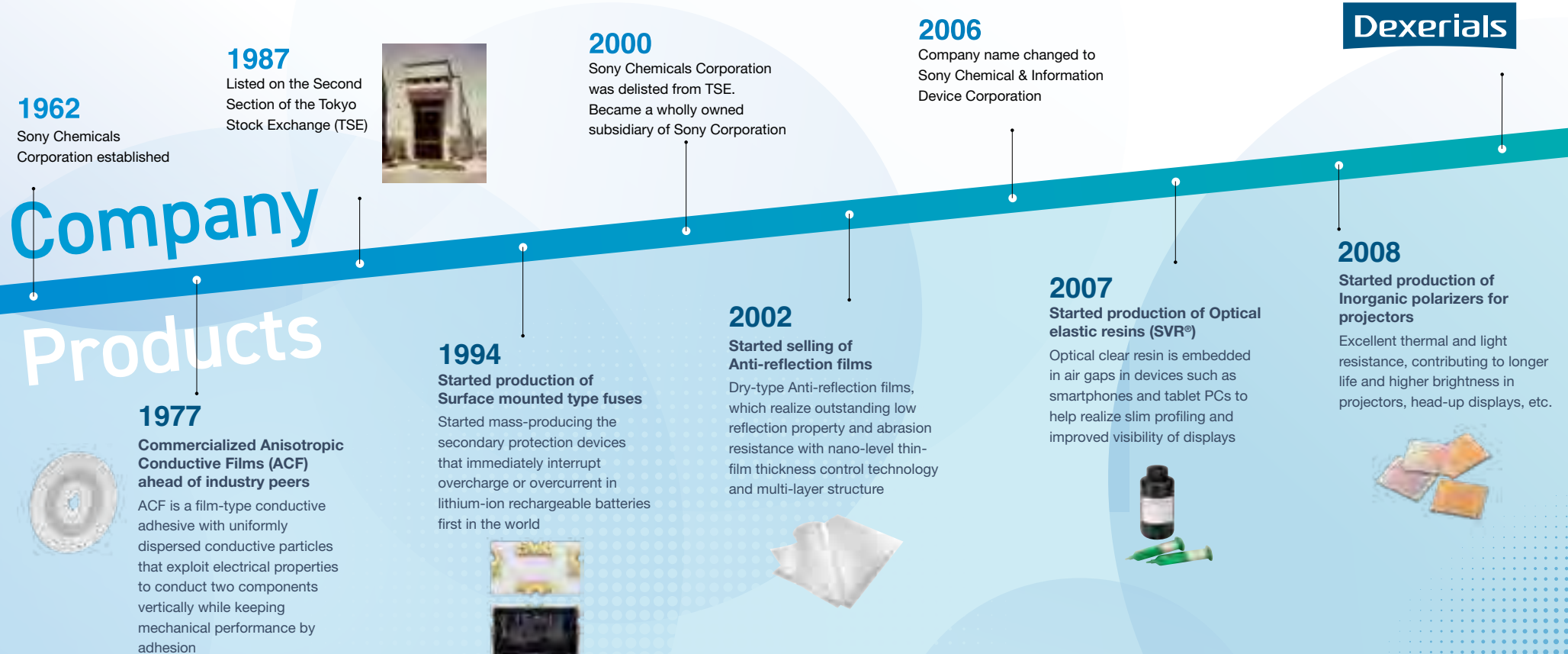
Environmental Reporting Guidelines (Fiscal Year 2018 Version) published by the Ministry of the Environment

## Disclaimer on Forward-looking Statements

The forward-looking statements contained in this report are based on information currently available to the Company and certain assumptions that are believed to be reasonable, and no responsibility is borne as to the accuracy or completeness of the forward-looking statements. Actual results may differ from the results anticipated in these forward-looking statements due to a variety of factors, and the Company gives no assurance that such statements will prove to be correct. Additionally, regardless of actual results, etc., from the date of the publishing of this document, the Company has no obligation to continuously update the content of this document, nor does it have such a policy.

## We continue to create new value by leading the way in addressing the challenges of social change

Since the foundation of our predecessor in 1962, we have been developing, manufacturing, and selling functional materials in sync with the changing times and supporting the evolution of digital technology. From now on, on the basis of our corporate vision of “Value Matters Unprecedented innovation, unprecedented value,” we will provide society with cutting-edge technologies and solutions while contributing to the digitalization of society as a whole and the resolution of social issues.



**2015**

- Listed on the First Section of the Tokyo Stock Exchange (TSE)
- Dexerials Kibou Corporation started business

**2014****Started production of “DxShield,” an eye shield material for medical use**

Moth-eye type film, which realizes anti-reflection and high transparency with its nano-level fine concavo-convex structures formed on the surface

**2016**

Tochigi Technology Center started operations

**2016****Commercialized “ArrayFIX®” Particle-arrayed ACF**

ACF is a conductive adhesive capable of stably connecting many wires even in a narrow area by arraying conductive particles in resin at targeted positions

**2020**

Dexerials Precision Components Corporation established

**2020**

- Developed Anti-reflection film “HD Series”
- Developed “Jetttable SVR,” Optical elastic resins corresponding to inkjet coating

**2021**

Headquarters relocated to Shimotsuke-shi, Tochigi

**2021****Commercialized the Phosphor Film “PS Series”**

This film achieves dynamic range expansion, wider color gamut, and slim profiling of liquid crystal displays with direct LED backlighting

**2022**

- Kyoto Semiconductor Co., Ltd. became a subsidiary of Dexerials Corporation
- Transitioned from the First Section to the Prime Market of the TSE

**2023**

Introduced “job-type personnel system” for management-level employees in Japan

**TOPICS**

### Reception Hall newly constructed at Headquarters and Tochigi Technology Center: A facility for communication with stakeholders

In March 2023, the Reception Hall was completed within the Headquarters and Tochigi Technology Center site for the purpose of facilitating communications with our stakeholders, including customers, shareholders/investors, the local community, and employees.

Equipped with a hall that can accommodate up to around 150 visitors, we have set up an interactive exhibition area that enables more people to gain a deeper understanding of our Group's overall corporate activities. In June 2023, the 11th Annual General Meeting of Shareholders was the first to be held there. The facility

is also used as a forum for communication with a variety of stakeholders, including domestic and international customers, students participating in seminars and internships, and the local chamber of commerce.

In addition, Oya stone and Nikko cedar were used as building materials, these being local specialties of Tochigi Prefecture where our headquarters is located. Modeled after films, one of our mainstay products, the external appearance of the Reception Hall reception is unique to our Company. With the installation of solar panels and nature-based ventilation, this environmentally friendly facility meets ZEB\* standards.

\* Net Zero Energy Building (ZEB)-compatible buildings: Buildings that produce as much primary energy as they consume over the course of a year through energy-saving and renewable energy features




### Communication with stakeholders\*


\* Achieved on 36 occasions as of the end of September 2023

# Overview FY2022

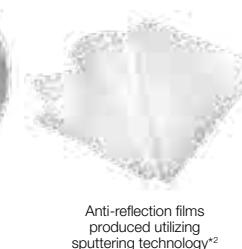
## Net sales

  
**106,167** millions of yen  
 year on year **+10.9%**

## Operating profit

  
**32,288** millions of yen  
 year on year **+21.2%**

Global market share  
**No.1**




## Profit attributable to owners of parent

  
**20,685** millions of yen  
 year on year **+24.1%**


## EBITDA

  
**39,101** millions of yen  
 year on year **+20.4%**


## ROIC

  
**24.4** %  
 year on year **+1.9pt**

## ROE

  
**30.3** %  
 year on year **+1.8pt**

## Total payout ratio (before amortization of goodwill)

  
**56.6** %

## Ratio of outside directors

**57.1** %  
 Number of internal directors **3**    Number of outside directors **4**

## Ratio of mid-career hires

 **46.9** %

## Three-year retention rate for new graduates employed

 **90.9** %

## Number of engineers

 **595**

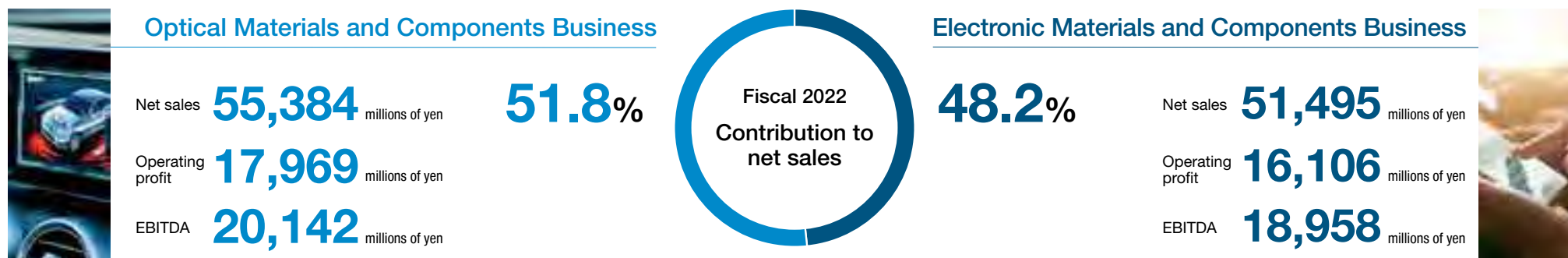
\*1 The 2022 share for amount of ACF for large-sized and small- to medium-sized displays according to the "Current Status and Future Outlook for Display-related Markets 2023" issued by Fuji Chimera Research Institute, Inc.

\*2 The 2022 share for amount of surface treatment film (dry coat) according to the "Current Status and Future Outlook for Display-related Markets 2023" issued by Fuji Chimera Research Institute, Inc.

\*3 The 2022 share for total amount of Optical Clear Resin (OCR) used in bonding displays according to the "Current Status and Future Outlook for Display-related Markets 2023" issued by Fuji Chimera Research Institute, Inc. Optical elastic resin (SVR) is the product name for Dexerials' optically clear adhesives.





## Business Segments

(Note) Each business corresponds to a segment among the disclosed results and net sales include inter-segment sales.








This business is classified into two categories: Optical films and Optical resin materials. These categories comprise of Anti-reflection films, Phosphor films, Optical elastic resins (SVR), and Smart precision Adhesive. In particular, our proprietary technology for Anti-reflection films, our mainstay product, has been highly praised in the fields of consumer IT products and displays for automobiles.

### ► Main Products [Category]

<b>Anti-reflection films [Optical films]</b>  The dry-type Anti-reflection films realizing outstanding low reflection property and abrasion resistance with nano-level thin-film thickness control technology and multi-layer structure, contribute to improved visibility of mobile devices and automotive displays. Moth-eye type films utilizing our microfabrication technology feature low reflectance and high visual transmittance and are used for automotive head-up displays as well as eye shielding for medical use.	<b>Phosphor films [Optical films]</b>  Our phosphor film "PS Series" has been developed by dispersing green and red phosphors into films. Incorporating this product into the backlight of a display enables higher quality displays with excellent color expression using blue LEDs as the light source.
<b>Optical elastic resins (SVR) [Optical resin materials]</b>  Elastic resin with high optical permeability fills gaps in the displays of devices such as smartphones and tablet PCs to realize slimmer profiling and improved visibility. Our lineup also includes a PSA-transformable Optical elastic resin (hybrid SVR) for small- and medium-sized flat panel displays (FPD) whose adhesive properties are transformed by temporary UV curing to realize excellent workability equivalent to that of optical clear adhesives.	<b>Smart precision Adhesive [Optical resin materials]</b>  Our "SA Series" of Smart precision Adhesive comprise a lineup of adhesives that use various curing systems, including UV curing, thermosetting, and UV + thermosetting. This series accomplishes low-temperature, fast curing, along with low shrinkage, and is ideal for precision affixing during assembly such as camera modules and optical pickups.

This business is classified into five categories: Anisotropic Conductive Films (ACF), Surface mounted type fuses, Adhesive materials, Micro devices, and Optical semiconductors. Due to our advanced technology and high quality, we have a large share of the global market for ACF, our mainstay products, which we were the first in the industry to develop and put into mass production in 1977.

### ► Main Products [Category]

<b>Anisotropic Conductive Films</b>  Anisotropic Conductive Films are conductive adhesive materials that exploit electrical properties to conduct two components vertically while keeping mechanical performance by adhesion. These products are used to connect electronic components that make up display panels, camera modules, etc. Our lineup also includes Particle-arrayed ACF that is mountable in narrow spaces, and pre-cut ACF that is converted into shapes that match circuit boards and the terminal layout.	<b>Surface mounted type fuses</b>  Self-control protectors (SCP) that reliably protect lithium-ion rechargeable batteries from anomalies such as overcharge or overcurrent are standard fuses for secondary protection devices. We also offer a lineup of power current protector (PCP) fuses for high current applications that specialize in protection from overcurrent while maintaining their small and thin design.
<b>Thermal conductive sheets [Adhesive materials]</b>  Thermal conductive sheets conduct the heat generated from IC chips such as CPUs to the cooler to protect devices from high temperatures. We offer high performance-type sheets featuring high thermal conductivity and flexibility, high performance and insulation-type sheets, and standard-type sheets.	<b>Inorganic polarizers/Inorganic waveplates [Micro devices]</b>  These optical devices have excellent durability to withstand long hours of use in high temperature and high light intensity environments, and achieve high transmittance and low reflectance. They boost the brightness and contrast of projectors and optical units that use laser light sources.
<b>Optical communication devices [Optical semiconductors]</b>  Optical communication devices are indispensable in the evolution of mobile communication systems and the expansion of optical networks. Our lineup includes ultra-high-speed photodiodes suitable for 5G communication products, light receiving modules, and vertical cavity surface emitting lasers (VCSEL).	

# The use of Dexerials products is extensive and diverse

Dexerials products help to bring convenience, safety, and reliability to our lives through their use in the electronic devices we use every day.



Smoke detectors

## Optical semiconductor devices

Our optical semiconductors are used in commonly used sensing systems by converting light and electrical signals.

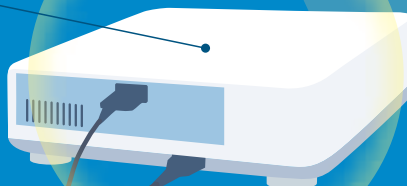


## Inorganic polarizers

Superb heat resistance allows for brighter projector images.



Projectors



Laptop PCs

## Anti-reflection films

The film laminated on a PC screen reduces reflections, allowing people to focus more on their work.



# In your OFFICE



For more details about our products, please refer to our [website](#).



For more details about our Group products, please refer to the [Kyosemi website](#).

### Anisotropic Conductive Films (ACF)

ACF is a vital material for electronic display components, this material has become the de facto standard.



Smartphones

### Optical elastic resins (SVR)

SVR is a liquid type optical clear resin that improves display visibility by filling the air gaps between display areas and top plates.



Automotives

### Surface mounted type fuses (SCP)

SCP is a specialized fuse component for lithium-ion batteries used in cordless devices. They keep safety by interrupting the circuit if any abnormality occurs during battery charging or discharging.



Robot vacuum cleaners

# In your HOME

# Our Product

ACF: An essential material for smartphones



## Anisotropic Conductive Film (ACF)

This film-type conductive adhesive material is made by dispersing conductive particles in a resin. Sony Chemicals Corporation, Dexerials' predecessor, was the first company in the world to commercialize this product, which is now used in almost all digital devices with displays, including smartphones.

### Features

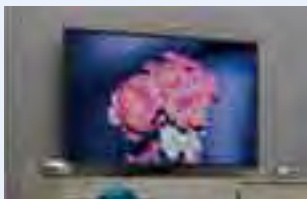
- Adhesion, conduction, and insulation functions in a single material
- Ability to connect multiple electrical circuits with a single connection process
- Better than soldering for connecting extremely small circuits (fine pitch interconnections)
- Ability to make reliable connections at low temperatures (110-180°C)

## The creation and expanding role of ACF

ACF was developed over 40 years ago in 1977 as a film-like material suitable for creating electrical connections in electronic components, including ICs. The first ACF, which used carbon fibers measuring around 100 microns as conductors, was employed in systems with low heat resistances, such as calculator displays.



Our ACF products have since evolved dramatically in step with the expansion of the LCD panel market. Particularly significant was the explosive increase in demand for ACF in the early 2000s as the shift from CRT to LCD televisions started in earnest. Another factor was the development of increasingly sophisticated display technology following the emergence of smartphones. ACF played a vital role in the evolution of displays and remains an essential material that significantly influences display performance.



## Pioneering the future with ACF

Dexerials has a long track record of technological achievements, including the launch of Particle-arrayed ACF in 2016. The shift from particle dispersion to particle arraying technology was a significant step in electrical connection design because it opened the way to create finer-pitch circuit connections. This technology has already transformed how our customers design their products and inspired new ideas. From now on, we will continue to support our customers in creating new value while pursuing further technological innovation.



### Anisotropic Conductive Film (ACF)



# Financial Highlights

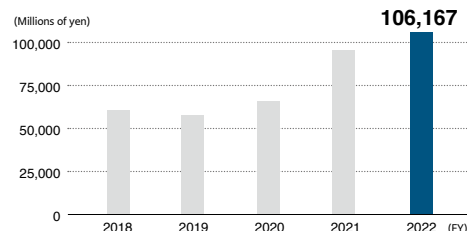
&gt; P.80–81 Consolidated Financial Statements

## Consolidated financial performance indicators

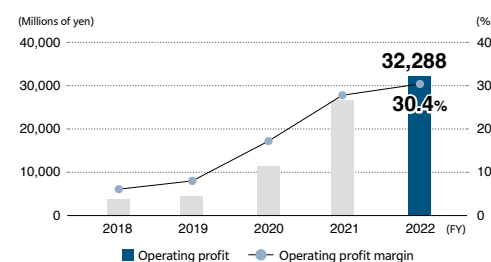
		FY2018	FY2019	FY2020	FY2021	FY2022
Net sales	(Millions of yen)	60,580	57,710	65,830	95,712	106,167
Operating profit	(Millions of yen)	3,724	4,617	11,339	26,642	32,288
Profit attributable to owners of parent	(Millions of yen)	2,284	2,734	5,329	16,669	20,685
Earnings per share (EPS)	(Yen)	37.73	45.05	87.60	274.61	350.62
Total assets	(Millions of yen)	87,586	86,279	95,201	128,785	126,379
Capital to asset ratio	(%)	56.0	57.5	56.0	49.5	57.7
EBITDA	(Millions of yen)	9,680	10,786	17,590	32,478	39,101
ROIC	(%)	3.3	4.4	11.4	22.5	24.4
ROE	(%)	4.6	5.5	10.4	28.5	30.3

\* The balance sheet of Kyoto Semiconductor Co., Ltd. has been consolidated since the end of March 2022, and the impact of the completion of the purchase price allocation (PPA) has been reflected retrospectively to the end of March 2022.

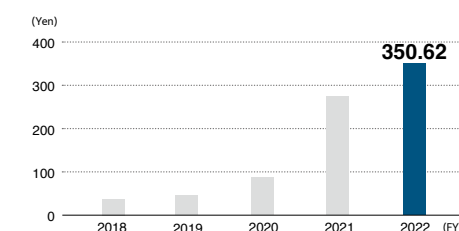
### Net sales



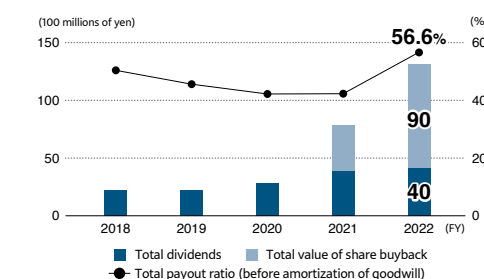
### Operating profit/Operating profit margin



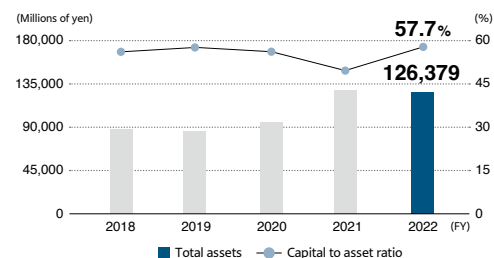
### Earnings per share (EPS)



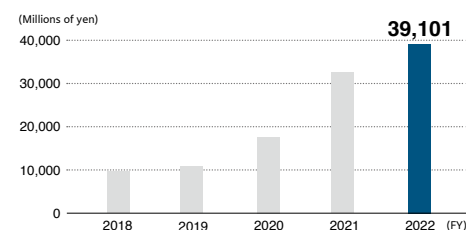
### Total dividends, total value of share buyback, and total payout ratio (before amortization of goodwill)



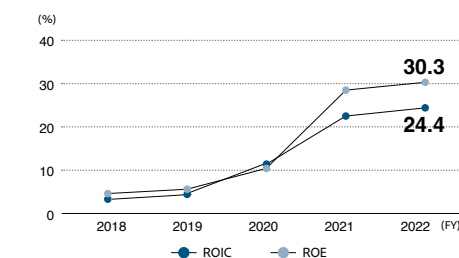
### Total assets/Capital to asset ratio



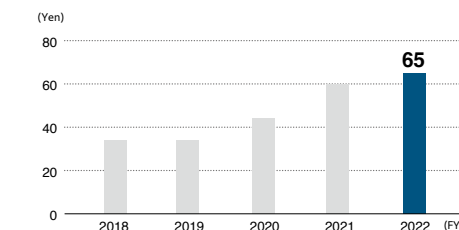
### EBITDA



### ROIC/ROE



### Annual dividend per share



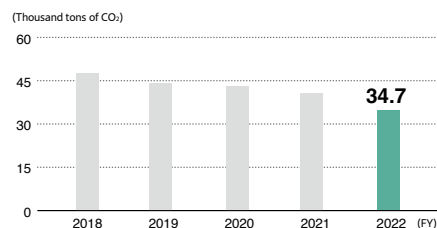
# Non-financial Highlights

&gt; P.82–83 Non-financial Data

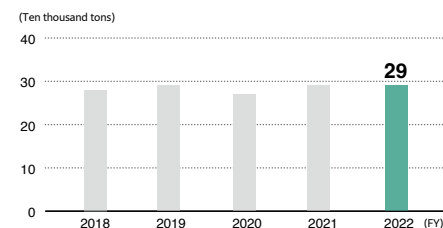
## Non-financial indicators

		FY2018	FY2019	FY2020	FY2021	FY2022
CO <sub>2</sub> emissions (Scope 1+ Scope 2) > P.46–49 Information Disclosure Based on TCFD Recommendations	(Thousand tons of CO <sub>2</sub> )	47.6	44.2	43.0	40.7	34.7
Water usage	(Ten thousand tons)	28	29	27	29	29
Waste emissions	(Ten thousand tons)	0.29	0.26	0.25	0.29	0.26
VOC emissions	(Tons)	46	37	36	34	30
Number of employees (consolidated basis)	(Persons)	2,005	1,999	1,772	1,915	1,943
(non-consolidated basis)	(Persons)	1,603	1,604	1,313	1,342	1,378
Composition of Directors and Number of Board of Directors (total/outside/female)	(Persons)	10/7/2	10/6/1	9/6/1	7/4/1	7/4/1
Percentage of employees with disabilities	(%)	3.40	3.40	3.37	3.30	2.68
Average rate of days of annual paid leave taken/	(%)	67.2	68.4	60.0	58.9	72.7
Average number of days of annual paid leave taken	(Days)	15.3	15.7	13.7	12.8	16.3

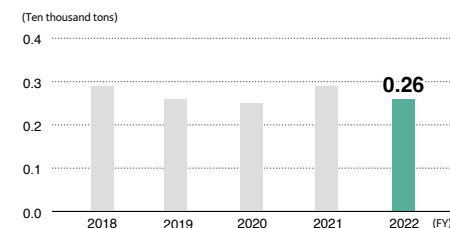
### CO<sub>2</sub> emissions



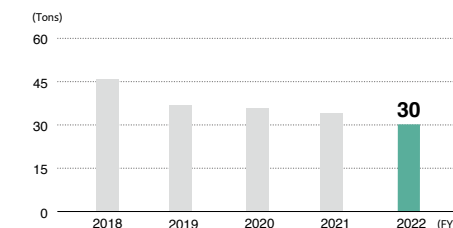
### Water usage



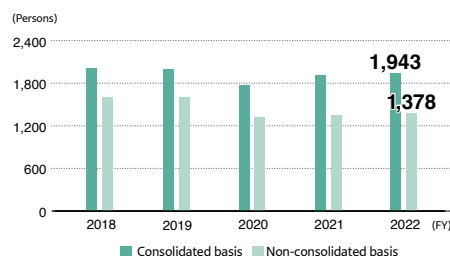
### Waste emissions



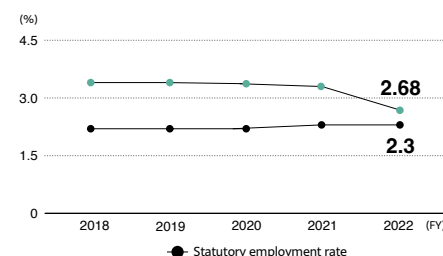
### VOC emissions



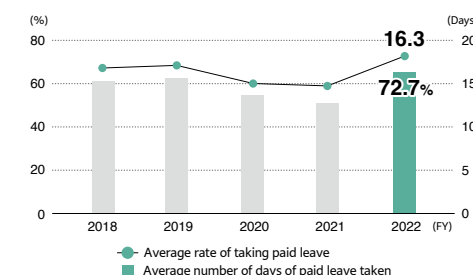
### Number of employees (consolidated basis/non-consolidated basis)



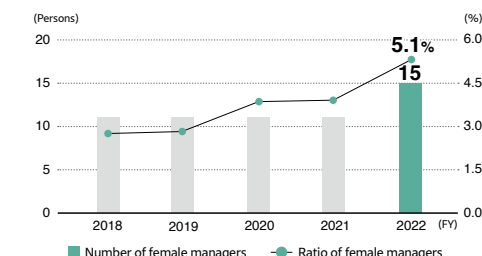
### Percentage of employees with disabilities



### Average rate of days of annual paid leave taken/ Average number of days of annual paid leave taken



### Number of female managers/ Ratio of female managers



# Toward a New Growth Stage

## Story-building for Purpose-based Sustainability Management

Representative Director and President

新家由久

With the arrival of fiscal 2023, ending March 31, 2024, Dexerials is marking the final year of its Mid-term Management Plan 2023, “Challenges for Evolution.”

In terms of business performance over the four years starting in fiscal 2019, we have been achieving our target numerical values ahead of schedule—by improving our earning power and strengthening our management base—to evolve into an organization that is resilient to changes and does not rely on specific business domains.

Taking a higher viewpoint and our purpose as a yardstick, we are advancing story-building toward sustainability management, the avowed aim of which is to achieve sustainable growth and enhance corporate value by balancing economic value with social value under the next mid-term management plan.



## Four years in which we have further developed our strengths, improved our earning power, and made significant progress in changing our business portfolio

Fiscal 2023 marks the final year of our five-year Mid-term Management Plan 2023, “Challenges for Evolution” (hereinafter referred to as “the Mid-term Plan”). The year 2019, when the Mid-term Plan began, was also the year in which I was appointed as the Company’s president. From the earliest times after having taken up my post, in financial terms I believed that a process to achieve sound cash flow was the pressing issue.

In existing domains, we have been steadily advancing qualitative changes in our business, including developing products in anticipation of technological trends and replacing businesses through business re-evaluations. In parallel, we have been actively promoting expansion into new domains, including automotives, and were able to significantly improve the compound annual growth rate (CAGR) of consolidated net sales by +15% from fiscal 2018 to fiscal 2022.

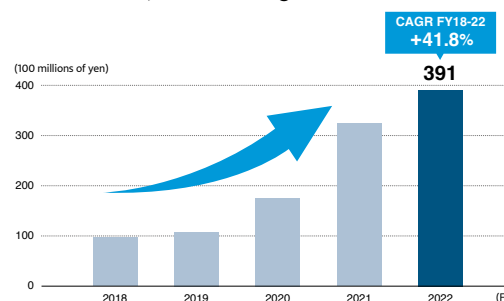
In addition to the management indicators, current indicators of ROE and EBITDA, which is an indicator of earning power, in the business re-evaluations that we commenced in fiscal 2019, we introduced an evaluation system based on the ROIC concept and officially adopted ROIC from fiscal 2021. ROIC is used as an indicator to measure investment efficiency, which is how much profit is generated from future investments, and we have been analyzing the current situation with an emphasis on capital efficiency.

In the business revaluation process, in addition to the economic value\*<sup>1</sup> calculated for each business, we evaluate each business in terms of its profitability, future potential, competitive advantage, and other perspectives while confirming the current position and discussing the future direction of the business. Through this process, we managed the business portfolio of the Company as a whole, including regularly carrying out “business selection and concentration” and “implementing resource shifts.”

\*<sup>1</sup> Business economic value: The contribution profit of each business, minus the cost of capital

As a result of these measures, all profit targets initially set were achieved three years ahead of schedule, and all profit targets revised upward in the “Mid-term Management Plan (Update)” announced in fiscal 2021 were also achieved two years ahead of schedule. Accordingly, we not only improved our ability to generate cash flow as our “earning power” improved but also made significant progress in changing our business portfolio and achieved steady evolution to become a company that is resilient to changes in the environment.

### ► Trends in EBITDA, Our “Earning Power” Indicator



I believe that our greatest accomplishments over the past four years have been to bring about a significant deepening of our business model come what may and to further develop our strengths.

We are providing the world with materials and devices that are essential in advanced technologies that contribute to society. Over the past four years, we have continued to deepen our business model, wherein lies our strength, namely by further deepening our communications with “direct customers” and “end customers.” Having discovered technology issues of which our customers were unaware, we have developed and provided many high value-added products that are constantly ahead of the curve.

> P.24–25 Value Creation Process

We are currently in the throes of the VUCA\*<sup>2</sup> era, and amid an increasingly uncertain business environment, technology is evolving at an accelerating pace. To remain sensitive to those trends and to ascertain technology roadmaps for the future, relationships with “end customers” are extremely important, as they are the ones who are especially sensitive to trends and changes.

\*<sup>2</sup> VUCA: Volatility, Uncertainty, Complexity, Ambiguity



Able to achieve our initial profit target three years ahead of schedule, we also achieved our upwardly revised target two years ahead of schedule.



Based on the information obtained from end customers, we are considering the technology required of us through backcasting and forming partnerships along entire supply chains. We are realizing the expansion of our business domains by achieving both “Design-in” and “Spec-in.”

In addition to the conventional “inside-out” perspective, in 2020 we launched an internal organization, the Dexerials Innovation Group (DIG) Promotion Department, to create business opportunities and new businesses from the perspective of solving social issues using an “outside-in” approach. The DIG Promotion Department is composed of members with different specialties who explore social problems from different perspectives, study technologies that will lead to their solution, and formulate strategies for technological innovation to create new businesses. Through these new technological innovations, we aim to achieve sustainable growth and enhance our corporate value by creating high value-added business opportunities that resolve social issues. To achieve these goals, we have been steadily working to strengthen our management base. Initiatives have included the relocation of our headquarters to speed up decision-making, change in institutional design, the introduction of a “job-type personnel system,” and the provision of treasury shares to employees in Japan.

> P.44, > P.52, > P.67  
Main initiatives and outcomes in four years of the Mid-term Management Plan 2023, “Challenges for Evolution”

## Direction of next mid-term management plan: To achieve a leap forward for the next stage

As mentioned above, in 2021 the Company announced its “Mid-term Management Plan (Update),” which included new earnings targets, and achieved all KPIs ahead of schedule in the first year. However, without being overly optimistic about this situation, we are taking into account the uncertain future social situation while advancing painstaking preparations for the next mid-term management plan, which will begin in fiscal 2024.

For example, to achieve sustainable growth even in an uncertain business environment, I believe that it is necessary for us to constantly review our business portfolio in line with our growth strategies to thereby enable us to curb any volatility in our business results.

Our mainstay consumer IT domain has a short demand cycle and is therefore susceptible to market fluctuations. In contrast, automotives, power tools, and the newly added optical semiconductor businesses are characterized by long product life cycles.

Optical semiconductors: For example, in the generative AI domain, which is likely to expand rapidly in the years to come, high-speed communications technology will be needed to efficiently exchange large amounts of data, and optical semiconductors will be essential in achieving this. Digital transformation (DX) has also been attracting attention of late. In manufacturing, optical semiconductors are indispensable for the sensing devices used in production process automation, so-called factory automation.

### ▶ Examples of Optical Semiconductor Applications



High-speed communications  
(data centers)



Production process automation  
(manufacturing sites)

While conducting co-creation activities with Kyoto Semiconductor Co., Ltd. (Kyosemi), which is engaged in this optical semiconductor business and has been newly added to our Group companies, we have discovered the possibility of creating solutions that support the evolution of the photonics domain by combining technologies and technical skills. For this reason, we are advancing preparations for the launch of an integrated company\*<sup>3</sup> to promote business in the photonics domain, with the aim of making that domain the “third pillar” alongside automotives as a growth area in the next mid-term management plan.

\*<sup>3</sup> Scheduled to be launched in April 2024, a company that will integrate the businesses and resources of Dexerials Precision Components Co., Ltd. with those of Kyosemi



By means of business growth in the photonics domain, we will promote further transformation of our business portfolio as we aim for reducing volatility and grow the business for the entire Group.

> P.28–29 Initiatives for Innovation

On the other hand, if we look at the evolution of technologies such as generative AI, which have recently been attracting attention, and the changes in work styles associated with them, and what lies ahead, there is a distinct possibility that society's common understanding of what a person's value is may change. Under these circumstances, I recognize that strengthening our management base to increase our resilience and enable us to better respond to changes in the external environment will remain an ongoing challenge for our Company.

To further deepen our business model, as our most important issues we will continue to focus on strengthening our technological capabilities and the human resources that support them. How our technologies, devices, and solutions will enable us to contribute to solving social issues through this business model represents an important management agenda.

For example, if we consider automobiles, the shift to EVs to

combat climate change is not an end in itself. The purpose is more to contribute to reducing the environmental impact by driving with maximum energy efficiency. Similarly, autonomous driving is leading to solutions to social issues, such as traffic accidents and traffic congestion, by means of IoT's adoption in automobiles through electrification and advances in sensing. The evolution of digital technologies is essential to the realization of these technologies. In a variety of business domains, such as medical care and food, there are also many in which the power of digital technologies can improve the efficiency of society as a whole.

To provide materials, devices, and solutions that are essential to the evolution of digital technologies and to improve the efficiency of society as a whole. I believe that these are the *raison d'être* for Dexerials in society, in other words the essence of our "purpose." This idea had been distilled and perfected in a process of creating our purpose that will serve as the basis for clarifying Company's

"what to be" in future society and the significance of our existence in society, by a team of mid-career and young employees who listened to feedback from employees from around the world.

Previously, we were in the stage of "management reform," which included fostering a corporate culture. In the next stage, however, while keeping in mind sustainable growth through engagement with society and achieving both economic and social value, I would like us to create a next mid-term management plan that will gain support from as many stakeholders as possible. In the next mid-term management plan, I would also like us to organize and present to everyone not only our growth strategies and investments but also our capital allocations, which take into account our relationship with our shareholders.

## Aiming to realize "purpose"-based sustainability management unique to Dexerials

From a sustainability perspective, addressing climate change has become a global issue, and the movement toward carbon neutrality has become an irreversible trend that will continue for decades to come for all countries and companies.

Having also declared a target of "zero CO<sub>2</sub> emissions from business-related electricity consumption" by fiscal 2030, the Company is expanding information disclosure in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

> P.46–49 Information Disclosure Based on TCFD Recommendations

I believe that what is particularly important in climate change countermeasures is to carry out production activities while increasing energy efficiency, in other words how to increase energy productivity. Since there are some problems that we cannot solve alone, we are forming partnerships to work on reducing emissions throughout the supply chain. I recognize that we need to go beyond simply working to reduce CO<sub>2</sub> emissions and communicate how decarbonization efforts lead to increased corporate value.



Additionally, since fiscal 2022 members of the Board of Directors have been discussing what form Dexerials' unique sustainability management should take. As a result, we have come to the conclusion that our goal is to contribute to the further growth of our Company and the realization of a sustainable society in two ways: through the strengthening of a business model that contributes to the evolution of the digital technologies that will solve "inefficiencies in society as a whole"; and through initiatives based on ESG perspectives that are necessary for business continuity. The Sustainability Promotion Division, which was established in April 2023, is also considering the direction of sustainability management from a long-term perspective.

> P.40 Sustainability Management

For example, in the future society of 2040, while on the one hand Japan's population will have markedly declined, on the other it is predicted that the world's population will have continued to increase, led by India and African countries, and a range of social issues will increase. Therefore, the question of how to make society more efficient with limited resources is an issue that the world must address and one that will definitely become a major trend.

When looking at the future from a macro perspective in this way, it is clear that technology will rapidly advance to enrich society, and there will be ample opportunities for us to contribute through the materials, devices, and solutions essential to technological innovation. There will also be increasing opportunities to provide social value through business and to increase economic value in sync with that.

I believe that "our growth strategies," "materiality," "purpose," and "what to be" are, fundamentally, not separate things. All of these can be said to be interrelated as important elements that make up our Company's sustainability management story. With this in mind, when we announce our next mid-term management plan, I would like us to inform everyone about the direction of our sustainability management, which is "purpose"-based and has a broader perspective.

In addition, the Board of Directors has narrowed its focus to the two most important issues for the future: technology and human resources.

As part of our technology initiatives, we are also focusing on strengthening our intellectual property (IP). At our Company, we are constantly working on and strengthening our "IP Landscape," which analyzes IP information and utilizes the results of those analyses in formulating management strategies and in corporate decision-making. It is my belief that IP strategies will become even more important as we take on the challenges of new business domains.

> P.38–39 Value Creation through Intellectual Property

With regard to human resources, to continue to take on the challenges of new business domains as a global company, we need to recruit talented human resources who can play an active role globally, and a personnel system that accommodates this is required. Therefore, we introduced a global standard, "job-type personnel system" for manager-level employees in Japan in 2023 and will proceed with its introduction on a company-wide basis from 2024.

> P.53–55 Human Resource Development

We are also promoting open innovation from both technological and human resource perspectives.

The number of collaborations between companies is on the rise. In the meantime, in the case of co-creation activities with external parties, including academia, we are steadily making progress, include the establishment of a research institute in collaboration with Tohoku University to promote next-generation research in the photonics domain.

> P.28–29 Initiatives for Innovation

Within the Company, we have created systems such as the DIG Promotion Department to expand into new domains and have been putting in place teams that work to foster a corporate culture. In particular, I hope that our mid-career and young employees remain highly perceptive and receptive with regard to the external environment, stay at the forefront of change, and possess the mindset to always take on new challenges without fear of failure. We are steadily preparing for the next stage of growth, including



**Growth strategies, materiality, purpose, and what to be are all interconnected as important elements that make up our sustainability management story.**



developing human resources who can continue to take on challenges while valuing an “entrepreneurial spirit,” and initiating measures that will lead to the sustainable growth of the Company.

## Communications with all our stakeholders

As we would like all our stakeholders to gain a better understanding of our philosophy and initiatives with regard to our corporate activities as well as our products and technologies, we have newly constructed the “Reception Hall” at our headquarters and Tochigi Technology Center.

We have immediately begun to use this venue as a forum by which to facilitate communication with our various stakeholders, including domestic and international customers, shareholders and investors, local residents, students, and the families of our employees, and to help them gain a better understanding of our Company.

The 11th Annual General Meeting of Shareholders was also held in the then just completed Reception Hall. As people came to Tochigi from all over Japan, mainly from the Tokyo metropolitan area, we not only had a lively Q&A session at the general meeting, but also conducted a showroom tour afterwards to help them better understand our Company's corporate activities and technologies. We received comments from many of the shareholders who attended, such as “My understanding of Dexerials is that much deeper” and “I hope to attend next time, too.”

> P03 History of Value Creation: Reception Hall newly constructed at Headquarters and Tochigi Technology Center

In aiming to remain a company that can coexist with all of our stakeholders, I would like us to maintain our focus on two-way communications.



## Toward the future

In these turbulent times, we are making solid preparations toward the formulation of the next mid-term management plan to not only achieve sustainable growth but also to remain a company that deserves everyone's encouragement and support. Even in the new stage that we are about to enter, we will aim to achieve sustainable growth and enhance corporate value by balancing economic with social value based on Dexerials' unique way of thinking. We look forward to the continuing support of all our stakeholders.

Yoshihisa Shinya

November 2023  
Representative Director and President

## Feature

# Dialogue between Top Management and Outside Directors

The “evolution” achieved in the four years of the Mid-term Management Plan, and looking to further development

We are finally entering the final year of the Mid-term Management Plan 2023, “Challenges for Evolution.” How has Dexerials evolved and developed over the past four years of significant social turmoil on a global scale, including the COVID-19 pandemic and geopolitical risk? And what are the challenges and new initiatives that Dexerials needs to address for further development?

Three directors with intimate knowledge of the current Mid-term Management Plan looked back on the past four years, and discussed the outlook for the future.



**Rika Sato**

Outside Director  
(Chairperson of the Audit and Supervisory Committee)

**Yoshihisa Shinya**

Representative Director  
and President

**Takashi Yokokura**

Outside Director  
(Chairperson of the Nomination and Remuneration Committee)

## Changes in the social environment

**Shinya:** We have finally entered the final year of the Mid-term Management Plan 2023, “Challenges for Evolution” (hereinafter referred to as the Mid-term Plan) begun in 2019. With the rapid and tremendous changes in the external environment just after we began the Mid-term Plan, we started out feeling that we were entering an era in which the way forward was not clear. It was a period when trade friction between the U.S. and China intensified, and it became remarkably clear that both countries were moving toward decoupling. Then, completely unforeseen major social upheavals occurred, such as the pandemic and Russia's sudden invasion of Ukraine.

On the other hand, the awareness of the need to firmly face various social issues, including the SDGs, began to spread, and opportunities increased to consider how to proceed with things more efficiently, and how to make a better society utilizing digital technology. These have been the major changes in society over these past four years.

**Yokokura:** Certainly, there has been a rapid spread of awareness that digital technologies such as digital transformation (DX) and generative AI are driving the sophistication of society. Also, stock exchanges and central government agencies have come to express their views on how a company should be relatively more than they used to. As a result of this, I think this has led to a trend of companies becoming more aware of sustainability and increasing corporate value, which is also a big change.

**Sato:** The further advancement of digitalization, including remote work is a social change that many people feel for themselves. In my field, the legal world, new movements such as advancement in the digitalization of court procedures have come about. At the same time that this systemic digitalization is advancing, I feel another tremendous change is the deepening movement toward new styles of communication that connect people to people, and people to society.



**Yokokura:** And even before that, numerous unforeseen events have occurred within a few years, such as the bursting of the IT bubble, the 2008 financial crisis, and then the Great East Japan Earthquake. When one upheaval occurs, it takes a number of years to return to normal, but these events occurred one after another. —And then, in these past four years the pandemic and the issue of Ukraine. I think that if we expect unforeseen social upheavals to be frequent in the future, then it will be important to strengthen not only risk management, but also resilience.

## The “evolution” striven for in the last four years of the Mid-term Management Plan

**Shinya:** The three basic policies set in the current Mid-term Plan are (1) accelerate business growth in new domains, (2) qualitatively change businesses in the existing domains, and (3) strengthen the management base.

In these past four years, we've made great progress in transforming our business portfolio by refining our business in existing domains and concentrating our resources in new domains. Furthermore, in terms of strengthening of the management base that supports that change, we've been able to steadily implement a number of growth measures, such as relocating our headquarters to Tochigi, so as to

integrate on-site and management, and realize faster management decisions; altering our institutional design to a company with an Audit and Supervisory Committee; introducing remote work and a “job-type personnel system”; and providing treasury shares as compensation to our domestic employees.

**Yokokura:** I feel that through this Mid-term Plan, great progress has been made, especially in strengthening the management base. I've been watching Dexerials since the time of the previous mid-term plan, and at that time “structural reform” was the big theme, the Company was newly established as Dexerials, and effort was poured into putting the management base on firm footing. And now with the current Mid-term Plan, I have a solid sense that strengthening the Company by taking steps to strengthen the management base, which was already well-ordered to a certain extent, has further enlivened the Company.

I also applaud the great development in changes to the business portfolio through advancement into new domains, and reexamination of existing ones. Product development anticipating the needs of the Company and the customers has matched the market, and the Company is now able to engage in highly profitable business activities.

**Sato:** I've really had a sense that getting a head start on issues in discussions by the Board of Directors and by the initiatives of the executive side, along with constant awareness of what this realized

led to better outcomes on things such as transforming the business portfolio. And more than anything, the greatest result of this Mid-term Plan has been the achievement of so many quantitative targets.

**Yokokura:** In addition, the fact that the Company has been able to strengthen the management framework while proactively adding external human resources is a tremendous outcome that will lead to the next stage of growth. I imagine that there has been a lot of work and effort by the president and executive side in these past four years.

**Shinya:** Upon transitioning to the current management system in 2019, we had a strong sense of crisis that we had to change. So, we thought first that we needed to change the top management level, and actively searched for and appointed external human resources, while changing the form of the Board of Directors as the highest decision-making body of the Company. We were constantly considering what kind of skills we would need in human resources for this level of change. While internally there were some people we could have appointed, it was necessary to bring in people from the outside who had the skills we did not have in the Company. Our Company has always had many employees who joined mid-career. About half of the manager-level employees is made up of

such people, and those people with diverse backgrounds became the driving force of our growth.

## Notable endeavors over these four years

**Shinya:** Because we've been able to increase the speed in which we execute various reforms and measures, the four years since the current Mid-term Plan began have just flown by. Among these various measures, please tell me what you think are some especially notable endeavors.

**Sato:** I was heavily involved in this myself, but I think transitioning the institutional design to a company with an Audit and Supervisory Committee was an especially notable reform. An essential part of that, and the most important point this reform brought about, was the widespread progress of delegation of authority to the executive side. Through this transition, it's become possible to respond at each site with an even greater sense of speed. I also get a sense of the evolution over these four years from the fact that the focus of discussions by the Board of Directors has become the more essential and substantial question of "What kind of company should Dexerials be?"

**Yokokura:** I feel that the 2022 merger and acquisition of Kyoto Semiconductor Co. Ltd (Kyosemi) was especially notable. Dexerials had previously engaged in financing and investment in outside companies, but this was on a much greater scale than ever before. Of course, there were multiple debates among the Board of Directors until the M&A was decided, but ultimately President Shinya, you said, "I will personally take the reins of Kyosemi and lead from the front." At that time, I truly felt your strong intention as the top executive to take personal responsibility for this M&A, and link it to Dexerials' future growth. I agreed with a sense of conviction.

That said, the synergistic effects of an M&A are not seen right away. Even if there is an immediate added benefit, I think it is necessary to patiently wait a certain amount of time before the extra additive results come to fruition.

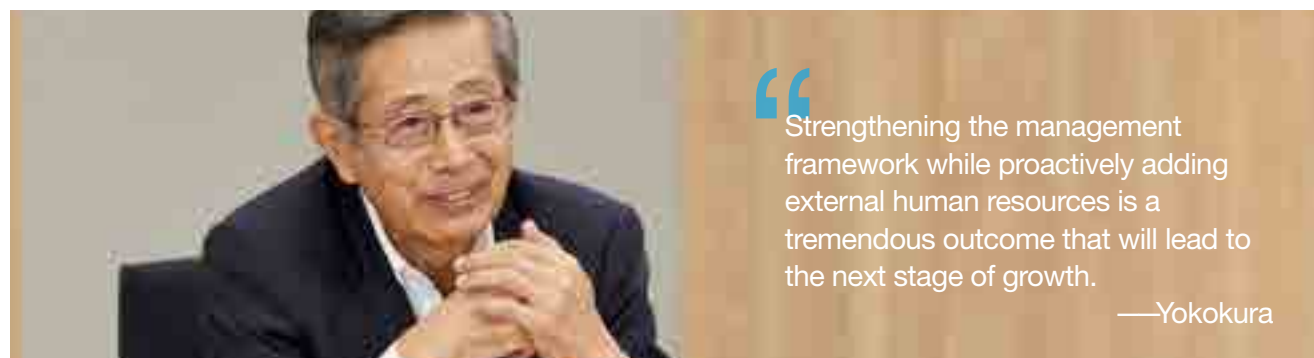
**Shinya:** With the Kyosemi M&A, the discussions of the Board of Directors got deep into the question of "Why do we want to bring Kyosemi into the fold?" while keeping a clear image of the kind of company we want to be.

The understanding of the outside directors was reassuring support enabling the final decision.

## Evolution of the Board of Directors

**Shinya:** With the change in membership to the current make-up of the Board of Directors, I felt it was important to first build a mutual sense of trust. So I arranged opportunities so that we could discuss various agenda at "off-site meetings," and not just gather for the decision-making of the Board of Directors. I feel that by having "camp-style" meetings occasionally, we could discuss various management issues with the outside directors, and deepen our mutual understanding and sense of trust.

**Yokokura:** The regularly-held "outside directors' meetings" were also a very good initiative. We can freely voice our concerns and feel for the issues from each of our perspectives, while at the same



“The essential outcome of this reform was the widespread progress of delegation of authority to the executive side.

—Sato



time exchanging our frank opinions and requesting the executive side to respond as necessary.

Also, that the outside directors who are not Audit and Supervisory Committee members, including myself, can view audit materials is an initiative that enhances efficiency. There are more than a few detailed insights into the Company's climate and culture, as well as actual on-site events, that can be seen through the audit materials. For me, being able to obtain information that's not sugar-coated leads to a greater sense of security.

There are also many opportunities for the outside directors and the directors on the Audit and Supervisory Committee to exchange views, and there's much information we can obtain from that.

**Sato:** As the Chairperson of the Audit and Supervisory Committee, I've striven to widely share as much useful information and materials as possible with all the directors, so I'm very honored to hear that. The members of the Audit and Supervisory Committee receive a variety of briefings from people within the Company, so they have more information available to them than the outside directors who are not on the Committee. For some time, I felt that closing the information gap was an important issue. While we cannot disclose everything, we have made a conscious effort to share information among the directors, and it's reassuring that it has had results. At the same time, through my activities as an outside director, I've also felt that those on the executive side take the initiative in trying

to deepen our understanding. For example, with the Kyosemi M&A, they planned a site visit of Kyosemi's offices, and afterward there was an off-site meeting where everyone could discuss things from a new perspective.

Some things are understood for the first time when you see them for yourself, and I was really reminded of how important that is.

**Yokokura:** A good thing about the current Board is that there is a deeper understanding of the Company, and stronger trust among the directors, while at the same time maintaining a sense of healthy tension that sometimes we will constrain each other. I approach the Board of Directors always keeping in mind the various stakeholders and with a keen eye on whether the Company is following sound management practices.

**Sato:** There is certainly a sense of healthy tension in the board. During the Kyosemi M&A, we were able to have blunt and lively debates that included negative views and criticism.

**Shinya:** Nor am I trying to make the Board of Directors just a gathering of people who get along. Each outside director comes from a different background, and there is much we can learn from their diverse opinions. Achieving sustainable growth of the Company is our common goal, and I believe it is very important that the executive side receives suggestions from different perspectives

in response to its proposals.

We have become conscious of making the Board of Directors a place for constructive discussion, and I feel that this is one of the major evolutions over the past four years.

## Future outlook and issues for our business

**Shinya:** We are now at last moving to the 2024 mid-term plan. It will be necessary to formulate the next mid-term management plan with the assumption that there will continue to be significant changes in the management environment going forward. We are currently discussing with the Board of Directors what risks and opportunities we can anticipate in an uncertain future, and then exploring how we can and should evolve.

In the current Mid-term Plan, the business portfolio has changed considerably, with expansion of the automotive business and new directions such as photonics. But for future growth, it will be necessary to make even more dynamic changes.

**Sato:** I believe that the various measures we have taken so far have solidified Dexerials' existing domains. We must steadily maintain those, while digging even deeper. At the same time, the development of new domains will undoubtedly be the key to future growth, and we must accelerate this even more. I also believe that it has become more important than before to be able to demonstrate this to investors and others outside the Company.

Our products range from adhesives to optical semiconductors, and even though I'm an outside director, some things are difficult to understand as I'm not a specialist. It is necessary to continue disseminating information to the stakeholders so that they know Dexerials and its products.

**Shinya:** Communication with stakeholders is extremely important. I would like to continue to expand our activities and innovations to make our Company better known to as many people as possible. In addition, we have already started working to expand into

new businesses, such as preparing to launch a new company integrating the business and resources of Kyosemi with those of our consolidated subsidiary, Dexerials Precision Components Co., Ltd. The two companies are scheduled to merge in April 2024, and we aim to make this integrated company a leader in the growth of the photonics business.

**Yokokura:** What I've noticed in the last few years is that the speed of technological innovation has accelerated on a global scale. New technologies, such as generative AI, are being developed every day. At various times in the past, people would say, "This is the era of technological innovation," but the innovation then was never to the extent that it is now happening every day in the materials field through the use of digital technology.

What I would like to say in such circumstances is that no matter how new the technology is, there are many people who are thinking about the same thing on a global basis, and someone else may already be working on it.

Then what becomes important is the "people" who use the



technology. I believe that an increasingly important management issue for the future will be creating a system that attracts outstanding human resources and an environment that allows them to maximize their activities.

## **Toward even greater growth, and strengthening ever more important human capital**

**Shinya:** I also recognize that the key to realizing the reinforcement of our business model, a strength of our Company, is people. It's very important to become a company that can be chosen by talented human resources from outside the Company to play an active role in our business.

As part of the reform to achieve this goal, we first introduced a "job-type personnel system" for manager-level employees in Japan in fiscal 2023. From a macro perspective, it's certain that Japan's working-age population will decline. We will shift our business portfolio to a more global perspective, and a review of the human resources portfolio at the global level will proceed. For this reason, we will steadily expand our "job-type personnel system" on a global scale so that excellent human resources can play an active role around the world.

**Yokokura:** This may be a little off topic, but President Shinya often says, "We are a venture company." Certainly it is a young company, only 10 years since its founding. However, it is a large publicly traded company, with a changing Board of Directors and a rapidly evolving management base. What do you mean when you say "venture company?"

**Shinya:** It has various meanings, but as you said earlier, the speed of technological innovation in the world is extremely fast, and in order to create things that have never existed before, and things that have value to the world, it is essential to have the enthusiasm for always taking on new challenges.



Although we are listed on the Prime Market of the Tokyo Stock Exchange, I use the term "venture company" because I think that it is like Dexerials to engage in business with as much spirit as a start-up company. I also feel that in our Company, like in a venture company, it is easy for young people to express their opinions, and challenge themselves, and I would like to continue that.

**Yokokura:** To continually challenge without giving up. I also want to fully support them as they take well-measured risks.

## A message to all our stakeholders

**Yokokura:** The ability to anticipate customers' needs and deliver products that exceed their expectations is what I believe is the strength of Dexerials, and the source of its sustained growth. This is what has led to its current performance, and should give its employees confidence.

The focus of this Company is the digital field, and no doubt this field will continue to be necessary to society going forward. However, much like the IT bubble once burst, there is a cycle in this industry. Dexerials has been working on building a strong corporate structure that is not affected by that kind of external environment, and now we are gradually seeing results. By expanding its product domains to include sensing, automotives, and communications, it has become more flexible in responding to changes in the environment. There are, however, some areas that are still lacking, but continually challenging itself without giving up is the Dexerials way.

As one of the outside directors, I will provide advice, recommendations, and the utmost support for continuing sound management, with consideration for all stakeholders, so that Dexerials can realize sustainable growth and further increase its corporate value.

**Sato:** When we look back over the past 10 years since its founding, we see that despite some difficult times in the beginning, Dexerials has made solid strides, and I feel that it has reached the 10-year mark in good shape.

In the decade ahead, it will further hone the technology it has developed, and bring together human resources who have an abundance of motivation and flexibility. I would like the Company to create an environment in which employees can fully demonstrate their abilities, and management to steadily pull these employees up,

further building a good relationship between the two sides. That will be absolutely necessary for sustained growth.

As Chairperson of the Audit and Supervisory Committee, I have always been thinking of how our activities can contribute to the Company's business. Only a company that has solidly ensured a system for internal governance and compliance can focus on its business. I feel that the Audit and Supervisory Committee has especially contributed on that front. We also have an Internal Audit Department under the Audit and Supervisory Committee, and have been conscious of how to appropriately appreciate the concerns and issues of the executive side.

I'd like to continue to actively communicate with the Board and the executive side to advance audit activities that contribute to the Company's further development and growth.

**Shinya:** In terms of what kind of company we will grow into in the next 10 years, I feel that you are absolutely right. Starting with our independence from the Sony Group, the past decade has been one of trial and error, as we learned how to develop this new company called Dexerials, while making use of the foundation built over the past 50 years. The accelerated evolution seen in the last four years has led to confidence.

Going forward, I will continually endeavor to make this Company one that even more shareholders, investors, customers, and excellent human resources will choose and support.



# Create the future together with customers

Corporate Philosophy

## Integrity

Have Integrity and Sincerity

Corporate Vision

## Value Matters

Unprecedented innovation, unprecedented value.

### INPUT (Invested Capital) FY2022

#### Financial Capital

- Shareholders' equity 69,097 millions of yen

#### Manufacturing Capital

- Capital investment amount  
13,926 millions of yen
- Manufacturing sites  
4 sites in Japan, 2 sites overseas
- Headquarters and Tochigi Technology Center where engineers from various fields gather

#### Human Capital

- Number of employees 1,943
- Number of engineers 595
- Ratio of new hires with engineering background to all new hires 100%

#### Intellectual Capital

- R&D expenditure 4,274 millions of yen
- Overseas patents ratio 66.2%

#### Social Capital

- Relationships of trust with customers based on unique technology and high quality
- Relationships with 480 Green Partners

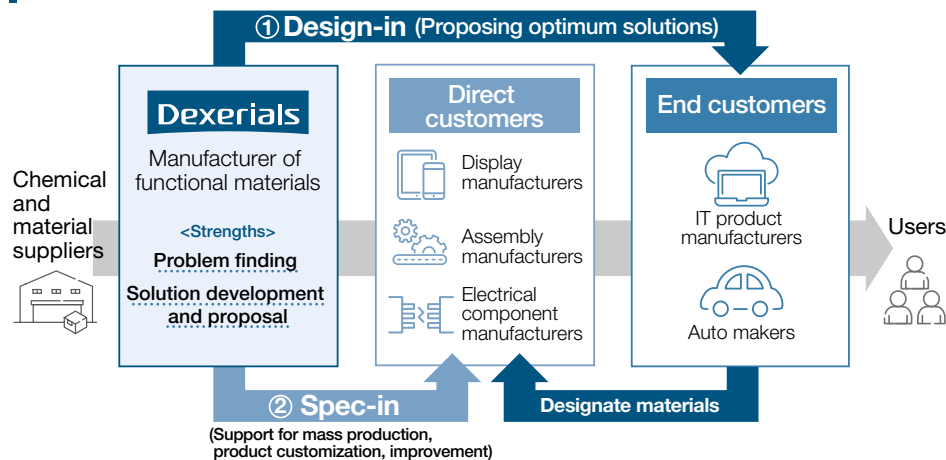
#### Natural Capital

- Electricity 71,820 MWh
- Water 290,000 tons

### Four important challenges to be engaged in for the medium to long term (Materialities)

- 1 Creating New Value, Resolving Social Issues
- 2 Reinforcement of Corporate Governance and Compliance
- 3 Cultivation of Diverse Human Resources and Engagement
- 4 Ensuring Operational Safety and Business Continuity

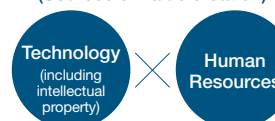
### Dexerials' Business Model



### Three Basic Policies for Evolution

- Mid-term Management Plan 2023  
"Challenges for Evolution"
- 1 Accelerate business growth in new domains
  - 2 Qualitatively change businesses in the existing domains
  - 3 Strengthen the management base

(Sources of value creation)



Reinvestment for sustainable value creation

### Returns and Value Offered to Society

Solve social issues and contribute to the realization of a prosperous society through products and services backed by unique technology

- Provision of highly functional materials and devices that support next-generation communication equipment and automobiles
- Provision of products that contribute to reduction of environmental impacts
- Creation of new value by applying electronics technology to other fields
- Creation of unique technology by vigorous investment in R&D
- Human resource development through promotion of diversity
- Shareholder return policy: Aim for total payout ratio of approx. 40% before goodwill amortization



### Changes in the social environment

- Progress of AI
- Spread of high-speed communication
- Progress of autonomous driving technology
- Advent of IoT society
- Climate change
- New lifestyle

## Business Model: The Key “Strength” to Maintaining a High Market Share in Niche Markets

### Our Strength is Our Business Model

We use advanced and diverse technologies, analytical capabilities, and human resources who are proficient in using them to find customers' key issues and provide products that will solve those issues.

This has allowed us to maintain a high barrier to entry and high market share, achieve stable profitability, and continually develop new products.

### The Strength We Demonstrate

Dexerials' product development is supported by our approaches to both “direct customers,” who are manufacturers of displays, electrical components, etc., and “end customers” (manufacturers of end products), who are in touch with users.

We are building a virtuous cycle wherein by satisfying both our direct customers and the end customers, we learn of their new needs, which leads to product development. We do this through “Design-in,” in which we discuss with the end customers to find their true issues, which even they may not be aware of, and then propose the most appropriate solutions to those issues. And also through “Spec-in,” in which we provide support, including mass production support, to direct customers who manufacture using our materials, to determine how they can efficiently use our materials.

#### 1) Design-in

- We find the technical issues our customers (“end customers”) are not aware of, and propose and develop unique products never seen before to solve those issues
- We have the display manufacturers in charge of mass production (“direct customers”) designate the use of our products (designate materials)

#### 2) Spec-in

- In addition to the customization of our products, by supporting process improvement we bring about the ideal manufacturing of our customers (“end customers”)

#### TOPICS

##### The “Design-in” and “Spec-in” business model embodied by our members

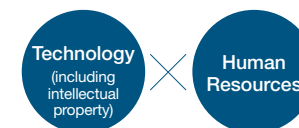
The key to maintaining our Company's high market share in niche markets is the “communication capabilities” of our engineers who join our sales representatives in communicating with customers to elicit customers' issues and needs, and the advanced “technological capabilities” and “analytical capabilities” to respond to those expectations. We have included the actual words of our employees in each business, from the perspectives of both sales and engineering, who embody these ideas on a daily basis.



Pages > P.31, 33, 35

### The Source of Our Strength

Technology and human resources make up the core of our business model. It is made up of “advanced and diverse technologies” and “the human resources who are proficient in using them.” By further strengthening these efforts, we intend to solidify the core of this growth engine.



### Advanced “Technological” and “Analytical” Capabilities to Develop Products that Meet Customers' Expectations

Our product development that exceeds customers' expectations is founded on comprehensive development capabilities based on four core technologies—“Materials technologies” and “process technologies,” (technological capabilities) and “evaluation technologies” and “analysis/inspection technologies” (analytical capabilities)—that we have accumulated since the time of our predecessor. Combining these core technologies opens up a wide range of possibilities.

#### ▶ The Four Core Technologies that Support Dexerials

##### ..... Technological capabilities .....

Materials technologies

Process technologies



##### ..... Analytical capabilities .....

Evaluation technologies

Analysis/Inspection technologies

Dexerials owns materials technologies for developing functional materials, such as optical materials and electronic materials used in cutting-edge electronic equipment, automobiles, etc., in addition to other technologies and know-how that bring various functions into shape, such as organic and inorganic materials technology, technology to form thin films, and microfabrication technology.

Dexerials' sales, development, and production members work together to accurately identify customer needs, swiftly resolve their issues, and develop products, using cutting-edge equipment and evaluation technologies.

> P.38–39 Value Creation through Intellectual Property

### Diverse Human Resources who Find Customers' True Issues and Propose Solutions by Combining Technologies

In our communication with customers, our engineers join our sales representatives to elicit customers' issues and needs, and then work with the development members to find the true issues by adding technical considerations. In response to these issues, we develop and propose unprecedented, unique, and high value-added products and solutions, and in doing so, achieve the provision of value that exceeds customers' expectations.

> P.53–55 Human Resource Development

# Mid-term Management Plan 2023, “Challenges for Evolution”

Fiscal 2023 will be the final year of Mid-term Management Plan 2023, “Challenges for Evolution.”

In this era of high uncertainty, we are working through three basic policies to evolve structures that are resilient to change, while also avoiding excessive reliance on any one business domain.

## Initiatives and Outcomes up to Fiscal 2022 (First Four Years of the Plan)

One of our key management issues is the fact that our business portfolio is heavily reliant on the consumer IT domain, with the result that our performance is heavily influenced by final-product markets and trends in the activities of specific customers. To address this issue, we are pursuing three basic policies under Mid-term Management Plan 2023, “Challenges for Evolution” (hereinafter referred to as “the Mid-term Plan”). Those policies are: “1) accelerate business growth in new domains,” “2) qualitatively change businesses in the existing domains,” and “3) strengthen the management base.”

Our ongoing challenge is to transform our business portfolio while expanding our business through the “accelerate business growth in new domains” and “qualitatively change businesses in the existing domains” basic policies.

Net sales in new domains, such as automotives, have grown approximately 2.5 times over the course of the current Mid-term Plan. While pursuing a strategy of selection and concentration for our existing domains in the consumer IT field, we have also targeted qualitative changes to our businesses, including efforts to expand the use of our products by developing and offering differentiated technology products that anticipate technological trends. For example, we have developed Particle-arrayed Anisotropic Conductive Film (ACF) for use in displays, as well as products used in sensor modules for non-display applications.

These efforts have enhanced our earning power, while also bringing major progress toward changing our business portfolio. In addition to achieving our original profit targets three years ahead of the schedule, we were also able to achieve the final targets for all KPIs set out in the updated Mid-term Management Plan (announced in May 2021) two years ahead of schedule.

> P.27 Business Portfolio Transformation

## Examples of Measures and Initiatives Over the Past Four Years

### 1 Accelerate business growth in new domains

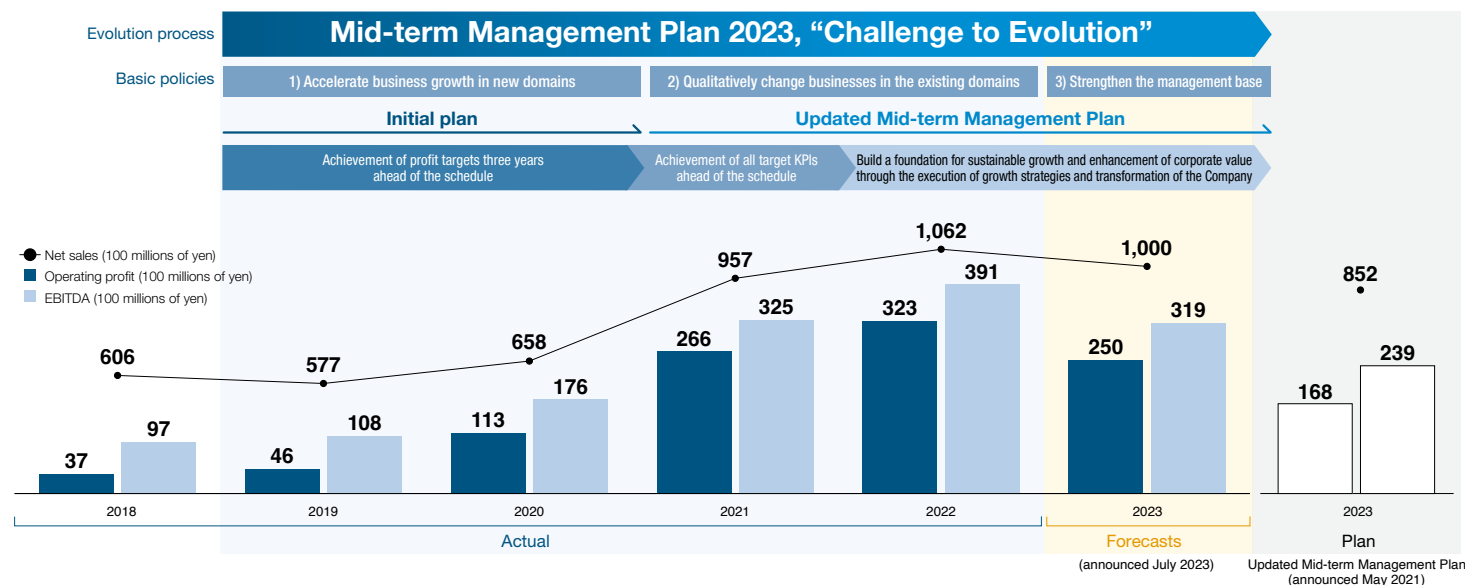
- Expansion into new domains including automotives
- Acquisition of optical semiconductor business

### 2 Qualitatively change businesses in the existing domains

- Develop products in anticipation of technological trends
- Selecting focusing businesses by the business feasibility assessment
- Implement investment in increased production ahead of schedule

### 3 Strengthen the management base

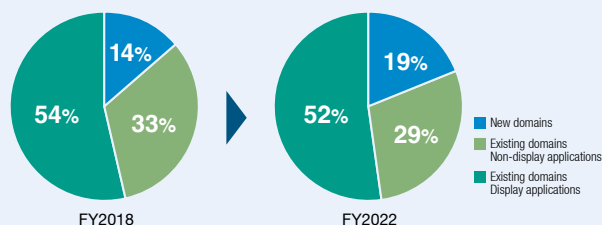
- Provision of shares to employees in Japan
- Introduction of a job-type personnel system for manager-level employees in Japan
- Relocation of headquarters to Tochigi
- Transition to a company with an Audit & Supervisory committee



## Business Portfolio Transformation

As a result of initiatives under the Mid-term Plan, we have not only achieved growth in new domains, but have also expanded our range of high value-added products for both display and non-display applications in existing domains.

### Net Sales Composition

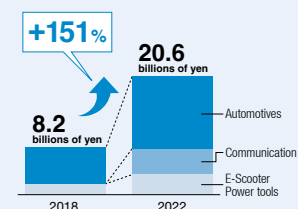


### New Domains —Net Sales Composition



**New domains:** Increase in business with long life cycles and volatility controlled through the business mix.

### New Domains—Net Sales



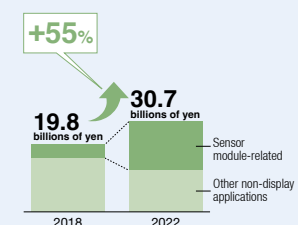
### Lifecycles and Business Volatility for Each Application

Application	Business expansion	Lifecycle of final product	Business volatility
Communications		10 years	Low
Automotives		5 years → 5 years	↑↓
E-Scooter			
Power tools			
Consumer IT devices		1 year	High

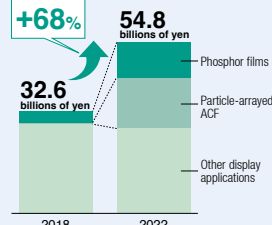
**Existing domains:** Products that anticipate technological advances and new products have grown, sales expanded by 5.4 times from FY18

### Existing Domains—Net Sales

#### Existing domains: Non-display applications



#### Existing domains: Display applications



### Percentage of Products that Anticipate Technological Advances/New Products in Existing Domains\*

\* Sensor module-related products, Phosphor films, and Particle-arrayed Anisotropic Conductive Films (ACF)

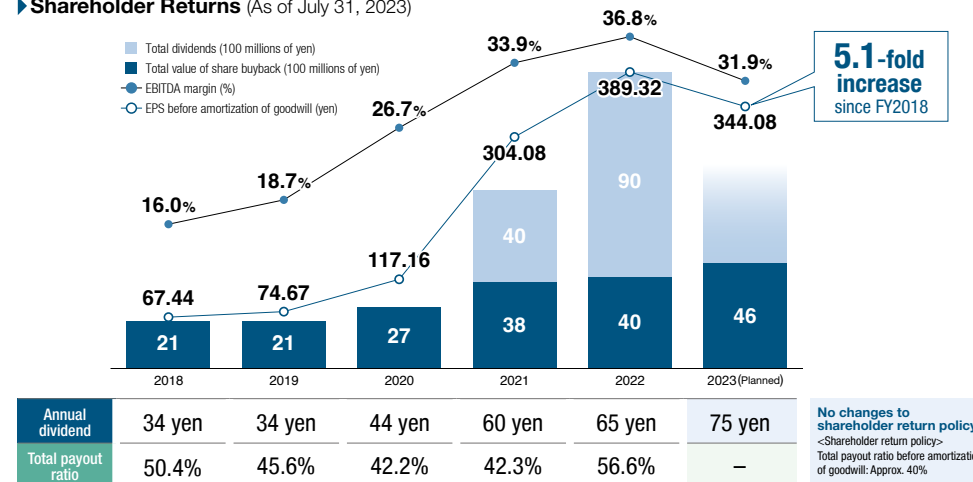


## Shareholder Returns

In the four-year period leading up to fiscal 2022, we have enhanced our earning power and significantly increased earnings per share (EPS).

However, a gap has emerged between growth in EPS and dividend growth. While we anticipate a decline in sales and profits in fiscal 2023 due to a stronger yen, **we are still planning to increase our annual dividend to 75 yen per share**, while also correcting the balance between share buybacks and cash dividends. Of the treasury shares held by Dexerials Corporation as of March 31, 2023, on May 24, 2023, we canceled 3,550,600 shares other than those held for the purposes of providing incentives for officers and employees.

### Shareholder Returns (As of July 31, 2023)



## Achieving Sustainable Growth Under the Next Mid-term Management Plan

We believe that in order to achieve sustainable growth under our next mid-term management plan, which will start in fiscal 2024, we must accelerate the transformation of our business portfolio by achieving growth in new domains. Accordingly, **on April 1, 2024, we plan to launch an integrated company that will lead our efforts to develop business growth in the photonics domain**, which is positioned as the next growth domain.

This new integrated company will combine the business activities and resources of two of our domestic consolidated subsidiaries: Dexerials Precision Components Corporation and Kyoto Semiconductor Co., Ltd. It will have the support of the entire Dexerials Group as **it promotes business growth in the photonics domain**.

> P.28–29 Initiatives for Innovation

## Initiatives for Innovation

The Dexerials Group aims to realize sustainable growth through innovation in the photonics domain, the third pillar of our businesses after consumer IT and automotives.

### Identifying the Next Growth Domain to Follow Automotives

The Dexerials Group recognizes that accelerating the transformation in its business portfolio through business growth in new domains is essential to achieve sustainable growth in the next mid-term management plan (hereinafter referred to as “the Mid-term Plan”) for the period commencing from fiscal 2024. The Dexerials Innovation Group (DIG) Promotion Department, responsible for future-orientated technological strategies, has been leading the search for the next domain following automotives by asking, “What can we do with our technologies and resources?” and “How can we contribute to resolving social issues?” As society as a whole aims to become more efficient through digitalization, we considered both the business domains and technologies in which evolution will be required going forward and our own technologies and know-how. This led us to the discovery of new business opportunities in the areas of sensing and optical communications, and in March 2022, we made Kyoto Semiconductor Co., Ltd. (Kyosemi) our subsidiary.

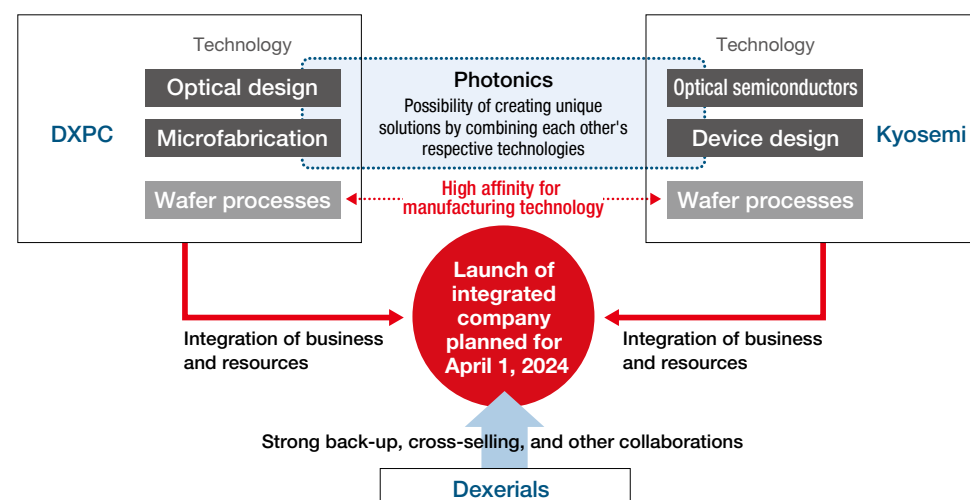
### Launch of Integrated Company to Lead Growth in the Photonics Domain

Since welcoming Kyosemi into our Group, we have engaged in various collaborative activities, studying ways to grow our business in the domain of photonics. In this process, we came upon the possibility of creating solutions supporting the evolution of the photonics domain by combining the Dexerials Precision Components Corporation's (DXPC) optical design technology and microfabrication technology to control light, which have been developed in micro devices, with the optical semiconductor and device design technologies possessed by Kyosemi. Furthermore, both companies have wafer processes in their manufacturing processes, and both have a high affinity for manufacturing technology, which will be a major strength in this new growth domain.

Therefore, the Dexerials Group decided to integrate the businesses and resources of the two companies, and launch an integrated company on April 1, 2024. The integrated company will play a key role in driving business growth in the photonics domain. We will combine DXPC's “light control technology,” which it has developed as a company engaged in Micro devices, particularly Inorganic optical devices, with Kyosemi's

“optical semiconductor technology” and integrate both companies' resources. The integrated company will develop photonics solutions through combining these technologies, while continuing to evolve optical semiconductors and micro devices.

#### Integrated Company to Lead Growth in the Photonics Domain



### Accelerate the Transformation of the Business Portfolio by Realizing Business Growth in the Photonics Domain in the Next Mid-term Management Plan

In the next mid-term management plan, the Dexerials Group aims to make the business in the photonics domain as the third pillar following consumer IT and automotives. By integrating the two companies, supported by the entire Group, we will promote further transformation of the portfolio, as we aim for reducing volatility, and sustainable growth through business growth in the photonics domain.

## Overview of DXPC and Kyosemi

### <DXPC>

In the micro device category, possesses light control technology, is involved in Inorganic optical devices for projectors, as well as phosphors and target materials for sputtering.



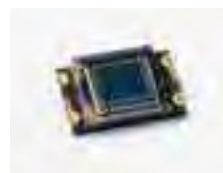
Inorganic diffuser/  
Inorganic polarizer



Example application: Projectors

### <Kyosemi>

In the Optical semiconductor category, involved in light receiving and emitting elements for sensor devices used in factory automation, and optical semiconductors for light receiving elements used in such applications as optical communications of data centers.



Two-tone photodiode



Example application:  
Factory automation

## TOPICS

### Launch of “Dexerials-Tohoku University Photonic Meta Sensing® Co-creation Research Center” to help realize a near-future society based on an integration of optical and information technologies

Tohoku University and Dexerials established the Dexerials-Tohoku University Photonic Meta Sensing® Co-creation Research Center (“Research Center”) on April 1, 2023. The Research Center carries out next-generation research in the unexplored areas of photonics that will help to realize a near-future society based on an integration of optical and information technologies, by creating innovative devices and deploying them in society. Tohoku University owns science and technology in new materials, high precision measurement, ultra-fine processing, and bonding and stacking at the atomic and nanometer levels, while the Dexerials Group holds technologies in materials, micro-nano fabrication and other processing, and optical semiconductors. On the basis of these technologies, we will aim to create new technologies, products, and solutions in the field of photonics, including high-speed optical communications and sensing, at unprecedented levels or unexplored areas. In addition, we will accelerate the development of human resources that will play central roles in the next generation in these fields.

We will continuously strengthen academic-industrial collaboration through activities at the Research Center and will speed up research and human resource development in the photonics domain with a view to offering value for the digitalization of society and helping to resolve social issues.

## What Is Photonics?

Photonics is the field of engineering for handling photons (particles of light). It uses light detection technology and light control technology to cultivate, transmit, and process information transmitted by optical signals.

With its ability to easily generate diverse content such as images, voice, and text, generative AI is a technology and solution domain that will support societal efficiency, such as sensing for autonomous driving, and high-speed communications for efficient processing of big data.

## Toward the Creation of Sustainable Innovation

To achieve sustainable growth in a rapidly changing and highly uncertain business environment, it is essential to identify our business opportunities from social issues, acquire the necessary technology, and create innovation through a reinforced technology portfolio.

Dexerials, with the divisions in charge of R&D and marketing, and led by the DIG Promotion Department, will continue to search for the seeds of technological innovation to become the core of new growth domains, and create business opportunities to solve social issues, of which our provided high value-added solutions should lead long-term growth.



Aiming to contribute to resolving  
social issues in the photonics domain

Corporate R&D Division Head  
Kazuya Hayashibe

The Dexerials-Tohoku University Photonic Meta Sensing® Co-creation Research Center, growing out of research activities on micro-nano fabrication processes and materials with Professor Masaru Nakagawa of the Tohoku University's Institute of Multidisciplinary Research for Advanced Materials, was established to expand industry-academia collaboration. Tohoku University's cutting-edge materials properties research and advanced analytical measurement technologies are very useful academic fields in the growth of the photonics domain announced in July 2023, as well further new domains. Through the development of human resources while expanding the range of our technologies in the course of these co-creation and research activities, we will accelerate our contributions by creating new solutions to social issues.



## Optical Solutions Business Unit

This business unit handles two key product categories: optical films, which are mainly used in displays, and optical resin materials, which are used in displays and optical devices. The unit supplies not only materials but also optical solutions for higher resolution and precision in displays and devices.

### Basic Strategy and Policy

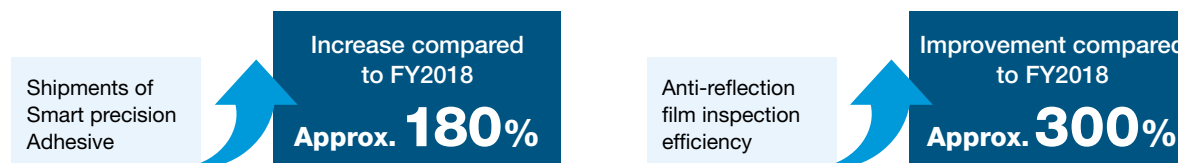
By offering optical solutions unique to Dexerials in a variety of business fields, we will contribute to resolving social issues through customers' products and services, thereby ensuring sustainable growth. In existing business domains, we will provide even more value by proposing solutions that anticipate customer needs and technology trends. Furthermore, we aim to enter new business domains by evolving and combining each category's core technologies. In each category, we are also aiming to build a solid business foundation that can handle various fluctuations while pursuing DX and the development of smart factories to further improve productivity.

### Strengths of the Optical Solutions Business Unit

We provide our customers with optical solutions that meet their needs by offering them proposals based on a range of perspectives, taking into account not only materials, but also optical design, processes, and various combinations of these factors.

### Main initiatives and outcomes in four years of the Mid-term Management Plan 2023, "Challenges for Evolution"

## Highlights



Basic Policy	Theme	Initiatives and Outcomes
Qualitatively change businesses in the existing domains	Developing products that anticipate technology trends	We are committed to the timely development and proposal of products in step with advances in sensor module design and improvements in image quality made possible by the emergence of multi-lens camera modules for smartphone image sensors with higher pixel counts, and bigger lenses. <b>Shipments of our Smart precision Adhesive have increased by approximately 180% compared to fiscal 2018</b> due to the growth of components adopted
	Developing products that anticipate technology trends	We have launched the "HD series," a range of Anti-reflection films with superior scratch resistance and anti-smudge properties. These products add even more value to our range of ultra-low reflection solutions and are becoming increasingly adopted in laptop PCs and in-vehicle displays
	Improvement in business efficiency	To enhance our productivity, we are working to raise efficiency across each business category by introducing new equipment, automated systems, and collaborative robots, as well as by automating inspection processes and implementing machine-based decision-making ・ <b>Anti-reflection film inspection efficiency: Approximately 300% improvement compared to fiscal 2018</b> ・ Moth-eye type Anti-reflection film production volume: Approximately 180% increase compared to fiscal 2018

## Business Overview

During the four-year period covered by the current Mid-term Management Plan, we have expanded our business in the display domain by launching new products that are highly resistant to imitation by competitors. These include the “PS Series” of Phosphor films, which employ our proprietary sulfide phosphor as a green phosphor, the inkjet-compatible Optical elastic resin “Jetttable SVR,” and the “HD Series” Anti-reflection films, which offer an over 40-fold improvement in top-surface durability. In addition, in the area of Smart precision Adhesive, we have made significant advances in the sensor domain, including the development of products that support larger camera modules and high-precision fixing. As a result, the Optical Solutions Business Unit has achieved net sales growth of approximately 40% compared with the fiscal 2018 results.

## Future Outlook

- Contribution to solving social issues, such as by reducing process loads and environmental impact by further lowering the curing temperature of Smart precision Adhesives, while also increasing their curing speed
- Help create greater design freedom for displays through the use of Jetttable SVR
- Develop Anti-reflection films with new functionality for new applications

## ► Main Products

> P.05 Business Segments



Anti-reflection films



Optical elastic resins (SVR)

## The Strength Behind Dexerials –The “Design-In” and “Spec-In” business model we embody–



Engineers

Product Development Department,  
Optical Solutions Business Unit  
Koichi Ida



Sales

Account Sales Department,  
Global Sales & Marketing Division  
Ryosuke Imai

## Smart precision Adhesives

These adhesives cure rapidly at low temperatures with low shrinkage rates, making them ideal for precision fixing and bonding of components. They are used to fix parts in camera modules, optical pickups, and other devices. Dexerials offers a range of curing methods to suit specific applications.



For details about our products, please refer to our [website](#).

## Engineers

We begin the prototype development process by working alongside the sales team to determine the required product characteristics through meetings with manufacturers, who will be the end customers. We then build on this information as we move from the concept stage to the establishment of a prototype development policy in consultation with end customers. The resulting prototype is then evaluated by end customers. If the evaluation is positive, the next step is validation by assembly manufacturers, who are our direct customers, and they will be the ones to actually use the product. End users typically prioritize the physical properties of adhesives, especially their impact resistance and stability in hot, humid environments. In contrast, the direct customers who use these products are more focused on the achievement of appropriate levels of viscosity and curing speeds in order to enhance their productivity. We therefore strive to remain focused on how the product will be used by direct customers as we advance from evaluation by end customers to the design and development stage. We regard accurate monitoring of customer needs and the proposal of solutions that match those needs through frank exchanges of opinions between the sales team and engineers as extremely important aspects of our efforts to create innovative technologies.

## Sales

We want our products to be the adhesives of choice for our customers. To achieve that, we employ a “Design-in” business model in which we communicate both with the direct customers who use our adhesives, as well as with the end customers who determine the purpose and design of the final product. Specifically, before starting the prototyping phase with direct customers, we work alongside development staff to communicate with end customers and identify their requirements. This approach allows us to prepare optimized samples before starting trial production. To prepare these optimized product samples, we gather a variety of information about customer needs through communication with a range of parties, including the end customer staff responsible for materials and processes, and direct customer project staff. This information is immediately reflected in our product designs. In order to realize technological innovation, we believe it is extremely important to accurately grasp each customer’s situation in cooperation with the sales staff at our overseas sites, and to openly exchange opinions with each engineer and make suggestions according to the situations.



## Connecting Materials Business Unit

This business unit provides Anisotropic Conductive Film (ACF) and Surface mounted type fuses, the business of the Electronic Materials and Components segment, for a variety of applications, including power tools, as well as smartphones and other consumer IT products.

### Basic Strategy and Policy

We have expanded our business by continuing to propose solutions that exceed our customers' expectations, always based on the customer's point of view. Through expansion of high value-added products based on differentiated technologies and aggressive development of new products, we will strengthen existing businesses while continuously reviewing our business portfolio to create a leaner organization. We will then further refine our core technologies, advance product development unique to Dexerials that anticipates technology trends, and aggressively pursue initiatives to expand into new domains. Through these efforts, we will contribute to the further accelerating movement of society to digitalization and IoT, leading to sustainable growth.

### Strengths of the Connecting Materials Business Unit

The ability to create differentiated technological products with a high competitive advantage by integrating the core technologies of other divisions with mounting, bonding, and design technologies, such as Particle-arrayed ACF, pre-cut ACF, and Surface mounted type fuses.

### Main initiatives and outcomes in four years of the Mid-term Management Plan 2023, "Challenges for Evolution"

## Highlights

Net sales of  
surface mounted  
type fuses for  
high currents

Increase compared  
to FY2018  
**Approx. 200%**

Particle-arrayed  
ACF production  
efficiency

Improvement compared  
to FY2018  
**30%**

Basic Policy	Theme	Initiatives and Outcomes
Accelerate business growth in new domains	Developing products that anticipate technology trends	We expected that the trend toward decarbonization will accelerate the equipping of large products (e.g., E-Scooter and power tools) with lithium-ion batteries. In advance, <b>we developed and proposed Surface mounted type fuses for high currents, and net sales approximately doubled (compared to fiscal 2018)</b>
Qualitatively change businesses in the existing domains	Developing products that anticipate technology trends	From the perspective of effective use of circuit board layouts with the increasing multi-lens camera modules for smartphone and larger sensors, we anticipated mounting issues from the irregular shape of sensor modules, and proposed and developed pre-cut ACF to address these issues, thereby increasing new adoption
	Improvement in business efficiency	The introduction of Robotic Process Automation (RPA) for quality improvement and process inspection tabulation of Particle-arrayed ACF <b>improved production efficiency by 30% (compared to fiscal 2018), contributing significantly to the expansion of supply volume</b>

## Business Overview

During the four years of the current Mid-term Management Plan, together with lifestyle changes caused by the COVID-19 pandemic, demand for consumer IT products expanded, and sales of such differentiated technology products as ACF and Surface mounted type fuses, grew significantly. In particular, we launched a new series of Particle-arrayed ACF based on our proprietary technology, pre-cut ACF which created new value, and a new lineup of lead-free Surface mounted type fuses for high currents, greatly contributing business portfolio expansion. For these reasons, net sales increased 43% compared to fiscal 2018.

### Future Outlook

- Business expansion into new applications of ACF through evolution of core technologies focused on particle array technology
- Increased contribution to reduction of environmental impact by expanding lineup of lead-free Surface mounted type fuse products
- Establishment and business development of Surface mounted type fuse technology for anticipated expansion of the EV market

### Main Products

> P.05 Business Segments



Anisotropic Conductive Film (ACF)



Surface mounted type fuses

## The Strength Behind Dexerials –The “Design-In” and “Spec-In” business model we embody–



Engineers

Connecting Materials Business Unit  
Product Development Department  
Yusuke Tanaka



Sales

Dexerials America Corporation  
Sales  
Manabu Otaki

### Pre-cut Anisotropic Conductive Film (ACF)

Pre-cut ACF is processed to fit with the special terminal layout of camera modules and various sensor modules that require high-density mounting, making efficient mounting a reality. Because it can be mounted in a variety of forms, this product enables efficient mounting while minimizing damage to components.



For details about our products, please refer to our [website](#).

### Engineers

Due to issues in launching pre-cut ACF that we could not solve alone, the product was developed through the cooperation of our Company, manufacturers, and direct customers.

The reason for this initiative was to collaborate with manufacturers with which our direct customers already do business, and to develop a set of equipment and ACF to make effective use of existing equipment and minimize costs that would otherwise be a barrier to the introduction of new equipment.

As the initiative proceeded, I had numerous discussions with Mr. Otaki in sales about the status of development. Together, we visited equipment manufacturers, and he quickly reported back to our direct customers on what we had learned, allowing us to build a relationship of trust while launching the product. For this I'm very grateful.

### Sales

Product cycles for consumer IT products are short at one year, making testing conditions more demanding within limited time for evaluation periods. Earlier, we have had direct customers unable to meet the end customer's requirements when we were close to mass production. Unable to change the major parts, and needing a solution for our products, development and members of each overseas site worked together to hold hearings with direct customers for the information necessary to resolve the issue. Based on the information obtained, we created test samples and repeatedly conducted verification to determine the cause of the issue. As a result, we arrived at a different approach to the issue, which was not to change the composition of the product, but to change the product shape. End customers were apprehensive about the unprecedented proposal for pre-cut ACF, but by both a) providing data verified under mounting conditions close to those of the direct customer, and b) explaining that it was the best proposal that could meet the mass production schedule, both direct and end customers were satisfied, and pre-cut ACF was adopted for the first time.



## Automotive Solutions Business Unit

This unit is working to grow its business through application and rollout to automotives of Anti-reflection films, Anisotropic Conductive Films (ACF), and Optical elastic resins (SVR), with which we have already achieved success in the consumer IT products market.

### Basic Strategy and Policy

To achieve sustainable growth, in addition to our traditional business model that we have promoted independently, we believe it will be important to create a new business model that enables us to provide high value-added solutions to our customers while enhancing our presence in the automotive industry through collaboration with other companies from a global perspective.

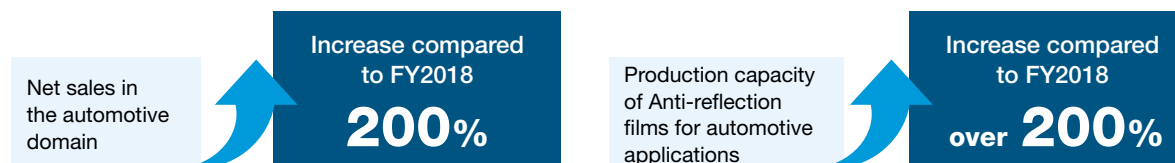
Under the current Mid-term Management Plan, we are working on business growth by providing solutions to improve visibility to meet the shift to larger cockpit displays that is occurring in line with the rapid electrification of automotives, as well as considering providing solutions for sensing technology, which is essential for the realization of autonomous driving.

### Strengths of the Automotive Solutions Business Unit

With this business unit being started by a group of members with various skills and experience, it is able to take advantage of its diversity by collaborating not only in Japan but also in the United States and Europe, the major bases for automotive production.

### Main initiatives and outcomes in four years of the Mid-term Management Plan 2023, “Challenges for Evolution”

## Highlights



Basic Policy	Theme	Initiatives and Outcomes
Accelerate business growth in new domains	Developing products that anticipate technology trends	Since the early 2010s, we have been discussing the future of automotives with original equipment manufacturers, and predicted that the in-vehicle displays will become larger and more interior-friendly due to the shift to electric vehicles and EVs. We have therefore proposed, developed, and <b>adopted Anti-reflection films and Optical elastic resins (SVR) for automotives and have seen adoption of these products steadily expand</b>
	Developing products that anticipate technology trends	In addition to Anti-reflection films, to expand sales of Jetttable SVR for in-vehicle displays, we have established a cooperative framework with SemsoTec Group, a German automotive design house
Qualitatively change businesses in the existing domains	Investment in production expansion ahead of schedule	New adoption of Anti-reflection films for automotive applications is rapidly increasing, and in anticipation of future demand growth, we have decided to invest in production expansion ahead of schedule. <b>Production capacity of Anti-reflection films for in-vehicle equipment approximately doubled from fiscal 2018</b>

## Business Overview

This business unit began its business by modifying its main product lines, which had demonstrated strength in the consumer IT domain, for automotive applications, focusing on Anti-reflection films, Anisotropic Conductive Films (ACF), and Optical elastic resins (SVR). It is also developing collaborative business with partner companies starting with SVR.

While over the past few years production in the automotive market has been severely affected due to the effects of the COVID-19 pandemic and a shortage of semiconductors, in fiscal 2022, net sales of Anti-reflection films and SVRs for automotive applications grew by about 36% compared to fiscal 2021 and doubled compared to fiscal 2018.

### Future Outlook

- Expand the European market for Jetttable SVR by strengthening coordination with partners
- Expand business opportunities by providing sensing solutions in the automotive market, where the number of sensors installed per vehicle is expected to increase and sensors are expected to evolve and become more sophisticated with the spread of ADAS\*
- Explore value of providing for the accelerating shift to EVs in automotives

\* Advanced Driver-Assistance Systems that detect and deter accidents and other hazards

### Examples Applications



In-vehicle displays



ADAS-related sensors

## The Strength Behind Dexerials –The “Design-In” and “Spec-In” business model we embody–



Engineers

Automotive Solutions Business Unit  
Product Development Department  
Takayuki Hisa



Sales

Global Sales & Marketing Division  
Automotive Solutions Sales Department  
Yao Long

### Anti-reflection films

Optical film for displays with outstanding low reflection property and scratch resistance, created from our unique manufacturing and design technologies.

Attached to the top surface of PC monitors, laptop PCs, in-vehicle displays, etc., it suppresses glare-causing reflection of light, contributing to improved screen visibility.



For details about our products, please refer to our [website](#).

### Engineers

Through its unmatched high-quality performance, based on its advanced technical capability cultivated on IT devices such as PCs, our Anti-reflection films for automotive applications have been incorporated by many automotive manufacturers through our “Design-in” business model. We have also been working on the “Spec-in” business model by deepening relationships not only with automakers, but also in the supply chain, to identify customers' true needs and providing new value.

Even after a product is adopted, development, quality assurance, and sales personnel come together, sometimes in collaboration with other business units, to continue to provide total support and heighten engagement with customers. I believe that Dexerials' strength lies in our ability to always be close to our customers and provide value that exceeds their expectations, and we will continue to provide new value to the world, developing products so that we can meet the needs of the market.

### Sales

Our sales representatives, in cooperation with our development team members, have been able to build trust by conducting “Design-in” activities to propose low reflection solutions for displays to automakers, the end customers, by using Anti-reflection films, Optical elastic resins (SVR), or other products. At the same time, sales representatives visit not only the automaker, but also each company in the supply chain to conduct “Spec-in” activities, working together to find appropriate solutions to the technical challenges of each customer's project.

Our role goes beyond being a mere materials manufacturer, and our close collaboration between sales and development to solve customers' issues leads to the acquisition of new projects. We have thus achieved multiple success stories. By connecting the customers with our Company, supporting their progress in resolving issues, and moving toward common goals, we have built relationships of trust with the customers, leading to further solution proposals and expanded our business opportunities. We will continue to make the most of this strength and do our utmost to improve customer satisfaction.

# Accelerating Change Through Digital Transformation (DX)

Dexerials aspires to data-driven management that will accelerate its internal digital change and leverage data, as well as the creation of new businesses that will provide new added value to customers by making use of digitalization.



## Basic Approach to DX Strategy

### Basic Policy for DX

All employees will utilize digital technology and data to change their own work and business to create products and services that have never existed before, and take on the challenge of solving social issues through the evolution of digital technology.

We are driving digital transformation with a basic DX policy, and a dedicated DX Department that addresses company-wide direction, digital governance, and internal collaboration.

First, as part of the Company's internal digital transformation, each division will proceed with standardization and digitization of their own operations and processes to realize improved efficiency and acceleration of operations. Next, we will utilize big data and AI to achieve data-driven management that enables company-wide, data-driven decision making, leading to stronger corporate competitiveness. Ultimately, we aim to contribute to the realization of "Society 5.0" and the resolution of societal issues through the creation of new value-added services, such as the instant and accurate provision of personalized services by utilizing AI and other technologies based on the digitalization and accumulation of data on customers' needs.

## Main Initiatives and Outcomes in Four Years of the Mid-term Management Plan 2023, "Challenges for Evolution"

Basic Policy	Initiatives and Outcomes
Strengthen the management base	Worked to develop a vision, strategy and system, and implemented system development. As a result, became a "DX-certified operator" based on indicators set by the Ministry of Economy, Trade and Industry
	Among the three steps to realization of DX, steadily promoted digital platforms and "intelligent" management
	<b>STEP 1</b> Digital platforms: Realization of efficient operations through the promotion of digital platforms for manufacturing, resulting in operational transformation, including operational efficiency and yield, and significantly improved profitability <b>STEP 2</b> "Intelligent" management: Promoting the strengthening of information management infrastructure and making management more intelligent by structuralizing and visualizing data to promote its use in management decisions and contribute to accelerated decision-making

## Steps to Realizing DX

### STEP 1 Digital platforms

- Realize efficient operations with common platforms
- Seamlessly link together supply chain management (SCM) and engineering chain management (ECM) to improve the speed of development, production, and sales

### STEP 2 "Intelligent" management

- Speed up decision-making and risk responses by enhancing the control of management information
- Aim to realize data-driven management based on the data

### STEP 3 Creation of new business to deliver new added value to customers

- Data collaboration with customers and suppliers to create new added value
- Become a solution supplier

## DX Initiatives

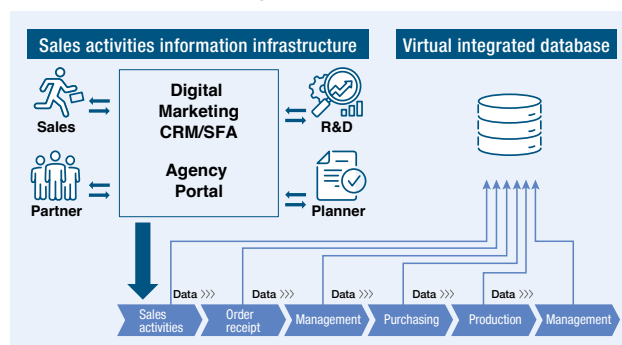
### Increased value provided to the customer

#### STEP 1 ▶▶▶ STEP 3

We are building an information infrastructure to centrally manage sales activities. By sharing necessary information, we can improve customer satisfaction through lead-time management and timely follow-up in cooperation with engineers. We will also promote SCM by seamlessly connecting data from order receipt to production.

Establishing these data integration processes and making data-driven decisions will contribute to improving competitiveness.

#### ► Supply Chain Data Integration Process



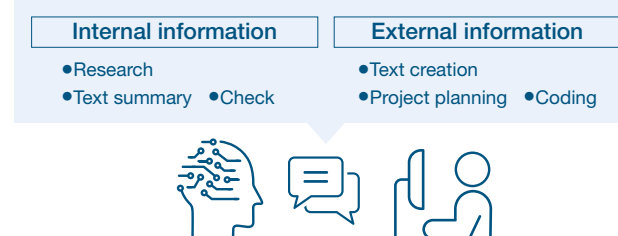
### Utilizing the latest digital tools

#### STEP 1 ▶▶▶ STEP 3

Digital technologies as generative AI are advancing rapidly, creating a large digital divide in the ability to utilize these technologies. Currently, we aim to build a system that maximizes the use of internal and external information, by viewing information, including internal data, in an interactive format, summarizing and creating text. In addition, starting in 2020, we began developing in-house applications, with more than 150 business applications already in operation, helping to improve the quality of our work.

We are always aware of changes in the world and proactively use and adapt our work to new technologies to improve efficiency and competitiveness.

#### ► Establish a System that Allows Users to Search and Reference Information in an Interactive Format



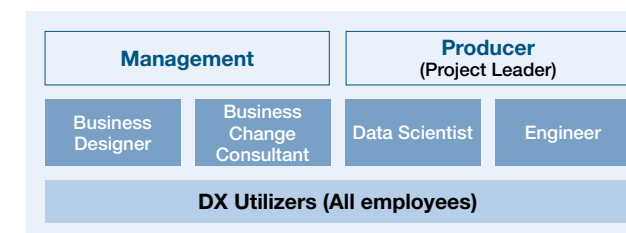
### Development of DX human resources

#### STEP 1 ▶▶▶ STEP 3

We believe that further improvement of internal digital literacy, including reskilling, is essential for DX to permeate the organizational culture and be promoted on a continual basis. Therefore, we have defined the image of DX human resources that will be necessary in the future, and are actively working to develop human resources by providing the “D-academy,” a training program that enables systematic learning (as of August 31, 2023: a total of 1,745 people participated). Then, by systematically assigning human resources to promote DX in each organization, we will build a system that can flexibly respond to changes and implement digitalization as a proactive initiative.



#### ► Image of 7 DX Human Resources



### Message from the Executive Officer in Charge of DX Strategy



Executive Officer  
Business Management Division Head  
**Kazuyoshi Terashita**

#### DX will strengthen our corporate structure and support business growth

We see DX as the key to corporate innovation and competitiveness. In order to respond to the changing market and meet the expectations of our customers, we will make the best use of the power of digital technology. We go beyond mere technology implementation to embed digital thinking into the organizational culture, enabling each employee to generate innovative ideas and facilitating rapid management decision-making.

We are convinced that this will lead to a stronger structure in our businesses and corporate growth by providing new value to our customers, and will be the driving force for realizing sustainable growth. We will continue our evolution, providing value to our customers around the world by challenging ourselves to create new markets through our digital capabilities.

### Fiscal 2026 Goals KPI

DX utilizing human resources

**All Employees**  
(Resource shift to core businesses)

DX specialist human resources

FY2023 approx.  
**20**

**FY2026 (goal)**  
10% of all employees  
**170**

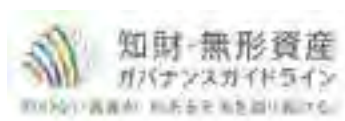
## Value Creation through Intellectual Property

Dexerials Group considers intellectual property (IP) as one of its essential management assets, and supports the enhancement of its corporate value and sustainable growth by creating new businesses and evaluating businesses using IPL\*1 while circulating the creation, protection, and utilization cycle.



### Basic Approach to Intellectual Property Strategy

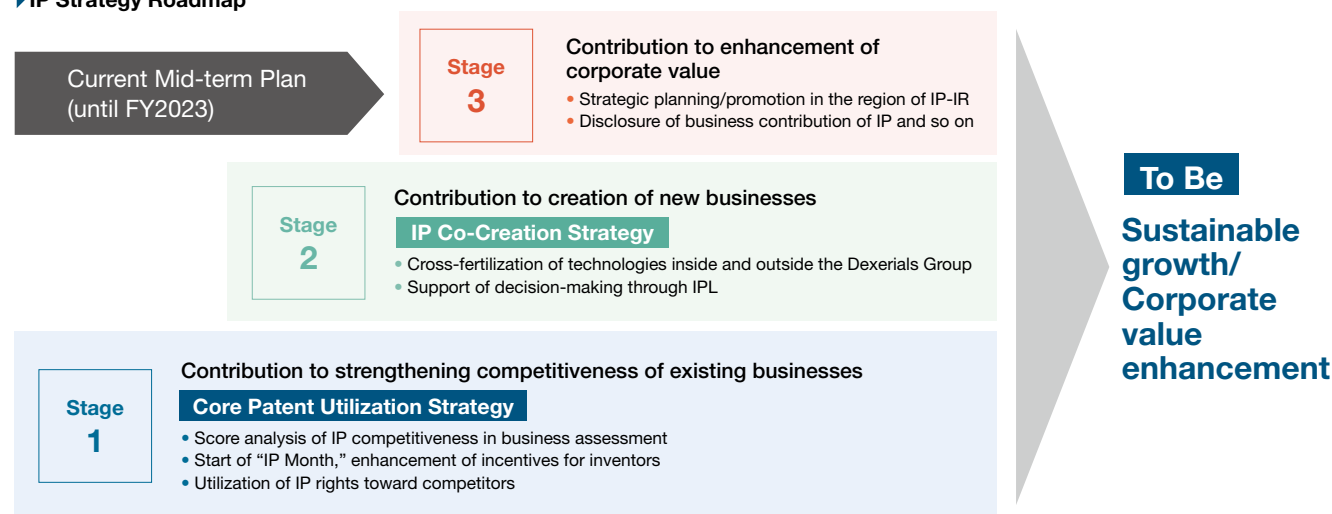
We are formulating and executing an IP strategy in three stages that span the period of the current Mid-term Management Plan (hereinafter referred to as the “Mid-term Plan”) and the next mid-term plan. Under the “Core Patent Utilization Strategy,” which began with the current Mid-term Plan, patent scores for each business category are analyzed internally and utilized in business decision-making to strengthen the competitiveness of core businesses and review the business portfolio. Since the updated Mid-term Management Plan announced in May 2021, we have been promoting IPL in new domains in cooperation with other divisions under the “IP Co-Creation Strategy.” These IP measures began to be disclosed from the “Dexerials Integrated Report 2021” and the disclosures are in accordance with the “Intellectual Property and Intangible Assets Governance Guidelines” published by the Cabinet Office. Furthermore, in the next mid-term plan, we will work on strategic planning and promotion in the IP-IR\*2 domain to deepen engagement with investors by proactively disclosing the business contribution of IP and so on. Promoting these strategies in parallel will contribute to our sustainable growth and increase our corporate value from the IP aspect.



\*1 IPL: IP Landscape. To conduct analysis incorporating IP information into management and business information when formulating management or business strategies, and to share results thereof (e.g., overview of the current situation and future perspective) with top management and business managers.

\*2 IP-IR: IP-driven investor engagement (Investor Relations)

### IP Strategy Roadmap



### Main Initiatives and Outcomes in Four Years of the Mid-term Management Plan 2023, “Challenges for Evolution”

Basic Policy	Initiatives and Outcomes
Strengthen the management base	Strengthened numbers of patent applications and registered patents (average annual increase of 12%)
	Supported management decision making by conducting IPL-based IP due diligence at the time Kyoto Semiconductor Co., Ltd. became a subsidiary in March, 2022
	In collaboration with related divisions, IPL methods are used in the search for partners for new products and new businesses. Over 20 implemented cases
	Allocated IP resources based on business assessment and monetize patent portfolio to improve profitability

## Securing and Strategically Utilizing Intellectual Property

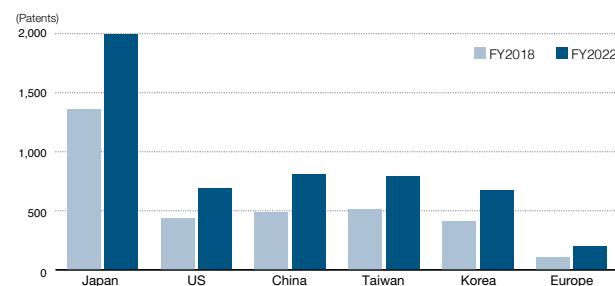
To enhance our business competitiveness, we are creating global entry barriers and securing IP rights to realize our business model. In recent years, the percentage of foreign patent applications to the number of Japanese patent applications has remained high at over 70%.

In addition, our patents registered overseas after being examined by each patent office is 66% of total registered patents. This percentage is almost the same as the overseas sales ratio of our business.

Moreover, by acquiring global rights to the various categories of inventions, etc., including functional materials, devices and manufacturing methods, etc., which we develop, manufacture, and sell, we can propose a wide range of solutions not only to direct customers but also to end customers.

We also review our patent portfolio based on annual business assessments, and promote the sale or licensing of patent portfolio that we have stopped implementing. For example, we recently sold some of our patents on water treatment agents to other companies, contributing to the effective use of environment-related technologies and patents, as well as to the monetizing of IP. By reviewing our patent portfolio, we support sustainable growth by converting IP resources into new business and development themes.

### Number of Registered Patents and Patent Applications in Major Countries/Regions



\* Total number of registered patents and patent applications at the end of each fiscal year (as of March 31)

\* Except for PCT International Applications

## Open Innovation

As a result of active IPL-based collaboration and discussions among business units, corporate R&D, and departments related to new business creation, open innovation is gaining momentum and various patent analyses are being used to search for business partners.

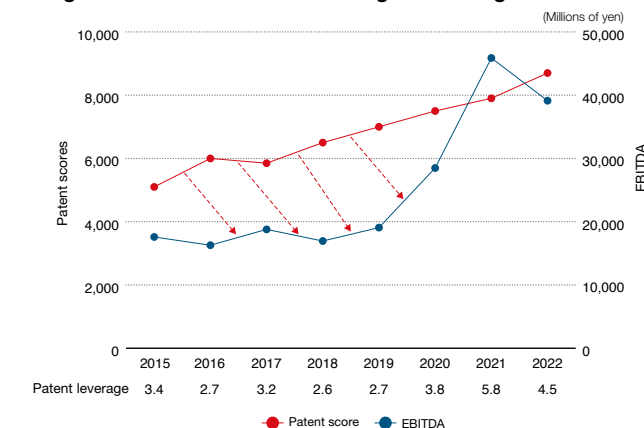
One example of our open innovation activities is our participation in WIPO GREEN (a matching platform for environmental technologies and IPs promoted by the World Intellectual Property Organization), where we are making effective use of more than 100 of our own environment-related patents on a global basis. Furthermore, in April 2023, we jointly established the “Photonic Meta Sensing® Co-creation Research Center” with Tohoku University. We plan to promote open innovation by leveraging the IP of both parties hereafter.

## Linking IP Investment and Management Indicators

Dexerials appropriates an amount equal to 27% (fiscal 2022 results) of the annual R&D expenditure for IP investments. Such investments have been actively made mainly into the enhancement of patent portfolios, IP Mix Strategy (design, trademark, know-how, etc.), and DX for IPs. On the other hand, we strive to prevent technology leakage and maintain business competitiveness by choosing not to file patent applications but concealing technologies that are difficult to prove infringement of, for example, manufacturing know-hows.

We are also working to evaluate and visualize our patent values and other intangible assets values using patent analysis software. For example, as a result of monitoring the correlation between our EBITDA and patent scores, we have seen a trend of EBITDA (earning power) rising in the wake of patent scores (IP investment). If the patent score increases but EBITDA does not increase, it may be that patent leverage has not been effective, and there are too many IP assets. While assessing business conditions, we will perform an inventory and reduce underutilized patents to build a lean patent portfolio and increase patent leverage.

### Higher Patent Scores Precede Higher Earning Power



\* Patent score = Approximate value using the patent analysis software “Biz Cruncher” (for Japanese patents)

\* EBITDA = Earnings Before Interest, Taxes, Depreciation, and Amortization (excluding the effect of exchange fluctuations)

\* Patent leverage = EBITDA ÷ patent score

## Fostering of an Intellectual Property Mindset

Every April is designated as “Intellectual Property Month,” during which we hold IP lectures and other educational activities, and present awards for inventions and so on. To foster an IP mindset throughout the Dexerials Group, we also conduct ongoing IP education for all employees, including workshops by outside experts.

Our IP Department consists of approximately 20 employees, including specialists such as one U.S. attorney-at-law, three Japanese patent attorneys, five IP analysts, nine certified specialists of IP management, one Gold-certified patent searcher (electrical and chemical areas), and one small- and medium-sized enterprise management consultant. We will continue to execute strategic IP activities under the motto “Changing and Evolving Organization” in order to sustainably create our corporate value by utilizing our IPs.

## Sustainability Management

Dexerials recognizes that promoting sustainability management is a company-wide challenge, and we have therefore constructed a system to promote sharing challenges and engaging in activities across organizations.

“We want to achieve sustainability management that demonstrates Dexerials' originality

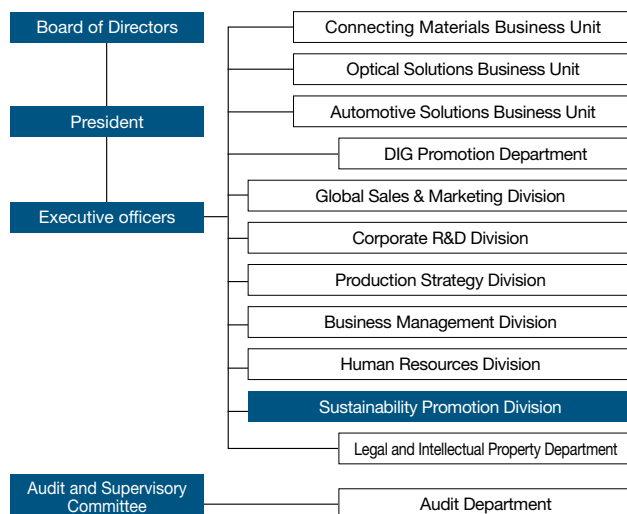
Executive Officer  
Sustainability Promotion Division Head  
Kouji Yamagishi

### Message from Executive Officer Responsible for Sustainability Management

On April 1, 2023, the Sustainability Promotion Division was established and I was appointed as its head.

Previously, the Company had been promoting initiatives by ESG category during sustainability discussions among management and within each operational organization. The creation of this new division is intended to take the system to the stage of integrated

#### ► Organization Chart (As of November 2023)



promotion at the company-wide level.

Even though we pride ourselves on being a forward-looking company, predicting recent social changes has been difficult. Taking into account factors that no single company can solve, such as a sense of the challenges facing the global environment, we spend our days thinking and repeatedly discussing how we can make the greatest contribution possible, given our corporate size. Since international standards for sustainability are still in the process of being established, we are working on this in the recognition that active interaction with a wide range of stakeholders is essential to finding the right direction for the Company.

In contrast, the ideas of sustainability, as exemplified by the Japanese saying that it means pursuing not only one's own interests but also those of society as a whole, has long been a part of Japanese wisdom, as have initiatives that visit the old while learning from the new. At the Company, there exists the culture that has been cultivated over the 60 years since the days of our predecessor, the former Sony Chemicals, allied with a youthful, venture-like spirit, having celebrated the 10th anniversary of our founding as Dexerials. During the course of the current Mid-term Management Plan, we have been re-examining questions from “Why are we where we are now?” to “Where are we headed?” In terms of sustainability, from the key concepts of pursuing economic value and social value by jumping on the corporate value creation

bandwagon, I would instead like us to aim for sustainability management that demonstrates the Company's originality. In working within organizational teams, we are building and establishing new processes for sustainability work, such as monitoring social trends and identifying external diseconomies, as an organization. At the same time, we will provide outputs to clarify the extent of the social value created by our business units. Lastly, if I may speak from the perspective of “one's own sustainability,” I believe that, since life is finite, passing on the baton from generation to generation is important in maintaining the sustainability of people's values in a sustainable society. From the perspective of passing on these values, we will also promote “Integrity,” which forms the core of Dexerials' values, and instill sustainability based on this throughout the Company.



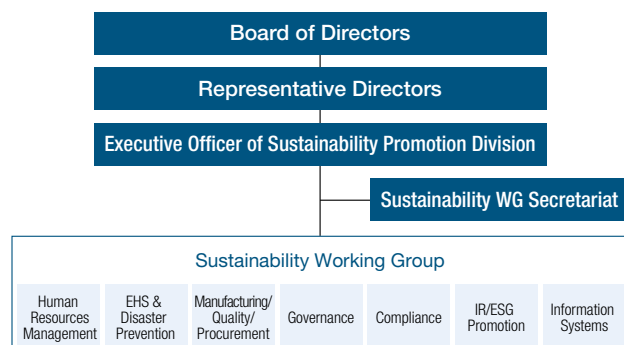
## Sustainability Promotion

We recognize that promoting sustainability management is a company-wide challenge, and we have therefore constructed a system to promote inter-division challenge sharing and activity engagement.

### Sustainability Promotion System

At Dexerials, sustainability management is promoted based on the direction of the executive officer of the Sustainability Promotion Division with the representative director and president as the final authority.

“Sustainability Working Group” is organized with the participation of related departments to promote company-wide activities. The Sustainability Working Group holds cross-divisional discussions to set goals and activities for each specified theme based on important issues (materialities) and to confirm their progress. Individual important matters related to the promotion of sustainability are reported and discussed at the Board of Executive Officers and Board of Directors meeting when appropriate, which are fed back to formulate and execute management and business strategies.



### Dexerials Group CSR Policy

Dexerials Group will contribute to the realization of a sustainable society and aiming to improving corporate value by means of open and highly-transparent business management and the tireless development and provision of technology and products toward the realization of the Corporate Philosophy “Integrity” and the Corporate Vision “Value Matters.”

#### 1 Creating value through business

We are promoting the development of new products and new technology development that responds to various social issues by means of the ultimate demonstration and improvement of the technology and know-how acquired by Dexerials through our business. Also, with pride in our great technological strength, we are striving to create value that goes beyond what is required of us from society and our customers.

#### 2 Thorough compliance

We are complying with social norms including laws, and we are sincerely and honestly promoting fair business. Also, we are protecting the Company's assets and values by thoroughly managing the information required for business and corporate management.

#### 3 Respect for human rights

We respect all human rights and we do not discriminate or carry out forced labor or child labor.

#### 4 Creating a lively workplace

We are creating a fair workplace with meaningful work, promoting dialogs with employees, and preparing and supporting environments required for all employees to independently demonstrate their abilities and grow. Also, we are promoting initiatives for active female participation and expanding opportunities for the active participation of people with disabilities.

#### 5 Environmental conservation

We are conducting the proper management of chemical substances as we endeavor to reduce the environmental burden from our business activities, including global warming countermeasures. Also, we are contributing to solving environmental issues by developing environmentally-conscious products and promoting environmentally-consciousness in business.

#### 6 Creating safe and healthy workplaces

We conduct activities to promote the active use and health of employees by preparing environments in which all employees can continue to work safely.

#### 7 Contribution to local communities

We contribute to local communities as a good corporate citizen. We encourage communication with local areas, promoting activities and supporting initiatives related to the environment, sports, cultural activities and so on, mainly in the areas where plants are located.

#### 8 Expanding together with suppliers

We strive to conduct activities that contribute to our social responsibility in the entire supply and procurement value chain as we share CSR initiatives with all suppliers.

## Specifying Materialities

There are many social issues surrounding Dexerials at this time. Among these, Dexerials specified the issues (materialities) in fiscal 2018 that are considered to be closely related to Dexerials business and of high importance, and for which systematic engagement is important, using the process for specifying materialities as below.

### Collection and extraction of social issues

- Situation analysis based on interviews with relevant parties
- Extraction of relevant challenges from SDGs and ISO26000, etc.

### Screening of challenges

- Evaluation of relevance between social issues and Dexerials' value chain

### Assessing the evaluation of importance

- Evaluation of importance from a bilateral standpoint between Dexerials and stakeholders (numerical quantification of importance)
- Visualization based on materiality mapping

### Validation of evaluation of importance results

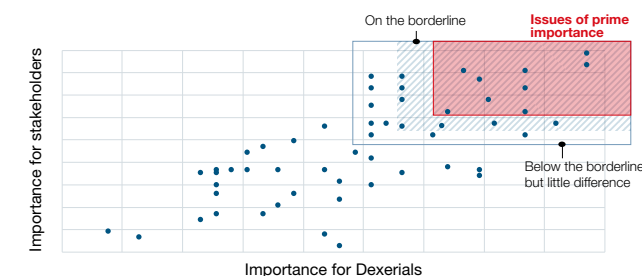
- Discussion among directors (standing) and executive officers
- Discussions at materiality review meeting among external experts
- Discussion and decision by the Board of Directors

### Materiality evaluation (materiality mapping)

We narrowed down social issues that are considered to be particularly relevant to the Company, which were identified by referring to various guidelines, etc. Then, we evaluated the importance of each issue to the Company and its stakeholders, and created a visualization of the results of the evaluation through two-axis mapping.

### Materiality review meeting

In the process of setting materialities, it is important that we evaluate and verify the social issues to be tackled as we objectively consider not only the importance to our Company but also the importance to stakeholders. Dexerials held a materiality review meeting attended by outside directors of Dexerials and external expert Kentaro Noda (Professor of Business Design at Rikkyo University Graduate School) in addition to three internal standing officers. At the materiality review meeting, there was an exchange of opinions from specialist and objective perspectives alongside analyses of the social situation around Dexerials in connection to the social issues in which Dexerials should be engaged in the medium to long term from among the selected social issues.



## Challenges Specified as Materialities and SDGs

Theme	Related SDGs	
Creating new value/resolving social issues	<b>3 Good health and well-being</b> Ensure healthy lives and promote well-being for all at all ages	<b>6 Clean water and sanitation</b> Ensure availability and sustainable management of water and sanitation for all
	<b>7 Affordable and clean energy</b> Ensure access to affordable, reliable, sustainable and modern energy for all	<b>13 Climate action</b> Take urgent action to combat climate change and its impacts
Reinforcement of corporate governance and compliance	<b>12 Responsible consumption and production</b> Ensure sustainable consumption and production patterns	<b>16 Peace, justice and strong institutions</b> Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
Cultivation of diverse human resources and engagement	<b>4 Quality education</b> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<b>5 Gender equality</b> Achieve gender equality and empower all women and girls
	<b>8 Decent work and economic growth</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	
Ensuring operational safety and business continuity	<b>3 Good health and well-being</b> Ensure healthy lives and promote well-being for all at all ages	<b>8 Decent work and economic growth</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

## Progress and Results of CSR Targets (KPIs) Based on Materiality

Materiality theme	KPI	Fiscal 2022		Fiscal 2023 (Target)	Initiative details
		Target details	Achievement status		
Creating new value/resolving social issues	Response to change in information and communication equipment in a high-speed, large-capacity communication society (miniaturization, thinning, higher speed, higher reliability)	Verification of social impact through user evaluation of prototypes	× (Not achieved/revise target)	Launch of products	> P.05 Business Segments > P.06–07 Where You Can Find Dexerials
	Promotion of diffusion of products for automotive applications	Shipments of products for automotive applications · Anti-reflection films: 470,000 m <sup>2</sup> · Thermal conductive sheets: 5,400 m <sup>2</sup>	○ (Achieved/as planned)	Shipments of products for automotive applications · Anti-reflection films: 540,000 m <sup>2</sup> · Thermal conductive sheets: 6,000 m <sup>2</sup>	
	Promotion of diffusion of Anisotropic Conductive Film (ACF) capable of bonding at low temperatures	Shipments: 18,200 km/year	○ (Achieved/as planned)	Shipments: 19,100 km/year	
	Continuation of launch of new lead-free Self Control Protector (SCP)	Launch of new products: 1 model or more	○ (Achieved/as planned)	Launch of new products: 1 model or more	
	Contribution to reduction of CO <sub>2</sub> emissions by launching water treatment agents in Japan and overseas	Reduction in CO <sub>2</sub> emissions: 3,400 t-CO <sub>2</sub> /year	○ (Achieved/as planned)	—*1	
	Number of major quality issues	Zero	○ (Achieved/as planned)	Zero	> P.64–65 Quality Management
	Number of product quality incidents	Zero	○ (Achieved/as planned)	Zero	
	Reduction in CO <sub>2</sub> emissions	1% YoY reduction (5% reduction compared with fiscal 2013 level)	○ (Achieved/as planned)	1% YoY reduction (6% reduction compared with fiscal 2013 level)	> P.64–65 Quality Management > P.46–49 Information Disclosure Based on TCFD Recommendations
	Reduction of waste emissions	· Continuation of zero emissions*2 · YoY reduction in emissions intensity	○ (Achieved/as planned) × (YoY reduction in emissions intensity)	· Continuation of zero emissions*2 · YoY reduction in emissions intensity	> P.45 Environmental Management
	Reduction of water usage, prevention of water pollution	· Compliance with voluntary standards for water quality · Promotion of water-saving	○ (Achieved/as planned)	· Compliance with voluntary standards for water quality · Promotion of water-saving	
	Action against climate change over the medium- to long-term	Formulation of long-term goals for/measures against climate change based on the analysis of TCFD scenarios	○ (Achieved/as planned)	Formulation of long-term goals for/measures against climate change based on the analysis of TCFD scenarios	> P.46–49 Information Disclosure Based on TCFD Recommendations
	Supply chain management	· Revision of CSR guidelines · Distribution to all our suppliers · Conduct a questionnaire survey of suppliers that account for 90% or more of company-wide purchases	○ (Achieved/as planned)	Conduct a questionnaire survey of major suppliers and request for improvement (guidance)	> P.62–63 Supply Chain Management
Reinforcement of corporate governance and compliance	Maintenance and enhancement of the management system	· Maintenance of the transparency of the decision-making process for officers' remuneration and more effective operation of the officer remuneration system · Promotion of the officer succession plan (including fostering of successors)	○ (Achieved/as planned)	· Maintenance of the transparency of the decision-making process for officers' remuneration and more effective operation of the officer remuneration system · Promotion of the officer succession plan (including fostering of successors)	> P.68–72 Corporate Governance
	Prevention of information security incidents	Execution of information security training (new employee training, company-wide training through e-learning)	○ (Achieved/as planned)	Execution of information security training (new employee training, company-wide training through e-learning)	> P.76 Compliance
	Compliance with laws and regulations and penetration of the code of conduct	· Ongoing execution of internal training on Dexerials Group Code of Conduct · Dissemination of the results of the first survey on compliance awareness throughout the Company and provision of support for improvement · Review of the points of contact for whistleblowing	○ (Achieved/as planned)	· Ongoing execution of internal training on Dexerials Group Code of Conduct · Conduct a second survey on compliance awareness	
Cultivation of diverse human resources and engagement	Effective utilization of diverse human resources	Establishment of a system to foster next leaders/managers out of diverse human resources within the framework of the new personnel system (~March 2023)	○ (Achieved/as planned)	Commencement of use of next leader/manager candidate pool (April 2023~)	> P.53–55 Human Resource Development
	Utilization of remote work	Expansion of the scope of remote work to help employees fulfill their family responsibilities, including childcare and nursing care	○ (Achieved/as planned)	Expansion of new recruits by allowing them to work remotely	> P.57 Diverse Workstyles and Work-life Balance
	Initiatives to reduce smokers	100% implementation of company-wide no-smoking day	○ (Achieved/as planned)	Prohibition of smoking during working hours	> P.59 Health and Productivity Management
Ensuring operational safety and business continuity	Number of workplace accidents with lost working days	Zero	○ (Achieved/as planned)	Zero	> P.60 Occupational Safety
	Enrichment of BCP training	· Execution of company-wide BCP training at least once a year · Update of BCP Manual	○ (Achieved/as planned)	· Execution of company-wide BCP training at least once a year · Update of BCP Manual	> P.79 Strengthening Business Continuity Plan (BCP)
	Strengthening of disaster-prevention measures	· Execution of disaster-prevention training at least once a year · Assessment of disaster risks caused by climate change over the short to medium term and consideration of countermeasures against such risks	○ (Achieved/as planned)	· Execution of disaster-prevention training at least once a year · Assessment of disaster risks caused by climate change over the short to medium term and consideration of countermeasures against such risks	

\*1 Decided to transfer its patent rights for wastewater treatment agents and to provide its technical know-how to Aqua Worth (Suzhou) Environmental Protection Co., Ltd.

\*2 Zero emissions: "Zero waste emissions" is defined as a reuse/recycling ratio of 99.5% or more

# Environment

## Contents

- Environmental Management
- Information Disclosure Based on TCFD Recommendations
- Chemical Substance Management

### Main initiatives and outcomes in four years of the Mid-term Management Plan 2023, “Challenges for Evolution” (Environment)

Basic Policy	Initiatives and Outcomes		Related Pages
Strengthen the management base	Support for initiatives	<ul style="list-style-type: none"> <li>Having in response to climate change declared our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in September 2021, we are currently performing scenario analyses that prioritize those of the Company's mainstay products that have a significant impact on our finances and on CO<sub>2</sub> emissions.</li> </ul>	> P.46–49 Information Disclosure Based on TCFD Recommendations
	CO <sub>2</sub> reduction	<ul style="list-style-type: none"> <li>Having changed the method of calculating CO<sub>2</sub> emissions to one based on the GHG Protocol, we calculated Scopes 1 to 3, and adopted “achieving zero CO<sub>2</sub> emissions from consuming electricity for business” as a goal for fiscal 2030, and that CO<sub>2</sub> emissions in fiscal 2022 would be reduced by approximately 27% compared with fiscal 2018.</li> </ul>	
	Resource recycling	<ul style="list-style-type: none"> <li>In February 2022, we took an equity stake in R Plus Japan, Ltd., which operates a used plastic recycling business. Currently, 40 pan-industry companies are participating and working with the aim of bringing a circular economy to fruition.</li> </ul>	> P.45 Environmental Management > P.46–49 Information Disclosure Based on TCFD Recommendations
	Energy conservation	<ul style="list-style-type: none"> <li>Based on regular reports under the Energy Conservation Act for factories and workplaces conducted by the Agency for Natural Resources and Energy, part of the Ministry of Economy, Trade and Industry and the Agency, Dexerials continues to be selected as a superior energy conservation business (S Class) in the business classification evaluation system.</li> <li>In March 2023, we newly constructed the Reception Hall Building within our headquarters and Tochigi Technology Center, receiving ZEB certification for the first time in recognition of our use of renewable energy through solar power generation.</li> </ul>	

## Environmental Management

Having established its Environmental Philosophy and Principles based on its CSR Policy, the Dexerials Group is promoting initiatives with due consideration for the environment in all of its business activities.



### Environmental Initiatives

In its business activities, the Dexerials Group is striving to reduce CO<sub>2</sub> emissions, utilize resources efficiently, properly handle waste, and save water. Particularly in response to climate change, we have set long-term targets and are engaging in various activities designed to reduce environmental impacts.

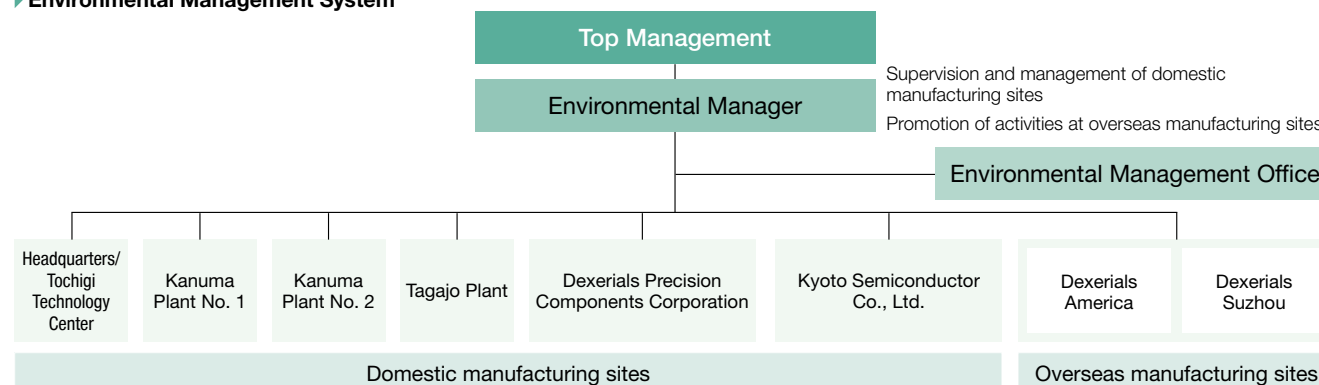
### Environmental Management System

The Group has built an environmental management system that encompasses both domestic and overseas operations. Under the supervision and management of environmental managers, environmental activities are being deployed throughout the Group that take into account the differences in the various products of and equipment at each business site. Also, our manufacturing sites have obtained ISO14001 certification.

### Environmental Targets

To realize a sustainable society, Dexerials has set a long-term target of achieving zero CO<sub>2</sub> emissions from electricity consumed in our business operations by 2030. In addition, as single-year activity goals, we are committed to continuing zero environmental incidents and zero violations of laws and regulations up to 2030.

### Environmental Management System



### Examples of Environmental Improvement Initiatives

Site	Example(s)
Headquarters/Tochigi Technology Center	<ul style="list-style-type: none"> <li>Reduction of electricity consumption by production area reorganization (153,000 kWh)</li> <li>Reduction of chemical substance usage by product design reviews (8 tons)</li> </ul>
Kanuma Plant	<ul style="list-style-type: none"> <li>Reduction of power consumption by installation of energy-conserving facilities/equipment (150,000 kWh)</li> </ul>
Tagajo Plant	<ul style="list-style-type: none"> <li>Reduction of waste emissions by yield improvements (650kg)</li> </ul>
Dexerials Precision Components (DXPC)	<ul style="list-style-type: none"> <li>Reduction of electricity consumption by optimal operations of production equipment and improvements in production efficiency (540,000 kWh)</li> </ul>
Headquarters/Tochigi Technology Center, Kanuma Plant, DXPC	<ul style="list-style-type: none"> <li>Reduction of electricity consumption by implementation of additional energy-conserving measures in response to requests from government to save power (634,000 kWh)</li> </ul>

### TOPICS

Under the business classification evaluation system of the Energy Conservation Act, Dexerials has been continuously selected as a superior energy conservation business (S Class) in fiscal 2022.

(Environmental Philosophy and Principles)  
For details, please refer to our [website](#)



(Compliance with laws and regulations)  
For details, please refer to our [website](#)



## Information Disclosure Based on TCFD Recommendations

Climate change is an important issue that humanity must resolve if we are to realize a sustainable society. We consider action against climate change to be a prerequisite for business continuity for any company.



### Basic Approach

Dexerials declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in September 2021. The Company will contribute to the realization of a sustainable society through the appropriate and timely disclosure of information about the management risks and opportunities associated with climate change. In addition, by providing new value through our own products and technologies, we will promote initiatives designed to leave a rich environment to future generations, with the aim of harmonious co-existence with our stakeholders.

### Governance

The Company is promoting activities geared toward the achievement of a sustainable society based on the direction of the executive officer in charge of the Sustainability Promotion Division with the representative director and president as the final authority. To assist in the deployment of specific activities, the Company has, with the participation of the relevant departments, organized Sustainability Working Groups (SWGs) to promote the activities in a united, company-wide manner on the basis of our corporate philosophy, corporate vision, and CSR policy. On the basis of important challenges specified by the Board of Directors, the SWGs set issues by theme and regularly set and monitor goals and activities for those issues. They also enhance activities and promote in-company awareness by taking inter-divisional perspectives into consideration. Reported to and discussed at meetings of the

Board of Executive Officers and Board of Directors as appropriate, individual important themes concerning the promotion of sustainability, including climate change-related challenges, are fed back in the formulation and execution of management strategies.

> P.41 Sustainability Promotion

### Risk Management

In accordance with its rules and regulations on risk management, the Group has established a Risk Management Committee, is conducting assessments of business operational risks for the entire Group, taking measures to avoid or reduce risks, and monitoring their progress. Chaired by the executive officer in charge of risk management, the Risk Management Committee consists of subcommittees for each specialized field and holds its meetings periodically (or on an as needed basis). In the case of the challenges posed by climate change, the relevant jurisdictional subcommittees examined the primary risks, discussed them in Risk Management Committee meetings as risk candidates that needed to be addressed, and selected them as risks to be regularly reported to management.

> P.77 Risk Management

### Strategies

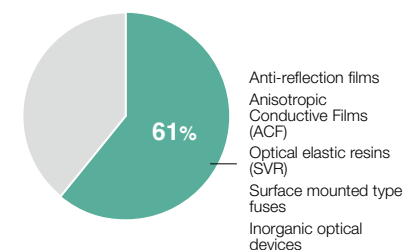
To identify the risks and opportunities associated with climate change on a long-term time axis up to 2050, we are performing analyses taking into account two (1.5–2°C and 4°C) scenarios. In fiscal 2022, we expanded the scope of products subject to

scenario analyses, assessed their impacts on business, and discussed countermeasures.

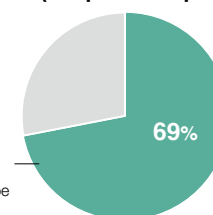
### 1) Scope of Products Subject to Scenario Analyses

We are performing scenario analyses that prioritize those of the Company's mainstay products that have a significant impact on our finances and on CO<sub>2</sub> emissions. In addition to Anti-reflection films, Anisotropic Conductive Films (ACF), Optical elastic resins (SVR), and Surface mounted type fuses, all of which had been subjected to analysis in fiscal 2021, in fiscal 2022 we performed scenario analyses by adding Inorganic optical devices (Inorganic waveplates, Inorganic polarizers, Inorganic diffusers) manufactured by consolidated subsidiary DXPC.

▶ Percentage Sales Breakdown in Fiscal 2022



▶ CO<sub>2</sub> Emissions in Fiscal 2022 (Scope 1+Scope 2)



Note: The above charts include Kyosemi, which became a Group company in March 2022.

## 2) Setting of Scenarios

Having considered the impact on our Group from objective future information with regard to risk and opportunity matters, we discussed the future worldview surrounding our Group.

Set scenario	1.5–2°C scenario	4°C scenario
Overview	As a result of our carbon-neutral efforts, there are accelerated movements toward the realization of a decarbonized society and a recycling-oriented society, in which the average temperature rises by less than 2°C by the end of this century compared with pre-Industrial Revolution levels.	With only limited progress in carbon-neutral efforts, the average temperature 2°C or more by the end of this century compared with pre-Industrial Revolution levels.
Reference scenarios	<ul style="list-style-type: none"> <li>• IEA World Energy Outlook Sustainable Development Scenario</li> <li>• IEA World Energy Outlook Net Zero Emissions by 2050</li> <li>• IPCC AR6 WG1 SSP1-1.9</li> <li>• IPCC AR6 WG1 SSP1-2.6, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• IEA World Energy Outlook Stated Policies Scenario</li> <li>• IPCC AR6 WG1 SSP5-8.5, etc.</li> </ul>

## 3) Climate-related Risks/Opportunities and Main Initiatives for Them

We identified climate-related risks and opportunities for the scope of products subject to scenario analyses, extracted important risks and opportunities that could potentially have a major impact on our business, and then considered initiatives to address them.

Classification	Changes in Social Environment	Impact on Business	Period of Impact*	Risks	Opportunities	Main Initiatives
Transition to low-carbon economy	Policies & legal restrictions	Rise in carbon price	● Increase in production and transportation costs resulting from introduction of carbon tax	Medium to long term	✓	<ul style="list-style-type: none"> <li>● Use of renewable energy and shift to low-carbon fuel</li> <li>● Advancing of energy conservation</li> <li>● Improvement of manufacturing yields</li> </ul>
		Tightening of regulations on reduction of greenhouse gas (GHG) emissions	<ul style="list-style-type: none"> <li>● Increase in costs for energy conservation and shift to renewable energy</li> <li>● Increase in demand for products and service that reduce environmental impacts</li> </ul>	Short to long term	✓	<ul style="list-style-type: none"> <li>● Development and promotion of environmentally friendly products</li> <li>● Collection of information about policy trends</li> </ul>
	Technologies	Development of technologies related to decarbonized and circular society	● Loss of opportunities due to delayed actions for low-carbon/ decarbonization technologies and resource recycling	Medium to long term	✓	<ul style="list-style-type: none"> <li>● Consideration of Reduce, Reuse, and Recycle</li> <li>● Collection of information about low carbon/decarbonization-related technologies</li> </ul>
	Market	Shift to bio and recycled materials	<ul style="list-style-type: none"> <li>● Difficulty in procuring and increased costs of fossil-based materials</li> <li>● Along with practical realization of various bio and recycled materials, it will become easier to use them</li> </ul>	Medium to long term	✓	<ul style="list-style-type: none"> <li>● Consideration of introduction of bio and recycled materials</li> <li>● Collection of information about bio/recycling-related markets and technologies</li> </ul>
		Promotion of energy and resource conservation	● Increase in demand for products that support energy and resource conservation	Short to long term		<ul style="list-style-type: none"> <li>● Provision of solutions for energy and resource conservation</li> </ul>
		Realization of smart society	● Increase in demand for devices used for displays, extended reality (XR) content, sensors, communication equipment, and batteries	Medium to long term		<ul style="list-style-type: none"> <li>● Development promotion and market expansion of products for devices such as displays, XR content, sensors, communication equipment, and batteries</li> </ul>
		Popularization and expansion of next-generation mobility	● Increase in demand for devices used for in-vehicle displays, sensors, communication equipment, and batteries	Medium to long term		
Physical changes	Acute	Increasing severity of climate disasters	<ul style="list-style-type: none"> <li>● Increase in repair costs</li> <li>● Increase in closedowns due to disrupted supply chains</li> </ul>	Short to long term	✓	<ul style="list-style-type: none"> <li>● Strengthening of business continuity planning (BCP)</li> <li>● Consideration of inventory management of materials and products</li> </ul>
	Chronic	Rise in average temperature	● Increase in costs of response to rising temperatures	Short to long term	✓	<ul style="list-style-type: none"> <li>● Consideration of measures for reducing costs of air-conditioning</li> <li>● Advancing of energy conservation</li> </ul>
		Associated with rise in temperature, increase in frequency of disasters, and spread of infectious diseases, etc., lifestyle changes	● Expansion of display-related demand due to spread of remote work (telework) and staying at home	Medium to long term		<ul style="list-style-type: none"> <li>● Enhancement of product lineup</li> </ul>

\* Short term: Three years or less; Medium term: More than three years to 10 years; Long term: More than 10 years

#### 4) Business Impact Evaluation

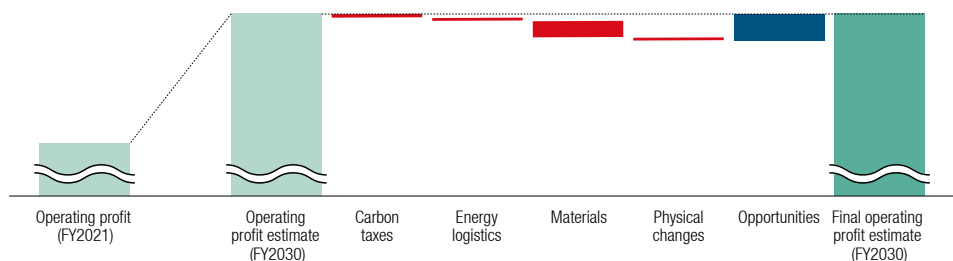
The charts below show the expected financial impacts for fiscal 2030.

In the 1.5–2°C scenario, more rigorous GHG emission regulations will increase costs, such as carbon pricing, energy, and raw materials. However, due to the digitalization accompanying the transition to a smart society, there will be increased sales opportunities—for Anti-reflection films, Anisotropic Conductive Films (ACF), Optical elastic resins (SVR), and Inorganic optical devices—as demand for displays increases due to the progress of the car interior digitalization caused by the shift to EVs and the growth of the AR/VR and metaverse markets. Demand for lithium-ion batteries is also expected to increase due to the expansion of the market for secondary batteries used in home appliances and power tools. Thus sales opportunities for Surface mounted type fuses for secondary protection will also expand, and sustainable growth is expected.

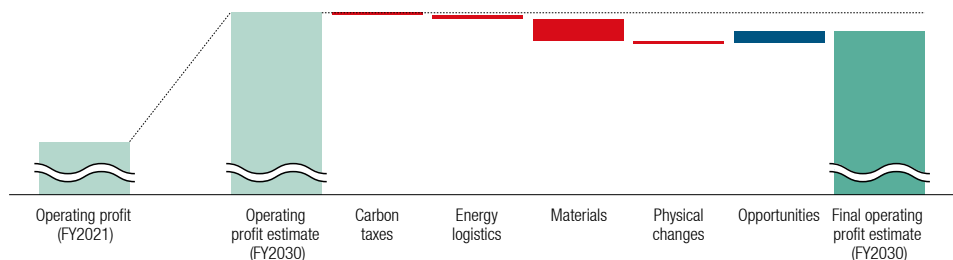
In contrast, in the 4°C scenario we expect sales growth to decelerate as the continued dependence on fossil fuels, increased costs of energy and raw materials due to growing demand for fossil fuels, as well as slow progress in the transition to a smart society, will lead to a loss of sales opportunities.

Going forward, we will expand the scope of products subject to scenario analyses and assess their financial impacts.

##### ► Financial Impact Assessment (1.5–2°C scenario)



##### ► Financial Impact Assessment (4°C scenario)



#### 5) Examples of Initiatives

##### Devices for Battery Applications

In response to the increasing use of electric vehicles, including E-Scooters, which are becoming increasingly popular as a means of achieving carbon neutrality, and of electric automated guided vehicles (AGVs) as part of society's shift toward IoT, the use of lithium-ion batteries is expanding. As these types of equipment handle higher voltages and currents than consumer IT equipment, the fuses to protect them are in demand. Having advanced the development of Surface mounted type fuses capable of handling high voltages and currents, in April 2023 the Company began commercial production of a screw-mounted Self Control Protector (SCP) with a maximum rated voltage of 125V, which is the highest in our product lineup, and a rated current of 150A.

Dexerials will continue its development efforts to make its SCPs compatible with even higher voltages and currents as well as more compact, thereby improving the safety of lithium-ion batteries in a wide range of applications. Thus, the Company will drive carbon neutrality and support society's digitalization and shift toward IoT in its efforts to help build a sustainable society.

##### Resource Recycling

In February 2022, the Company took an equity stake in R Plus Japan, Ltd., which operates a used plastic recycling business. Enabling the generation of raw materials for general plastics from used plastics, the company's chemical cycle is a recycling technology with a small recycling loop and low environmental impact. As of July 2023, 40 pan-industry companies are participating and working with the aim of bringing a circular economy to fruition.

##### ZEB-certified Building

Equipped with conference rooms and an exhibit area, a Reception Hall was completed in March 2023 within our headquarters and Tochigi Technology Center to serve as a facility for communicating with stakeholders, such as customers, shareholders, local residents, and employees. Powered by solar panels installed on the rooftop and utilizing natural ventilation as well as other eco-friendly features, the Reception Hall building meets ZEB certification requirements and has zero CO<sub>2</sub> emissions.



Reception Hall

> P.03 History of Value Creation: Reception Hall newly constructed at Headquarters and Tochigi Technology Center

#### Metrics and Targets

Dexerials has set CO<sub>2</sub> emissions as climate-related evaluation metrics and, by utilizing renewable energy, is aiming to achieve zero CO<sub>2</sub> emissions from consuming electricity for business by 2030. Additionally, based on the scenario analyses, we will consider long-term change metrics and targets such as the reduction of CO<sub>2</sub> emissions in business activities.

## TOPICS

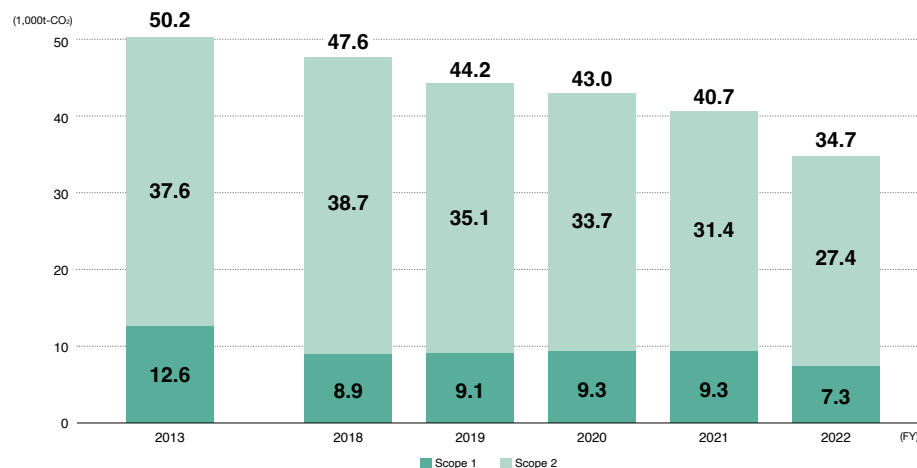
CO<sub>2</sub> Emissions

Up to and including fiscal 2021, CO<sub>2</sub> emissions were calculated using a method consistent with the Act on Promotion of Global Warming Countermeasures. From fiscal 2022, we have changed the calculation method to one based on the GHG Protocol. Henceforward, we will continue to monitor CO<sub>2</sub> emissions on the basis of the GHG Protocol and work to reduce CO<sub>2</sub> emissions.

## 1) Scope 1, Scope 2

Scope 1 and Scope 2 were calculated for all offices of the Dexerials Group.

In fiscal 2022, while sales increased by 10.9% compared with fiscal 2021, CO<sub>2</sub> emissions decreased by 14.7% compared with fiscal 2021 by promoting the introduction of renewable energy in addition to conventional energy-saving activities. This represented a decrease of approximately 31% compared with the fiscal 2013.

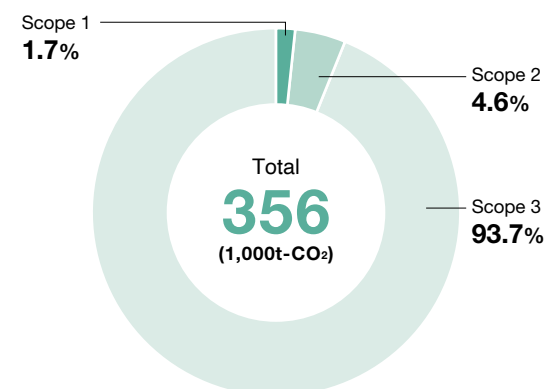
► Dexerials Group CO<sub>2</sub> Emissions Trends (Scope 1 + Scope 2)

\* Excluding overseas sales subsidiaries

\* Kyosemi's CO<sub>2</sub> emissions included in FY2022 only

## 2) Scope 3

We calculated CO<sub>2</sub> emissions (Scope 3) in the supply chain for all domestic business operations, excluding subsidiaries. In fiscal 2022, supply chain CO<sub>2</sub> emissions (Scope 3) amounted to 333,000 t-CO<sub>2</sub>, which represents more than 90% of Dexerials' CO<sub>2</sub> emissions on a standalone basis.

► Dexerials' CO<sub>2</sub> Emissions in Fiscal 2022 (Scope 1 + Scope 2 + Scope 3)► Breakdown of CO<sub>2</sub> Emissions (Scope 3) for Dexerials Alone

(Unit: 1,000t-CO<sub>2</sub>)

Scope 3 category		Emissions
1	Purchased goods and services	285.8
2	Capital goods	8.7
3	Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	4.6
4	Upstream transportation and distribution	18.7
5	Waste generated in operations	1.7
6	Business travel	0.2
7	Employee commuting	2.6
12	End-of-life treatment of sold products	11.1

Note: Categories 8, 9, 10, 11, 13, 14, and 15 fall outside the scope of calculation as there are no corresponding activities

## Chemical Substance Management

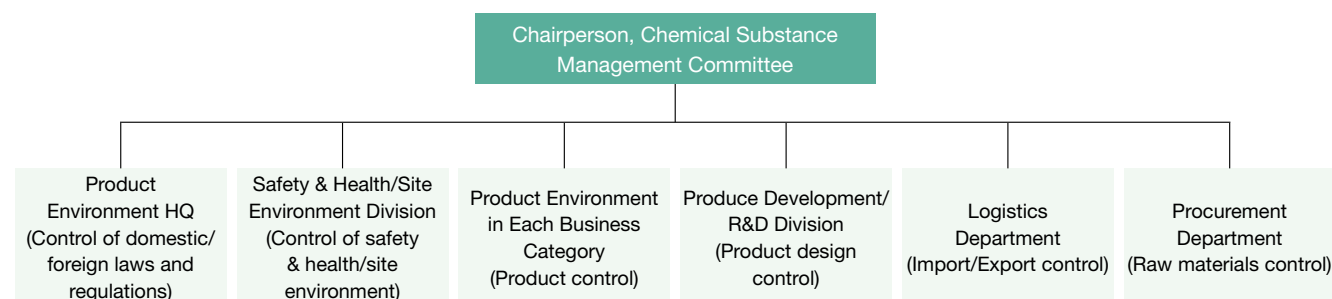
Since the Dexerials Group uses a number of chemical substances in its products and product manufacturing processes, we implement chemical substance management to minimize risks and effects on people's health and the environment.



### Chemical Substance Management System

The Dexerials Group believes that thorough compliance in the management of chemical substances is indispensable to continued provision of safe and secure products to our customers in the future. To put this belief into practice, we have established and operate the Chemical Substance Management Committee, consisting of members from all divisions that are involved from the introduction of raw materials to product shipment. To ensure the proper management of chemical substances used in the Company, this committee shares information and considers responses. In fiscal 2022, this committee met every month to share the latest legal information and discussed responses.

#### Organization Chart of the Chemical Substance Management Committee

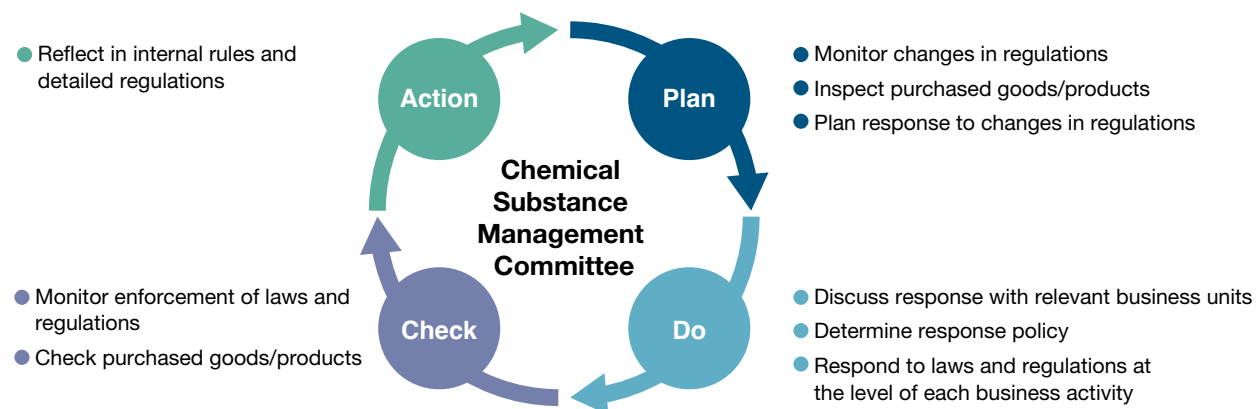


### Responses to Laws and Regulations Relating to Chemical Substances

We investigate, check, and comply with regulations ranging from the purchase of raw materials to product design, manufacture, distribution, import and export, etc., to ensure that the Company responds appropriately to chemical substance laws and regulations in Japan and overseas, such as the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc., and EU REACH Regulation.

Although imports and exports of chemical substances into or out of Japan and overseas may require procedures such as notifications and registrations, we respond appropriately to such regulatory requirements through local sales or manufacturing subsidiaries or consulting companies.

#### PDCA Cycle for Responding to Related Laws and Regulations



## Appropriate Management of Chemical Substances

Because chemical substances have risk of adverse effects on people's health and the environment, all chemical substances introduced have their own proprietary classifications and risk assessment. Classification standards and risk assessments are determined based on laws and regulations and GHS classification\* results. We conducted a 100% risk assessment of chemical substances submitted for introduction in fiscal 2022.

\* GHS Classification: GHS, or the "Globally Harmonized System of Classification and Labelling of Chemicals," is a classification standard adopted by the UN in July 2003 for chemicals according to types of hazards

## Visualization of Chemical Substance Laws and Regulations

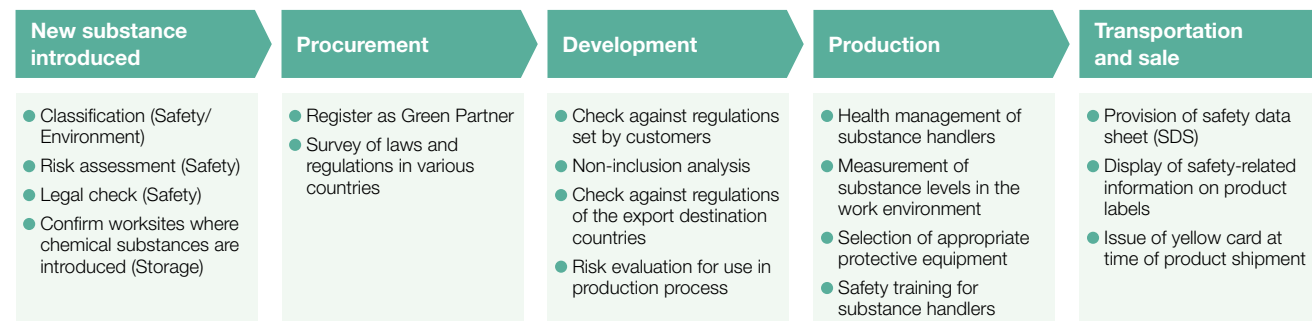
We are also engaged in making information on laws and regulations on chemical substances in each relevant country easily viewable, so as to ensure appropriate management of chemical substances on a continuous basis.

In fiscal 2022, we identified early the details of proposed regulations on chemical substances that have a significant impact on our Company. We then shared the schedules for the regulations internally and discussed how to respond to them throughout the Company.

## Internal Web Portal to Regulatory Information on Chemical Substances



## Internal Management Flow for Chemical Substances



## Operation of Chemical Substance Management System

The Group uses a system to manage purchased raw materials and reagents that are widely used by development divisions based on the type of chemical substance, and the data can then be output by item for Pollutant Release and Transfer Register (PRTR) totals and other objectives.

The data is useful for preventing compliance violations, as it can be widely used for investigations into the use of chemical substances based on the type of chemical substance in manufacturing divisions and R&D divisions at business sites in Japan, as well as to confirm compliance with laws and regulations.

domestic and foreign laws and regulations in the import and export of products and developed products.



Education using VR system for experiencing chemical substance accidents



Group education

## Education on Chemical Substances Management

Since the Dexerials Group frequently uses chemical substances, we provide employees with education through e-learning, internal training programs, and virtual reality (VR) systems regarding legal requirements, such as the Poisonous and Deleterious Substances Control Law, and handling of chemical substances to allow them to simulated experience accidents involving chemical substances. In fiscal 2022, we also began educating Kyoto Semiconductor employees who recently joined the Group.

We provide compliance education to ensure adherence with

## Content of Chemical Substance Education in Fiscal 2022

- Chemical substance basics
- Prevention of health hazards caused by acrylic and epoxy resins
- Management of hazardous materials, organic solvents, and poisonous and deleterious substance
- Handling of organic solvents
- Mutagenic substance
- Explanation of the Poisonous and Deleterious Substances Control Law



# Society

## Contents

- Human Resource Development
- Diversity
- Diverse Workstyles and Work-life Balance
- Respect for Human Rights
- Health and Productivity Management
- Occupational Safety
- Supply Chain Management
- Quality Management
- Social Contribution Activities

### Main initiatives and outcomes in four years of the Mid-term Management Plan 2023, “Challenges for Evolution” (Society)

Basic Policy	Initiatives and Outcomes		Related Pages
Strengthen the management base	Employee engagement	<ul style="list-style-type: none"> <li>To raise employees' interest in the stock price of the Company by making them a shareholder and foster their willingness to improve the corporate value, we provided shares in June 2022 through the Employee Stock Ownership Plan. (ESOP)</li> </ul>	> P.53–55 Human Resource Development
	Human resource development	<ul style="list-style-type: none"> <li>We introduced a “job-type” personnel system for manager-level employees in Japan on April 1, 2023 to achieve our growth strategy by maximizing the potential of our human resources, which is the Company's greatest business resource and source of value creation, to achieve sustainable growth and raise corporate value.</li> <li>Transitioned to an education and training system that supports the growth and career development of each and every employee and continuously invests in human resources. Conducted the D-BLP next-generation management candidate development program.</li> </ul>	
	Diversity	<ul style="list-style-type: none"> <li>Working to promote female participation and career advancement as part of our diversity initiatives, increasing the number of female managers by approximately 36%. (compared to fiscal 2018)</li> </ul>	> P.56 Diversity
	Work-style reform	<ul style="list-style-type: none"> <li>Quickly introduced a remote work system. The remote work implementation rate reached 74%, and we were selected as one of the “Top Hundred Telework Pioneers” for fiscal 2021 by the Ministry of Internal Affairs and Communications.</li> </ul>	> P.57 Diverse Workstyles and Work-life Balance
	Health and productivity management	<ul style="list-style-type: none"> <li>By creating a vibrant working environment in which each and every employee willingly tackle challenges with a smile, and by voluntarily working to maintain and improve their health, the health checkup reexamination rate increased by 14.9 points and the high stress rate in stress checks decreased by 1.3 points. (compared to fiscal 2019)</li> </ul>	> P.59 Health and Productivity Management

## Human Resource Development

Based on the belief of “Technologies and human resources are the most important non-financial asset,” Dexerials is proactively working to create a working environment in which individual employees can bring their capabilities into full play and create sustainable value.



### Approach to Human Resource Development

At Dexerials, we believe that human resources, along with technologies, are the most important assets for the realization of the corporate philosophy and corporate vision. In addition, by establishing an HR Policy, we are working to set Dexerials' basic policy for human resource development while clarifying the actions expected of our employees.

### Basic Policy

#### Human Capital Management Policy

Maximize human capital by maximizing the potential of human resources

#### Basic Principles of Human Capital Management Policy

- We will place talents as the core-competence of value creation.  
The Company and the individual are equal partners, and the growth of human resources enhances corporate value.
- We will become the Company of choice for excellent and motivated talent based on global standards.  
We will develop value-creating talent with the sense of self ownership.

#### Basic Policy for Human Resource Development

**Dexerials believes that the development of each and every employee is the most important task in order to achieve the “Value Matters” corporate vision. We want employees to continue developing by learning for themselves, thinking for themselves, and acting for themselves. We conduct activities to support employee growth and career development.**

We encourage our employees to adopt an independent, self-driven work style in which they continue developing by learning for themselves, thinking for themselves, and acting for themselves. We provide support and create a working environment to help them do so and ultimately achieve the growth of Dexerials and its employees in the future.

### Message from the Executive Officer in Charge



#### Aiming for sustainable growth through organizational and individual growth

Executive Officer  
Human Resources Division Head  
**Naoyuki Tsuda**

For Dexerials to continue proposing solutions in advance of social issues in the world, I believe it is essential that we continue to transform our business portfolio in line with our strategies and make changes to both our technologies and human resources to achieve this.

To that end, we are working on three aspects linked to our management philosophy, purpose, and business strategy: 1. Creating a global human resources portfolio by backcasting from our vision of the future; 2. Bringing out the potential of each and every one of our employees by optimizing human and organizational policies and systems; and 3. Utilizing our human capital to the fullest extent—while striving for a highly creative organizational culture.

Put in place to serve as our global standard, we are introducing the “job-type” personnel system from the domestic management level first. Going forward, we will extend this system to general employees and domestic and overseas affiliates. We will switch to “designing organizations and jobs in line with our strategies from a company-wide perspective, and placing the appropriate human resources in them,” and “to a system in which remuneration is determined based on the size of the task and the results achieved, while keeping the market in mind.” In this way, each role will become clearer, and each and every person will reconsider what it means to them to be working at Dexerials. By continuing to evolve the organization so that the Company can continue to be chosen by its employees, both organizations and the individuals in them will grow. Respecting diversity and individuality, we aim for sustainable growth through the creation of a competitive human resource system.

## Employee Stock Ownership Plan (ESOP)

To raise employees' interest in the stock price of the Company and foster their willingness to improve the corporate value, we have introduced the ESOP since April 2016.

The ESOP is a system that helps enhance employee engagement. Specifically, the program has a benefit-like element whereby the Company's growth helps build assets over the medium to long term, and an incentive-like element whereby all employees are incentivized to aspire for new highs.

Through the program, we aim for a virtuous cycle in which each of our employees, as a shareholder of the Company, contributes to improving its asset value by fulfilling their duties, and in turn, profits delivered through its sustainable growth and improved corporate value are returned to all stakeholders.

### VOICE

#### The introduction of ESOP has raised my awareness of stock prices and interest in business performance



Global Sales & Marketing  
Division  
Strategical Sales Department  
**Asako Nakajima**

Immediately after receiving stocks under the ESOP system, I didn't really feel like I had become a shareholder in my company and also felt confused. However, I gradually got into the habit of checking the stock price on a daily basis, and when the stock price fluctuated, I checked to see what was happening in the markets or in the Company. At the end of the fiscal year, I became more concerned about the Company's performance and how that would be evaluated by society. Up until now, there has been a link between company performance and salary, so I have subconsciously been aware of this in my work. This time, with the added perspective of a shareholder, I have become even more aware of medium- to long-term perspectives and the improvement of corporate value, and I feel that the way I approach my own tasks has also changed.

### TOPICS

#### Initiatives for Sustainable Growth ~“Job-Type” Personnel System~

We are introducing a “job-type” personnel system in phases, aiming to become a company that grows continuously while solving social issues. The introduction of the system began for manager-level employees in Japan on April 1, 2023, to build a system in which our diverse talents are evaluated and treated fairly according to their duty, role, and performance, regardless of their career background and age. In a dramatically changing business environment, we will rise the maneuverability and flexibility of our personnel system and align the system with our corporate vision and management strategies to promote the revitalization of our entire organization.

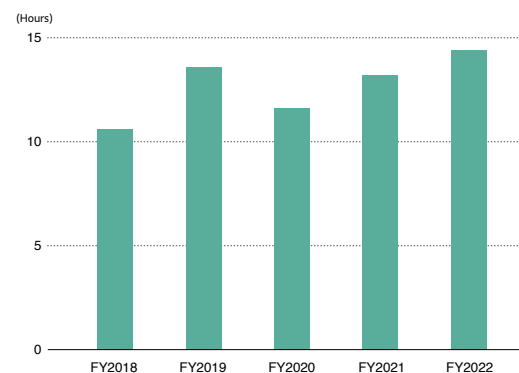
## A Diverse Education and Training System

We work to develop human resources who can take on responsibilities in the future, by providing diverse training programs that create an environment where every employee can fully demonstrate their capabilities.

As an educational system, we have developed programs that include new employee training, grade appointment training sessions conducted for new grade appointees, training to strengthen management skills, the acquisition of business skills necessary to demonstrate expertise, and self-development support that leads to employees' autonomous career development.

In terms of self-development support, we are expanding our subsidizing fee system for correspondence education and upgrading our e-learning content. By supporting employees in acquiring new knowledge, we not only bring diversity and new added value to the Company but also help motivated employees so that they can achieve personal growth with more of a sense of fulfillment.

### Annual Hours of Training Per Employee



### No. of Participants in Major Training Programs in Fiscal 2022



Total  
**1,950** persons  
Group training participants

Total  
**35,347** persons  
e-learning participants

## Next-generation Management Candidate Development

As a personnel development measure to strengthen our management base, we have been conducting the D-BLP\*<sup>1</sup> next-generation management candidate development program. This program provides selected members from manager-level positions with the knowledge and training necessary for management and aims to equip participants with a leadership mindset.

A long-term training program that runs for approximately six months, D-BLP was introduced in 2019 as a course on which to systematically learn the knowledge necessary for managers.

Since its introduction, we have been implementing the program while adapting it to changes in the internal and external environments. Specifically, we have been incorporating lectures based on the latest social trends given by experts who possess a wealth of insight and knowledge—in areas such as management strategies, corporate finance, and SDGs/ESG—so that course attendees acquire the knowledge, thinking, and skills necessary to view issues from a manager's perspective and solve them. As management leadership candidates, they will sharpen their creativity and decision-making skills by broadening their

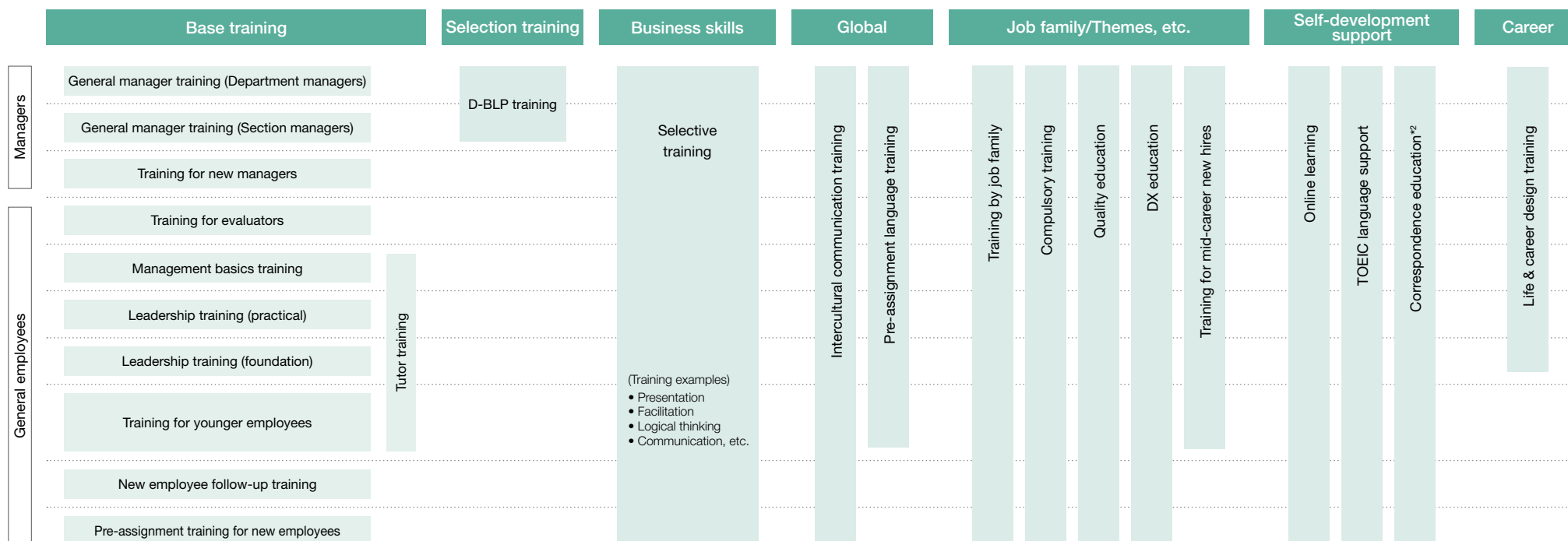
horizons and deepening their thinking.

Looking ahead, we will introduce an innovative program geared toward young leaders with a view to producing in a planned manner the management leaders who will realize sustainable growth and increase corporate value. At the same time, we will thereby be working to strengthen our pipeline of next-generation management and leadership talent.

We will also be commencing efforts to develop leaders at our overseas bases and working to build a global pipeline. Going forward, as a value-creating company that can support society's evolution, we will continue to work to collaborate with management. At the same time, we will also be expanding and upgrading our human resource development measures to develop management personnel to respond to changes in the environment and achieve our business strategies.

\*1 Dexerials Business Leadership Program

## Education and Training System



\*2 Half of the expenses is subsidized by Dexerials in support of self-development learning

## Diversity

For the Company to continue to create value for the future, we believe that it is important to integrate the various values, approaches, knowledge, and opinions of diverse human resources.



### Approach to Diversity

We aim to become a company that will be selected by diverse talents. With the aforementioned Human Capital Management Policy as our basic approach, we actively promote the recruitment and appointment of diverse human resources including men, women, non-Japanese, and people with disabilities, on a global basis, in accordance with each business site and function. In addition, we have realized a flexible work style that is not restricted by location or time, such as by introducing and utilizing a remote work system to create a place where employees can demonstrate their talents without the conventional work style that requires coming to the office.

### Strengthening of Diversity Communication

We conduct diversity promotion training (e-learning) for manager-level employees, as well as provide intercultural communication training to employees working in departments with frequent communication with non-Japanese employees and people overseas. This training is designed to help employees recognize and appreciate the differences in language, values, cultural habits, and other communication styles. Going forward, to encourage active communication across the organization, we will work to promote diversity to make the most of the uniqueness of each individual.

### Promotion of Female Participation and Career Advancement

As part of our diversity initiatives, we are promoting female participation and career advancement in the workplace. In Japan, we have formulated the General Business Owner Action Plan

based on the Act on the Promotion of Women's Active Engagement in Professional Life for a period of three years beginning in fiscal 2021. We have set two targets themed on offering women more opportunities in their career, which are: 1) Raising the proportion of women in new graduate hires to at least 20%; and 2) Raising the number of female managers to 20 by fiscal 2023. In fiscal 2022, four women were promoted to management positions, and as of March 31, 2023, a total of 15 female employees are serving as managers.

### Employment of People with Disabilities

At Dexerials, employees with disabilities are active in a wide range of areas from office work through to manufacturing.

When newly assigning employees with disabilities, we conduct training designed to enhance mutual understanding and communication, including learning about what needs to be considered and signs in the event of an emergency.

In workplaces where employees with hearing impairments work, their supervisors and colleagues learn sign language and fingerspelling to enhance communication. Consideration is given to the working environment too, such as installation of indicator lights for safety and accident prevention purposes.

In particular, in order to increase diversity within the Company and proactively fulfill our social responsibilities, we have established a certified special subsidiary, Dexerials Kibou Corporation, which began operating in 2015, promoting the employment of people with disabilities. We have assigned qualified "Employment Counselors for People with Disabilities" to each workplace to prepare workplaces where people with disabilities can work with peace of mind. Currently, 13 employees with disabilities are engaged in activities such as cleaning and garden management at Dexerials business

sites. The percentage of employees with disabilities in our Company is 2.68%.

#### VOICE



Business Management  
Division, Finance and  
Accounting Department

Yukie Fukuda

#### I am supported by workplace members and a well-developed company system

Since joining the Company, I have taken maternity and childcare leave on three occasions. By taking advantage of by-the-hour annual paid leave, I was able to choose a working life that suited my physical condition before giving birth. I was also able to return to the same workplace after having given birth, and as I could exchange information with my boss during maternity and childcare leave, I felt less anxious about returning to work, which was very helpful. Although there are times when I am unable to go to work due to my child suddenly feeling unwell, I can proceed with my tasks by working remotely. Also, thanks to the understanding and support of my colleagues, I am able to balance work and childcare. I would like to contribute to creating an environment in which all employees, not just those taking maternity or childcare leave, can easily utilize the Company's system, and thereby return the favor to the other members at my place of work.

## Diverse Workstyles and Work-life Balance

For the Company's sustainable growth, we will expand the environment as well as the time and place options in which each and every employee can actively demonstrate their talents, thereby creating value from diverse perspectives.



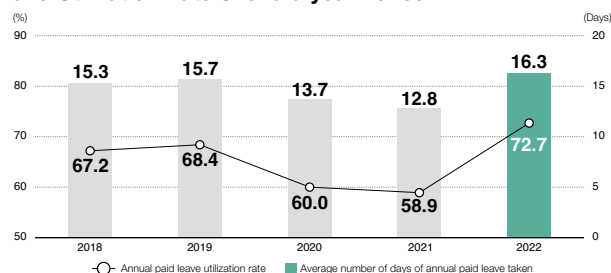
### Appropriate Working Hours

Mindful of the need for work-life balance, in addition to efforts to achieve appropriate working hours, we are working on a systematic approach for employees to take annual paid leave with the objective of ensuring they come back refreshed. In addition, we have established an accrual system that allows employees to accumulate up to 20 days of annual paid leave that they did not take during the fiscal year. This system allows accumulated leave to be taken in case of injury, illness, nursing care, volunteer activities, childcare, infertility treatment, etc.

In addition to the growing sense of busyness across the Company, the average number of days of annual paid leave taken continued to decline for two consecutive years due to the introduction of remote work and annual paid leave by the hour. However, since January 2022, we have begun experimenting with setting dates four times a year on which employees are encouraged to take annual leave.

As a result, the average number of days of paid leave taken and the rate of paid leave taken in fiscal 2022 recovered to the level before the decrease. We will continue efforts to create an environment that facilitates employees to take annual paid leave in the years ahead.

### Average Number of Days of Annual Paid Leave Taken and Utilization Rate Over a 5-year Period



### Promotion of Remote Work

The Company launched a remote work system at all its offices in 2020. In April 2021, safety and security aspects were improved, and in addition to infectious disease countermeasures we made adjustments to enable remote work to serve as a permanent system with the aim of improving productivity. Also, from the same year, we established a new Tokyo office to accommodate new ways of working that utilize remote work. To make more efficient use of the remote work system, we are also conducting training for managers to learn management techniques for remote work, and training sessions for regular employees to learn effective online communication skills. Advancing system reviews, we will work to improve the remote work environment so that diverse human resources will be able to play active roles.

### Supporting Childcare and Nursing Care

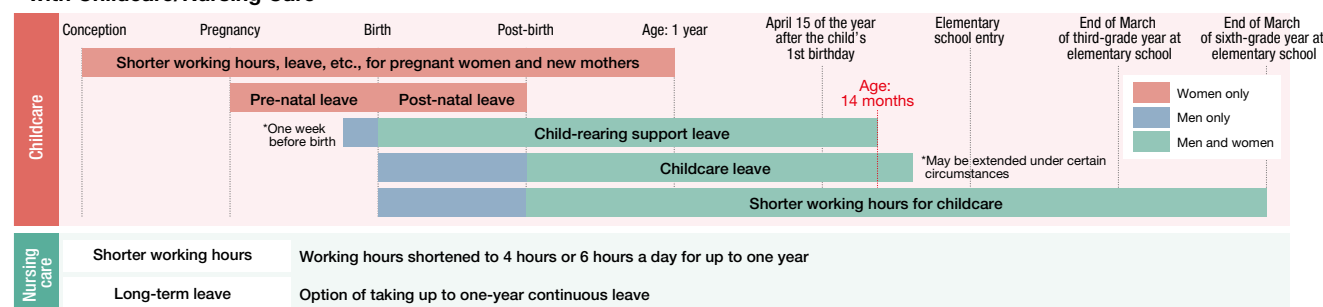
#### • Expansion of systems to support balance between work and home needs

We are improving our schemes and programs to support employees who want to prioritize family time and their private lives. Flexible support systems that exceed legal requirements, promote remote work, hourly paid leave system, etc. are available, allowing each employee to work in a way that suits their lifestyle.

#### • Childcare support

The Company encourages active participation of its employees in childcare by calling for the submission of a notice on expected delivery at least six months prior to the due date, and providing briefings on related systems including pre-natal, post-natal, and childcare leave systems to employees who have submitted the notice regardless of their gender. Our child-rearing support leave allows employees to take up to 20 days of paid leave when giving birth and for childcare, and thus this system encourages active participation of male employees in childcare.

### Main Systems to Support Employees Combining Work with Childcare/Nursing Care



## Respect for Human Rights

Based on the belief that respect for human rights is essential for the Company to fulfill its social responsibilities, we are thoroughly implementing initiatives on a global basis and striving to conduct management that takes human rights into consideration.



### Approach and Basic Policies Regarding Human Rights

Human rights are defined as “rights that are recognized for humans to live as human being,” they are rights that everyone is born with, that cannot be violated by anyone, and that should be respected. As befits an enterprise operating globally, the Dexerials Group sets respect for “human rights” in its CSR Policy and Compliance Handbook and declares that it respects all human rights and does not discriminate or carry out forced labor or child labor. Moreover, the Dexerials Group Code of Conduct expressly prohibits any discrimination in employment or promotion on the basis of ethnicity, religion, skin color, nationality, age, gender, disabilities, or any other factor that has no legitimate business reason, and expressly prohibits behavior that offends individuals’ dignity based on gender, authority, position, etc. Through training and distributing the Compliance Handbook at the time employees join the Company, we work to promote understanding so that all employees act with an awareness of the Code of Conduct in the course of their daily work.

At a time when the promotion of diversity and inclusion is expected of us, in aiming to build a corporate culture in which all stakeholders are respected and respect is given to diverse backgrounds and opinions, we also believe that educational activities to promote respect for human rights are essential to fulfilling our social responsibilities as a company. Through human rights education, each and every employee will be aware that resolving all human rights issues remains a corporate social responsibility, and we will work so that the human rights of everyone involved in our business activities can be respected.

### Respect for Human Rights-related Initiatives

Based on our approach and basic policy with regard to human rights, we conduct awareness-raising education, mainly through e-learning, every year. In fiscal 2022, we implemented the following initiatives.

#### Production of Human Rights Awareness Video and Education

Based on the recognition that respect for human rights is essential to contributing to the realization of societies that “leave no one behind,” as adopted in the Sustainable Development Goals (SDGs), we produced a human rights video and conducted e-learning for all employees. Having declared that understanding and accepting the “differences” of each person is the most important aspect of respecting human rights, this provided an opportunity to go back to basics and think about human rights.



Human rights awareness video

#### Implement of Psychological Safety Course

We believe that maintaining a healthy, safe, and productive work environment and building relationships of trust between superiors, subordinates, and colleagues are essential to respecting human rights and preventing discrimination and harassment. Based on the idea that open communication with each other on a daily basis is essential as a means of building relationships of trust, we focused on psychological

safety,\* conducted training to deepen understanding of communication that can build relationships of trust, and promoted its implementation in daily life (Training participation rate: 96.9%).

\* Psychological safety: An environment in which people can be their natural selves even within an organization or group. Psychological safety in business refers to a “work environment where everyone can speak and act with peace of mind,” and research findings have shown that increasing psychological safety can be expected to improve team and organizational productivity.

#### Harassment Prevention Education

In fiscal 2022, we prepared specialized training videos and conducted e-learning sessions on power harassment. Having reiterated the Company’s stance that no harassment whatsoever will be tolerated, even in terms of workplace communication through training, we conducted education on its importance to raise awareness of giving consideration to others.

#### Globalization of Compliance Hotline (External points of contact)

With regard to the points of contact for whistleblowing, starting in fiscal 2022 we opened external points of contact that can accept reports not only in Japanese but also in English, Chinese, and Korean. We thereby strengthened the infrastructure so that all the people working in the Group can use the whistleblowing system with greater peace of mind.

> P.76 Compliance

#### ▶ Main Educational Achievements in Fiscal 2022



**99.8%**

Harassment prevention education participation rate

**95.0%**

Human rights awareness video viewership rate

## Health and Productivity Management

At Dexerials, in the belief that the health of each and every employee forms the foundation for the Company's sustainable growth, we are promoting roadmap-based health management initiatives on a company-wide basis.



### Approach and Basic Policy Regarding Health Management

At Dexerials, we are aiming to remain a corporate group that lives up to the trust and expectations of all its stakeholders, and where each and every employee can exercise their skills to the utmost. To achieve this, we believe that it is the very health of our employees, our "human resources," that forms the cornerstone of our sustainable growth as a company, and we are thus engaging in health management.

To promote health management on a company-wide basis, we established cross-organizational health management working groups in fiscal 2021. These groups devise and promote health measures after having received management approval.

### KPIs and Performance in the Reporting Year

In the belief that it is important for health management to make it a habit for employees themselves to support their mental and physical health through self-care, our goal for fiscal 2030 is to increase the percentage of employees who are capable of self-care to at least 50%. Regarding the lifestyle improvement implementation rate for fiscal 2022, the percentage of employees who answered that they were "improving their lifestyle habits on a daily basis" was 31.1%.

Implementing health measures that incorporate employee opinions in the years to come, we aim to create workplaces in which people can work with enthusiasm by increasing the proportion of employees who can self-manage their health.

### Fiscal 2022 Initiatives

Based on our health management roadmap, we implemented activities in fiscal 2022, the designated year in which all employees learned and thought about health management. As our main activities we distributed messages

from our top management regarding the complete ban on smoking on business premises, which will be implemented from fiscal 2024, and undertook activities to support smoking cessation. From the environmental aspect, these activities included banning smoking in workplaces, mainly on Swan Day—the word "swan" sounds like *suwan* (I don't smoke) in Japanese—and subsidies for outpatient smoking cessation examinations. We also conduct health management awareness surveys to confirm employee awareness and opinions and incorporate them into the following year's activity plans. In addition, we launched initiatives that included publishing a health management booklet designed to make health management more familiar to our employees. In recognition of these continuous efforts, we were certified as a Health and Productivity Management Organization 2023 (Large Enterprise Category) for the third consecutive year since fiscal 2020.

### Health Support Initiatives

#### Mental Health

Based on the results of stress check group analysis for managers, we held seminars to understand workplace results and formulate improvement plans. Since it is important to improve the workplace environment after having conducted a stress check, following their seminars each department creates a specific plan for improvement and advances initiatives

designed to strengthen the support system and reduce the workload.

We will engage in creating vibrant workplaces in which employees can take on challenges in a constructive manner.

#### Physical Health

As a walking event, we have been holding a "Health Challenge Log" since 2021. In fiscal 2022, we created a new "team award" for departments with a participation rate of 50% or



more, and the number of participants approximately doubled. In addition to increasing exercise opportunities, the program has also been seen to be having the effect of improving communications within departments.

#### Meals

We held online LIVE seminars and video streaming on improving eating habits, with a total of 300 participants. Going forward, all employees, including remote workers and shift workers, will continue to be aware of their eating habits, and we will continue to implement initiatives tailored to work styles and job types so that we are able to review them.

Continuing to promote a range of initiatives in the years to come, we will work to create vibrant workplaces in which employees can take on challenges in a constructive manner.

### Health and Productivity Management Roadmap for Fiscal 2022–2030

2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Everyone at Dexerials to know and think about health and productivity management</b> <ul style="list-style-type: none"> <li>● Revamp of the health and productivity management website</li> <li>● Distribution of brochures on health and productivity management</li> <li>● Trial point program for health events, etc.</li> </ul>	<b>Everyone at Dexerials to feel, experience, get a sense of, look at, sympathize with, and spread the health and productivity management</b> <ul style="list-style-type: none"> <li>● Total smoking ban on the Company's premises from fiscal 2024</li> <li>● Introduction of a point program for health events across the company</li> <li>● Introduction of health promotion awards</li> <li>● Improvement of working environments using group analysis of stress check results</li> <li>● Reduction of overtime work hours</li> <li>● "No overtime" days, improvement of paid leave utilization rate, etc.</li> </ul>					<b>Health and productivity management PDCA to accelerate in the Company</b> <ul style="list-style-type: none"> <li>● PDCA cycle of continued efforts to hold health events and seminars and provide related supports, in which the company has built expertise, and their review</li> <li>● Environment allowing for diverse and relaxed work styles established</li> </ul>		

## Occupational Safety

Based on our safety philosophy and basic policies, we improve the safety culture in work sites and make various efforts to prevent serious damage, aiming to reduce accidents and risks and ensure stable business continuity.



### Safety Philosophy and Basic Policies

#### Safety Philosophy

Under the corporate vision of “Value Matters—Unprecedented innovation, unprecedented value,” the Dexerials Group understands that safety is essential to creating new value and improving quality and is committed to continuously providing safe and healthy business sites and manufacturing workplaces.

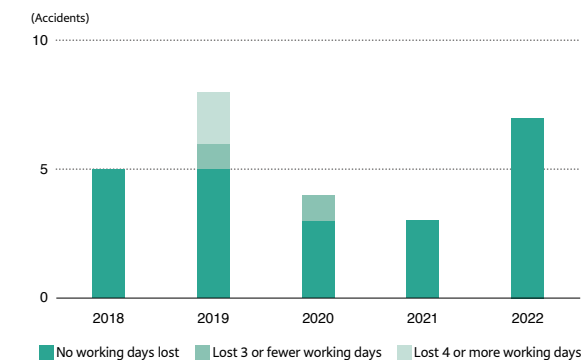
#### Basic Policies

1. We understand and comply with domestic and overseas laws, ordinances, and regulations related to health and safety.
2. We carry out risk assessment appropriately and work on the following as important actions:
  - 1) Operational/Equipment safety
  - 2) Work environment safety
  - 3) Health management
  - 4) Traffic safety
  - 5) Disaster-prevention measures
3. We improve the awareness and knowledge of safety and disaster prevention through practical operations, education, and training to develop human resources.
4. In regard to safety and disaster prevention, we actively cooperate with the government and local communities while driving participation and communication forward.
5. By auditing and reviewing the effectiveness of our occupational health and safety management system, we make every effort to stimulate our health and safety activities.

### Occurrence of Workplace Accidents

Based on its safety philosophy and basic policies, Dexerials is working to prevent serious accidents by setting annual targets. With regard to workplace accidents throughout the Group in fiscal 2022, there were no work-related fatal accidents, workplace accidents, and occupational illnesses involving lost working days. However, as we found that, after having analyzed the results for fiscal 2022, there had been a year-on-year increase in the number of accidents that had not involved lost working days among employees with less than one year of work experience, we analyzed the causes of the workplace accidents and promoted initiatives designed to link them to the autonomous and continuous management of risk reduction measures.

#### Number of Workplace Accidents



#### Dexerials Group Activity Results in Fiscal 2022, Japan

Category	Policies	Targets	Results
1) Operational/Equipment safety	Identify on-site work/equipment risks, implement mitigation measures	Zero workplace accidents involving lost working days	Zero workplace accidents involving lost working days (Seven accidents that did not result in loss of working days)
2) Work environment safety	Implement risk countermeasures and flow management for hazardous substances, improve and maintain working environments		
3) Health management > P.59 Health and Productivity Management	Prevention/improvement of health disorders caused by remote work/excessive working hours, mental health, and measures for people requiring observation	<ul style="list-style-type: none"> <li>Reduction of observed rate</li> <li>Encouragement to quit smoking</li> </ul>	Observation, promotion of smoking cessation
4) Traffic safety	Reduce occurrence of traffic accidents through traffic safety education and awareness-raising initiatives	Zero traffic accidents	Traffic accidents: 15
5) Disaster-prevention measures > P.79 Strengthening Business Continuity Plan (BCP)	Put in place business continuity management (BCM) that connects initial response with BCP to protect human lives, businesses, and stakeholders	Zero operational impacts	Zero operational impacts

Note: Excluding part of DXPC, Kyoto Semiconductor

## Initiatives to Prevent Workplace Accidents

### • Digitalization of occupational safety and health management system

Built and optimized for digital transformation (DX) in fiscal 2021, this system underwent further updating in fiscal 2022 to enable functional collaboration and cross-sectional data sharing. Initiatives like these are leading to faster operations and more active safety activities. In fiscal 2023, we will digitalize our internal audit system based on our occupational safety management system while aiming to raise the levels of our health and safety activities.

### • Risk assessment patrols

Risks that could cause similar accidents or the recurrence of an accident are selected from known workplace accident factors by utilizing a risk assessment system. Based on that system, we were able to prevent the occurrence of the workplace accidents—caused by excessive-strain movements and coming into contact with high



General view of a risk assessment patrol

temperatures—that occurred last year by conducting patrols by experts who shared the information across organizations or connected that information to countermeasures.

### • Equipment safety checks

To continue to ensure worker safety and remain in compliance when installing equipment for production or development uses, equipment safety checks are conducted from three health and safety management perspectives: work environment management, work management, and health management. Since we started the operational use of the equipment installation system, there have been no workplace accidents or incidents involving operational impacts caused by equipment. We are also moving forward with the horizontal deployment of the system to our affiliated companies.

## Education and Training

Through the introduction of new and the updating of our existing education and training systems, we will create environments that will facilitate each and every employee's learning in an efficient and effective manner. Including specialized education for health and safety officer appointees and managers, this is leading to the understanding and enhancement of risk management and safe work behavior.

### • Health and safety officer appointees and manager education

For the education of foremen, we added training opportunities via webinars, thereby making it possible to accommodate a large number of participants and business situations. The provision of flexible learning environments is leading to assured learning. In the case of the specialized education on lasers and forklifts less than 1 ton, we are able to provide education that is suitable for actual work by having in-house qualified personnel customize the curriculum to suit the workplace situation. After learning the necessary skills, attendees can be smoothly and actively involved in field operations.

### ▶ Education and Training Results in Fiscal 2022

Education content	Participants	Fiscal 2022 results (times)
New employee training	New employees	1
Laser safety education	Appointees, persons engaged and to be engaged in targeted work	9
Education of foremen	Foremen and prospective foremen	1
Specialized education for operators of forklifts less than 1 ton	Persons to be engaged in targeted work	2
VR training for traffic safety	Drivers of private cars and company cars	1,362
Hazard simulation equipment	Persons being hired and current employees	1
VR training for hazardous situations	Persons being hired and current employees	329

## Main Education and Training Program Content

### VR training for traffic safety



As a new digital tool to prevent traffic accidents, we conduct education that utilizes virtual reality (VR). By experiencing in virtual form, a variety of content, such as the causes of traffic accidents and road layouts, participants are improving

their sensitivity to hazards, understanding the importance of safe driving, and changing their behavior to be more careful when actually driving. At Dexerials, commuters by private car account for the majority, at 76%. We are aiming to prevent traffic accidents by placing VR tools at each location and creating environments that enable flexible experiences.

### Hazard simulation equipment



By utilizing actual equipment that reproduces past workplace accidents, we are conducting education that enables employees to experience in a realistic manner the impact on human lives and operations as well as the hazards that can lead to physical injuries to workers. Focusing

on human factors, which are one of the causes of workplace accidents, as well as impatience, arrogance, and overconfidence due to work experience, participants can learn about the importance of prioritizing human life and adhering to rules. By having participants actually experience, for example, the ignition and explosion when static electricity is charged or discharged or being caught by a rotating cylinder, we are aiming to improve their ability to predict hazards by reproducing in visual form the amount of charge and intuitively feeling the impact of a piece of equipment.

### VR training for hazardous situations



In addition to the hazard simulation equipment, we are conducting education using VR to experience hazards. Although we have maintained a record of zero workplace accidents caused by equipment, there are still accidents caused by supplementary tasks. At Dexerials,

we conduct VR education that makes use of content tailored to the sources of hazards in the workplace, based on the causes of past workplace accidents and risk assessments.

By means of this VR education, participants learn about the fear of disasters caused by means of Scared Straight,\* acquire safety awareness, understand the importance of procedures, and learn how to follow work procedures, which leads to safe work and behavior.

\* An educational method that leads to behavioral changes by daring to experience fear

## Supply Chain Management

Dexerials is committed to establishing sound partnerships with its suppliers throughout the supply chain and conducting activities for co-prosperity.



### Basic Philosophy of Supply Chain Management

- 1 Emphasizing “fair business practices, transparency, and equal opportunities,” the Dexerials Group’s procurement is founded on relationships of mutual trust with suppliers.
  - “Fair business practices” means conducting procurement in accordance with prescribed policies and procedures.
  - “Transparency” means avoiding any arbitrary actions.
  - “Equal opportunities” means providing supplier with a level playing field.
- 2 Dexerials also emphasizes cooperative relationship with suppliers in such areas as strengthening technological competence, assuring and improving the quality of parts and maintaining competitive prices.
- 3 To preserve the global environment and realize a sustainable society, Dexerials strives for environmental management together with suppliers by observing the Green Procurement Policy.
- 4 To ensure compliance with laws, regulations, and social standards and to realize contributions to society, Dexerials works not only internally but also with suppliers to achieve practical results.

### Main Contents of Dexerials CSR Procurement Guidelines

Human Rights and Labor	Health and Safety	Environment	Fair Trade and Ethics
<ul style="list-style-type: none"> <li>Prohibition of discrimination</li> <li>Prohibition of forced labor</li> <li>Prohibition of child labor</li> <li>Consideration for young workers</li> <li>Consideration of working hours</li> <li>Adequate wages and benefits</li> <li>Prohibition of inhumane treatment</li> <li>Freedom of association/Right of collective negotiation</li> <li>Whistleblower protection</li> </ul>	<ul style="list-style-type: none"> <li>Occupational safety</li> <li>Emergency preparedness</li> <li>Industrial accidents and illnesses</li> <li>Industrial hygiene</li> <li>Consideration for work with physical loads</li> <li>Safety measures for machine and equipment</li> <li>Health and safety communication</li> <li>Health management of employees</li> </ul>	<ul style="list-style-type: none"> <li>Environmental permit and reporting</li> <li>Reduction of energy consumption and greenhouse gas emissions</li> <li>Atmospheric emissions</li> <li>Water management</li> <li>Effective use of resources and waste management</li> <li>Chemical substance management</li> <li>Management of chemical substances in products</li> <li>Solid waste management</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with laws and regulations and international norms</li> <li>Corruption prevention</li> <li>Prohibition of giving and accepting improper advantages</li> <li>Protection of intellectual property</li> <li>Fair business promotion</li> <li>Appropriate export management</li> <li>Complaint handling mechanisms in place</li> </ul>
Quality and Safety	Information Security	Supply Chain	CSR-related Corporate Governance
<ul style="list-style-type: none"> <li>Ensuring product safety</li> <li>Quality control</li> </ul>	<ul style="list-style-type: none"> <li>Defense against cyberattacks</li> <li>Protection of personal information</li> <li>Prevention of leakage of confidential information</li> </ul>	<ul style="list-style-type: none"> <li>Supplier management</li> <li>Responsible mineral procurement</li> </ul>	<ul style="list-style-type: none"> <li>Development of management system</li> <li>Business continuity plan (BCP) establishment and preparation</li> <li>Appropriate disclosure of corporate information</li> </ul>

Promotion of Sustainable Procurement

In light of social demands and other conditions, we have compiled our fundamental approach to social responsibility that we should fulfill with our suppliers and matters that we would like our suppliers to cooperate with us in the Dexerials CSR Procurement Guidelines to promote CSR throughout our supply chain. We also seek the understanding and cooperation of our suppliers of materials and other items.

Since fiscal 2021, we have conducted a survey of the recipients of the Guidelines on a total of 46 questions, including 42 about the status of initiatives described in the Guidelines and others about the CSR policies in practice at each company, to understand their initiatives in human rights, labor, health and safety, the environment, etc.

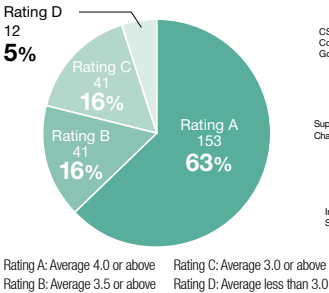
CSR Procurement Survey

For the CSR Procurement Survey conducted in July 2023, we significantly increased the scope of the survey to further grasp the transaction environment. As a result, we received responses from 252 of the 346 companies surveyed. Going forwards, we will consider measures to raise the response rate, such as reviewing the survey questions, and work on making other improvements. Based on our analysis of the questionnaire, 95% of our suppliers have achieved the level of commitment we require (rating of C or above) in our overall evaluation.

As for suppliers with low scores, we will look into their procurement conditions and work together to improve problem areas as necessary. We will also prioritize suppliers who agree with our Guidelines by evaluating them appropriately.

Survey period	July 2023
Number of companies surveyed	346 (252 responses)
Number of questions	46
Average score of all questions	4.16 points (on a 5-point scale)

Percentage by Rating Rank



Supply Chain Risk Management

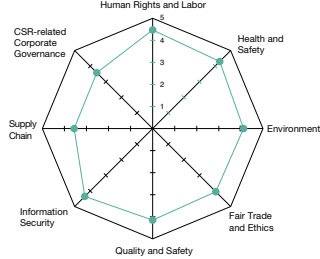
The globalization of procurement and logistics, and the advance of global warming, are expected to increase geopolitical risks and intensify natural disasters, making the environment surrounding the supply chain even more severe. Therefore, reducing these risks to procurement and logistics is an important issue. We are identifying risks faced by our domestic and overseas suppliers and building a system to prepare for and respond to various risks and disasters through digital transformation of monitoring systems and risk assessment systems.

In April 2023, we issued the “Supply Chain BCP Guidelines,” a set of disaster countermeasures that we ask our suppliers to adopt, and we are investigating whether they are taking these countermeasures in line with the Guidelines. The results of the investigation, together with the CSR Procurement Survey, will be used in the selection criteria for suppliers to achieve better supply chain stability.

Green Procurement

For the purposes of global environmental conservation and the realization of a sustainable society, Dexerials has established a set of Management Standards for Environment-related Substances, and manufactures products following the Standards. The Standards define controlled substances, which are categorized as substances

Average Score by Category



to be banned immediately, substances to be phased out, or exempted substances. They are also subject to monitoring in order to prevent inclusion in our products or to confirm reduction of their use.

Dexerials designates suppliers who cooperate with these standards as Dexerials Green Partners. In principle, we procure all raw materials and parts used in our products from Dexerials Green Partner suppliers.

Response to Conflict Materials

Based on a policy of “not using raw materials and parts that contain conflict minerals from countries with human rights violations or similar issues,” we conduct surveys on such conflict minerals in accordance with the survey tool provided by the Responsible Minerals Initiative (RMI) promoted by the Responsible Business Alliance, an electronics industry sustainability promotion organization.

Please refer to our [website](#) for details.



Response to Procurement Issues

Procurement risks that have arisen recently include the global spread of infectious diseases, dependence on raw material suppliers, and the geopolitical risks due to unstable political situations in regions, such as Ukraine and Taiwan. There have also been cases in which raw materials could be secured due to natural disasters, or cases in which the use of raw materials was restricted due to the introduction or revision of laws and regulations.

In response to such risks, the Company will take measures such as increasing its procurement sources to multiple sources and increasing its stock of raw materials from normal times to ensure the stable continuation of business.

## Quality Management

The Dexerials Group is working to ensure product quality with high levels of reliability and satisfaction so that customers can use Dexerials products with confidence.



### Quality Philosophy and Basic Policies

#### Quality Philosophy

Our quality philosophy states that “We, the Dexerials Group, under our corporate vision of ‘Value Matters Unprecedented innovation, unprecedented value’ contribute to our customer’s product value, through explore technologies, and provide high quality products and services.”

We have established a basic policy for quality that provides the fundamental direction for our quality activities and are engaged in various activities related to quality and product safety.

#### Basic Policies

1. We provide safe and reliable products and services.
2. We comply with relevant laws and regulations, agreement with customers, and internal standards surely.
3. We practice steadily implementing activities to reduce risks and preventive activities.
4. We improve professional standards and develop human resources by on the job training and education.
5. We ensure to quality management system and improve its effectiveness.

### Quality Promotion System

All of Dexerials Group’s manufacturing sites have obtained the international standard ISO9001 certification and our quality management systems (QMS) are the basis for business activities. Moreover, in order to ensure compliance with laws and regulations and customer requirements, we have established a quality management system promotion framework led by top management, with chief administrator, division representatives, quality assurance heads, QMS promoters, etc. Regarding products for automotive applications, we have obtained IATF16949 certification, a sector standard for the automotive industry. We are working to ensure even stricter quality standards, including complying with the VDA standard, which is the quality standard of the German Association of the Automotive Industry.

Cross-organizational activities and cooperation are indispensable for achievement of quality targets and for realization of products. Each unit of activity that requires cooperation is designated as a business process, and is managed under a system of responsibility for each business process. We also regularly conduct internal quality audits to monitor these activities. In these audits, internal quality auditors confirm whether business is conducted in accordance with legal regulations and rules, and whether on-site operations and manufacturing is performed in accordance with process and quality specifications. Problems are then identified and improved upon and reported to top management.

Because the skills of auditors are important in internal quality audits, we actively promote the accumulation of experience through mock audits and skill improvement training by trainers.

### Product Safety

We test our products for compliance with a range of product safety standards and acquire the relevant certifications. Regarding the UL standards\*<sup>1</sup> in particular, not only did we respond to customer demand for certification registration, we also received the certification for various Dexerials Group products from the viewpoint of ensuring product safety, as we continue to supply safe products at the parts level.

In addition, in order to accurately communicate product safety information to customers, we provide SDS\*<sup>2</sup> that are compliant with laws and regulations in Japan and overseas.

\*1 UL standards: Safety standards established by UL LCC, a company that enacts safety standards and conducts tests and certifications

\*2 SDS: Safety data sheets

### Quality Communication

Through communication with customers, the Dexerials Group shares customer needs and technology issues. We offer technology-based support and solutions, working toward the creation of products that earns customer confidence and delivers satisfaction.

In the event of quality issues that could impact stakeholders, including where there is the threat of serious quality issues and product incidents occurring, a system is in place whereby the relevant corporate department promptly reports the situation to top management so that appropriate response measures can be taken. Regarding returns and recoveries due to complaints made by customers, an analysis is performed by specialist technical staff

with advanced analytical skills, and the analytical reports and follow-up measures are promptly implemented. For defects whose causes are difficult for customers to identify, we provide technical support for the investigation of the causes using our sophisticated analytical capabilities.

### ► Quality Issue Contact Flow



### Promotion of DX in Quality Control

The Dexerials Group is also promoting DX in quality control, believing the advanced data utilization (data driven) with cutting-edge technologies represented by AI, IoT, and data science, etc., will lead to its further growth. We are working on increasing our competitiveness by innovatively improving quality based on the abundant data and knowledge which have been accumulated so far.

Dexerials Group produces a lot of roll-shaped film products, which is its main product. As they are continuously produced over a long period of time, it has been a critical issue for quality control to prevent failures from occurring in series due to unexpected causes. In order to solve this problem, we are promoting efforts to establish a more sophisticated quality control system that can predict anomalies in advance and controls processes, and achieve a smart factory.

At the headquarters and Tochigi Technology Center, we incorporate the automated optical inspection equipment and auto measuring device using our proprietary image processing in anti-reflective films.

We have developed and built a system to classify defect images in real time and with high accuracy by utilizing the AI's deep learning capabilities for the vast amount of data obtained from the equipment, and are moving forward with the development of smart factories.

These efforts have prevented the continuous occurrence of defects, reducing the defective product rate and significantly enhancing profitability. Moreover, we have further improved quality through the analysis of tens of thousands of pieces of data obtained during the production process. Furthermore, since fiscal 2022, we have been building a quality control system for preventative measures by linking data with SCADA\* systems and other systems to improve the accuracy of anomaly detection and prediction. These smart factory developments are also being promoted at other sites.

\* SCADA: Supervisory Control And Data Acquisition system, integrated monitoring and control system that gathers on-site information in one place in the industrial field

### Technology Education and Human Resource Development

At Dexerials, based on our basic policy for human resource development with the objective of developing specialists, we are developing human resources who have excellent quality management capabilities.

We have produced a "roadmap for quality training" that clarifies the quality management knowledge required in each post in a wide range of levels, from new employees to specialized technicians. We also conduct training that covers practical exercises to help employees acquire basic and expert knowledge and tools for all divisions.

In response to changes in the educational environment due to the proliferation of remote work and the controlling of the spread of infectious diseases, we are striving to improve the convenience and efficiency of training and enhance educational opportunities by utilizing e-learning as the core training format and expanding the use of online training methods, shifting away from conventional group training methods.

In fiscal 2022, in addition to the existing e-learning courses such as the fundamentals of quality and ISO9001, and introduction to IATF16949, we are expanding the curriculum to include education on human error, corrective actions, and other topics.

In addition, to prevent corporate scandals related to quality, which has been an issue in recent years, we provide training for all employees every fiscal year that includes compliance related to quality and corporate ethics as a basis for correct judgment and actions.



Group session to create a cause and effect diagram in the "Seven QC tools" training program

## Social Contribution Activities

Based on Dexerials Group's CSR Policy, we are engaged in various activities in Japan and overseas to revitalize those communities where our business sites are located and to hand over a better environment to our future generations.



Please refer to the "Contribution to Local Communities" page on our [website](#) for details on our activities.

### Community Revitalization Activities

#### Support for Holding of Utsunomiya Blitzen Event (Dexerials presents "Watarase Criterium")

Since 2015, we have been working with Utsunomiya Blitzen, a community-based professional cycling road race team in Tochigi Prefecture, to revitalize the region through sports. In fiscal 2022, we supported the holding of the Watarase Criterium\* at Tochigi's Watarase Cycle Park, a full-scale race that is easy to participate in and a place for local residents to relax.



\* Criterium: A race in which rankings are determined by completing a set number of laps over a short section

#### Dexerials Cup: 20th Miyagi Prefecture Champions Cup U-12 Soccer Tournament Held

We have been sponsoring this tournament, which is organized by Miyagi Football Association since 2013 with the aim of contributing to the local community through sports promotion and youth development. In fiscal 2022, we also held a women's category for the first time to create more opportunities for women to play active roles. We received many comments from the captains of the participating teams, such as, "I'm very happy that the tournament was held at a time when there are so few tournaments for women. The team members are also happy."



### Environmental Protection Activities

#### Restoring Greenery to the Mountains of Ashio

Since 2009, we have assisted afforestation as a corporate member of the NPO Grow Green in Ashio. Every year, we host an event attended by our employees and their families, and a tree-planting activity as part of the training for new employees.

### Donations and Contributions Activities

#### TABLE FOR TWO

We take part in the TABLE FOR TWO program in the company cafeterias of the Tochigi Technology Center, the Kanuma Plants, and the Nakada Plant. When employees choose healthy TABLE FOR TWO menus in the company cafeterias, 20 yen, which is the equivalent to the cost of one school meal in a developing country, is donated for every meal purchased to support school meals for children in need. In fiscal 2022, we donated 99,280 yen, which is equivalent to 4,964 school meals for children in need.

### Activities at Overseas Group Companies

#### Activities at Dexerials Hong Kong

We have been conducting a variety of recycling and donation activities, including participating in charity events such as Love Teeth Day, which supports dental care, and Skip Lunch



Day, which uses the money from one lunch to improve the living environment. In addition, in March 2023, all employees participated in the activities of Food Angel, an NGO that provides meals to disadvantaged families and elderly people living alone, and made 2,140 boxed meals. In the years to come, we will continue to work to reduce food loss and contribute to local communities.

#### Dexerials Shanghai/Suzhou Activities

In Shanghai, employees participate in picking up plastic trash as an environmental protection activity. Also, the Shanghai and Suzhou offices are working together to collect used clothing, bags, shoes, stuffed animals, and other items and donating them within China and to developing countries.



#### VOICE

#### We will continue social contribution activities that began in earnest in fiscal 2022



In charge of General Affairs,  
Administration Dept.  
Dexerials (Shanghai)  
Corporation  
**Chen Hong**

Our social contribution activities began in earnest in 2022. With the theme of environmental protection, we are conducting two activities: picking up plastic trash and recycling clothing in collaboration with Dexerials Suzhou. Through our activities, we are happy to be able to contribute to creating a cleaner environment and reducing environmental impact.

# Governance

## Contents

- Corporate Governance
- Communication with Shareholders and Investors
- Directors and Executive Officers
- Compliance
- Risk Management
- Strengthening Business Continuity Plan (BCP)

## Main initiatives and outcomes in four years of the Mid-term Management Plan 2023, “Challenges for Evolution” (Governance)

Basic Policy	Initiatives and Outcomes		Related Pages
Strengthen the management base	Corporate governance	<ul style="list-style-type: none"> <li>● We transitioned from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee to provide a clearer delineation between executive and supervisory management functions. Decision-making processes were accelerated by delegating authority to executive directors and officers with the aim of improving management flexibility.</li> <li>● We relocated headquarter functions to Tochigi Prefecture to unify business administration at the management and frontline levels.</li> <li>● We established the Nomination and Remuneration Committee to ensure the transparency and objectivity in the processes of determining the selection, dismissal, and compensation of officers.</li> <li>● We reflected TSR in the calculation of director remuneration to raise awareness of its contribution to sustainable growth and enhancement of corporate value.</li> </ul>	> P.68 Corporate Governance
	Compliance	<ul style="list-style-type: none"> <li>● We established a whistleblowing hotline with multilingual support (four languages) with the aim of strengthening our global compliance efforts.</li> </ul>	> P.76 Compliance
	Risk management	<ul style="list-style-type: none"> <li>● We redesigned our risk management systems and methods, resulting in the creation of a dedicated company-wide integrated risk management section. In addition, we verified existing risk management structures and methods and implemented the improvements needed to enhance our risk management activities as the basis for sustainable growth in the future.</li> </ul>	> P.77 Risk Management
	BCP	<ul style="list-style-type: none"> <li>● We enhanced the Group's adaptability and resilience by reorganizing the BCP structure and reviewing organizational structures.</li> </ul>	> P.79 Strengthening Business Continuity Plan (BCP)

## Corporate Governance

Dexerials is working to enhance corporate governance in order to live up to the trust and expectations placed in us by all our stakeholders and to achieve sustainable growth and improve the corporate value.



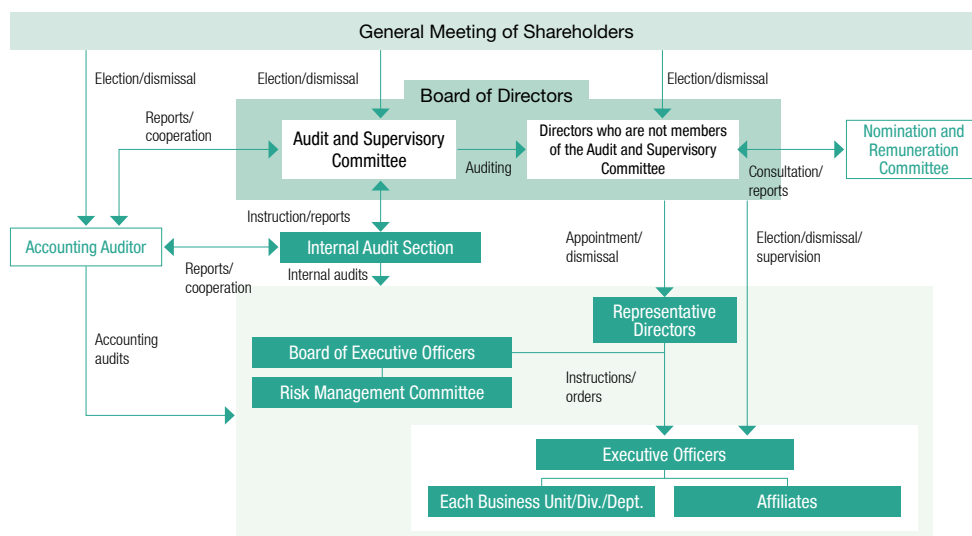
### Initiatives to Strengthen Corporate Governance

Dexerials engages continuously in initiatives to enhance corporate governance in order to build a more efficient and effective management system. Ever since we became a listed company in 2015, we have had a supervisory system in which the majority of our directors are outside directors with high independence and expertise, thereby ensuring transparency and objectivity of management.

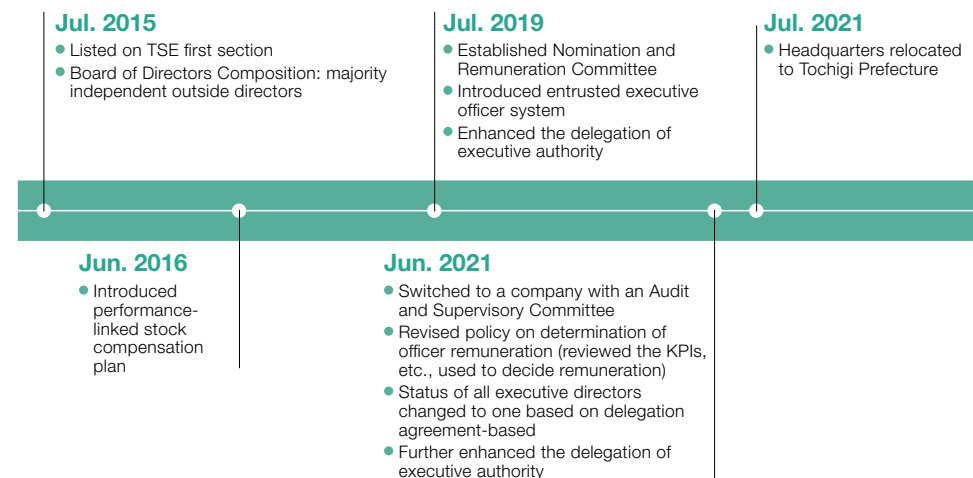
The decision-making process for officers' nomination and remuneration is handled by the Nomination and Remuneration Committee, an optional committee, which was established in 2019. The majority of the members and the committee chairperson are outside directors. It holds discussions on matters

such as evaluation of executive directors, succession planning for officers, and the officer remuneration system to ensure the transparency and soundness of management. In order to speed up decision-making when carrying out business, we also proactively delegate authority to executive officers. In 2019, we introduced an entrusted executive officer system to further spread the delegation of authority. In 2021, we transitioned our institutional design from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee, which has allowed a more precise separation of management oversight and execution and accelerated the promotion of a monitoring model.

### ► Dexerials' Corporate Governance System (As of November 2023)



### ► History of Corporate Governance Reforms



## Directors and Board of Directors

Dexerials' Board of Directors consists of seven members, including four outside directors, therefore outside directors always accounting for the majority.

In principle, the Board of Directors conducts regular meetings once per month, where it decides legally mandated matters, determines major management policies and strategies, selects candidates for officers, determines remuneration of individual directors, and oversees execution of business. The outside directors each have extensive experience and knowledge as managers or experts in their field and are able to play their role in strengthening supervisory functions from an independent perspective.

In addition, off-site meetings are held separately from the Board of Directors meetings to discuss the future of the Board of Directors and its policies from the formulation stage. They also inspect business sites, including those belonging to Group subsidiaries. We are also working to expand communication between outside directors and executive officers to ensure that discussions in Board meetings are based on a proper understanding of the status of executive operations.

## Audit and Supervisory Committee

Dexerials is a company with an Audit and Supervisory Committee. The Company's Audit and Supervisory Committee comprises three members (of which two are outside directors) and is chaired by an outside director, which ensures the transparency and independence

in audits. In addition, a position for one standing Audit and Supervisory Committee Member has been created to secure the effectiveness of audits.

## Executive Officers and Board of Executive Officers

For business execution, executive officers delegate broad discretionary authority to nine appointed executive officers, aiming to build a system that makes quick decision-making and clarifies executive responsibility. Of the executive officers, two also serve as internal directors. The seven executive officers who do not serve as internal directors have concluded a delegation agreement with the Company regarding the execution of business.

In principle, the Board of Executive Officers is held twice a month, with nine executive officers as members. It examines the status of, and issues regarding, business execution, in addition to conducting discussion of major proposals in advance in order to have meaningful dialogues at the Board of Directors meetings.

## Internal Audits and Audits by the Audit and Supervisory Committee

The Internal Audit Department strives to implement effective and efficient audits, establishes an internal control system for the Company and its Group companies, and audits the status of their implementation of, and compliance with, their respective compliance and risk management systems. In regards to the

results of internal audits, the Internal Audit Department periodically reviews the status of enhancements, and reports those details to the Audit and Supervisory Committee, the representative directors, and any related departments. Specifically, the section carries out internal audits based on the audit plan formulated at the beginning of the fiscal year, notifies the audited divisions of the results, while also informing the Audit and Supervisory Committee and the representative directors of the results. If there are any issues that require improvement, the section checks on the progress and results of their implementation.

The Department also regularly collaborates with the Standing Audit and Supervisory Committee Member to confirm the details of audits and exchange opinions.

Furthermore, the Department exchanges opinions with the Accounting Auditor every quarter, informing them on any material events concerning internal control that were found in internal audits and seeking their guidance and advice as needed.

## Accounting Audits

For accounting audits, the Company has an audit agreement with PricewaterhouseCoopers Japan LLC, which conducts accounting audits in accordance with the Companies Act and the Financial Instruments and Exchange Act. Neither this audit corporation nor its engagement partners engaged in audits of the Company have any special interest relationships with the Company. In addition, this audit corporation has implemented measures to ensure that the same engagement partner will not be involved in accounting audits of the Company for more than a certain period of time.

### Changes in the Number of Officers

	2016	2017	2018	2019	2020	2021	2022	2023
Directors (of which, outside)	7(4)	7(4)	7(4)	7(4)	6(4)	7(4)	7(4)	7(4)
Audit and Supervisory Committee Members (of which, outside)	3(3)	3(3)	3(3)	3(2)	3(2)	–	–	–
Executive Officers	11	11	12	11	7	6	8	9

\* As of November 2023

## Nomination and Remuneration Committee

In order to guarantee appropriate and transparent decision-making processes for the selection, dismissal, and remuneration of officers, the Company has established a Nomination and Remuneration Committee as an advisory body to the Board of Directors. The Nomination and Remuneration Committee consists of six directors, of which more than a majority (four) are independent outside directors. In addition, the committee's chairperson is an independent outside director to ensure objectivity and transparency. The Nomination and Remuneration Committee discusses succession planning and training for officers, including the Representative Director and President, as well as the skills required to serve on the Board of Directors, from the perspective of our corporate vision. In addition, the Committee has repeatedly discussed the appropriateness of remuneration structures and the performance-linked compensation system, as well as targets and evaluation, with regard to the basic policy for officer remuneration. The Board of Directors makes final decisions on performance evaluations and other such matters on the basis of

### ► Nomination and Remuneration Committee Meetings in Fiscal 2022

Date	Matters deliberated on
April 2022	<ul style="list-style-type: none"> <li>● Deliberation on the board composition and candidates</li> <li>● Deliberation on the policy to determine officers' remuneration</li> <li>● Discussion on officers' remuneration levels</li> <li>● Transition to an entrusted executive officer system</li> </ul>
May	<ul style="list-style-type: none"> <li>● Deliberation on the amounts of officers' remuneration</li> <li>● Review of fiscal 2021 and evaluation of the Remuneration Committee</li> </ul>
July	<ul style="list-style-type: none"> <li>● Discussion on succession planning and skills matrix</li> <li>● Report on fiscal 2022 commitments</li> </ul>
October	<ul style="list-style-type: none"> <li>● Deliberation on skills matrix of directors and report on the succession of the management team</li> </ul>
January 2023	<ul style="list-style-type: none"> <li>● Discussion on the executive management structure for fiscal 2023</li> <li>● Report on benchmark comparisons of remuneration levels and systems</li> </ul>

\* In addition to the above, three intensive discussions were held outside the formal committee.

reports submitted following deliberations by the Nomination and Remuneration Committee.

In addition to five committee meetings, the Nomination and Remuneration Committee held three intensive discussions outside of committee meetings in fiscal 2022. Discussions included the selection of officer candidates, confirmation of the training process for officer successors, skills required for the Board of Directors, evaluation of performance in determining remuneration for officers, the remuneration structure, and appropriate remuneration levels.

## Evaluation of Effectiveness of the Board of Directors

For the purpose of ensuring objectivity and transparency in the evaluation of the effectiveness of our Company's Board of Directors, every fiscal year a third party conducts individual interviews with all the directors based on questionnaire items prepared by the Board of Directors Secretariat, analyzes and summarizes the responses of each Director, and formulates an action plan for the next fiscal year.

### ► Details of Questionnaire Items in Fiscal 2022

Category	Details
Composition of the Board of Directors	<ul style="list-style-type: none"> <li>● Number of directors, composition of members, and balance of expertise of each officer</li> <li>● Necessity to review the board composition</li> <li>● Status of directors' knowledge and understanding of our business fields</li> </ul>
Operation of the Board of Directors	<ul style="list-style-type: none"> <li>● State of open exchange of opinions and discussions in board meetings</li> </ul>
Corporate governance-related	<ul style="list-style-type: none"> <li>● Deciding direction of management strategy</li> <li>● Understanding stakeholders' perspectives</li> <li>● Creating an environment that supports risk-taking</li> <li>● Sharing risk information</li> <li>● Effectiveness of supervisory function</li> </ul>
Evaluation of fiscal 2022 action plan	<ul style="list-style-type: none"> <li>● Build consensus on the roles and functions expected of outside directors, their evaluation, and succession</li> <li>● Build consensus on the agendas of board meetings and their schedule</li> <li>● Consider ways of information sharing and communication needed to allow the Board of Directors to fulfill its roles and functions</li> </ul>

## Outline of Evaluation Results for Fiscal 2022

### (1) Summary

The results of the evaluation for fiscal 2022 indicated that the Board of Directors is operating in a highly effective manner. The following items were highlighted as either current strengths of the Board or improvements over its previous results.

1. The composition of the Board of Directors remained optimal.
2. The Board held active discussions on various issues, including deliberations at the concept and policy formulation stages.
3. Determined efforts were made to implement improvements based on the previous evaluation of Board effectiveness.

### (2) Action plan for fiscal 2023

The Board of Directors has devised the following action plan for fiscal 2023 with the goal of deepening discussions regarding the functions, roles, and activities of the Board that will contribute to the enhancement of corporate value from a medium- to long-term perspective. Under this action plan, the Board will discuss the following issues.

1. The future composition of the Board of Directors (including the future role of the Nomination and Remuneration Committee)
2. Engagement with institutional investors, etc.
3. The provision of information to outside directors
4. Setting of agenda items

## Officers' Remuneration

### Basic Approach

Policies concerning compensation paid to directors are determined by the Board of Directors after continual deliberations by the Nomination and Remuneration Committee, including objective discussions regarding our vision for the future corporate governance structure, and the development of an executive officer remuneration system that will contribute to sustainable growth and the improvement of corporate value.

The appropriate level of remuneration is confirmed based on a comparative examination of the Company's current remuneration systems and levels with those of companies of similar size, type, and industry. Compensation levels are derived from executive compensation survey data provided by external research organizations.

Remuneration of directors (excluding outside directors) is determined by a resolution of the Board of Directors following the discussion by the Nomination and Remuneration Committee based on the amount calculated according to the job title and the degree of achievement of results for the fiscal year, etc., in view of the basic approach for determining officers' remuneration described below. Remuneration of Audit and Supervisory Committee Members is determined through consultation among directors serving as Audit and Supervisory Committee Members.

#### Basic Approach for Determining Officers' Remuneration

- Officers' remuneration shall correspond to the role, responsibilities, and performance of each officer
- Officers' remuneration shall be designed such that it reflects the medium- to long-term management strategy and also strongly incentivizes medium- to long-term growth
- The level of remuneration shall be appropriate for attracting and retaining excellent human resources
- The remuneration determination process shall be objective and transparent

### Base Remuneration

Amounts are determined according to the job title in accordance with internal rules (weighted allocation according to job responsibilities), and a fixed monthly amount of remuneration is paid. Only base remuneration is provided to outside directors and directors serving as Audit and

Supervisory Committee Members.

The maximum amount of remuneration of directors (excluding directors serving as Audit and Supervisory Committee Members) was set to be no more than 300 million yen annually (including 40 million yen for outside directors) by a resolution adopted at the 9th Annual General Meeting of Shareholders held on June 18, 2021. The maximum amount of remuneration of directors serving as Audit and Supervisory Committee Members was set to be no more than 50 million yen annually by resolution adopted at the above-mentioned Annual General Meeting of Shareholders.

### Performance-linked Compensation

Performance-linked compensation comprises "performance-linked pay," which is paid according to performance during the fiscal year, and "stock-based compensation (BBT trust)," which is intended to foster the awareness that directors share interests with shareholders and to provide motivation for achieving objectives over the medium to long term. Performance-linked compensation is designed to motivate the Company's executive directors to manage with an awareness of performance and share prices not just in a single fiscal year, but also over the medium to long term. Performance-linked pay is set based on consolidated net sales, which correspond to the capability to earn revenue through the implementation of the strategy, and EBITDA, which corresponds to the capability to earn substantial profit, as evaluation

#### Percentages of Each Type of Remuneration by Job Title

Job title	Percentage of officer remuneration			Total
	Base remuneration	Performance-linked compensation		
		Performance-linked pay	Stock-based compensation	
Representative Directors	50%	30%	20%	
Outside Directors	100%	—	—	100%
Directors serving as Audit and Supervisory Committee Members	100%	—	—	

\* The composition of each type of remuneration is the percentage when each evaluation indicator selected as performance target is achieved.

indicators. In addition, the Nomination and Remuneration Committee evaluates and reflects the medium-term strategic initiatives, outstanding performance on ESG, and performance on initiatives for safety and human resource development. Regarding the above performance indicators, performance-linked pay is calculated at the ratio of 50% consolidated net sales and 50% EBITDA, and the amount determined is divided by 12 and the divided amount is paid monthly from the month following the conclusion of the Annual General Meeting of Shareholders. "Stock-based compensation" is set separately from base remuneration for the purpose of increasing awareness of contributions to medium- to long-term continuous improvements in financial results and increases in corporate value. Specifically, money is contributed to a trust every three years for acquisition of the shares necessary for provision to directors, and thereafter, eligible directors are awarded points according to total shareholder returns (TSR) and ROE, which are evaluation indicators specified in order to ensure directors share interests with shareholders and to ensure that not only the benefit of the increase in the share price, but also the risk of the decrease in the share price is shared among the directors and the shareholders, thereby strengthening the directors' awareness of their contribution to the medium- to long-term improvement in financial results and corporate value.

Each point granted can be converted into one share of the Company's ordinary stock, and every three years, eligible directors are granted shares and monies converted at the market value of those shares according to the number of points.

#### Amount of Officers' Remuneration in Fiscal 2022

Officer classification	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration, etc. by type (Millions of yen)			Number of eligible officers
		Base remuneration	Performance-linked compensation	Stock-based compensation	
Directors (excluding directors serving as Audit and Supervisory Committee Members)	336	103	102	130	4
Directors (Audit and Supervisory Committee Members)	37	37	–	–	3
Total	374	141	102	130	7
(of which outside officers)	40	40	–	–	4

\* The total amount of non-monetary compensation to directors (excluding Audit and Supervisory Committee members and outside directors) consists of 130 million yen in stock-based compensation, which forms part of performance-linked compensation.

## Decision-making Process

In order to guarantee appropriate remuneration for officers and transparency of decision-making processes, the Company has established a Nomination and Remuneration Committee as an advisory body to the Board of Directors.

The decision-making process of the Board of Directors shall involve referral to and deliberation by the Nomination and Remuneration Committee for matters relating to the composition of remuneration of directors (excluding directors who are Audit and Supervisory Committee members) and executive officers, determination of the appropriateness of design and setting targets for the performance-linked compensation system, and evaluation of performance, etc.

The remuneration of individual directors (excluding directors who are Audit and Supervisory Committee members) shall be determined by a resolution of the Board of Directors following discussion by the Nomination and Remuneration Committee and within the range of remuneration determined by a resolution of the General Meeting of Shareholders in advance.

## Policies (Selection, Dismissal, and Nomination) and Procedures (Selection and Dismissal) for Management Executives/Directors/Audit and Supervisory Committee Member Candidates

When nominating director candidates (excluding directors who are Audit and Supervisory Committee members) the Company selects candidates based on criteria such as decision-making capabilities and ability in accordance with the Company's management philosophy, excellent character and communication skills, and leadership. With regard to outside directors, the Company invites individuals who have experience as managers at global companies, knowledge relating to technology development, professional experience and expertise in areas such as law or financial accounting, and are highly independent.

When nominating candidates for director who are Audit and Supervisory Committee members, the Company selects candidates from inside and outside the Company based on the criteria of selecting one or more persons who possesses experience and knowledge in areas including corporate management, financial accounting, and law. In particular, the Company looks for candidates who have sufficient knowledge in finance and accounting.

Also, outside directors are determined in consideration of the balance of the knowledge, experience, specialist areas, etc., of the Board of Directors as a whole. This includes those with management experience at other companies, etc.

A skills matrix is used to present the areas of expertise that the Board of Directors should have and the balance between these areas.

Independent outside directors make up a majority of the Company's Board of Directors, and accordingly, the mechanism is such that officer candidates are selected from a neutral perspective. In addition, when appointing and dismissing management executives and nominating officer candidates, decisions are made based on the deliberations and reports of the Nomination and Remuneration Committee, a majority of the members and the chair of which are independent outside directors.

## Highly Diverse Composition of Officers

Each of our directors has a diverse range of skills such as technology management, finance and accounting, legal affairs, and management experience in global companies. They also have skills in corporate governance, CSR, the environment, and other areas required to promote sustainability management.

### Skills Matrix of the Board of Directors

Position	Name	Area of expertise held by Directors that they are particularly expected to demonstrate					
		Corporate management	Technology management	Sustainability management	Global business	Legal and compliance	Finance & accounting/ Capital policy
Representative Director and President Nomination and Remuneration Committee Member	Yoshihisa Shinya	●	●	●	●		
Representative Director Nomination and Remuneration Committee Member	Toshiya Satake	●		●		●	●
Outside Director Chairperson of the Nomination and Remuneration Committee	Takashi Yokokura	●	●	●	●		
Outside Director Nomination and Remuneration Committee Member	Satoshi Taguchi	●		●	●	●	
Outside Director Chairperson of the Audit and Supervisory Committee Nomination and Remuneration Committee Member	Rika Sato			●	●	●	
Director Standing Audit and Supervisory Committee Member	Masato Taniguchi		●	●		●	
Outside Director Audit and Supervisory Committee Member Nomination and Remuneration Committee Member	Tetsuyuki Kagaya			●			●

## Communication with Shareholders and Investors

### Approach to Disclosure of Corporate Information/ Promotion of Engagement

For the Company, timely and appropriate disclosure to shareholders and investors serves to ensure transparent and fair decision making as well as effective corporate governance functions. We also believe that it contributes to increasing corporate value by promoting public understanding and an appropriate market assessment of the Company. Therefore, we not only undertake disclosure required by laws and regulations, but also publish information proactively through our website and other channels, working in this way to create a system for highly transparent and reliable disclosure. To ensure that our disclosed information can be easily understood and serve as a useful basis for investment decisions, we adopt reader-friendly language and formats in our materials, and we are improving both financial and non-financial information. We also provide an English language version where the information is considered likely to be of particular importance to non-Japanese shareholders and investors.

The officers who engage in dialogue with our investors are selected according to the policies and attributes of the investors. We create opportunities for our executive officers, including the President and the officer in charge of investor relations, to engage in direct dialogue with investors and shareholders both in Japan and overseas. In 2023, we have worked to create opportunities for dialogue between members of the Board of Directors, including outside directors, and institutional shareholders on the topic of how the Company is viewed by the stock market. We also held interviews between outside directors and institutional shareholders. We are actively committed to these engagement activities as a way to improve our medium- to long-term corporate value and achieve sustainable growth. For example, we endeavor to build understanding through our communication with investors by thoroughly explaining our thoughts, while any feedback from investors is discussed by members of the Board of Directors.

### Investor Relations Activities in Fiscal 2022

Activity	Times	Details
Financial results briefings for analysts and institutional investors	Four	Briefings are provided on a quarterly basis. The President presents the full-year financial results, while executive officers deliver quarterly financial results. Materials relating to our financial results, including earnings releases, presentation materials, Q&A, and videos, are posted on our website.
Interviews with analysts and institutional investors (interviews hosted by the President and other executive officers)	262 (39)	Interviews with analysts and institutional investors in Japan and overseas, meetings at conferences, etc.
Corporate briefings for individual investors	Two	Online corporate briefings for individual investors, explanatory videos posted on our website
Showroom tours for shareholders	One	Shareholders were able to tour our facilities after the Annual General Meeting of Shareholders, which was held at our headquarters and Tochigi Technology Center in June 2023. The event also included a technology display

### Internal Dissemination of Feedback

Opinions and evaluations from shareholders and investors are widely reported within the Company, including the management team. This process allows us to utilize knowledge obtained from capital markets in our management and business activities. We aim to enhance our corporate value through sustainable growth by utilizing this feedback within the Company.

Activity	Target audience	Frequency	Details
IR activity report to the Board of Executive Officers	All executive officers	Monthly	Sharing of insights relating to the improvement of management processes and corporate value based on knowledge gained from capital markets, including insights from analysts, investor feedback, and trends in stock prices and valuations
Analyst report summary	All executive officers Relevant divisions	As required	Sharing of summaries of analyst reports via email, etc.
Financial results announcement and briefing report	All employees	After announcement of financial results	Sharing of summaries of financial results, investor points of interest, and evaluations of Dexerials via email

### Enhancing the Integrated Report through Dialogue with Institutional Investors

We are continually enhancing the content of our Integrated Report by holding individual meetings with institutional investors, both in Japan and overseas, to discuss the issues and aspects of the report that require improvement. We will continue our efforts to enhance our disclosure activities and improve our corporate value through constructive dialogue with our shareholders and investors.

#### TOPICS

*Dexerials Integrated Report 2022* was selected as one of the Most-improved Integrated Reports Selected by GPIF's Asset Managers Entrusted with Domestic Equity Investment

## Directors and Executive Officers (As of November 2023)

### Directors



Representative Director and President, President and Executive Officer  
Officer in charge of management and business operations

Jul. 2001 Joined Sony Chemicals Corporation (current Dexerials Corporation)  
Apr. 2005 General Manager, Development Department, Optical Material Business Unit, Sony Chemicals Corporation  
Apr. 2012 Deputy Head, Optical Solutions Products Business Division, Sony Chemicals Corporation  
Sep. 2012 Deputy Head, Optical Solutions Products Business Unit, Dexerials Corporation  
Apr. 2014 Executive Officer, Optical Solutions Products Business Unit Head, Dexerials Corporation  
Apr. 2016 Executive Officer, Product Development Division Head, Business Unit Group  
Apr. 2017 Deputy-Head, Corporate R&D Division Deputy-Head, Dexerials Corporation  
Senior Executive Officer, Product Development Division Head, Automotive Devices Business Group Head, Dexerials Corporation  
Jan. 2019 Senior Executive Officer, Automotive Solutions Business Unit Head, Dexerials Corporation  
Mar. 2019 President and Executive Officer (to present), Automotive Solutions Business Unit Head, Dexerials Corporation  
Jun. 2019 Representative Director and President, Dexerials Corporation (to present)  
Mar. 2022 President and CEO, Kyoto Semiconductor Co., Ltd. (to present)

#### Yoshihisa Shinya

Nomination and Remuneration  
Committee Member

#### Reasons for appointment

Mr. Yoshihisa Shinya is playing a central role in product development with regard to the Company's entry to new business fields and has deep knowledge of technology and extensive experience in business operations. The Company judges that he is capable of appropriately fulfilling his duties as a Director and therefore appointed him Director.



Representative Director and Senior Managing Executive Officer  
Officer in charge of management and administration

Apr. 1983 Joined Hokkaido-Tohoku Development Finance Public Corporation (current Development Bank of Japan Inc.)  
Apr. 2006 Deputy Head of Business Development Department, Head of Transaction Services Group, Development Bank of Japan Inc.  
Jun. 2009 Director, General Manager, Planning Department, Skynet Asia Airways Co., Ltd. (current Solaseed Air Inc.)  
Apr. 2012 Head of Regional Planning Department, Development Bank of Japan Inc.  
Jun. 2013 Head of Regional Planning Department, Head of PPP/PFI Promotion Center, Development Bank of Japan Inc.  
Apr. 2014 Advisor, Dexerials Corporation  
Jun. 2014 Standing Audit & Supervisory Board Member, Dexerials Corporation  
Jun. 2019 Representative Director and Senior Managing Executive Officer, Dexerials Corporation (to present)  
Oct. 2020 Representative Director and President, Dexerials Precision Components Corporation (to present)

#### Toshiya Satake

Nomination and Remuneration  
Committee Member

#### Reasons for appointment

Mr. Toshiya Satake has a wealth of experience and deep insight gained through his involvement in investment and financing business at financial institutions and as a manager of a company. In his capacity as representative director, he has contributed to enhancing the corporate governance and corporate value of the Company. The Company judges that he is capable of appropriately fulfilling his duties as a Director and therefore appointed him Director.



Outside Director

#### Takashi Yokokura

Independent Officer

Chairperson of the Nomination  
and Remuneration Committee

Apr. 1971 Joined Tokyo Optical Co., Ltd. (current TOPCON Corporation)  
Jun. 2002 Executive Officer, TOPCON Corporation  
Jun. 2003 Director, TOPCON Corporation  
Jun. 2006 President and Representative Director, TOPCON Corporation  
Dec. 2012 Governor, Tokyo University of Science  
May 2015 Outside Director, Dexerials Corporation (to present)  
Jul. 2020 External Director, KIKUCHI SEISAKUSHO CO., LTD. (to present)

#### Reasons for appointment

Having served as president and representative director at a global company, Mr. Takashi Yokokura has deep insight into corporate management. The Company appointed him as an Outside Director, expecting that he can provide useful advice for its management from an objective and professional perspective and contribute to strengthening its technology development and business development.



Outside Director

#### Satoshi Taguchi

Independent Officer

Nomination and Remuneration  
Committee Member

Apr. 1981 Joined Nippon Oil Corporation (current ENEOS Corporation)  
Apr. 2013 Executive Officer and General Manager of General Administration Department, JX Nippon Oil & Gas Exploration Corporation  
Jul. 2013 Executive Officer and General Manager of General Administration Department, JX Nippon Oil & Energy Corporation (current ENEOS Corporation)  
May 2015 Executive Officer and General Manager of Legal & Corporate Affairs Department, JX Holdings, Inc. (current ENEOS Holdings, Inc.)  
Apr. 2016 Director and Senior Vice President, JX Nippon Oil & Energy Corporation (current ENEOS Corporation)  
Apr. 2017 Director and Senior Vice President, JXTG Nippon Oil & Energy Corporation (current ENEOS Corporation)  
Jun. 2017 Director and Senior Vice President, JXTG Holdings, Inc. (current ENEOS Holdings, Inc.)  
Jun. 2018 Statutory Outside Corporate Auditor, Nippon Shokubai Co., Ltd.  
Jun. 2020 Senior Vice President, ENEOS Holdings, Inc. and ENEOS Corporation  
Apr. 2021 Advisor, ENEOS Corporation (to present)  
Jun. 2021 Outside Director, Dexerials Corporation (to present)

#### Reasons for appointment

Having held important posts at global companies, Mr. Satoshi Taguchi has deep insight into corporate management. The Company judges that he can provide useful advice for the Company's management from an objective and professional perspective and contribute to strengthening oversight over the Company's risk management and execution of duties, and therefore appointed him as an Outside Director.

## Directors (Audit and Supervisory Committee Members)



Outside Director, Chairperson  
of the Audit and Supervisory  
Committee

## Rika Sato

Independent Officer

Nomination and Remuneration  
Committee Member

Apr. 1992 Registered as attorney-at-law (The Tokyo Bar Association)  
Dec. 1998 Registered as attorney-at-law (New York State)  
Jun. 2000 Joined Asahi & Koma Law Office (current NISHIMURA & ASAH)  
Jan. 2003 Partner, Asahi & Koma Law Office  
Jun. 2007 Joined Jones Day, Partner  
May 2015 Outside Audit & Supervisory Board Member, Dexerials Corporation  
Jan. 2016 Partner, Ota & Sato  
Jun. 2018 Outside Director, CMK CORPORATION (to present)  
Jun. 2019 Outside Director, Dexerials Corporation  
Jul. 2019 Partner, Sato & Partners (to present)  
Nov. 2019 Examiner for the National Bar Examination and Examiner for the Preliminary National Bar Examination (in charge of Code of Civil Procedure)  
Jun. 2021 Outside Director (Audit and Supervisory Committee Member), Dexerials Corporation (to present)  
Jun. 2022 External Director, Nihon Plast Co., Ltd. (to present)

## Reasons for appointment

Ms. Rika Sato has deep insight into corporate legal affairs as an attorney-at-law and has a track record of contributing to enhancement of the quality of auditing of the Company through her service as an Outside Audit & Supervisory Board Member. The Company expects her to contribute to strengthening of the audit and supervisory functions from an objective and professional perspective and to offer useful advice for enhancing compliance and corporate governance, and therefore appointed her as an Outside Director serving as an Audit & Supervisory Committee Member.



Outside Director, Audit and  
Supervisory Committee Member

## Tetsuyuki Kagaya

Independent Officer

Nomination and Remuneration  
Committee Member

Apr. 2000 Lecturer, Hitotsubashi University Graduate School of Commerce and Management  
Apr. 2004 Assistant Professor, Hitotsubashi University Graduate School of Commerce and Management  
Apr. 2008 Associate Professor, Hitotsubashi University Graduate School of Commerce and Management  
Apr. 2017 Associate Professor, Hitotsubashi University School of Business Administration  
Oct. 2020 Professor, Hitotsubashi University School of Business Administration (to present)  
Jun. 2021 Outside Director (Audit & Supervisory Committee Member), Dexerials Corporation (to present)

## Reasons for appointment

Mr. Tetsuyuki Kagaya has deep insight into finance and accounting, evaluation of corporate value, risk analysis etc. as a university professor. The Company expects him to contribute to strengthening the audit and supervisory functions from an objective and professional perspective and to offer useful advice for promoting ESG management of the Company and therefore appointed him as an Outside Director serving as Audit & Supervisory Committee Member.



Director, Standing Audit and  
Supervisory Committee Member

## Masato Taniguchi

Apr. 1981 Joined Sony Corporation  
Aug. 1997 Transferred to Sony Chemicals Corporation (current Dexerials Corporation)  
Aug. 2000 Director, General Manager, Engineering Division, Dexerials (Suzhou) Co., Ltd.  
Feb. 2005 General Manager, Engineering Department, Hybrid Circuit Board Division, Dexerials Corporation  
Oct. 2008 Deputy Head, Circuit Device Division, Dexerials Corporation  
Oct. 2012 General Manager, Neagari Plant, Dexerials Corporation  
Mar. 2015 Director and General Manager, Dexerials (Suzhou) Co., Ltd.  
Jun. 2019 Internal Audit Department, Dexerials Corporation  
Auditor, Dexerials (Suzhou) Co., Ltd. (to present)  
Auditor, Dexerials (Shanghai) Corporation (to present)  
Oct. 2020 Audit & Supervisory Board Member, Dexerials Precision Components Corporation (to present)  
Jul. 2021 Auditor, Dexerials Korea Corporation (to present)  
Aug. 2022 Audit & Supervisory Board Member, Kyoto Semiconductor Co., Ltd. (to present)  
Jun. 2023 Director (Standing Audit and Supervisory Committee Member), Dexerials Corporation (to present)

## Reasons for appointment

Mr. Masato Taniguchi has deep insight about the Group's business, gained through his experience of serving as general manager of engineering and manufacturing units and in key positions at overseas manufacturing sites, and a proven ability to engage in smooth communication with frontline operations. He also has a wealth of experience and insight about audit practice through his service at the Company's audit department and as an audit & supervisory board member of subsidiaries. Based on his experience and insight, the Company judges that he is capable of performing objective, appropriate auditing from a professional perspective and therefore nominates him as a candidate for Director serving as an Audit & Supervisory Committee Member.

## Executive Officers, Division Heads, and Business Unit Heads

## Yoshihisa Shinya

President and Executive Officer  
Officer in charge of management and  
business operations  
President and CEO, Kyoto Semiconductor  
Co., Ltd.

## Kozaburo Hayashi

Executive Officer  
Global Sales & Marketing Division Head

## Naoyuki Tsuda

Executive Officer  
Human Resources Division Head

## Kazuya Hayashibe

Corporate R&D Division Head  
Board Member, Kyoto Semiconductor  
Co., Ltd.

## Toshiya Satake

Senior Managing Executive Officer  
Officer in charge of management and  
administration  
Representative Director and President,  
Dexerials Precision Components  
Corporation

## Kuo-Hua Sung

Executive Officer  
Technology Strategy Head  
Officer in charge of Dexerials Innovation  
Group (DIG) Promotion Department

## Kazuyoshi Terashita

Executive Officer  
Business Management Division Head

## Hiroshi Uchida

Optical Solutions Business Unit Head

## Takashi Yoshida

Executive Officer  
Production Strategy Division Head

## Kentarō Oshima

Executive Officer  
Automotive Solutions Business Unit Head

## Kouji Yamagishi

Executive Officer  
Sustainability Promotion Division Head

## Kenji Kamiya

Connecting Materials Business Unit Head

## Compliance

Compliance is the very realization of Dexerials' corporate philosophy and is an essential foundation for sustainable growth. We strive to ensure thorough compliance as a company trusted by our customers and society.



### Formulation and Dissemination of the Dexerials Group Code of Conduct

The Dexerials Group has established the Dexerials Group Code of Conduct which all officers and employees of all Group companies should observe, and is promoting thorough compliance and sound business activities.

The Code of Conduct sets forth basic policies and specific commitments that all officers and employees should always uphold, and has been translated into three languages (English, Chinese, and Korean) and is applied to all Group companies in Japan and overseas.

To further promote compliance on a global basis based on the Code of Conduct, we are working to clarify our compliance system by establishing compliance system regulations and other initiatives.



Please refer to our website for more details on  
"Dexerials Group Code of Conduct"

### Compliance Education Content in Fiscal 2022

Contents	Details	Date(s)	Target group
e-learning	Code of Conduct, Compliance Hotline, prohibition of acts such as bribery, prevention of insider, etc.	October	All Group company employees in Japan and overseas
"Compliance News" email newsletter	What Compliance means, Compliance Hotline, prevention of harassment, etc. Code of Conduct	April, June, August, December, February	All Group company employees in Japan and overseas
Training for new employees	Code of Conduct	April	New employees

### Initiatives to Strengthen Global Compliance

To strengthen global compliance, we are disseminating the Compliance Handbook and providing education to all Group employees in Japan and overseas.

#### Compliance Month

The Dexerials Group has designated October as "Compliance Month." During this month intensively, we send out a message from the President, implement compliance education for all Group companies, and distribute compliance information, etc., on a regular basis. In fiscal 2022, we sent out the message from the President that discussed thorough compliance related to quality, diversity, etc., to improve all Group employees' awareness. The message also provided opportunities for employees to reflect on the importance of compliance and their daily actions.

#### Compliance Education

The Dexerials Group conducts training for all employees of all Group companies in Japan and overseas on compliance using e-learning and other means. We also periodically distribute email newsletters "Compliance News" that explain compliance violation cases using manga to help employees feel compliance more familiar. The email newsletter is translated into three languages (English, Chinese, and Korean) and is shared with all Group companies as material that can be used for compliance education.

#### Global Survey on Compliance Awareness

In January 2022, we conducted the compliance awareness survey of all Group companies in Japan and overseas. This survey is part of our efforts to periodically measure the effectiveness and degree of

thoroughness and penetration of compliance initiatives in our Group, as well as the compliance awareness of employees. We also strive to steadily improve the level of company-wide compliance activities through the PDCA cycle. Although there were no categories rated extremely poorly, there were variations among workplaces. It is therefore necessary to continue developing a higher level of compliance awareness and implementation. Based on the survey results, we believe that it is essential to build trust within the workplace. We therefore conducted an e-learning course on "psychological safety" to promote understanding of the importance of open communication on a daily basis.

#### Compliance Hotline

The Dexerials Group has established internal and external (via attorneys) points of contact (Hotline) for whistleblowing by employees, etc., at all Group companies in Japan and overseas to detect and alleviate compliance-related issues as early as possible. All Dexerials Group employees are informed that the Hotline protects the safety of whistleblowers by allowing anonymous reporting and prohibiting disadvantageous treatment of whistleblowers. This means that all employees can use the Hotline with peace of mind. The Hotline is available in Japanese, English, Chinese, and Korean. In fiscal 2022, we received seven reports from across the Group.

When a report is received, the Hotline will investigate the facts, and if the report is judged to be credible as a result of the investigation, the Representative Director and President and the relevant officers are notified, and the Board of Executive Officers, etc., will deliberate on and implement measures necessary for correction and prevention of recurrence.

## Risk Management

In the current environment of Volatility, Uncertainty, Complexity, and Ambiguity (VUCA), risks in business operations are becoming more complex and diverse. We are actively engaged in risk management to promptly identifying potential risks and taking effective countermeasures.



### Basic Approach to Risk Management

The Dexerials Group defines risk as a factor that impedes the achievement of business goals or causes the suspension of business continuity. To ensure operational safety and business continuity, and to fulfill our responsibility to supply customers, the entire Group comprehensively takes risk mitigation in anticipation of risks to our Company's management and society.

### Risk Management Structure

In October 2021, we newly established a risk management section, recognizing the need for a higher level of risk management to strengthen our corporate resilience to respond to the emerging risks in the face of increasing social uncertainty, especially in the wake of the recent COVID-19 pandemic and the ever-increasing prevalence of cyberattacks. Since fiscal 2022, we have been working to restructure our risk management systems and methods and strengthen our risk management activities.

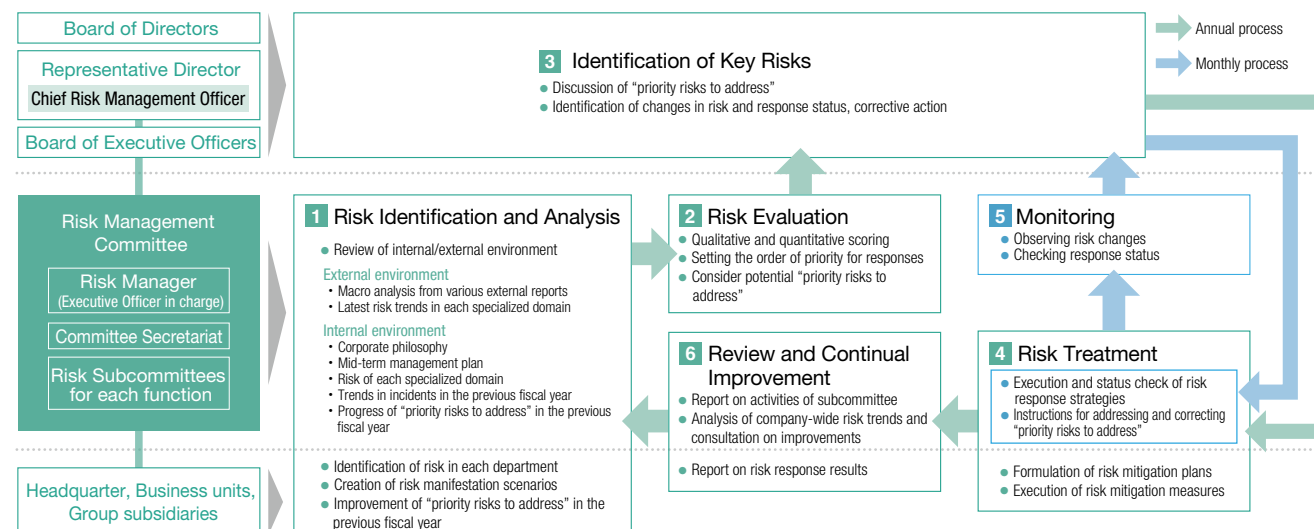
In accordance with risk management regulations, the Dexerials Group has established a Risk Management Committee, with the Representative Director appointed as the Chief Risk Management Officer and an Executive Officer appointed as the Risk Manager. The Risk Management Committee establishes risk subcommittees for each functional specialized domain, discusses high importance risks, and regularly reports on the status of risk responses to the Board of Executive Officers. These risk responses are evaluated, revised, and then reported to the Board of Directors.

### Risk Management Process

The Risk Management Committee plays a central role in risk management process by **1** comprehensively Identifying Risks, Analyzing them based on specific event assumptions and actualized scenarios; **2** qualitatively and quantitatively scoring risks (Risk Evaluation); and **3** selecting risks with high scores as "priority risks to address" that may have a significant impact on the Company's management and business operations, and prioritizing responses to them.

Because the internal and external environment fluctuates daily, **4** we formulate and execute Risk Treatment, and **5** the Board of Executive Officers provides details on its monthly monitoring activities and gives instructions to ensure that measures are taken at the appropriate time. Finally, **6** we make continuous improvements through semi-annual reviews. We review "Priority risks to address" when we identify risks in the next fiscal year to discuss further responses.

#### Risk Management Structure and Process

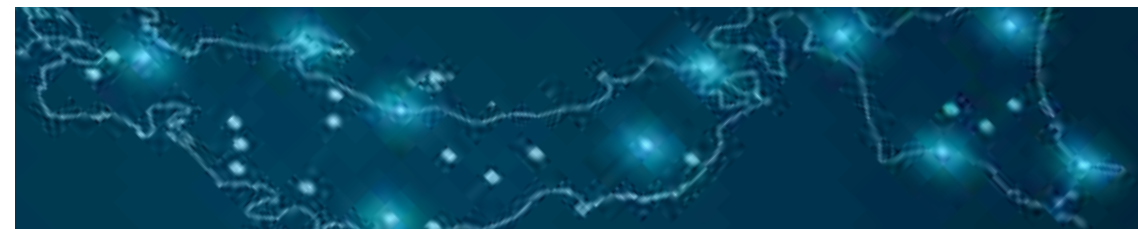


## Main Risks and Countermeasures

Risk Category		Business Risk	Risks	Countermeasures
External environment risk	Macroeconomics	Trends in economic conditions	The possibility of a widespread and long-term worldwide recession due to factors such as the economic slowdown in important economic blocks including China and other emerging countries, economic turmoil caused by soaring oil and other resource prices and other price increases, continued instability in the financial or banking sector mainly in Europe, failed attempts of governments' stimulus measures and monetary policies in Japan and other developed countries, unstable political situations in countries around the world, including the Russia-Ukraine situation, and impacts of global spread of infectious diseases	Make initiatives for production and a sales management structure that can accurately handle a radical change in demand so that adjustments such as promptly cutting fixed costs can be made even if demand falls
Management strategy risk	Changes in the market and competitive environment	Intensifying competition	If competitors gain a competitive edge over us in research and development, production capacity, capital and human resources, etc., there is a risk our customers will switch over to competitors as suppliers or reduce their orders from us upon their reorganization or change in their strategies	Strengthen operations such as through development of high value-added products using differentiating technologies
		Reliance on display products	<ul style="list-style-type: none"> <li>As a large portion of sales relies on display products, there is a risk that our performance will be affected when display manufacturers change their operational or sales strategies</li> <li>Large-scale set manufacturers for smartphones and tablet PCs are limited, and factors such as these manufacturers changing their operational or sales strategies, the timing of a finished product undergoing a model update, and their sales volume will pose a risk in affecting the demand for our products by display manufacturers who are our customers</li> </ul>	Continue initiatives for an increase in the incorporation of our products in categories and products other than displays
		Drop in sales price of products	The risk of product sales price dropping further than the range of our cost reductions or an increase in the sales ratio of products with low profitability, resulting from constant pressure from customers on pricing, overproduction in the markets for optical materials and electronic materials, shrinking demand, emergence into the high-performance products market of manufacturers providing low-priced products, and outcomes of negotiations with our customers	<ul style="list-style-type: none"> <li>Create added value, improve product quality, and maintain and improve pricing levels</li> <li>Make initiatives toward cost reduction such as by improving the production process and increasing material yield</li> </ul>
	Innovation	Technological development, etc.	<ul style="list-style-type: none"> <li>Risk of our products becoming obsolete unexpectedly as a result of technological innovation and cost competitiveness, new technologies and product development of competitors, and changes in industrial standards and customer needs</li> <li>Risk of a decrease in demand for our products if competitors develop technologies that will replace our mainstay products or if competitors launch products superior to such mainstay products</li> <li>Risk of sales performance fall short for products we develop due to changes in the market</li> </ul>	<ul style="list-style-type: none"> <li>Develop new technologies and products and find paths for new applications and markets based on the medium-term development strategy, while predicting changes in the market</li> <li>Undergo investments in R&amp;D as well as plant and equipment necessary for reforming the production process</li> </ul>
	Expansion of business portfolio	M&A, business alliance, and other strategic investments	Risk of problems in target companies, new business areas, and other investments that could not be identified in advance, or significant declines in the valuation of securities and other assets held by the Group due to fluctuations in the performance of investee companies, resulting in a valuation loss or additional expenditures	<ul style="list-style-type: none"> <li>Carry out detailed research of target companies, new business areas, and other investments</li> <li>Evaluate economics of investment to review payback on investment and risks</li> </ul>
Business operational risk	Overseas operations	Business development overseas	Country risks associated with development of business overseas, including political instability; uncertain economic environment; problems related to laws and regulations including rules concerning the environment and safety in the manufacture, import/export, and usage of our products; labor management issues and increase in labor costs; expensive tariffs and strict trade restrictions; unpredictable establishment of and changes in laws and regulations, tax system, government policies, or discrepancies of interpretation thereof; unstable infrastructure that can cause suspension or delay in fundamental services such as electricity, transport and communications; fluctuations in the exchange rate; discrepancies in laws, regulations, rules, customary business routine, and practical treatment; effects of terrorism, war, and global spread of infectious diseases; occurrence of boycotts, etc.	Consider and implement countermeasures at an early stage by sharing information internally regarding changes in political and economic social conditions as necessary
	Procurement risk	Raw materials procurement	<ul style="list-style-type: none"> <li>Risk of suppliers of raw materials becoming unable to fulfill their obligations under purchase contracts with the Group due to delay in supply of raw materials, short supply thereof, or any other reasons, resulting in a failure to ship our products as scheduled</li> <li>Risk of an increase in prices of raw materials and fuels, which cannot be passed on to product prices</li> <li>Risk of becoming unable to secure necessary primary raw materials due to interruption of supply resulting from, for example, the supplier being damaged from natural disasters or accidents, or its bankruptcy</li> </ul>	Enhance supply chain management so as to reduce risks of being unable to secure primary raw materials, by, for example, adopting multiple suppliers
Management base risk	Climate change	Impacts of global warming	<ul style="list-style-type: none"> <li>Risk of revenue decline caused by the introduction of carbon taxes due to tighter global warming regulations and delays in responding to low carbon or decarbonizing technologies and resource recycling</li> <li>Risk of damage to business sites due to intensified weather disasters or suspension of operations due to disruption of supply chains, which may affect business continuity</li> </ul>	<ul style="list-style-type: none"> <li>Use renewable energy and develop products with reduced environmental impact</li> <li>Strengthen business continuity plan (BCP)</li> </ul>
	Safety/disaster prevention	Effects from accidents and disasters	<ul style="list-style-type: none"> <li>Risk of interruption of business caused by damage to infrastructure such as electricity and gas or widespread damage to the supply chain relating to procurement of materials, distribution, or the customers due to large-scaled natural disasters such as an earthquake, tsunami, and flooding as well as the global spread of infectious diseases</li> <li>Risk of the occurrence of human injury caused by fire or chemical substances in the production process</li> </ul>	Formulate a BCP based on ensuring operational safety and business continuity which were identified as materialities, hold disaster-prevention training regularly, etc.
Financial risk	Exchange/capital	Fluctuation in exchange rates	Effect on costs and prices of products and services; assets and liabilities in foreign currency denominations, assets, and liabilities of affiliated companies overseas in local currency denominations due to fluctuations in the exchange rate	Hedge risks with forward exchange contracts

## Strengthening Business Continuity Plan (BCP)

We have established a BCP to minimize damage during emergencies and to enable us to promptly recover and resume business activities in order to continue our business as much as possible.



### BCP Initiatives

Earthquakes, typhoons, and other natural disasters caused by climate change may cause serious damage to the personnel, facilities, and lifeline utilities required for operation.

The Group systematically implements employee training, along with safety measures and improvements to its facilities and operations, to prevent or minimize damage from disasters and accidents that potentially could have a serious impact on business. We also develop a BCP, conduct drills, and review the plan as necessary to ensure that our business can continue to operate in the event of damage from a disaster or accident.

In fiscal 2022, we revised the operation of the safety confirmation system and established new detailed regulations for emergency communication methods. This enabled us to quickly confirm the safety of employees in the event of a disaster.

We are strengthening the BCP promotion framework to implement the BCP without delay, minimize damage, and continue or restore our business, after first ensuring the safety of the lives of employees and other people involved in the operations.

In addition, we are comprehensively strengthening our BCP by clarifying the BCP structure and the target level of response capabilities to be achieved, introducing DX, developing a monitoring system to determine whether or not there is any impact in the event of an emergency, and conducting cross-company training.

### Strengthening BCP

With the aim of strengthening BCP in the event of an emergency, we are working to improve administrative control and coordination among sites and improve mobility by collecting and sharing information through BCP training, introducing various tools such as response and recovery planning, establishing a remote environment, and introducing a remote tool. Specifically, in fiscal 2022, we conducted BCP training in anticipation of a disaster at one of our subsidiaries, and we are strengthening BCP in cooperation with them.

In March 2023, we installed solar-powered electrical outlets for use

in disasters in the Reception Hall, a newly constructed facility to communicate with customers, shareholders, local communities, employees and other stakeholders. We prepared for the initial response and a secure means of communications in the event of a disaster.

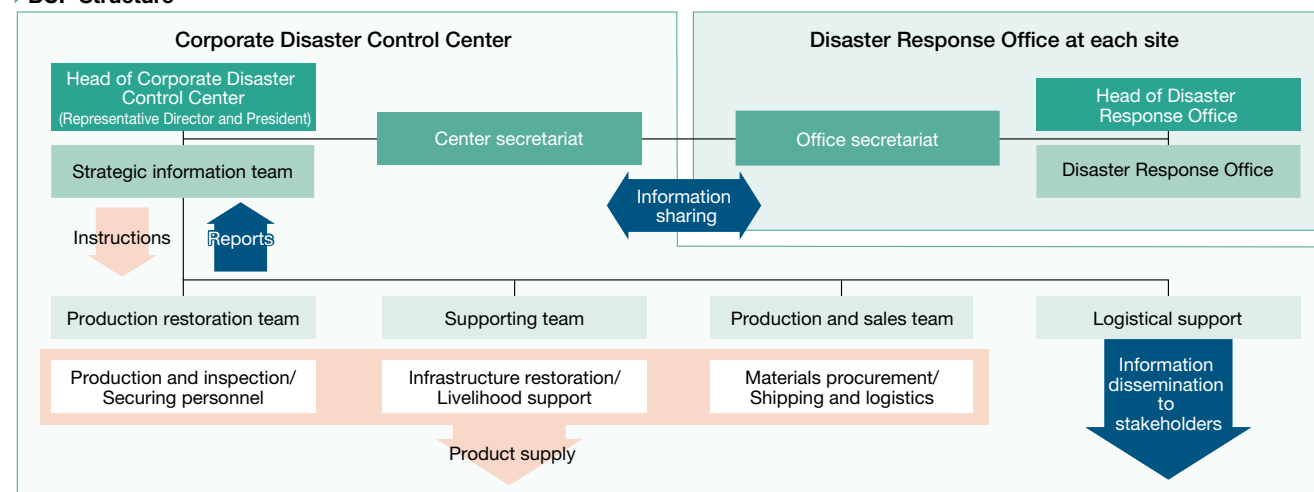


BCP training at Tochigi



BCP training at DXPC

### BCP Structure



## Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and deposits	29,363	<b>29,286</b>
Notes and accounts receivable – trade	19,140	<b>13,126</b>
Electronically recorded monetary claims – operating	289	<b>342</b>
Merchandise and finished goods	3,794	<b>4,111</b>
Work in process	3,565	<b>2,883</b>
Raw materials and supplies	4,465	<b>4,358</b>
Other	4,468	<b>5,133</b>
Allowance for doubtful accounts	(2)	<b>(2)</b>
<b>Total current assets</b>	<b>65,086</b>	<b>59,238</b>
<b>Non-current assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures	10,595	<b>13,732</b>
Machinery, equipment and vehicles	7,103	<b>7,167</b>
Land	3,634	<b>2,524</b>
Construction in progress	3,620	<b>6,646</b>
Other	1,749	<b>2,214</b>
<b>Total property, plant and equipment</b>	<b>26,703</b>	<b>32,284</b>
<b>Intangible assets:</b>		
Goodwill	23,728	<b>21,444</b>
Patent right	831	<b>695</b>
Customer-related intangible assets	3,247	<b>2,884</b>
Other	1,541	<b>2,295</b>
<b>Total intangible assets</b>	<b>29,348</b>	<b>27,320</b>
<b>Investments and other assets:</b>		
Shares of subsidiaries and associates	160	<b>117</b>
Retirement benefit asset	3,250	<b>3,242</b>
Deferred tax assets	2,661	<b>2,389</b>
Other	1,586	<b>1,799</b>
Allowance for doubtful accounts	(12)	<b>(13)</b>
<b>Total investments and other assets</b>	<b>7,647</b>	<b>7,535</b>
<b>Total non-current assets</b>	<b>63,699</b>	<b>67,141</b>
<b>Total assets</b>	<b>128,785</b>	<b>126,379</b>

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Notes and accounts payable - trade	13,087	<b>5,972</b>
Electronically recorded obligations - operating	2,928	<b>2,569</b>
Short-term borrowings	6,500	<b>2,000</b>
Current portion of long-term borrowings	4,465	<b>6,560</b>
Accounts payable - other	5,935	<b>7,817</b>
Accrued expenses	877	<b>856</b>
Income taxes payable	6,822	<b>4,705</b>
Provision for bonuses	3,084	<b>2,558</b>
Other	6,102	<b>2,034</b>
<b>Total current liabilities</b>	<b>49,803</b>	<b>35,074</b>
<b>Non-current liabilities:</b>		
Long-term borrowings	8,467	<b>11,152</b>
Retirement benefit liability	4,385	<b>4,273</b>
Deferred tax liabilities	1,235	<b>1,323</b>
Other	316	<b>780</b>
<b>Total non-current liabilities</b>	<b>14,405</b>	<b>17,530</b>
<b>Total liabilities</b>	<b>64,209</b>	<b>52,605</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Share capital	16,170	<b>16,194</b>
Capital surplus	16,170	<b>16,147</b>
Retained earnings	35,733	<b>52,663</b>
Treasury shares	(7,444)	<b>(15,908)</b>
<b>Total shareholders' equity</b>	<b>60,629</b>	<b>69,097</b>
<b>Accumulated other comprehensive income:</b>		
Deferred gains or losses on hedges	(359)	<b>(26)</b>
Foreign currency translation adjustment	2,691	<b>3,278</b>
Remeasurements of defined benefit plans	774	<b>547</b>
<b>Total accumulated other comprehensive income</b>	<b>3,105</b>	<b>3,799</b>
<b>Non-controlling interests</b>	<b>840</b>	<b>878</b>
<b>Total net assets</b>	<b>64,576</b>	<b>73,774</b>
<b>Total liabilities and net assets</b>	<b>128,785</b>	<b>126,379</b>

## Consolidated Statements of Income

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net sales	95,712	106,167
Cost of sales	50,525	51,996
Gross profit	45,186	54,170
Selling, general and administrative expenses	18,543	21,882
Operating profit	26,642	32,288
Non-operating income:		
Interest income	8	87
Share of profit of entities accounted for using equity method	–	16
Rental income	67	20
Compensation income	36	–
Other	172	235
Total non-operating income	285	359
Non-operating expenses:		
Interest expenses	49	73
Foreign exchange losses	1,130	2,019
Share of loss of entities accounted for using equity method	431	–
Depreciation	160	85
Loss on investments in investment partnerships	43	61
Other	90	232
Total non-operating expenses	1,904	2,472
Ordinary profit	25,023	30,174
Extraordinary income:		
Gain on sale of non-current assets	51	14
Gain on liquidation of subsidiaries	242	–
Subsidy income	–	64
Total extraordinary income	293	78
Extraordinary losses:		
Loss on sale of property, plant and equipment	5	–
Loss on retirement of property, plant and equipment	825	508
Impairment loss	202	12
Loss on valuation of investment securities	–	59
Head office relocation expenses	155	–
Loss on tax purpose reduction entry of non-current assets	–	39
Compensation for damage	349	–
Total extraordinary losses	1,539	620
Profit before income taxes	23,777	29,632
Income taxes – current	7,918	8,590
Income taxes – deferred	(809)	321
Total income taxes	7,108	8,911
Profit	16,669	20,721
Profit attributable to non-controlling interests	–	35
Profit attributable to owners of parent	16,669	20,685

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Profit	16,669	20,721
Other comprehensive income:		
Deferred gains or losses on hedges	227	333
Foreign currency translation adjustment	883	591
Remeasurements of defined benefit plans	128	(227)
Total other comprehensive income	1,239	697
Comprehensive income	17,909	21,419
Comprehensive income attributable to:		
Owners of parent	17,909	21,379
Non-controlling interests	–	39

## Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities:		
Profit before income taxes	23,777	29,632
Depreciation	4,207	4,615
Amortization of goodwill	1,788	2,283
Interest and dividend income	(8)	(87)
Interest expenses	49	73
Foreign exchange (gains) losses	(35)	23
(Gain) loss on sale of non-current assets	(45)	(14)
Loss on retirement of property, plant and equipment	825	508
Loss on tax purpose reduction entry of non-current assets	–	39
Impairment loss	202	12
(Gain) loss on investments in investment partnerships	43	61
Loss (gain) on liquidation of subsidiaries	(242)	–
Compensation income	(36)	–
Subsidy income	–	(64)
Loss on compensation for damage	349	–
Head office relocation expenses	155	–
Increase (decrease) in provision for bonuses	551	(537)
Changes in retirement benefit asset/liability	(188)	(430)
Share of loss (profit) of entities accounted for using equity method	431	(16)
Loss (gain) on valuation of investment securities	–	59
(Increase) decrease in notes and accounts receivable – trade	(4,583)	6,418
(Increase) decrease in inventories	(3,318)	775
Increase (decrease) in notes and accounts payable – trade	3,440	(8,139)
(Increase) decrease in other receivables	17	87
Increase (decrease) in other payables	859	(43)
Increase (decrease) in income taxes payable (size-based business tax)	143	(27)
Other, net	1,005	(3,237)
Subtotal	29,390	31,992
Interest and dividends received	8	76
Interest paid	(48)	(70)
Subsidies received	–	45
Compensation for damage paid	(348)	–
Income taxes paid	(3,197)	(10,705)
Net cash provided by (used in) operating activities	25,804	21,339
Cash flows from investing activities:		
Purchase of investment securities	(158)	(168)
Purchase of property, plant and equipment	(4,742)	(10,705)
Purchase of intangible assets	(509)	(1,087)
Proceeds from sale of property, plant and equipment	53	2,570
Purchase of shares of subsidiaries	–	(60)
Purchase of shares of subsidiaries resulting in change in scope of	(7,074)	–
Other, net	(3)	4
Net cash provided by (used in) investing activities	(12,434)	(9,447)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	6,500	(4,500)
Proceeds from long-term borrowings	–	10,000
Repayments of long-term borrowings	(4,677)	(5,220)
Purchase of treasury shares	(4,000)	(8,999)
Cash dividends paid	(3,650)	(3,756)
Repayments of lease obligations	(84)	(119)
Proceeds from exercise of stock options	128	59
Net cash provided by (used in) financing activities	(5,783)	(12,535)
Effect of exchange rate change on cash and cash equivalents	1,246	566
Net increase (decrease) in cash and cash equivalents	8,832	(77)
Cash and cash equivalents at beginning of period	20,531	29,363
Cash and cash equivalents at end of period	29,363	29,286

## Non-financial Data

Environment				Unit	2018	2019	2020	2021	2022	Applicable Scope	Related Pages	
	GHG Emissions (Scope 1)			Thousand tons of CO <sub>2</sub>	8.9	9.1	9.3	9.3	7.3	Consolidated	Information Disclosure Based on TCFD Recommendations (P.46-49)	
	GHG Emissions (Scope 2)			Thousand tons of CO <sub>2</sub>	38.7	35.1	33.7	31.4	27.4	Consolidated		
	GHG Emissions (Scope 1 + Scope 2)			Thousand tons of CO <sub>2</sub>	47.6	44.2	43.0	40.7	34.7	Consolidated		
	GHG Emissions (Scope 3)			Thousand tons of CO <sub>2</sub>	—	—	—	—	333.4	Non-consolidated		
	Greenhouse Gas (GHG) Emissions	Category 1 Purchased goods and services			Thousand tons of CO <sub>2</sub>	—	—	—	—	285.8		Non-consolidated
		Category 2 Capital goods			Thousand tons of CO <sub>2</sub>	—	—	—	—	8.7		Non-consolidated
		Category 3 Fuel- and energy-related activities			Thousand tons of CO <sub>2</sub>	—	—	—	—	4.6		Non-consolidated
		Category 4 Upstream transportation and distribution			Thousand tons of CO <sub>2</sub>	—	—	—	—	18.7		Non-consolidated
		Category 5 Waste generated in operations			Thousand tons of CO <sub>2</sub>	—	—	—	—	1.7		Non-consolidated
		Category 6 Business travel			Thousand tons of CO <sub>2</sub>	—	—	—	—	0.2		Non-consolidated
		Category 7 Employee commuting			Thousand tons of CO <sub>2</sub>	—	—	—	—	2.6	Non-consolidated	
	Category 12 End-of-life treatment of sold products			Thousand tons of CO <sub>2</sub>	—	—	—	—	11.1	Non-consolidated		
	GHG emissions per net sales (Scope 1 + Scope 2)			Thousand tons of CO <sub>2</sub> /Millions of yen	0.78	0.76	0.65	0.42	0.32	Consolidated	Environmental Management (P.45)	
Total energy consumption			TJ	947	887	885	880	853	Consolidated			
Chemical Substance Management	VOC emissions		t	46	37	36	34	30	Consolidated* <sup>1</sup>			
Waste management	Waste emissions		Ten thousand tons	0.29	0.26	0.25	0.29	0.26	Consolidated* <sup>1</sup>			
Water resource management	Water usage		Ten thousand tons	28	29	27	29	29	Consolidated			
Environmental violations Number of violations of environmental regulations			Incidents	0	0	0	0	0	Consolidated			
Society				Unit	2018	2019	2020	2021	2022	Applicable Scope	Related Pages	
	Number of employees			Persons	2,005	1,999	1,772	1,915	1,943	Consolidated	Diversity (P.56)	
	Number of employees	Total		Persons	1,603	1,604	1,313	1,342	1,378	Non-consolidated		
		Male		Persons	1,307	1,307	1,106	1,126	1,153	Non-consolidated		
		Female		Persons	296	297	207	216	225	Non-consolidated		
		Ratio of female employees		%	18.5	18.5	15.8	16.1	16.3	Non-consolidated		
	Average age of employees	Total		Age	43.63	43.96	43.08	43.56	43.71	Non-consolidated		
	Average service years of employee	Total		Years	19 years 0 months	19 years 0 months	17 years 0 months	17 years 1 month	16 years 8 months	Non-consolidated		
	Job turnover			%	2.1	1.9	1.3	1.5	2.4	Non-consolidated		
	Ratio of mid-career hires			%	41.9	41.5	44.2	44.6	46.9	Non-consolidated		
	New graduate hires	Number of recruits		Persons	42	22	19	22	17	Non-consolidated		
		Ratio of female recruits		%	14.3	22.7	10.5	13.6	23.5	Non-consolidated		
		Retention rate after three years		%	81.5	73.7	77.5	88.0	90.9	Non-consolidated		
	Ratio of female managers	Total number of managers		Persons	424	406	299	299	294	Non-consolidated		
		Number of female managers		Persons	11	11	11	11	15	Non-consolidated		
		Ratio of female managers		%	2.6	2.7	3.7	3.7	5.1	Non-consolidated		
	Wage ratio by gender			%	—	—	77.2	81.3	82.6	Non-consolidated		
	Non-Japanese employees	Number of non-Japanese employees		%	7	8	10	12	17	Non-consolidated		
		Ratio of non-Japanese employees		%	0.4	0.5	0.8	0.9	1.2	Non-consolidated		
	Human resource development	Employees with disabilities			%	3.40	3.40	3.37	3.30	2.68	Consolidated (domestic)* <sup>2</sup>	Human Resource Development (P.53-55)
		Average training hours per employee			Hours	10.6	13.6	11.6	13.2	14.4	Consolidated (domestic)* <sup>1</sup>	
		Number of participants in major training programs	Group training		Persons	2,085	2,158	1,690	1,323	1,950	Consolidated (domestic)* <sup>1</sup>	
			e-learning	Number of participants	Persons	9,909	16,854	21,420	29,486	35,347	Consolidated (domestic)* <sup>1</sup>	
			Course Hours	Hours	3,303	5,618	7,140	9,829	11,728	Consolidated (domestic)* <sup>1</sup>		
	Diverse Workstyles and Work-life Balance	Total annual remote work implementation rate			%	—	—	70.3	75.8	74.4	Non-consolidated	Diverse Workstyle and Work-life Balance (P.57)
		Statutory overtime hours (monthly average)			Hours	23.87	21.80	22.77	24.20	21.89	Non-consolidated	
		Paid leave	Average rate of taking paid leave		%	67.2	68.4	60.0	58.9	72.7	Non-consolidated	
Average number of days taken			Day	15.3	15.7	13.7	12.8	16.3	Non-consolidated			
Childcare support		Utilization rate of childcare leave	Total	%	25.0	17.6	17.1	32.5	50.0	Non-consolidated		
			Female	%	100.0	100.0	100.0	100.0	100.0	Non-consolidated		
		Male	%	5.7	3.5	3.3	0.0	20.0	Non-consolidated			
		Rate of return to work after childcare leave		%	100.0	100.0	100.0	100.0	91.7	Non-consolidated		
		Number of employees using shortened working hours system for childcare		Persons	25	30	29	30	29	Non-consolidated		
		Retention rate after taking childcare leave		%	100.0	100.0	100.0	85.7	87.5	Non-consolidated		

\*1 Excluding Kyoto Semiconductor \*2 Consolidated (Domestic) includes certified special subsidiaries; non-consolidated (including certified special subsidiaries) from fiscal 2018-2021

## External Evaluation and Inclusion in Indexes

(As of November 2023)

### Index Inclusion Status



FTSE Blossom Japan Sector Relative Index



MSCI Japan Empowering Women (WIN)\* Selection Index



S&P/JPX Carbon Efficient Index



JPX-Nikkei Index 400



Sompo Sustainability Index

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## Evaluations and Awards



2023 Health & Productivity Management  
Outstanding Organization



2022  
Nikko Investor Relations Co., Ltd.  
All Markets Ranking in Japan

Nikko Investor Relations Co., Ltd.  
All Japanese Listed Companies'  
Website Ranking 2022  
All Markets Ranking AAA Website



BroadBand Security, Inc.  
Gomez IR Site Ranking 2022  
Silver Award



Daiwa Investor Relations Co. Ltd.  
Excellence Award at the 2022  
Internet IR Award

## Society

			Unit	2018	2019	2020	2021	2022	Applicable Scope	Related Pages	
Diverse Workstyles and Work-life Balance	Nursing care support	Number of employees taking nursing care leave	Persons	–	–	10	4	8	Non-consolidated	Diverse Workstyles and Work-life Balance (P.57)	
		Total number of days of nursing care leave taken	Day	–	–	67	11	59	Non-consolidated		
		Number of employees using shortened working hours for nursing care	Persons	0	0	0	0	0	Non-consolidated		
Health and Productivity Management	Ratio of employees receiving regular physical examinations		%	100	100	100	100	100	Consolidated (domestic)*1	Health and Productivity Management (P.59)	
	Ratio of employees receiving reexaminations/detailed examinations		%	–	30.1	35.5	34.8	45.0	Consolidated (domestic)*1		
	Stress check response rate		%	95.7	97.1	97.1	96.0	95.9	Consolidated (domestic)*1		
	Lifestyle improvement implementation rate		%	24.9	26.0	28.0	30.2	31.1	Consolidated (domestic)*1		
Occupational Safety	Workplace accidents	Number of accidents	No working days lost	Cases	5	5	3	3	7	Consolidated (domestic)	Occupational Safety (P.60–61)
			Lost three or less working days	Cases	0	1	1	0	0	Consolidated (domestic)	
			Lost four or more working days	Cases	0	2	0	0	0	Consolidated (domestic)	
			Fatalities	Cases	0	0	0	0	0	Consolidated (domestic)	
			Total	Cases	5	8	4	3	7	Consolidated (domestic)	
			Frequency rate	%	1.58	2.47	1.22	1.02	1.80	Consolidated (domestic)	
			Number of contractor fatalities	Persons	0	0	0	0	0	Consolidated (domestic)	

## Governance

			Unit	2018	2019	2020	2021	2022	Related Pages	
Corporate Governance	Composition of the Board of Directors	Members	Persons	7	7	6	7	7	Corporate Governance (P.68–72)	
		Number of outside directors (including independent officers)	Persons	4	4	4	4	4		
		Ratio of outside directors	%	57.1	57.1	66.7	57.1	57.1		
		Number of female directors	Persons	1	1	1	1	1		
	Composition of the Audit & Supervisory Committee	Members	Persons	–	–	–	3	3		
		Number of outside directors	Persons	–	–	–	2	2		
	Composition of the Audit & Supervisory Board	Members	Persons	3	3	3	–	–		
		Number of outside directors	Persons	3	2	2	–	–		
	Composition of the Nomination and Remuneration Committee	Members	Persons	–	6	6	6	6		
		Number of outside directors	Persons	–	4	4	4	4		
	Number of executive officers	Persons	12	11	7	6	8			
					2022					
	Amount of officers' remuneration	Directors (excluding Audit & Supervisory Committee members and outside directors)	Directors	Persons	2					
			Total amount	Millions of yen	316					
		Directors (including Audit & Supervisory Committee Members, excluding outside directors)	Directors	Persons	1					
			Total amount	Millions of yen	17					
		Outside Officers	Officers	Persons	4					
			Total amount	Millions of yen	40					
Number of meetings and attendance rate		Board of Directors	Number of meetings	Times	13					
			Attendance rate	%	99					
	Attendance rate of outside directors at Board of Directors		%	100						
	Audit & Supervisory Committee	Number of meetings	Times	13						
		Attendance rate	%	100						
	Nomination and Remuneration Committee	Number of meetings	Times	5						
		Attendance rate	%	100						

		Unit	2018	2019	2020	2021	2022	Applicable Scope	Related Pages
R&D Expenditure/ Intellectual Properties	R&D expenditure	Millions of yen	3,701	3,653	3,611	3,876	4,274	Consolidated	Value Creation through Intellectual Property (P.38–39)
	Overseas patents ratio	%	60.9	63.9	64.9	65.9	66.2	Consolidated*1	

## Corporate Information (As of March 31, 2023)

Company name	Dexerials Corporation
Establishment	June 20, 2012
Capital stock	16,194 million yen
Headquarters	1724 Shimotsuboyama, Shimotsuke-shi, Tochigi, Japan
Representative	Representative Director and President Yoshihisa Shinya
Number of employees	1,943 (on a consolidated basis)

## Stock Overview (As of March 31, 2023)

Total number of authorized shares	100,000,000 shares
Number of shares issued	64,575,000 shares (including 3,844,529 treasury shares)
Number of shareholders	24,204

## Stock Information (As of March 31, 2023)

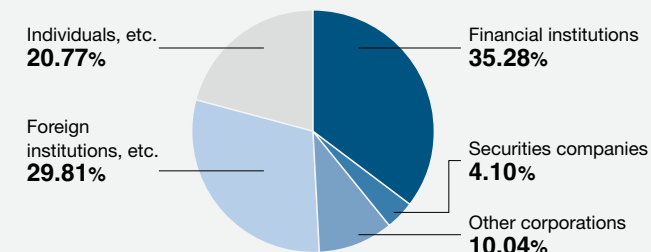
Number of shares in one unit	100 shares
Fiscal year end	March 31 of each year
Listing	Tokyo Stock Exchange, Prime Market
Ticker symbol	4980
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation

## Largest Shareholders (As of March 31, 2023)

Shareholders	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,110,100	18.29
Custody Bank of Japan (Trust Account)	3,784,300	6.23
Dai Nippon Printing Co., Ltd.	3,125,000	5.15
SBTC CLIENT OMNIBUS ACCOUNT	2,870,161	4.73
Custody Bank of Japan (Trust E Account)	2,744,500	4.52
SEKISUI CHEMICAL CO., LTD.	2,520,000	4.15
The Nomura Trust and Banking Co., Ltd. (Trust Account)	2,518,600	4.15
MISAKI ENGAGEMENT MASTER FUND	1,641,300	2.70
SBI SECURITIES Co., Ltd.	1,151,132	1.90
RBC ISB S/A DUB NON RESIDENT/TREATY RATE UCITS-CLIENTS ACCOUNT-MIG	1,142,800	1.88

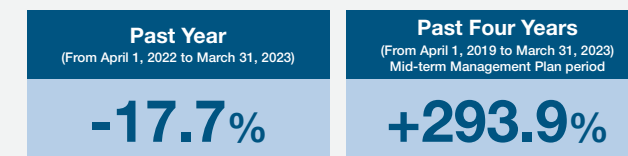
Note 1: 3,844,529 treasury shares owned by Dexerials Corporation are not included in the list above.  
 Note 2: Our treasury stock of 3,844,529 shares is excluded from the above list and distribution.  
 Note 3: Custody Bank of Japan (Trust account E) manages trust assets for the Employee Stock Ownership Plan (J-ESOP), which is an employee incentive program using common stock of the Company as compensation, and for the Board Benefit Trust (BBT), which is a performance-linked stock compensation plan for directors (excluding outside directors).

## Breakdown by Type of Shareholder (As of March 31, 2023)



Note: Our treasury stock of 3,844,529 shares is excluded from the above graph and distribution.

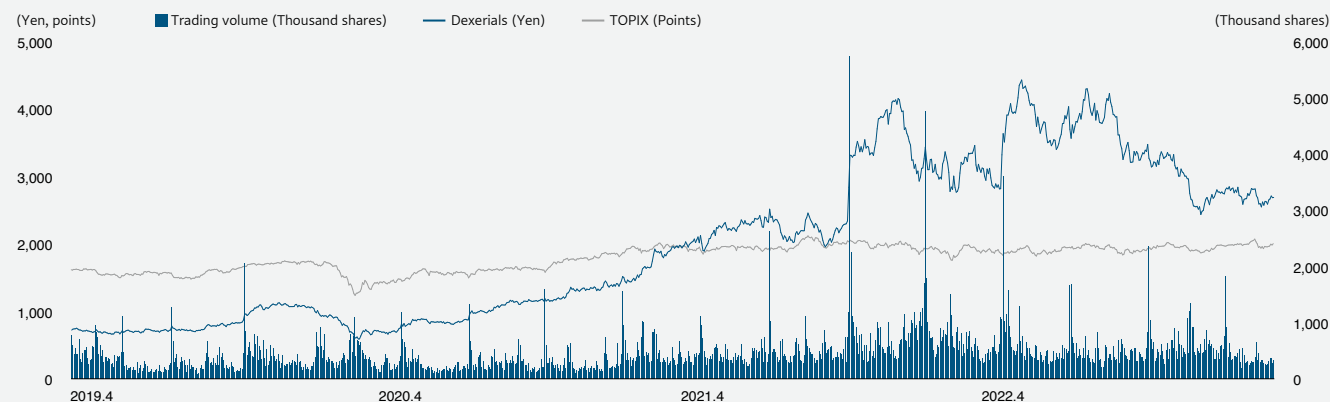
## Total Shareholder Return (TSR) Including Dividends



\*1 Stock price on March 31, 2022 was used in the calculation.

\*2 Stock price on March 31, 2019 was used in the calculation.

## Stock Price (From April 1, 2019 to March 31, 2023)



## Domestic Bases

### Headquarters and Tochigi Technology Center

1724 Shimotsuboyama, Shimotsuke-shi, Tochigi 323-0194, Japan

### Tokyo Office

Mitsui Sumitomo Kaijo Tepco Building 9F, 1-6-1, Kyobashi, Chuo-ku, Tokyo 104-0031, Japan

### Western Japan Office

Laxa Osaka, North Office 6F, 5-6-16 Fukushima, Fukushima-ku, Osaka-shi, Osaka 553-0003, Japan

### Kanuma Plant No.1

18 Satsuki-cho, Kanuma-shi, Tochigi 322-8501, Japan

### Kanuma Plant No.2

12-3 Satsuki-cho, Kanuma-shi, Tochigi 322-8502, Japan

### Tagajo Plant

3-4-1 Sakuragi, Tagajo-shi, Miyagi 985-0842, Japan

## Group Companies (In Japan)

### Dexerials Precision Components Corporation

30 Aza Kaganosakai, Takaraeniida, Nakada-cho, Tome-shi, Miyagi 987-0622, Japan

### Kyoto Semiconductor Co., Ltd.

1724 Shimotsuboyama, Shimotsuke-shi, Tochigi 323-0194, Japan

## Overseas

### North America

#### Dexerials America Corporation

3080 Olcott Street, Suite D227, Santa Clara, CA 95054, US

#### Dexerials America Corporation - Atlanta Plant

215 Satellite Blvd NE, Suite 400, Suwanee, GA 30024, US

### Europe

#### Dexerials Europe B.V.

Spicalaan 27, 2132 JG Hoofddorp, The Netherlands

#### Dexerials Europe B.V. - Frankfurt/Main Branch

Main Airport Center 10F Unit 10, C3 Unterschweinstiege 2-14 60549 Frankfurt/Main, Germany

### Asia

#### Dexerials (Suzhou) Co., Ltd.

No.169, JinFeng Road, New District, Suzhou, Jiangsu, 215011, China

#### Dexerials (Shanghai) Corporation

RM2401-2402, 2412, Ruijin Building, No.205 South Maoming Road, Huangpu District, Shanghai, 200020, China

#### Dexerials (Shanghai) Corporation - Shenzhen Branch

12F Unit 05-06A, AVIC Center, No.1018 Huafu Road, Futian CBD, Shenzhen, Guangdong, 518031, China

### Dexerials (Shanghai) Corporation - Engineering Solution Center

1F Unit 101, Building 6, No.500 South Ruijin Road, Xuhui District, Shanghai, 200032, China

### Dexerials Hong Kong Limited

Suites 1201-2, 12F, Tower 3, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong

### Dexerials Taiwan Corporation

3F-1 No.167, Sec. 2, Nanjing E. Road, Zhongshan District, Taipei City 104, Taiwan

### Dexerials Korea Corporation

10F Serveone Gangnam Building, 2621 Nambusunhwan-ro, Gangnam-gu, Seoul, 06267, Korea

### Dexerials Korea Corporation - Engineering Solution Center

10F Serveone Gangnam Building, 2621 Nambusunhwan-ro, Gangnam-gu, Seoul, 06267, Korea

### Dexerials Korea Corporation - Gumi Office

3F KB Insurance Building, 73 Songjeong-daero, Gumi-si, Gyeongsangbuk-do, 39280, Korea

### Dexerials Singapore Pte. Ltd.

No.9 Jurong Town Hall Road, #02-17/18, Singapore 609431

## Third-party Opinion



Professor at Rikkyo University  
Graduate School of Business  
Administration  
**Kentaro Noda**

**Career Summary** PhD (Commercial), Graduate School of Commerce, Hitotsubashi University. Prior to current post, worked at the Development Bank of Japan. Visiting scholar at the University of California, Berkeley in 2020–2021. Specialisms include financial accounting, business continuity plans (BCP), and corporate social responsibility (CSR). Publications and papers include “*Venture Ikusei Ron Nyumon Kigyō Ka Mind No Josei Ni Mukete*” (University Education Press, 2004); “*Jigyō Keizoku Management Wo Rikai Suru Hon*” (Nikkan Kogyō Shinbun, 2006); “*The Impact of BCP Disclosure on Cost of Equity Capital*” (Contemporary Disclosure Research, 2012); “*Jigyō Keizoku Keikaku Niyōru Kigyō Bunseki*” (Chuo Keizai-sha Inc., 2013); and “*Senryaku Teki Risk Management De Kaisha Wo Tsuyoku Suru*” (Chuo Keizai-sha Inc., 2017). Served as a member of the Expert Panel on Government Service Continuity Evaluation of the Cabinet Office, etc.

Having promoted initiatives geared toward sustainability management, such as establishing its new Sustainability Promotion Division, Dexerials has provided consistent explanations in this report, from its introduction to the linking of the value creation story and value creation strategy. In addition, the results and evolution of the current Mid-term Management Plan are well explained together with data and linked to specific strategies for the future, making for content that makes it easy for readers to see the overall picture.

After summarizing the current Mid-term Management Plan in the Message from the President, the photonics domain is being proposed

as the third pillar to follow on from consumer IT and automotives for the new mid-term management plan, conveying the clear intention to work toward specific growth in this VUCA era.

A dialogue between the president and two outside directors forms the special feature that follows, and the strained atmosphere that exists among the directors comes across. As I have been with previous evaluations, I was able to reaffirm that the Company has an effective governance system in place.

I gained the impression that the value creation strategy part of this report had been greatly enhanced. In addition to listing individual business strategies and sustainability initiatives, I believe that the report can send a convincing message to a wide range of stakeholders, including investors, about what the Company is aiming for and specifically how value creation can be achieved.

Since Dexerials uses a BtoB business model, it is not easy to promote an understanding of its products and other aspects to a wide range of readers. On this occasion, however, provided right at the start of the report is an easily understandable introduction to the settings in which the Company’s mainstay products are utilized. In addition, the Company advances efforts to enhance explanations of its “Design-in” and “Spec-in” business models, which place importance on contacts with end customers.

Each ESG element was systematically explained in the section entitled Foundation for Value Creation, and the content was much easier to understand than that of the previous year.

The process toward the standardization of ESG evaluations is advancing both domestically and internationally, and the requirements needed

to meet the standards of evaluation organizations are becoming more stringent. While devising ways to respond to those requirements, Dexerials is also promoting unique initiatives that take into account the Company’s characteristics.

Not only the results but also the processes leading up to them are described in detail, thereby deepening understanding. I also gained a favorable impression from having employee opinions and feedback placed at strategic points to facilitate understanding of the report’s content.

Looking ahead, it is only natural that the Company will continue to make improvements in those areas where CSR targets have not been achieved, but it is also important to deepen discussions about appropriate KPIs to achieve sustainability management, as stated in the Message from the President.

Including the significant increase in the amount of data presented, the progress being made in terms of ESG-related items can be seen, but taking it one step further will determine the Company’s “what to be” and what it will take to realize that. As stated in the Message from the President, if the Dexerials characteristics could be presented in a more specific manner, its value as a report would be even greater.

Although each part is already in place, there is also a sense that efforts are still limited to individual initiatives, and it is hoped that these will be combined to bring about advances in value creation.

As the importance of integrated reports continues to grow, the Company is itself continuing to steadily evolve with every passing year. I for one am looking forward to the next issue showing the path to value creation in a way that is unique to Dexerials.

## Response to Third-party Opinion

We are sincerely grateful to Professor Noda for providing valuable opinions from an objective perspective during the preparation of this Integrated Report. We will take seriously the issues that he has pointed out—such as the pursuit of our “what to be,” the pursuit of Dexerials uniqueness, and the KPIs for sustainability management—as we are committed to working toward further growth.

Fiscal 2023 represents the final year of our Mid-term Management Plan. In this report, we therefore take a comprehensive look back over the past four years and communicate our evolution, achievements, and future challenges from multiple perspectives. We also received feedback from domestic and overseas investors on last year’s report, and have made further improvements

to its structure and content.

As changes in the environment surrounding the Company continue at an accelerating pace, we are currently making progress with the formulation of our next mid-term management plan, which will start in fiscal 2024. Under these circumstances, the most important issues, which are essential for the Company’s sustainable growth and its contribution to the evolution of society, are to enhance our technologies and reinforce our human resources, which form the foundation of our business model, which is our strength. In particular, with regard to human resource development, we are conducting discussions keeping in mind the advice we received from Professor Noda last year, in which he mentioned that “rather than just advancing initiatives, it is necessary to connect them to the more ambitious goal of building an advanced human capital portfolio.”

Through supporting the evolution of digital technology, we will contribute to solving social issues and realizing a sustainable society. In addition, we will further refine communications with our stakeholders and pursue sustainability management by providing value unique to our Company while continuing to live up to their expectations and the trust they place in us.



Executive Officer  
Sustainability Promotion  
Division Head  
**Kouji Yamagishi**

Tell me!

# Why “Dexerials”?

Origin of the Company Name

**Dexerials**

||

**Dexterous** + **Materials**

Our company name, Dexerials, comes from a combination of the words “Dexterous,” meaning to move skillfully or agilely, and “Materials.”

We work with customers to resolve issues in an intelligent and agile manner, deeply embedding our desire to become a company that creates value that exceeds the expectations of our customers.



**Dexerials Corporation** <https://www.dexerials.jp/en>

Headquarters and Tochigi Technology Center  
1724 Shimotsuboyama, Shimotsuke-shi, Tochigi 323-0194, Japan

