

Dexerials

Integrated  
Report

2024



## The Dexerials Group Philosophy

With sincerity and honesty,  
we will face customer issues, the social issues behind them, and all other stakeholders,  
as we develop products and solutions that contribute to the resolution of social issues.

To facilitate ideal manufacturing for our customers,  
we will continue to enhance our technologies and human capital,  
skillfully combining them to create unprecedented products and solutions that have value to the world.

Linking these efforts to further technological evolution will power  
the evolution of society as a whole.

“Integrity” “Value Matters” “Empower Evolution.”  
With these thoughts in mind, we will continue to move forward.



Dexerials' Purpose





**Purpose**

# **Empower Evolution.**

**Connect People and Technology.**

**Corporate Philosophy**

## **Integrity**

**Have Integrity and Sincerity**

**Corporate Vision**

## **Value Matters**

**Unprecedented innovation,  
unprecedented value.**

# Dexerials Integrated Report 2024 Main Topics

TOPICS

## Feature (1) Dialogue between an institutional investor and top management P.18

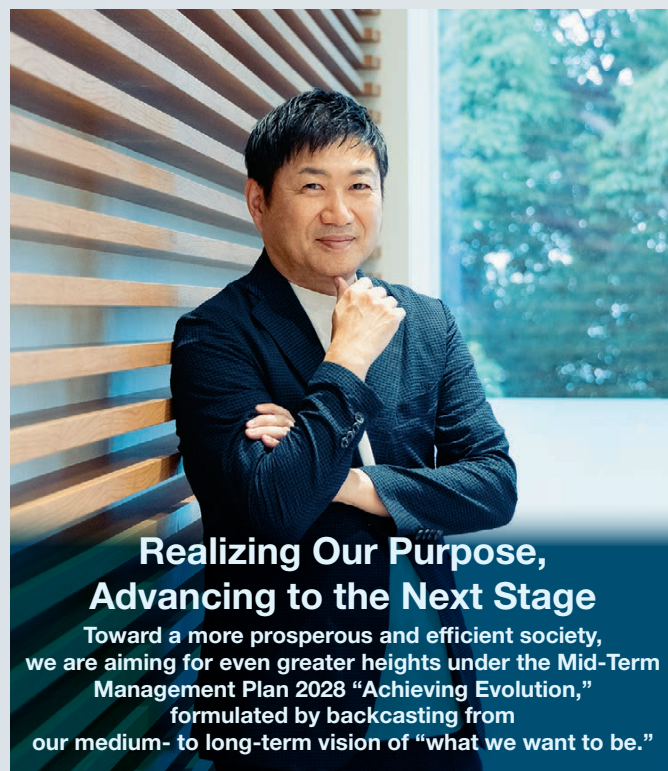


## ◎ Formulation and Launch of the New Five-year Mid-Term Management Plan

The previous Mid-term Management Plan ended in fiscal 2023. We launched a new Mid-Term Management Plan, formulated by back-casting from our newly formulated purpose and what we want to be in ten years.



## Message from the President P.12



## ◎ New Materiality (Technology and Human Capital)

Technology and Human Capital (“source of value creation”), essential for expanding our business portfolio and strengthening our business model, is defined as materiality, and is reflected as important issues and non-financial investment targets in the new Mid-Term Management Plan.

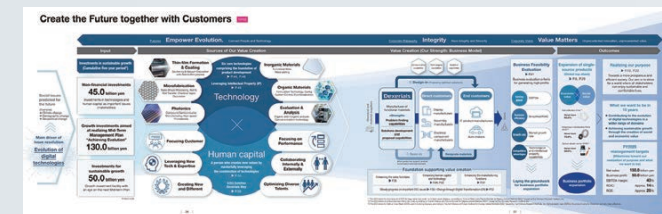


## Feature (2) Purpose Formulation Project: Employee Dialogue P.22



## ◎ Dexerials Value Creation Process

Clarify our unique value creation process to realize our purpose and what we want to be in ten years.



## ◎ Establishing a Sustainability Policy

We established a policy to examine and clarify the “essence of sustainability targeted by Dexerials,” based on our purpose, growth strategy, and strengths. (Review of the current CSR policy)



## ◎ Identifying 13 ESG Key Issues

Non-financial key issues are extracted and identified through a multi-faceted perspective and process with the aim of supporting value creation through business and reducing potential management risks.



ESG Key Issues

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## Regarding the Icons in the Text

### TOPICS

Highlighting Our Latest Initiatives for Your Attention



Clarifying the Direction, Approach, and Initiatives Related to Our Materiality (□ P.56)

### ESG Key Issues

Clarifying the Initiatives Related to Our ESG Key Issues (□ P.56)

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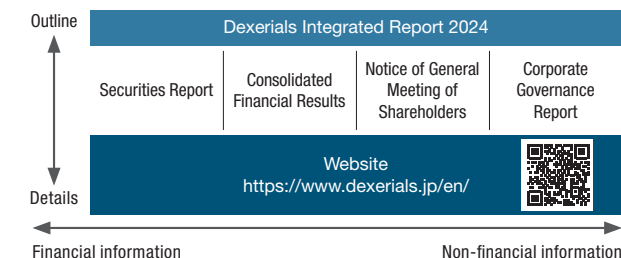
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## Communication Map

**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** sections of the **Dexerials** website.



## Editorial Policy

Dexerials Integrated Report covers the Dexerials Group’s growth 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 globally.

**Applicable Term:** This report is based in principle upon the results of activities in fiscal 2023 (April 1, 2023–March 31, 2024); however, some reports and data may refer to past or current information.

## Reference Guidelines

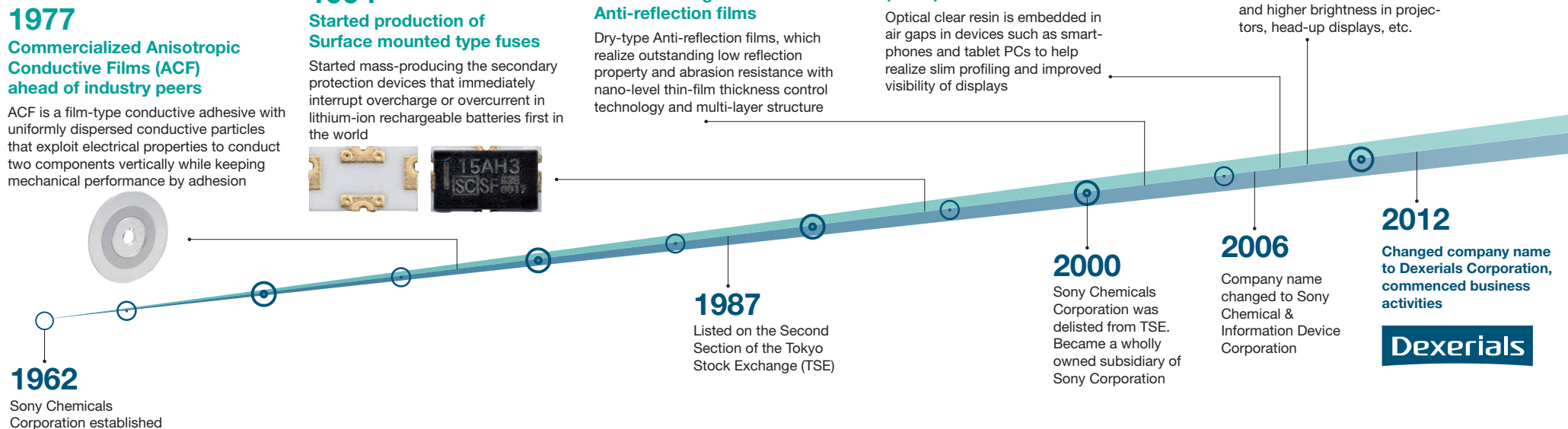
The International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC)  
 Guidance for Collaborative Value Creation published by the Ministry of Economy, Trade and Industry  
 GRI “GRI Standards”  
 ISO26000  
 Environmental Reporting Guidelines (Fiscal Year 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.

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

## Products



## Company

Since the foundation of our predecessor in 1962, we have supported the evolution of technologies through the creation of value that anticipates social and technological changes.

In 2024, we began focusing on the next challenges. Guided by our foundation and purpose, “Empower Evolution. Connect People and Technology,” we aim to contribute to the realization of a prosperous and efficient society through the creation of unprecedented materials, devices, and solutions that have value to the world and are essential to the evolution of digital technologies.

## 2014

### Launched 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



## 2015

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

## 2016

### Commercialized “ArrayFIX®” Particle-arrayed Anisotropic Conductive Film (ACF)

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



## 2016

Commenced operation of the Tochigi Technology Center

## 2020

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



## 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. (now Dexerials Photonics Solutions Corporation) joined the Dexerials Group

## 2023

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

## 2024

- Announced our purpose and new five-year Mid-Term Management Plan
- Introduced “job-type personnel system” for all Group employees both in Japan and globally
- Started operation of Dexerials Photonics Solutions Corporation

EBITDA

EPS

Net sales

Mid-term Management Plan  
“Change for Growth 2018”

Mid-term Management Plan 2023  
“Challenges for Evolution”

Mid-Term  
Management Plan 2028  
“Achieving Evolution”

2016

2017

2018

2019

2020

2021

2022

2023

2024

2025

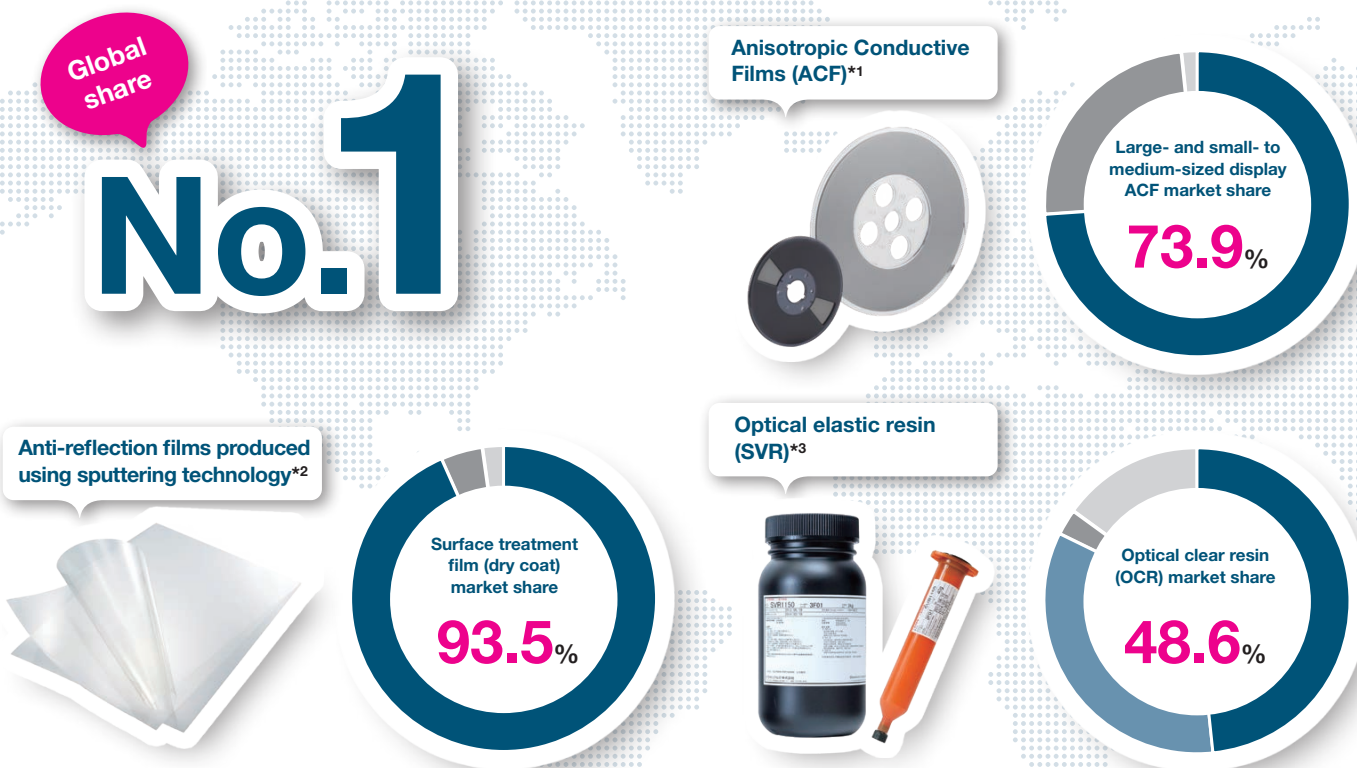
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2028 (FY)

# Overview FY2023

Dexerials' mainstay products have attained the top global market share in niche markets.

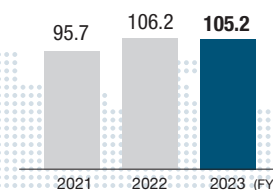
We have enhanced our earning power by providing unique, high value-added products and solutions essential for technological evolution.



## Financial Highlights

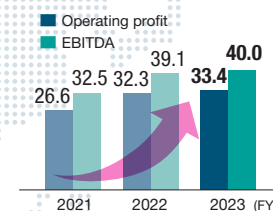
### Net sales

**105.2** billion yen



### Operating profit / EBITDA

**33.4** billion yen / **40.0** billion yen



In fiscal 2023, the final year of the Mid-term Management Plan "Challenges for Evolution," which began in fiscal 2019, we worked to expand our portfolio and enhance its resilience to changes in the business environment while strengthening our management base.

In growth domains, we expanded sales of products for automotive applications, and developed new customers for, then commenced shipments of, products for optical transceivers that support next-generation high-speed communications. In existing domains, we worked on product developments and proposals that anticipate technological evolution and expanded sales of high value-added products such as Smart precision Adhesive and Particle-arrayed Anisotropic Conductive Films (ACF).

Despite a year-on-year decline in net sales, partly due to the impact of inventory adjustments in the supply chain, profitability improved, driving operating profit and EBITDA to record highs.

\*1 The 2023 share for total amount of ACF for large-sized and small- to medium-sized displays according to the "Current Status and Future Outlook for Display-related Markets 2024" issued by Fuji Chimera Research Institute, Inc.

\*2 The 2023 share for amount of surface treatment film (dry coat) according to the "Current Status and Future Outlook for Display-related Markets 2024" issued by Fuji Chimera Research Institute, Inc.

\*3 The 2023 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 2024" issued by Fuji Chimera Research Institute, Inc. Optical elastic resin (SVR) is the product name for Dexerials' optically clear adhesives.

Securities Report  
(Japanese only)

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



ESG Data Book

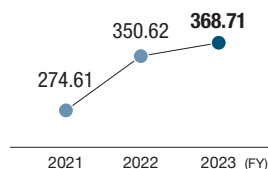
For more details, please refer to our [website](#)



### Earnings per share (EPS)

**368.71** yen

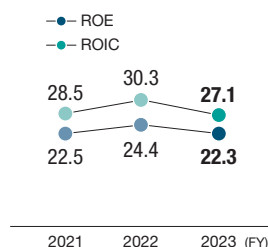
The increase in EPS was driven by record-high net profit, as well as the acquired or cancelled portion of treasury shares.



### Return on equity (ROE) / Return on invested capital (ROIC)

**27.1% / 22.3%**

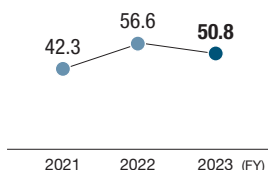
ROE and ROIC have remained stable at high levels, and we believe they are well above the cost of capital and WACC.



### Total payout ratio (before amortization of goodwill)

**50.8%**

The total payout ratio was 50.8% (before amortization of goodwill), which exceeded the 40% level targeted in the previous Mid-term Management Plan.

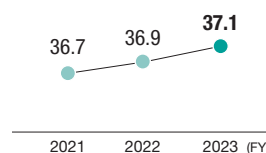


## Non-financial Highlights

### Engineers ratio

**37.1%**

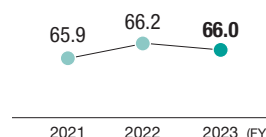
We are proactively working to strengthen our engineering and marketing functions and develop a structure to accelerate growth.



### Global patents ownership ratio

**66.0%**

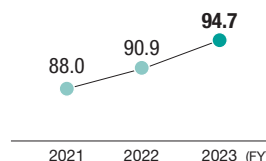
We are strengthening the acquisition of global patents, further raising barriers to entry and enhancing business competitiveness on a global scale.



### Three-year retention rate for new graduate hires

**94.7%**

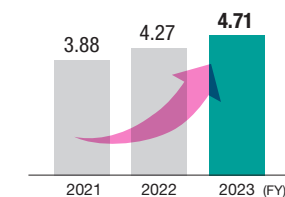
We are working to create an environment where all employees can grow, while also providing career support and improving workplaces to promote their long-term success.



### R&D expenditure

**4.71** billion yen

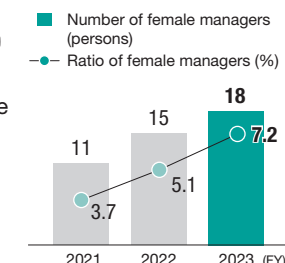
We are steadily building a foundation for sustainable growth and enhanced competitiveness, while expanding R&D investment to drive next-generation technological innovations.



### Number of female managers (non-consolidated basis)

**18 persons (7.2%)**

As part of our efforts to promote diversity, we are working to create more opportunities for women to take on active roles. We will continue fostering an environment where diverse talents can thrive and contribute.



### Independent director ratio (As of November 2024)

**5 persons (62.5%)**

Since our public listing, we have maintained a structure in which the majority of directors are from outside the company, enhancing management transparency and oversight functions while building a foundation for further growth.

**8** directors



Men Women

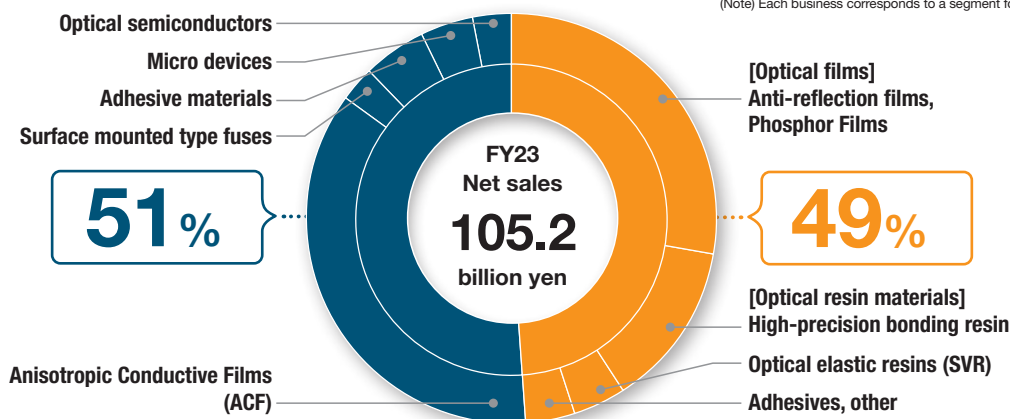
## Business Segments

### Electronic Materials and Components Business

Net sales **54,387** million yen

Operating profit **19,167** million yen

EBITDA **22,135** million yen



### Optical Materials and Components Business

Net sales **51,453** million yen

Operating profit **16,040** million yen

EBITDA **17,887** million yen

This business comprises the Anisotropic Conductive Films (ACF), Surface mounted type fuses, Adhesive materials, Micro devices, and Optical semiconductors categories. Our mainstay product ACF was first developed and mass-produced in the industry in 1977, and has since secured a large share of the global market through our advanced technologies and high quality.

#### Mainstay products [Category]

##### Anisotropic Conductive Films



Film-type bonding material that contains conductive particles in resin and has both conductive and insulating properties. These products are used to connect electronic components that make up display panels, camera modules, and other devices. Our lineup also includes Particle-arrayed ACF mountable in narrow spaces, as well as pre-cut ACF that is converted into shapes that match circuit boards and terminal layouts.

##### Surface mounted type fuses



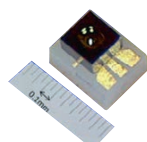
In addition to self-control protectors (SCP), which are secondary protection devices that reliably protect lithium-ion rechargeable batteries from overcharging, overcurrent, and other abnormalities, we offer a lineup of power current protector (PCP) fuses for high current applications that specialize in protection from overcurrent while maintaining compact and thin designs.

##### Inorganic polarizers/Inorganic waveplates [Micro devices]



These optical devices have excellent durability, able to withstand long hours of use in high temperature and high light intensity environments, while achieving high transmittance and low reflectance. They boost the brightness and contrast of projectors and optical units that use laser light sources.

##### Optical communication devices [Optical semiconductors]



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).

This business comprises Optical films and Optical resin materials. Our mainstay Anti-reflection films have a strong reputation in the consumer IT products and automotive displays fields.

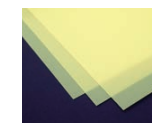
#### Main Products (Category)

##### Anti-reflection films [Optical films]



Anti-reflection films for displays with outstanding low reflection property and scratch resistance. These films maintain image contrast and contribute to ensuring visibility by reducing the reflection of external light on the display surface. The excellent low-reflection property is achieved via our proprietary manufacturing (sputtering) technologies.

##### Phosphor Films [Optical films]



Our "PS Series" Phosphor Film 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.

##### Optical elastic resins (SVR) [Optical resin materials]



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.

##### High-precision bonding resin [Optical resin materials]



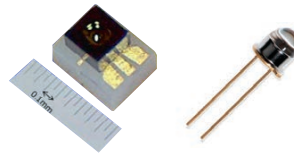
Our "SA Series" of high-precision bonding resin includes a lineup of adhesives that use various curing systems, including UV curing, thermosetting, and UV + thermosetting. This series realizes low-temperature, fast curing, along with low shrinkage, and is ideal for precision affixing during the assembly of camera modules, optical pickups, and other components.



## What are Optical Semiconductors?

**Optical semiconductors** are devices that can convert electric current into light, or light into electric current. Everyday products that use these devices include LED lighting fixtures and remote controls. Additionally, when watching videos or playing video games on the Internet, large amounts of data are communicated at high speeds with data centers, and **optical semiconductors** facilitate these data transmissions. They are also used in medical devices to monitor healthcare information, in factory production line sensors, and in many other devices.

**Optical semiconductors** will become more and more indispensable in our daily lives and business.



I see,  
so optical semiconductors support  
our daily life and  
business!



### Applications

**Data centers:** Used to send and receive large amounts of data at high speeds while conserving energy (optical transceivers)

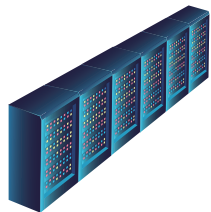
**Medical devices:** Used in devices that accurately measure physical conditions by touch

**Factory automation:** Used as sensors on production lines that contribute to increased efficiency and accuracy

### Examples

Supporting next-generation high-speed communications

**Optical transceivers**



Used for high-speed data transmissions at data centers (optical transceivers)

Providing accurate, non-invasive measurement

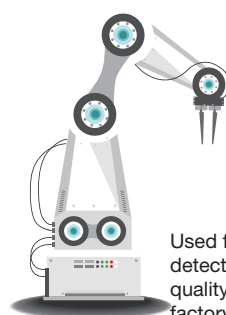
**Pulse oximeters**



Medical device that measures the saturation of oxygen carried in red blood cells

Contributing to factory automation

**Manufacturing line sensors**



Used for product detection and quality control in factory automation

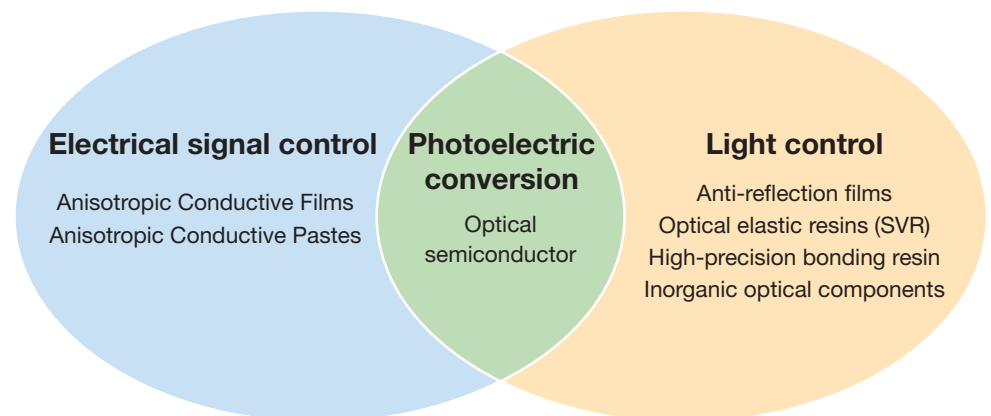
## Optical Semiconductors Facilitate Energy Efficiency and Future Communications!

**Optical semiconductors** play an important role in addressing climate change and driving future technological innovations. With the evolution of technologies such as 5G and AI, the demand for data communications and the trend toward higher speeds are expected to grow even further. However, this trend raises concerns about the corresponding increase in energy consumption. In electrical data transmissions, the higher the communication speed, the more power is consumed and the more heat is generated. In contrast, optical data communications using **optical semiconductors** maintain consistent power consumption even as speeds increase, enabling energy-efficient data transmission.

**Optical semiconductors** are also key to realizing autonomous driving and smart cities. Dexerials participates in the IOWN\* next-generation network initiative. By developing cutting-edge photonics technologies and products that integrate semiconductors and **optical semiconductors**, Dexerials aims to contribute significantly to the advancement of next-generation high-speed communication technologies, paving the way for the realization of the IOWN initiative.

\* Innovative Optical and Wireless Network (IOWN) concept: A next-generation network utilizing optical communications technologies to achieve ultra-high speed, large-capacity data communications with low power consumption. This initiative aims to support the digitalization of society and the growing demand for data communications, thereby providing a more sustainable information infrastructure.

### Dexerials Products that Control Electricity and Light

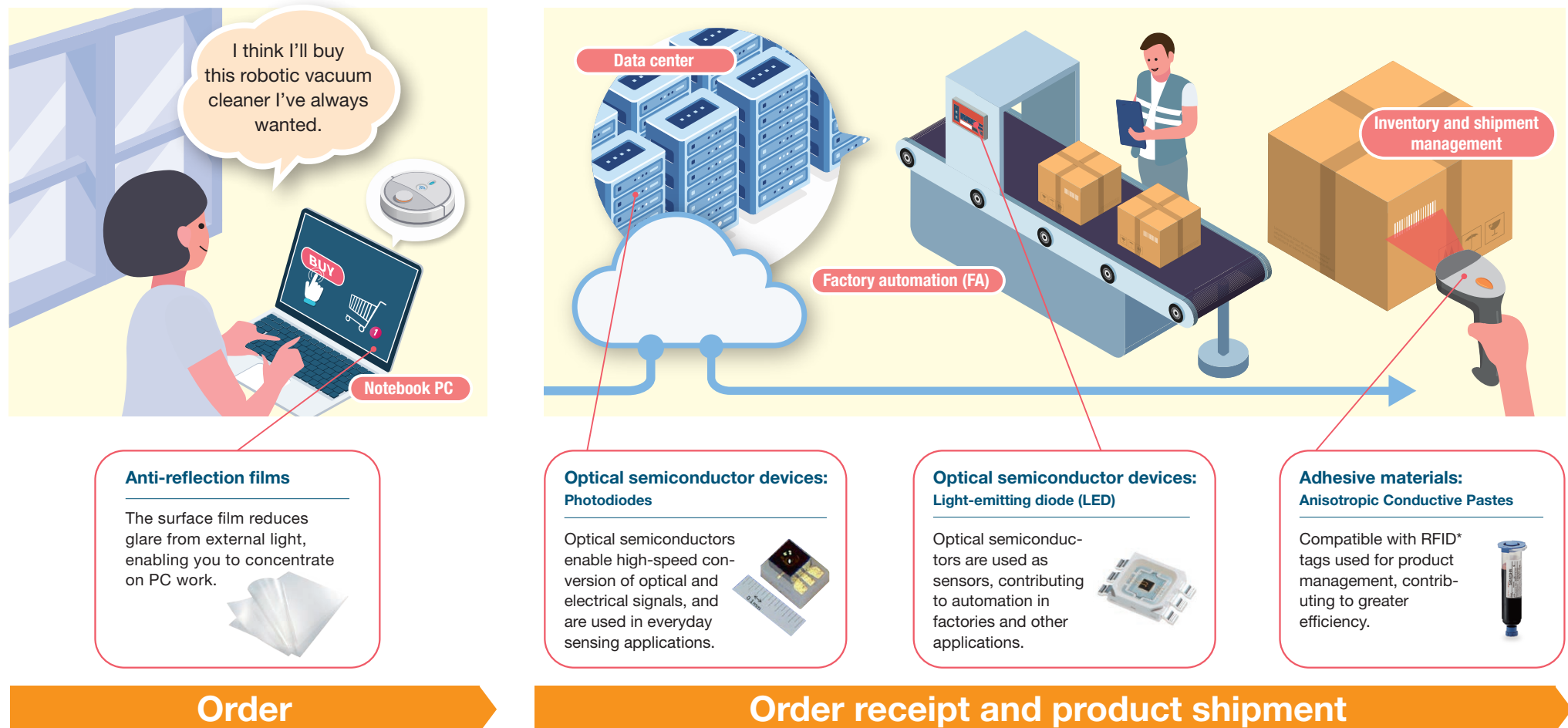


# Where You Can Find Dexerials—Supporting Social Systems

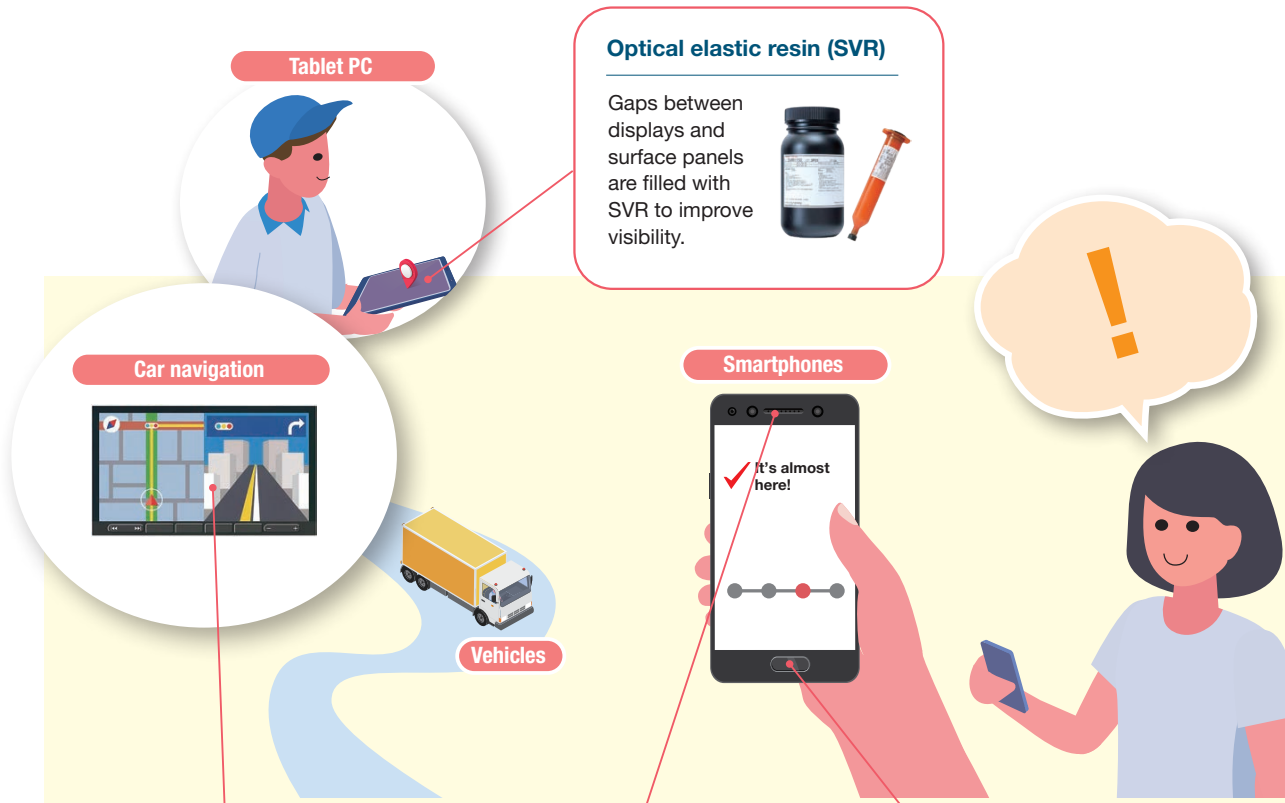
Logistics and online shopping have now become indispensable social systems in our lives.

Many digital technologies are used in the process of delivering products ordered online to our doorsteps. Many of Dexerials' products and technologies contribute to this process, supporting our society.

This section introduces how Dexerials' products are used in the process from online purchases to delivery.



\*RFID: Acronym for Radio Frequency Identification, a system that reads and writes information without contact.



#### Anti-reflection films

Surface film reduces glare from external light and improves visibility.



#### High-precision bonding resin

Contributes to the precise fixing of high-resolution smartphone cameras.



#### Anisotropic Conductive Films (ACF)

Material essential for connecting displays, camera modules, and other electronic components.



#### Surface mounted type fuses (SCP)

Installed in the lithium-ion batteries of cordless devices to interrupt circuits if abnormalities occur during charging or discharging to ensure safety.



**Delivery**

**Receiving**

# Realizing Our Purpose, Advancing to the Next Stage

**Toward a more prosperous and efficient society, we are aiming for even greater heights under Mid-Term Management Plan 2028 “Achieving Evolution,” formulated by backcasting from our medium- to long-term vision of “what we want to be.”**

Under the previous Mid-term Management Plan, Dexerials achieved all numerical targets ahead of schedule, building a foundation for sustainable growth and enhanced corporate value, in preparation to aim for even greater heights.

Based on this foundation, and with a new compass indicating the path toward realizing our purpose, we formulated a new Mid-Term Management Plan and have embarked on a new voyage to balance economic and social value, contribute to the realization of a prosperous and efficient society, and continue achieving sustainable corporate growth.

新家由久

Representative Director  
and President



## Under the new banner of our purpose, we are embarking on a new voyage towards further evolution

Society is currently in the midst of the VUCA\* era and on the verge of major changes. We have entered an era in which no one can predict the future, with various phenomena intertwined in complex and ambiguous ways, including climate change, global population growth and demographic changes, geopolitical upheaval, rapid evolution in digital technologies, and increasing volatility in financial markets.

Given this business environment, we felt the need to first firmly establish economic value, which is the fundamental premise for a company's existence, and then further strengthen our contribution to a society that is constantly undergoing rapid change. Accordingly, we began internal discussions on the formulation of a corporate purpose in 2022 to reorient our compass to the direction in which Dexerials should advance. Discussions were conducted for approximately two years with the participation of all employees, both within and outside Japan.

We asked, "How can we contribute to the resolution of social issues?" "What is our strength contributing to the resolution of social issues?" and "What is the meaning and value of the existence of Dexerials as a company in the first place?"

As a result of these discussions, we came to the conclusion that one of the major driving forces behind the resolution of social issues going forward will be the evolution of digital technologies such as AI, IoT, and next-generation communications. These evolutions will make society as a whole more efficient and lead to continued prosperity. Dexerials will contribute to this evolution by continuing to create one-of-a-kind, unique (difficult to imitate) products and solutions that are essential to this evolution."

This is Dexerials' raison d'être, its "Purpose," and we believe that relentlessly pursuing the realization of this purpose is the essence of the sustainability we are targeting. Under

the new banner "Empower Evolution. Connect People and Technology," we have embarked on a voyage to contribute to the realization of a sustainable society and sustainable growth for Dexerials.

□ P.22 Feature: Our Foundation—Purpose Formulation History

We then backcast from the realization of this purpose and what we want to be in ten years to formulate our new Mid-Term Management Plan "Achieving Evolution" (fiscal 2024–2028; hereinafter, "new Mid-term Plan"). By enhancing our business model, which is our strength, and strengthening technology and human capital, which are the sources of our value creation, we aim to contribute to the evolution of digital technologies across a broader range of domains. Through these efforts, we intend to expand our business portfolio to create both economic and social value, achieve sustainable growth, and enhance corporate value.

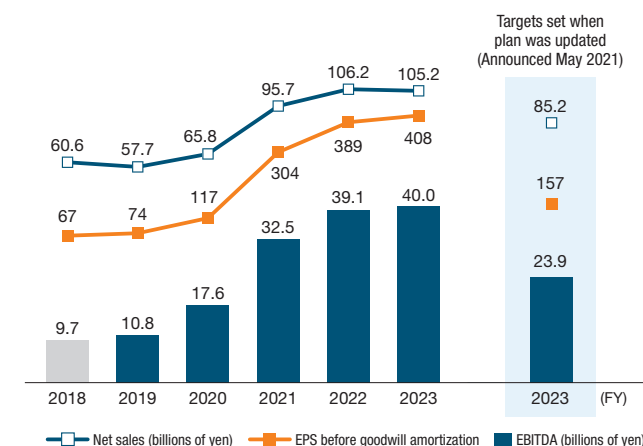
□ P.26 Value Creation Process

## Previous Mid-term Management Plan results: Achieved five-year management targets ahead of schedule, realized sustainable growth and corporate value enhancement

Under the previous Mid-term Management Plan "Challenges for Evolution" (fiscal 2019–2023; hereinafter "previous Mid-term Plan"), net profit reached a record-high 21.4 billion yen in the final year of the plan. In addition, EBITDA, which we consider to be the most important management indicator of earning power, reached a record-high 40.0 billion yen. ROE (27.1% in fiscal 2023) and other indicators of capital efficiency also improved significantly over the past five years. We achieved the initial targets of the previous Mid-term Plan three years ahead of schedule and successfully met all updated management indicators set in 2021, significantly enhancing our earning power, which was the most critical management challenge.

When I became president, the company was not achieving

### ■ Previous Mid-term Management Plan "Challenges for Evolution" results



the KPIs to which it had committed, nor was it fully meeting market expectations, and there was a sense of disappointment in the air. Given these conditions, I first focused efforts on improving earning power. One of the most important efforts we made toward this end was to evaluate the viability of all our businesses, in other words, "selection and focus."

The key point of this evaluation is that all business units were assessed based on simplified ROIC, taking into account future value such as future expectations and market maturity, while also considering issues such as "Do we really need this business?" and "Which businesses should we sharpen our focus on?" Based on the results of this evaluation, we determined whether to continue or withdraw, and have been diligent in implementing selection and focus.

I believe that the consistent and reliable execution of this program, combined with the fostering of a "healthy sense of urgency" within the company, which I value, has also had the effect of raising employee awareness of the need for change while restoring their confidence.

□ P.41 Business Feasibility Evaluation

As a result of these efforts, we have implemented resource shifts leading to the strengthening and streamlining of core business, which maintains top-class market shares worldwide, and growth businesses, while also deepening our business model and significantly improving our earning power, which was previously an issue.

## Evolving into a company that is resilient to change through business portfolio expansion under “Challenges for Evolution”

In addition to earning power, there was another issue that required immediate improvement—the transition to a structure that does not rely on specific business domains. While enhancing the competitiveness of our existing business for consumer IT products, which is one of our strengths, we needed to expand our business portfolio to grow the overall business through development and growth in new domains.

Our first move was to enter the automotive domain, which is currently undergoing a major transformation said to occur only once every 100 years. Focused on future IoT developments in this domain, we successfully took on the challenge of expanding our business model, which led to sales more than doubling during the previous Mid-term Plan.

Further, we have positioned photonics as the next growth domain. Going forward, we can expect to see major innovations in generative AI, high-speed communications, and sensor technologies in this domain, as we work towards the realization of an efficient society through information and communication technologies (ICT).

To expand this new portfolio, we made Kyoto Semiconductor Co., Ltd. (hereinafter, “Kyosemi”), a company involved in optical semiconductors, a subsidiary in 2022. We then integrated the resources of two highly compatible subsidiaries (Kyosemi and Dexerials Precision Components Corporation) that possess optical semiconductor and light control technologies to launch Dexerials Photonics Solutions Corporation in April 2024. With this, we have a system in place to

elevate the photonics domain to a third pillar of business after automobiles.

□ P.42 Business Growth in the Photonics Domain

## Implementing corporate governance reforms, new partnerships, and a variety of other forward-focused measures

Another major reform that we were able to move forward under the previous Mid-term Plan was corporate governance reforms. It is essential to have a management structure that can identify the direction of change and support swift, resolute decision-making (risk-taking), as well as highly effective and transparent corporate governance. To this end, we transitioned from a company with an Audit and Supervisory Board, to a company with an Audit and Supervisory Committee, and promoted generational changes in the executive team and delegation of authority to it, thereby more clearly separating management supervision and execution as well as accelerating the promotion of the monitoring model.

Additionally, by consolidating headquarters functions in Tochigi Prefecture, we have established a structure that accelerates decision-making and strengthens alignment between management and the frontlines, enabling more efficient and timely execution on the ground. A key approach in these efforts was the idea that reforms should start at the management level.

□ P.78 Corporate Governance

In terms of operations, we also needed to make both offensive and defensive changes, including further expansion of our business portfolio, mitigating supply chain concerns such as growing geopolitical risks, and, for Dexerials in particular, addressing issues affecting the stable supply of single-source product groups (products for which we are the sole supplier).

To this end, in 2023 we formed a strategic partnership with Restar Corporation, a trading company that handles semiconductors and electronic components. This partnership will become the driving force for our global growth strategy, increase our ability to expand our pipeline, as well as

**By continuing to provide unique, high-added-value products and solutions unique to Dexerials, we aim to increase economic and social value and become an indispensable presence in future society.**



establish a structure that is expected to strengthen our supply chain and reduce exchange rate sensitivity, which is our financial issue. This effort is also one of the initiatives aimed at enhancing competitiveness in the new Mid-term Plan.

□ P.36 Enhancing the Sales Functions

## New Mid-term Plan: Aiming for further growth and enhanced corporate value through growth investments and shareholder returns

After 10 years of ongoing challenges to achieve our purpose, we aim to contribute significantly to the evolution of digital technologies in growth areas such as automobiles and photonics, reaching a business scale on par with our existing domains. To this end, we formulated and announced a new Mid-term Plan in May 2024 as a milestone to be reached in five years.

Under the new Mid-term Plan, the next five years are positioned as a phase in which we will achieve sustainable growth and enhance corporate value by balancing growth investments and shareholder returns. We will promote initiatives based on three basic policies: Expanding businesses in growth domains, qualitative strengthening businesses in the existing domains, and evolution of the management base, as we target net sales of 150.0 billion yen and ROE of around 25% by fiscal 2028. The basic policies and plan are as follows.

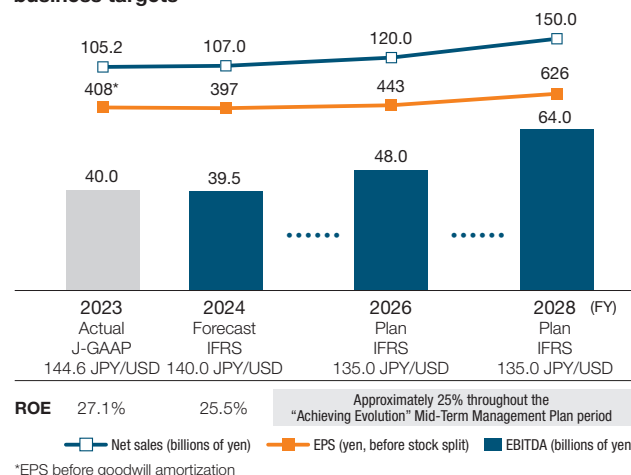
□ P.32 Mid-Term Management Plan 2028 "Achieving Evolution"

### ● Expanding businesses in growth domains

We will focus on and promote initiatives in the automotive domain, which continues to evolve with the advent of Connected, Automated, Shared, Electric (CASE) and other developments, as well as the photonics domain, which supports the explosive growth in data volumes driven by generative AI.

In the automotive domain, this evolution is expected to lead to an increase in the number and size of automotive displays, expanding the possibilities for our Anti-reflection films.

### ■ Mid-Term Management Plan "Achieving Evolution" business targets



Further, demand for sensor modules is expected to grow as autonomous driving technology becomes more advanced.

In the photonics domain, there is strong demand for data centers offering higher capacity and faster speeds to support the massive increase in data volumes associated with generative AI. By combining our optical semiconductor and optical device technologies, we will introduce products that contribute to next-generation high-speed communications.

### ● Qualitative strengthening businesses in the existing domains

Mainly in the consumer IT domain, we will work together with customers to bring forth the next evolution while supporting them in creating their ideal manufacturing.

With regard to mainstay Anisotropic Conductive Films (ACF), at present, use for organic EL displays (OLED) is currently on the rise, and going forward we will also focus on developing new applications for micro-LED displays, the next generation of displays. Accordingly, and in anticipation of further ACF growth, we are also expanding our manufacturing base, Kanuma Plant No. 2 in Tochigi Prefecture.

Regarding Surface mounted type fuses, the electrification of a wide variety of devices, such as power tools and e-bikes (electric bikes), and the accompanying increase in the use of large lithium-ion batteries, are progressing rapidly. To improve the safety of these products, we will promote further global expansion of self-control protectors (SCP) that can handle high currents.

### ● Evolution of the management base supporting business enhancements and expansion

We will support sustainable growth by further promoting the aforementioned strengthening technology and human capital, as well as digital transformations, smart factory initiatives, and enhancing the manufacturing functions in conjunction with BCP.

□ P.36 Strengthening Sales and Manufacturing Functions

To achieve this business growth, we formulated a capital allocation for the new Mid-term Plan. First, we will make growth investments of 130.0 billion yen, which is approximately three times that of the previous Mid-term Plan, including capital investments with long time horizons such as manufacturing function enhancements. To support sustainable growth, we have set aside 50.0 billion yen for agile investments in potential alliances and M&A opportunities that could address our 'missing parts.' This allocation also covers strategic facility investments, ensuring we are prepared for the next phase of the new Mid-term Plan.

At the same time, with regard to shareholder returns, in line with our capital allocation policy, we will raise the total return ratio from 40% in the previous Mid-term Plan to 60% (cumulative over five years). We will set the annual cash dividend with a minimum DOE of 7% and aim for a payout ratio of approximately 40%, while also flexibly conducting share buybacks.

In October 2024, we conducted a 3-for-1 stock split of common stock. By reducing the amount per investment unit, we are facilitating an environment more conducive to investment for our investors with the aim of improving share liquidity as well as expanding the segment of investors that empathize

with our purpose, management philosophy, and commitment to sustainable growth.

□ P.38 Financial Strategy

By balancing these growth investments with shareholder returns, we will achieve both sustainable growth and enhanced corporate value.



## Leveraging our business model, our strengths to make proactive proposals ahead of the curve

Our business model will be the driving force behind the achievement of our new Mid-term Plan, and the origin of our value creation is our corporate vision, “Value Matters Unprecedented innovation, unprecedented value.”

For example, when determining R&D themes, we ask ourselves, “What is the significance of this initiative?” with regard to our corporate vision, and develop unique products without following the lead of other companies. To this end, we engage in daily discussions with “direct customers,” comprising manufacturers of displays and other components, and “end customers,” who are in contact with consumers and responsible for future product trends.

Dialogues with end customers in particular, who are closest to consumers and sensitive to social and market changes, are extremely important for Dexerials. Our sales and engineering staff work together to understand market needs by talking to end customers, then backcasting to understand the underlying technical issues and developing optimal materials and solutions.

Our ability to discover problems and propose solutions in this way is a distinctive feature of our business model (“Design-in” and “Spec-in”). This track record enables Dexerials to create one-of-a-kind, high value-added “single source” products that anticipate market needs, while achieving business growth driven by technological trends.

All of this is made possible due to the existence of a diverse array of professional human resources. Engaging customers in dialogues requires both sales personnel, as well as engineers who possess outstanding skills, knowledge, and insights. Occasionally, Dexerials employees discover issues that customers themselves are not aware of, and we bring together diverse people and technologies to propose solutions.

In this way, our strength lies in engineering marketing, as Dexerials’ sales personnel and engineers work with customers to develop and propose solutions that anticipate market needs through the combination of “communication capabilities,” “technological capabilities,” and “analytical capabilities.”

□ P.26 Value Creation Process

## Investing 45.0 billion yen focused on technology and human capital materialities

An advanced and diverse range of technologies and diverse human resources that create new value constitute the core of our business model. The Board of Directors discussed the most important issues from a medium- to long-term perspective and identified these as materiality.

Under the new Mid-term Plan, we plan to invest 45.0 billion yen in non-financial areas centered on technology and human capital over the next five years. First, as we focus on the process of expanding our business portfolio, we must also transform our human resource portfolio. In particular, it is critical we acquire and develop globally competent human resources to fill in the “missing parts” essential for growth, especially in terms of technology.

As a precondition for this, under the previous Mid-term Plan, we introduced a “job-type personnel system” for all Dexerials employees globally. By establishing job descriptions and compensation systems based on the “pay for job” concept, we will increase our ability to attract talented people from around the world.

In addition, we have introduced and implemented an Employee Stock Ownership Plan (ESOP) to provide each employee with an incentive to enhance corporate value. This is based on the idea of “sharing stock value” and also helps increase employee engagement. Through these measures, we will expand the global distribution of talented, motivated, and professional human resources.

□ P.50 Materiality (2) Strengthening Human Capital

And technology is a core element essential for the engineering marketing that supports our business model.

To enhance technological capabilities, the Dexerials Innovation Group (DIG) Promotion Department has been working to strengthen the “outside-in” approach to R&D, which under the previous Mid-term Plan was biased towards the “inside-out” approach. This approach aims to identify future social issues and develop apposite solutions, laying the foundation for the creation of new businesses leading to the resolution of social issues.

Under the new Mid-term Plan, we will further expand the role of DIG. To identify business opportunities that address social issues, we will clarify the missing parts essential for growth based on technology roadmaps and establish a process for supplementing them. This will accelerate the realization of our growth strategy with the aim of expanding our business portfolio.

📖 P.44 Materiality (1) Strengthening Technology

We also place more importance than ever on strengthening intellectual property (IP), and are working to strengthen our “IP Landscape,” which analyzes IP information and utilizes the results of those analyses in formulating management strategies and in corporate decision-making.

📖 P.48 Leveraging Intellectual Property to Realize Sustainable Growth

## The Board of Directors holds substantive discussions on sustainable growth and the enhancement of corporate value

Monitoring capital allocation is important for achieving the new Mid-term Plan, and this is done regularly at Board meetings. From a long-term perspective, succession planning for the Board of Directors, including senior management, is also an important topic of discussion. With an eye toward future changes, we repeatedly discuss the skills needed by Board members and succession implementation plans.

As a result of these discussions, we appointed Toshihiro



Hagiwara as outside director. In this era of rapid change in the external environment and capital markets, we expect the addition of Mr. Hagiwara, who has experience as CFO of another company and is well-versed in conducting dialogues with institutional investors, will further improve the quality of Board discussions. Further, to continue developing and producing leaders of the future, we will launch a program that will serve as the foundation for developing the next generation of management talent, as well as a new program targeting younger employees.

📖 P.86 Message from the Newly Appointed Outside Director

At the same time, we are strengthening the link between executive remuneration and business performance. Specifically, we revised the representative director remuneration structure, increased the proportion of performance-linked and stock-based compensations, and added new sustainability strategic targets to conventional total shareholder return (TSR) as an indicator of stock-based compensation target achievement.

📖 P.78 Corporate Governance

Through these initiatives, we will heighten motivation and deepen discussions regarding the enhancement of corporate value.

## Toward the realization of our purpose

While society continues to experience unpredictable changes, I tell my employees on a daily basis to “do what you can, steadily and swiftly.” Even when rocked by adversities in the external environment, we must not lose sight of where we stand, and continue moving forward in the proper direction. With this mindset, we have now raised the banner of purpose.

In providing unprecedented and unique products able to meet social needs, Dexerials’ social value increases. As a result, we have been able to expand our single-source product lineup, one of our strengths, and secure profitable businesses, which in turn leads to increased economic value.

We will continue to pursue the realization of our purpose and contribute to the creation of a prosperous and efficient society, while striving to achieve sustainable growth and enhance corporate value by striking a balance between economic and social value. We hope our stakeholders will maintain their high expectations for Dexerials going forward, and we sincerely appreciate everyone’s continued support.

## Dialogue between an institutional investor and top management

**Yoshihisa Shinya**  
Representative Director and  
President

**Mr. Kirk Neureiter**  
President and Portfolio Manager  
Fidelity Management &  
Research (Japan) Inc.

Feature

# Focusing management resources on core technologies to become an indispensable company for a sustainable society and diverse stakeholders.

With the conclusion of the previous Mid-term Management Plan, under which we at Dexerials laid the foundation for achieving sustainable growth and enhanced corporate value, we have launched a new Mid-term Management Plan, “Achieving Evolution”, in pursuit of even greater growth. In this dialogue, Mr. Kirk Neureiter, president of Fidelity Management & Research Japan Ltd. (“FMR”), who has actively engaged with the Company for many years, and President Yoshihisa Shinya, discussed how institutional investors assess and invest in Dexerials, how they analyze the unresolved challenges from the previous Mid-term Management plan, and what expectations they have for the new plan.

## Investors hold the Company’s management quality, investment returns, and capital efficiency in high regard

**Shinya:** Fidelity Management & Research Japan (“FMR”) has supported us for many years since we went public in 2015. Even during the period shortly after our listing, when we struggled to meet investor expectations, FMR has consistently supported us as a shareholder and continues to do so today.

**Neureiter:** When evaluating a company as an investor, we focus first and foremost on its business model and cash flow generation capability. Dexerials has a diversified business portfolio and highly competitive products grounded in its technological strengths. Its core products such as Anisotropic Conductive Films (ACF) and Anti-reflection films hold significant global market shares, meeting our criteria for investment. In addition, Dexerials is highly trusted by key customers and has built strong relationships with them, which, along with the long-term growth potential of its business, made the Company an appealing investment target. However, for some time shortly after the Company went public, it consistently underperformed its committed management goals, attributing this to the saturation of the consumer IT market. While the Company correctly analyzed the reason for the shortfall, it struggled to apply the insights from this analysis to improve performance. We had multiple discussions with the Company about why progress was slow, and although we did see gradual improvement, a clear improvement in performance remained elusive for some time.

However, after you became the president in 2019, the Company’s performance improved dramatically. While the increased at-home demand for consumer IT products prompted by the COVID-19 pandemic did provide a tailwind, I believe it was your passion for management reform and your leadership that accelerated the pace of earnings improvement, with the reform yielding tangible results. This led to an increase in investors’ regard for the Company’s top management.

**Shinya:** When I first became president, improving cash flow was an urgent priority. We re-evaluated all of our businesses and concentrated management resources on the key areas that required our focus. This led to a significant improvement in EBITDA, with ROE increasing from single digits to over 20%.

**Neureiter:** As investors, we highly regard Dexerials and its current performance from three key perspectives: management quality, return on investment, and capital efficiency.

## Sharing management challenges through engagement Implementing bold reforms in the first half of the previous Mid-term Plan, followed by a shift in focus to accelerate growth in the second half

**Shinya:** When I first met you in 2019, our performance was not very impressive, and you provided us with some tough feedback. However, through continuous engagement with investors, we were able to incorporate your feedback into our management practices, and I'm confident that doing so has helped improve the quality of our management.

**Neureiter:** We highly regard your IR activities and engagement efforts. Over the past few years, including the period when you struggled to improve your performance, you frequently arranged meetings with investors and answered every question sincerely. Through repeated communications, I believe we reached a shared understanding that, given the limited management resources, scaling back unprofitable businesses and concentrating investments in core businesses was top priority. What stood out to me was that, from the very beginning, you consistently maintained the same stance on your approach to the previous Mid-term Management Plan, without wavering. We have always held your products in high regard, and our expectation that your reforms will yield results at some point remains unchanged.

**"We will not forget our past shortcomings, and in order to meet the expectations of our investors and stakeholders, we will continue to surpass ourselves and grow beyond what we achieved yesterday."**

**Shinya:** And you have consistently provided advice regarding business portfolio management. Once our performance began to recover, you pointed out that our management goals might be too conservative. Given our past experience of failing to meet market expectations shortly after going public, we were determined to achieve the goals we committed to, while accounting for external changes and certain risks. This was the mindset with which we approached the previous five-year Mid-term Management Plan (hereinafter, the previous Mid-term Plan).

**Neureiter:** You achieved the previous Mid-term Plan targets three years ahead of schedule and, in 2021, updated the plan with new management goals, which you successfully met. Within the Company, did you and your employees feel that growth had accelerated beyond expectations?

**Shinya:** The Mid-term Management Plan before the previous one covered three years, but when I became president, I extended the plan duration to five years. In a VUCA<sup>\*1</sup> era, I felt that a three-year period was too short to present a clear and significant direction for the future. When we first announced the management goals for the previous Mid-term Plan, some investors have questioned whether we had learned from our past experiences. However, after thorough internal discussions, we were confident that we could achieve these targets if we took necessary steps. We recognized the need to implement stringent reforms quickly, so during the first two years of the previous Mid-term Plan, we advanced various initiatives to improve cash flow. In the remaining three years, we focused all our efforts on driving growth.



**Neureiter:** That provides helpful context. When you became president, the PBR was below 1x. Was there a sense of crisis within the Company at that time, and what direction did you want your employees to take?

**Shinya:** When I was first appointed president, the situation was dire, with our market cap at around 45 billion yen and PBR of about 0.9x. There was a strong sense of crisis within the Company, and since we had repeatedly failed to achieve our committed targets, I sensed that employees were losing confidence. From the outset, I told them, "The world is becoming increasingly uncertain, and nobody knows what will happen next. We must become a lean company that can adapt to any situation and take on challenges to achieve further growth." I also told them that for the Company to change, each of us must change, and if we have made up our minds to change, why not stand at the forefront of that change and enjoy the process?" I embarked on the reforms with a strong commitment, too. I sensed that as the results of the reforms became apparent, employees' mindsets began to change, and they started to regain confidence.

**Neureiter:** During the first two years of the previous Mid-term Management Plan, what were the challenges you

tackled with top priority?

**Shinya:** While selecting focusing businesses was important, I believed that, to truly transform the Company, top management needed to change first. We transitioned our institutional design from a company with a board of corporate auditors to a company with an audit committee to strengthen corporate governance that contributes to enhancing corporate value. We facilitated a generational shift within the executive officer team and ensured that all employees, including management team, genuinely believed the Company was undergoing change, fostering a transformation-oriented mindset. After that, we implemented initiatives for growth such as relocating our headquarters to better align management with the front-line operations, strengthening our business model, and M&A.

**Neureiter:** At that time, the external environment was undergoing drastic changes due to the pandemic, US-China tensions, and supply chain disruptions; it was an extremely volatile period. The external environment will likely continue to experience rapid shifts, further highlighting the importance of risk management. In your new Mid-Term Management Plan (hereinafter, new Mid-term Plan) as well, I believe the challenge will be how to enhance investment returns while

managing risks effectively.

**Shinya:** Exactly. I believe it is crucial that we make precise investment decisions while anticipating and managing an even wider range of risks going forward.

## Focusing on selecting growth markets to secure high investment returns

**Neureiter:** When it comes to investment returns, determining which markets to enter is crucial, isn't it?

**Shinya:** Yes, indeed. In 2016, we entered the automotive market, anticipating a major transformation in the industry. By gaining a clear understanding of technological trends and addressing market demand, we were able to grow our automotive business, which I believe has significantly boosted employee confidence.

**Neureiter:** I understand that Anti-reflection film, your mainstay product for the automotive business is currently used primarily in luxury vehicles. If the product were to be adopted in a wider range of vehicles, including mid-range models, wouldn't your automotive business grow even faster?

**Shinya:** Exactly as you say. The growth trajectory for our automotive business has become somewhat clear. During the previous Mid-term Plan, we made Kyoto Semiconductor Co., Ltd. ("Kyosemi")<sup>\*3</sup>, specializing in optical semiconductors, a subsidiary with the goal of entering the photonics field

as our next growth domains.

**Neureiter:** By combining the materials and devices you've developed for consumer IT products with Kyosemi's optical semiconductor technology, it seems you're now able to offer new solutions.

**Shinya:** Since entering the photonics business, we've realized there is much more room for technological innovation in this field compared to the consumer IT sector. When we present customers in photonics with what our technology can achieve, they are often surprised. We've already received numerous inquiries, and we have begun considering developing new products in the photonics domain by applying our technology.

**Neureiter:** It sounds like you successfully entered the next growth area during the previous Mid-term Plan period. However, I have some concerns. During the previous plan period, you achieved your management goals within just two years, and at that point, I believe you should have revised your management strategy. Investors would have appreciated it if you had presented a clear growth strategy for the next phase of growth, including how you would utilize the higher-than expected profits and prioritize their allocation.

**Shinya:** This was an issue left unresolved from the previous Mid-term Plan. Learning from this, we have outlined a capital allocation strategy in the new Mid-term Plan that balances growth investments with shareholder returns.

## Investors view the balance between growth investments and shareholder returns in the new Mid-term Plan favorably

**Neureiter:** I support your capital allocation strategy outlined in the new Mid-term Plan, particularly the clear allocation of 130 billion yen for growth investments and an additional investment budget of 50 billion yen, as well as 80 billion yen set aside for shareholder returns. However, if I may add, I



“Precisely because it is difficult to imagine the kind of products and solutions Dexerials will create, my expectations for the Company have become even greater.”



would have liked to see more clarity on how your strengths in “Design-in” and R&D activities will impact sales and profits, and how that will ultimately benefit investors.

**Shinya:** We are aware of the expectations of our investors, including you, and we will make sure to clarify the points you have raised in the future.

**Neureiter:** I’d like to know which domains you consider promising for growth investments and about your investment project pipeline. Additionally, I’d be interested in hearing about your growth story in these areas.

**Shinya:** We have several projects in the pipeline, including those in the R&D stage, and we are carefully prioritizing them and drafting strategies to ensure their success. We are constantly updating information on this front, and plan to share more details with you once we have reached a higher level of certainty.

**Neureiter:** I look forward to hearing more about it. The success of the previous Mid-term Plan was largely due to your focus on core and profitable businesses, where you concentrated investments. I hope you will continue to focus growth investments in and around your core technologies.

**Shinya:** Certainly. We will continue to leverage our strengths and focus our investments on businesses that create unique value only Dexerials can offer, as well as those where we are the sole supplier.

**Neureiter:** I’m glad to hear that. I strongly encourage you to maintain that approach moving forward.

**Shinya:** Earlier, you mentioned our strength in the “Design-in” approach. This strength is driven by our exceptional technological capabilities and talented personnel. In the new Mid-term Plan, we have earmarked 45 billion yen for non-financial investments over five years, focused on “Materialities” such as “Technologies” and “Human Capital”.

**Neureiter:** I encourage you to actively communicate that you view “Technologies” and “Human Capital” as priority areas and that you plan to focus your investments accordingly.

**Shinya:** Along with the new Mid-term Plan, we have also unveiled our purpose statement, “Empower Evolution. Connect People and Technology.” Looking beyond the new Mid-term Plan period, our goal is to become a company that supports the resolution of a broad range of societal issues by providing materials, devices, and solutions essential for technological evolution, while achieving sustainable growth. We

envision a future where we are chosen as an indispensable partner by investors including you, as well as by customers, communities, and stakeholders worldwide, to jointly create a better future. To achieve this, we must continue to grow steadily while expanding our business portfolio. Our purpose embodies this vision, and through backcasting, we have mapped out the next five years in the new Mid-term Plan, identifying the goals we need to aim for and achieve to realize this vision.

**Expectations for the Company continue to grow as we create unprecedented products that have never existed before. We are committed to meeting those expectations and pursuing sustainable growth**

**Neureiter:** I am thrilled to see what kind of new products and services you will create going forward. I expect you to continue growing by creating new markets through introducing essential products and solutions for the future, developed by combining various technologies, into a wider range of domains, including consumer IT, automotive, and photonics. While it may be difficult to imagine products that no other companies have made, or that no one has ever thought of before, this is what makes your innovations elicit a “Wow!” response and further raises expectations for the Company. From an investor’s perspective, I believe Dexerials is not only indispensable to the capital market but also to society as a whole. I look forward to your continued growth.

**Shinya:** We are seeing an increasing number of “Dexerials fans” among investors, including you. Having experienced a period of missed KPI targets, we are even more committed to meeting our investors’ expectations. We will strive to surpass ourselves every day and to achieve sustained growth. We kindly ask for your continued support.

# Our Foundation— Purpose Formulation History

Future aspirations and the background and process of formulation

In May 2024, Dexerials announced the purpose, “Empower Evolution. Connect People and Technology,” along with new Mid-Term Management Plan. The core team responsible for formulating the draft was a working group comprising 10 mid-career and young employees. Representative members from the secretariat, advisors, and the working group gathered to discuss the significance of the purpose itself, the thoughts behind it, the background and process of its formulation, and new insights gained through this activity.

Value Matters

今までながく社会に貢献を。  
世界の価値を高める。



**Naoto Fujihira**  
Strategy Planning Office  
PR & IR Department



**Riki Tsutsui**  
Global Sales & Marketing Division  
Global Marketing Department



**Kentaro Oshima**  
Executive Officer  
Automotive Solutions Business Unit Head



**Makoto Tonegawa**  
DIG Promotion Department



**Hiroki Ozeki**  
Connecting Materials Business Unit  
Product Development Department

## Inter-divisional working group launched to formulate our purpose

**Fujihira:** I was initially approached about three years ago by top management regarding the launch of a project to formulate Dexerials’ purpose. At the time, we were in the midst of the pandemic, and talk of the VUCA\* era was becoming increasingly common. There was a strong sense of urgency among top management, who noted “If Dexerials does not clarify how it will contribute to resolving social issues and demonstrate its value to various stakeholders, we will become a company no longer needed by society.”

They also revealed that they wanted the purpose statement to be drafted on the basis of discussions involving all employees, with a focus on those who will create the future of Dexerials, while keeping an eye on future developments.

The purpose formulation project was launched in 2022, and the core working group (WG) was established with 10 members from various departments. Executive Officer Kentaro Oshima was involved as an advisor, and I was involved as a member of the secretariat.

**Oshima:** The WG was made up of people who were already demonstrating leadership in their respective departments, as well as mid-career hires who had recently joined the company. This was to gather opinions on Dexerials from outsider perspectives with limited familiarity of our company. WG activities began by backcasting from the future of society in 2040, to depict what we want to be in 2030.

**Tsutsui:** The WG was split into two teams, with Mr. Ozeki and myself as the leaders of each. Our team discussed the kinds of technologies that might be developed in the future

society of 2040, and how Dexerials can demonstrate its unique characteristics and strengths in these areas.

**Ozeki:** Our team imagined the life of a hypothetical “Ms. A” in the year 2040. We discussed how Dexerials can contribute to facilitating continuous convenience and prosperity so that people can live happy lives in a technologically advanced social environment, and what technologies are needed to achieve this.

**Tsutsui:** Although our initial premise was the same, Mr. Ozeki’s team took a micro perspective and our team took a macro perspective, so we approached it from different angles.

**Tonegawa:** What both teams had in common was that they delved deeply into and discussed their strengths, identified

compatibility with upcoming trends, and took an “outside-in” approach to thinking about our purpose. Discussions began with a free exchange of opinions from various perspectives, with everyone coming to a consensus at the end of each session.

## Considering purpose based on Dexerials’ uniqueness, a quality that will remain unchanged in the future

**Tsutsui:** When we discuss budgets and business plans, we are usually looking at a period up to around 2030, but we had never considered a timeframe to 2040. On this occasion, in discussing and examining what aspects of Dexerials would remain unchanged in 2040, we concluded that it will be “Technology” and “Human Capital.”

**Ozeki:** In discussions about our DNA and where our strengths lie, members from various departments offered different perspectives and views. However, as discussions progressed, we gradually came to agree on a common understanding: with a customer orientation at our core, the company works as one through the combination of technologies and people. Working closely with customers to resolve their issues, we go beyond departmental boundaries to create competitive, one-of-a-kind products. This is Dexerials’ culture, and these discussions reminded me that the company’s strengths lie in Technology and Human Capital.

**Tsutsui:** There were differing opinions within the WG on how to understand corporate culture. We have many passionate employees on the sales front lines, and I wanted to incorporate the essence of “passion” into our purpose. However, there were some opinions in the WG, mainly from employees in corporate departments, that Dexerials’ employees are “cool and dry.” This made me realize that the employees I interact with are only a small part of the whole, and there are many different opinions in the company.

**Oshima:** I participated in the WG as an advisor, and saw how with each discussion, a synergistic effect was created among member ideas. A diverse range of employees, including those working face-to-face with customers and those working in offices, aligned their perspectives and compiled a purpose proposal based on a broad perspective.



**Fujihira:** From the secretariat’s perspective, the management team had their own ideas, and there was also a lot of feedback on WG discussions from across the company. I think it was a challenging task for the WG members to re-examine, make selections, and reflect on what was necessary, and then synthesize all of this into the purpose.

## Opinions divided in vote by all employees globally Further discussions and revisions

**Fujihira:** Initially, I assumed it would be easiest to formulate a purpose if it was decided top-down. However, top management repeatedly told me, “The company consists of more than just the management team, and it would be meaningless to make top-down decisions.” The secretariat worked through a process of trial and error to create an environment where all employees could participate in the discussions.

**Tonegawa:** I also had the sense that purpose was something management created. While top management likely had

their own ideas about our purpose, I believe the aim of this approach was to provide all employees, including WG members, the opportunity to experience thinking from a broader, corporate manager’s perspective.

**Fujihira:** Top management had said, “If all employees consider challenges facing future society, and think carefully about how Dexerials’ strengths can contribute to resolving these challenges, our purpose will become clear.” WG members who played a central role in formulating the purpose discussed future society and challenges in 2040 from a broad perspective, as well as how our company wants to contribute to resolving those challenges, and I was surprised to find that it was exactly as top management had said. To spread these passionate WG discussions throughout the company, we created opportunities for all employees throughout the world to discuss and vote on WG proposals. This deepened discussions even further and enabled all employees to form their own ideas and thoughts about our purpose.

**Tsutsui:** That’s right. By elevating this activity to include all employees, I feel that our purpose has become something that is “personal” for all employees.

**Ozeki:** The original drafts of the purpose were narrowed down to four proposals, but the proposal that was adopted, “Empower Evolution,” actually came last in the company-wide vote. However, there was a lot of support for this concept from members from global sites, with a considerable number of comments expressing empathy for the word “Empower.” This word is not very familiar to Japanese people, but I think it is a good fit for people globally when they are conscious of their connection to society. Mr. Oshima advised, “Rather than making the proposal better, create the best proposal,” and based on the various opinions expressed, the WG once again discussed the purpose proposal. The WG and the secretariat certainly had their difficulties, but I feel that it was precisely because of this process that each and every employee was able to accept it

as something that concerned them personally.

**Tonegawa:** Before finalizing the purpose, the WG held in-depth discussions on numerous occasions and repeatedly worked to articulate their ideas. Narrowing down these ideas was challenging, but we took our time and thoroughly discussed them until everyone was satisfied. Accordingly, when we explained the purpose to each department after it was finalized, we were able to answer the various questions we received regarding the details of discussions and the formulation background, and I feel we were able to get everyone's buy-in.

**Tsutsui:** During the discussions, we found that, even for products with the top global market share, members of departments not closely involved with said products were sometimes unaware of their development background or strengths. Ideally, this purpose will encourage all employees to recognize Dexerials' strengths, stimulate communication between departments, and lead to co-creation.

## As employees realize their individual purpose, personal growth will lead to corporate growth

**Oshima:** In tandem with formulating our purpose, we have also been considering ways to effectively communicate it throughout the company. Thus far, we have disseminated it through special features in company newsletters to encourage employees to think about their own individual purpose, and how it intersects with the company's purpose. That being said, various measures are still needed to fully leverage our purpose, and specific steps are currently being discussed by management, the Sustainability Promotion Division, and the Human Resources Division. However, as a prerequisite for instilling purpose in employees, I think it is important for management to demonstrate how they incorporate it into their decision-making. My image is the management team themselves in conversation saying things



like, “Even when customers have technically challenging requests, we accept them based on our value ‘Empower Evolution.’”

**Ozeki:** It seems that the concept has taken root quickly because all employees were involved in the formulation process. I proactively communicate this to my department by asking, “What is our purpose?” This is because I want employees to consider the purpose of their individual departments, and then their own personal purpose. The purpose is not complete once it's formulated; it's important that everyone moves in the same direction, using the purpose as a foundation. And it's not just window dressing, but an activity with economic value that will lead to business. Even in departments that handle existing domains, we talk to everyone about finding new things, taking on new challenges, and growing, in the belief that these efforts will lead to the realization of our purpose.

**Tonegawa:** It would be ideal if each individual employee and team could make decisions by putting themselves in their own position and using our purpose as a guideline. For example, they could tailor the wording to fit their own awareness of challenges, such as “Empower Customer Evolution” or “Empower Society Evolution.” I also believe that WG

discussions also had the effect of aligning management team thoughts with the direction of employees.

**Tsutsui:** I have also shared the significance and thinking behind our purpose, as well as the background on its formulation, with colleagues at global sites. Some wondered, “Isn't purpose decided by management?” However, as opposed to a decision handed down by management, the process of thinking about, discussing, and explaining things on our own was very important, and I feel our perspectives have changed through this activity. To change the company's atmosphere for the better, I want to increase the amount of interesting work with our purpose in mind to create a company where people can engage in work with enthusiasm.

**Oshima:** The growth of each and every employee will be the source of our competitiveness. While being mindful of both the company's purpose and our own personal purposes, we will link personal growth to the growth of the company. Even amid rapid global changes in the VUCA era, our growth under the banner of purpose will lead to social contributions. I believe the creation of this virtuous cycle is the only way forward. Let's move forward together, guided by our purpose.

**We have created our purpose through the collective efforts of employees from around the world.**  
**We will share the discussions held at various business locations and**  
**the thoughts embedded in our finalized purpose, along with some related stories.**

*from* **Singapore**



**Samuel Wong**  
 Dexerials Singapore Pte. Ltd.  
 Managing Director

The purpose resonates with how each Dexerials Singapore member feels about their responsibilities, impact and values. As a distant office, we are proud that we could participate in purpose formulation, we thoroughly enjoyed the process of defining who we are and rediscovering what defines Dexerials. During the refining stages, we engaged in debates about the contents, the sentence structures and word choices.

We felt included as our opinions were heard. The finalized purpose truly reflects our ideology and the type of values we aim to create as Dexerials employees. “Empower Evolution” will become our cornerstone of doing business, it embeds our intention and our promise.



*from* **Europe**



**Donald Schaffer**  
 Dexerials Europe B.V.  
 Director Sales & Marketing

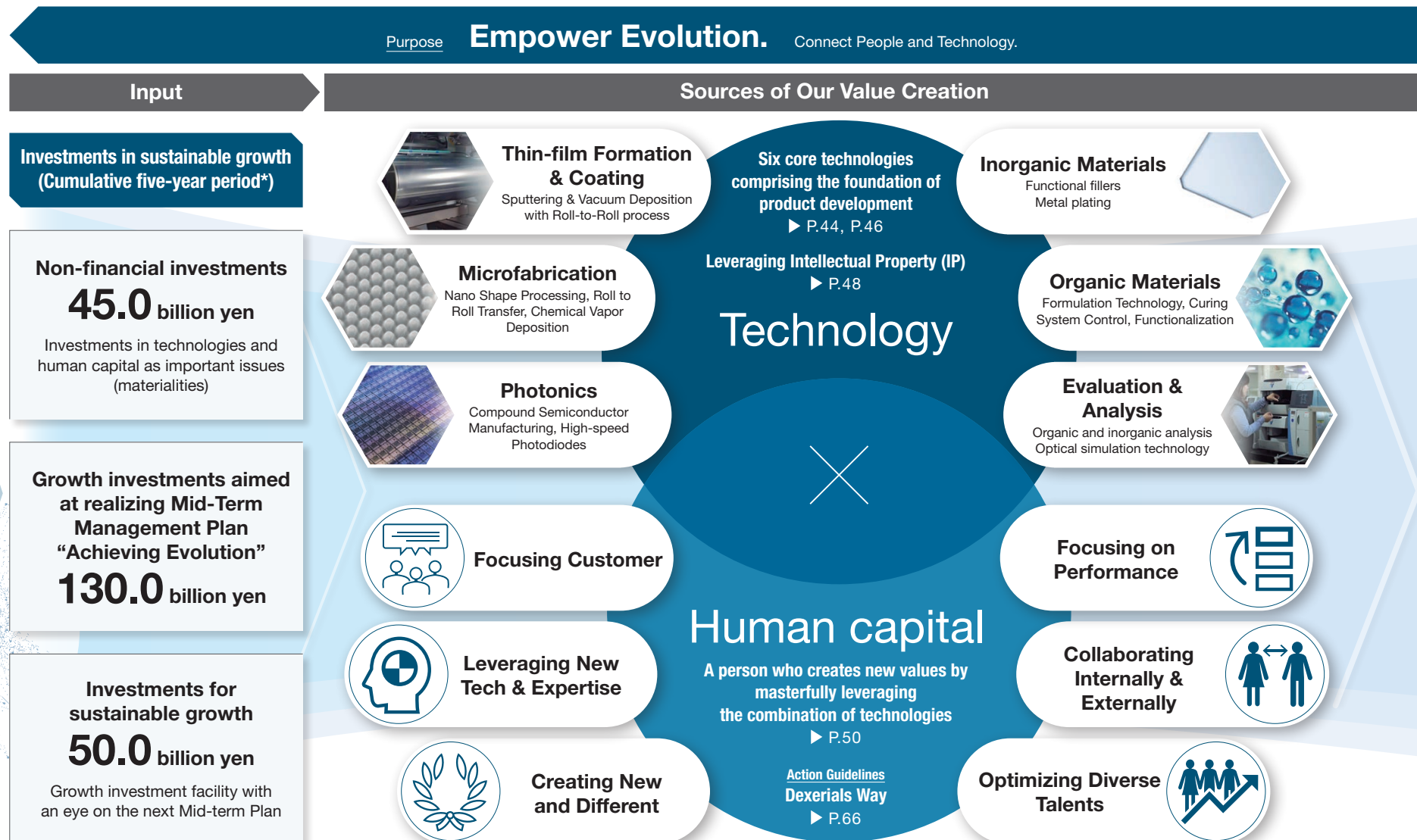
When we started to define the purpose of Dexerials in 2022, many employees were sceptical about the meaning of defining a purpose for Dexerials. However, when we had our internal workshop in the Netherlands and Germany in Nov 2022, there was immediate engagement and active discussion about the future social challenges and what makes Dexerials as a company unique.

The outcome on our side was, that we believe, that the key to a better company & society is the connection of people, having mutual respect, regardless of religion, race and skin colour, in combination with the adoption of actual & new technologies. At DXE, we are carrying out this mindset, that stimulates teamwork, engagement, curiosity and self-awareness. Thanks to this great initiative on a corporate level.



# Create the Future together with Customers

TOPICS



\*FY2024-2028

Corporate Philosophy

**Integrity**

Have Integrity and Sincerity

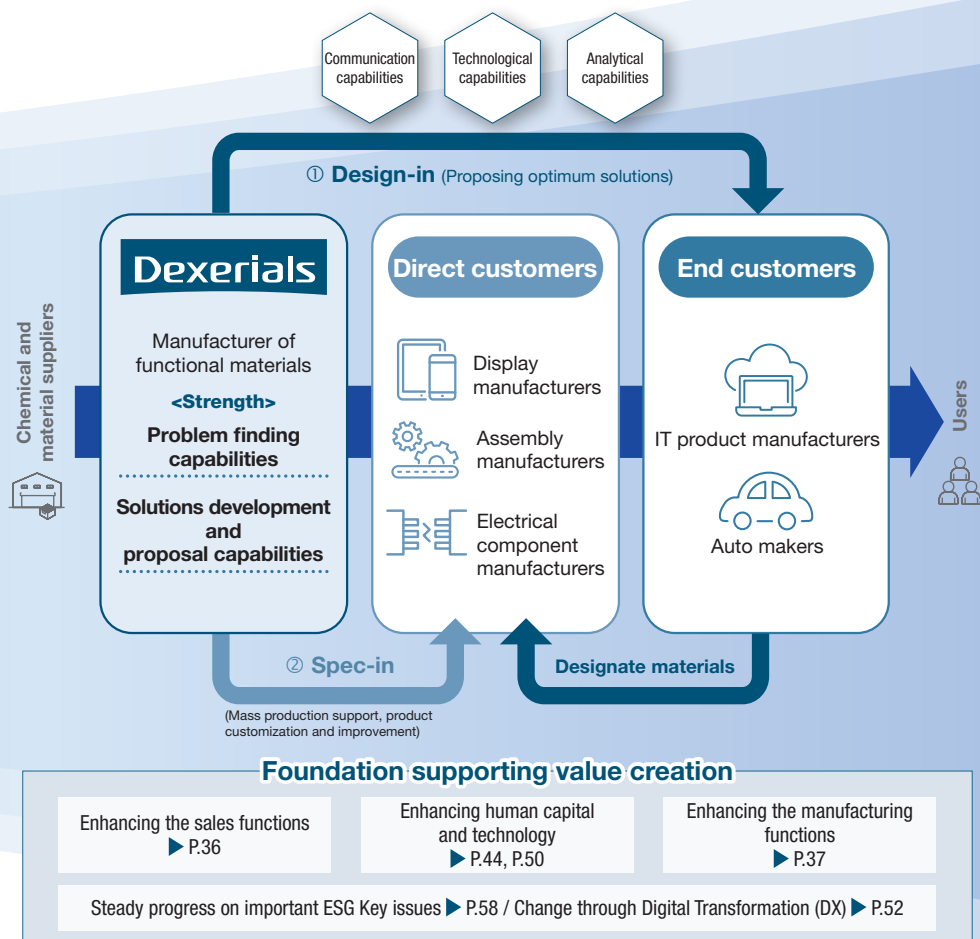
Corporate Vision

**Value Matters**

Unprecedented innovation, unprecedented value.

## Value Creation (Our Strength: Business Model)

## Outcomes



### Business Feasibility Evaluation

▶ P.41

Business evaluation criteria for generating high profits

Earning power

EBITDA

Business efficiency

Simplified ROIC

Growth rate

Market growth rate

Competitive advantages

Technological and intellectual property capabilities

Laying the groundwork for business portfolio expansion

### Expansion of single-source products (Global top share)

▶ P.6, P.29

Economic value

Social value

Anti-reflection films\*1

Global share 93.5%

Anisotropic Conductive Films (ACF)\*2

Global share 73.9%

Optical elastic resins (SVR)\*3

Global share 48.6%

Business portfolio expansion

### Realizing our purpose

▶ P.12, P.22

Towards a more prosperous and efficient society. Our aim is to strive for a world where all stakeholders can enjoy sustainable and comfortable lives.

### What we want to be in 10 years

- Contributing to the evolution of digital technologies in a wider range of domains
- Achieving sustainable growth through the creation of social and economic value

### FY2028 management targets (Milestones toward our realization of purpose and what we want to be)

Net sales:	150.0 billion yen
Business profit:	50.0 billion yen
EBITDA margin:	43%
ROIC:	Approx. 14%
ROE:	Approx. 25%

\*1 The 2023 share for total amount of ACF for large-sized and small- to medium-sized displays, according to "Current Status and Future Outlook for Display-related Markets 2024," issued by Fuji Chimera Research Institute, Inc.

\*2 The 2023 share of surface treatment films (dry coat), according to "Current Status and Future Outlook for Display-related Markets 2024," issued by Fuji Chimera Research Institute, Inc.

\*3 The 2023 share for Optical Clear Resin (OCR) used in bonding displays, according to "Current Status and Future Outlook for Display-related Markets 2024," issued by Fuji Chimera Research Institute, Inc. Optical elastic resin (SVR) is the product name for Dexerials' optically clear adhesives.

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

### Our Strength is Our Business Model

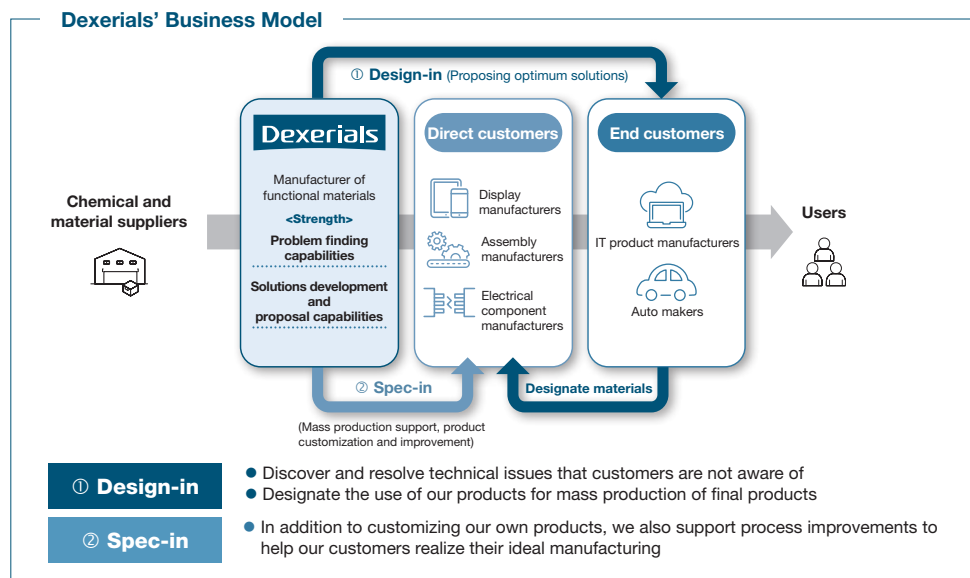
We use advanced and diverse technologies, analytical capabilities, and human capital who are proficient in using them to find customers' key issues and provide products and solutions that will resolve those issues.

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

### The Strength We Demonstrate

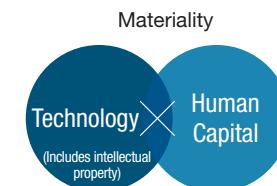
Dexerials' product development is supported by our approaches to both “direct customers,” who are manufacturers of displays, electrical components, etc., and “end customers” (manufacturers of end products), who interact with users.

We have built a virtuous cycle through which we satisfy both direct and end customers, which in turn enables us to identify new needs, and ultimately, leads to product development. We do this through “Design-in,” in which we conduct dialogues with end customers to find the underlying issues they themselves may not be aware of, and then propose the most appropriate solutions to those issues. Through “Spec-in,” we provide mass production and other operational support to direct customers utilizing our materials in their manufacturing processes to determine how they can use Dexerials products efficiently.



### The Source of Our Strength

Technology and human capital constitute the core of our business model. In other words, the source of our value creation is “advanced and diverse technologies” and the “diverse human resources who have mastered them.” We will step up efforts to strengthen both as the core of our growth engine, and have positioned them as our most important issues (materiality) under the Mid-Term Management Plan.



### “Six Core Technologies” and “Diverse Human Capital” Comprise the Source of Our Strength

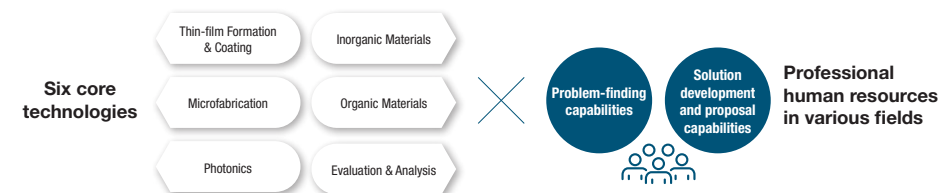
#### Leading the market with technological innovations and an outside-in perspective

Our ability to develop products that exceed customer expectations is founded on six core technologies accumulated to date. These technologies meet customer needs as well as constitute the foundation of issue resolution based on societal demands and the creation of new business opportunities. Further, by adopting an outside-in perspective, we are promoting technological evolution and establishing a system that can respond quickly to changing market needs.

□ P.46 Innovation

#### Diverse human resources find customers' underlying issues and propose solutions by combining technologies

Our six core technologies are mastered by professional human resources with a wide range of skills. Dialogues with customers involve both sales staff and a diverse range of engineers capable of fully leveraging their skills, who after identifying customer issues and requests, work with development divisions to find the underlying issues by adding technical considerations. In response to these issues, we develop and propose unprecedented, unique, and high value-added products and solutions, which enables Dexerials to provide value that exceeds customer expectations.



### Responsibility of providing single-source products

Dexerials provides many unique, high value-added products essential to the evolution of technology. We offer many “Single-source” products, and have a responsibility to continue stably supplying customers with high-quality products.

To this end, we are promoting efforts to ensure the stable supply of products to customers by formulating our business continuity plan (BCP), continuously training, as well as sharing BCP guidelines with suppliers.

**Purpose**

# Empower Evolution.

Connect People and Technology.

Connecting people and technology.  
Connecting community and hope.  
We craft the materials, devices,  
and solutions that advance digital  
technology, and we will continue to  
embark on a journey to change  
the world.

Together with our partners, we at  
Dexerials envision the future and  
solve every issue with innovation.  
Masterfully leveraging the combination  
of people and technology, we open new  
paths to evolution.

Every day, we embrace the challenge,  
for a society that's more prosperous  
and efficient.

Our aim is to strive for a world where all  
stakeholders can enjoy sustainable and  
comfortable lives.

# Purpose



# Value Matters

## Social Value Created by Dexerials in Line with the Evolution of Digital Technologies

The Dexerials Group's purpose, which is based on the strengths and uniqueness cultivated since our founding, represents our *raison d'être* in society as well as "what we want to be" going forward.

To realize our purpose, we will refine and skillfully combine our technologies and human capital to continue providing products and solutions that add new value to the world, based on our corporate vision "Value Matters Unprecedented innovation, unprecedented value."

This is the essence of sustainability pursued by Dexerials.

We have always anticipated social and technological advances, used our unique technologies to intelligently and swiftly resolve customer needs and issues, created value that exceeds customer expectations, and contributed to the realization of a prosperous and efficient society.

In the following pages, we introduce examples of how mainstay product Anisotropic Conductive Film (ACF) technological innovations have generated social value through the intersection of our purpose and corporate vision.

# Social Value Created by Technological Evolution: The Development of Information Communications and ACF Technological Innovations

TOPICS

## [ Value Matters Practical Model ]

Contributing to the advance of information communications

**Information communication technologies have advanced substantially over the years.** When mobile phones were first introduced, voice calls and text messages were the main focus, but with the advent of smartphones, photo and video sharing, social media, messaging apps, video calls, and other functions have become widespread. This has completely transformed **the way we communicate**, and has also dramatically altered the way we live and do business.

These advances have been supported by technological innovation in **Anisotropic Conductive Film (ACF)**, a special adhesive film with fine conductive particles dispersed in resin creating a material with **three functions: adhesion, insulation, and conduction**. ACF has played a major role in miniaturizing and improving the performance of electronic devices. In particular, miniaturizing the particles contained in ACF and advances in **the technologies used to arrange them** have resulted in the development of displays with higher pixel density, making it possible to **display clearer, more detailed images**.

These developments have made it possible to enjoy high-quality videos and images on smartphones and other devices, serving as a catalyst for the widespread adoption of real-time video communications.

Dexerials' technological innovations have contributed greatly to the evolution of devices used on a daily basis, and are **a driving force behind fundamental changes in the way information is communicated**.



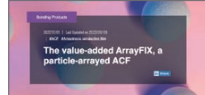
Behind-the-scenes story of Particle-arrayed ACF development  
For more details, please refer to our [website](#)



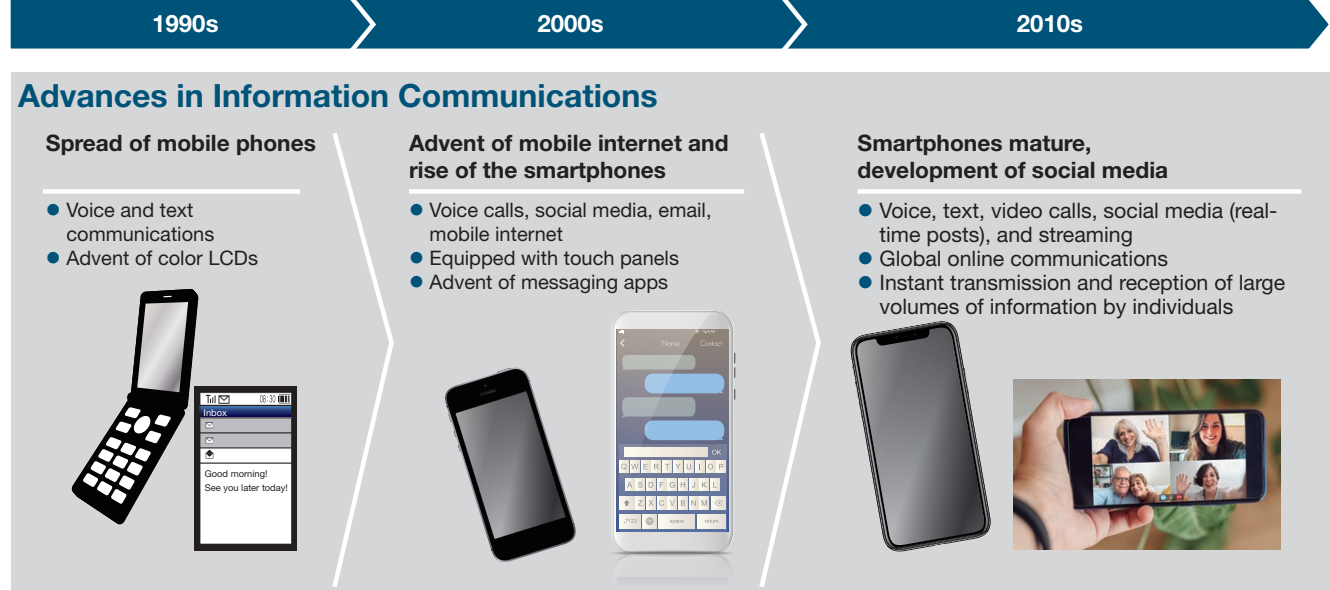
The fundamentals of Anisotropic Conductive Film (ACF)



The benefits & background of ArrayFIX, a particle-arrayed ACF



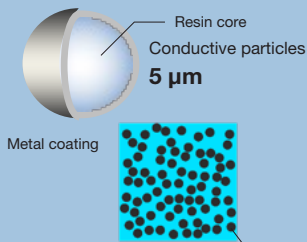
The value-added ArrayFIX, a particle-arrayed ACF



## ACF Technological Innovations

### Advent of particles for mobile phone wiring connections

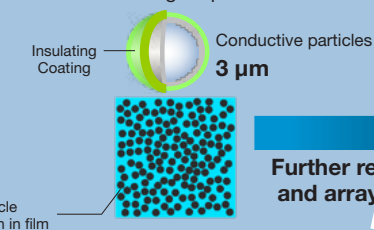
The development of conductive particles with metal coating on a resin core makes it possible to connect fine wiring



### Innovation

#### Small particle size contributes to higher pixel density

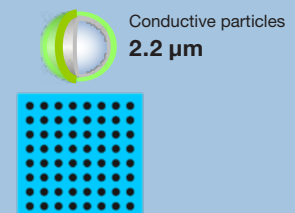
Diameter of conductive particles has been reduced by approximately 40%. Further, the application of an insulation coating on the surface makes it possible to prevent short circuits between wiring even when the number of particles increases, which contributes to higher pixel counts.



### Innovation

#### Advent of Particle-arrayed ACF

This revolutionary technology was developed to uniformly arrange and fix conductive particles, solving the problem of short circuits and facilitating ultra-fine wiring connections, contributing to the development of ultra-high pixel density smartphones.



Further reduced in size and arrayed uniformly

\*  $\mu\text{m} = 1/1000$  of 1 mm



Reducing the  
information gap  
(eliminating the  
digital divide)

Providing medical and  
educational  
opportunities beyond  
economic and  
geographical  
constraints

Dramatically  
improved  
convenience of  
information  
communication

Generative  
AI

Streaming

Video  
calling

Social  
media

Speech-  
to-text



## Information communication advances

Mobile internet  
users\*<sup>1</sup>

1990s  
Near zero

2022  
Approx.  
5.3 billion people

Approx. 5.3 billion times

Global mobile  
data total  
volume\*<sup>2</sup>

1990s  
Approx. 1 EB\*<sup>3</sup>

2022  
Approx. 1,100 EB

Approx. 1,000 times

## Device advances (Ex: Resolution)

1990s  
128  
×  
128 px\*<sup>1</sup>

2020s – 4K  
3840  
×  
2160 px

Approx. 500 times

**Dexerials**

“Purpose”  
×  
“Value Matters”

## ACF technological innovations

(Ex: ultra-fine wiring connection technology)

1990s  
Surface 2500 μm<sup>2</sup>

2010s –  
Surface 500 μm<sup>2</sup>

Approx. 20%  
80% reduction

Strength: Business model  
“Design-in” “Spec-in”

## Expanding the Social Impact of Technological Innovations

The unique products created through technological innovations born from dialogues between end customers and direct customers lead to the development of digital devices, and in turn contribute to the evolution of information communication across society. They are an essential driving force for the realization of a prosperous and efficient society.

Digital technology advances  
**Prosperous and  
efficient society**

Resolving social  
issues on  
a wider scale

Expansion to  
various industries

Business portfolio expansion

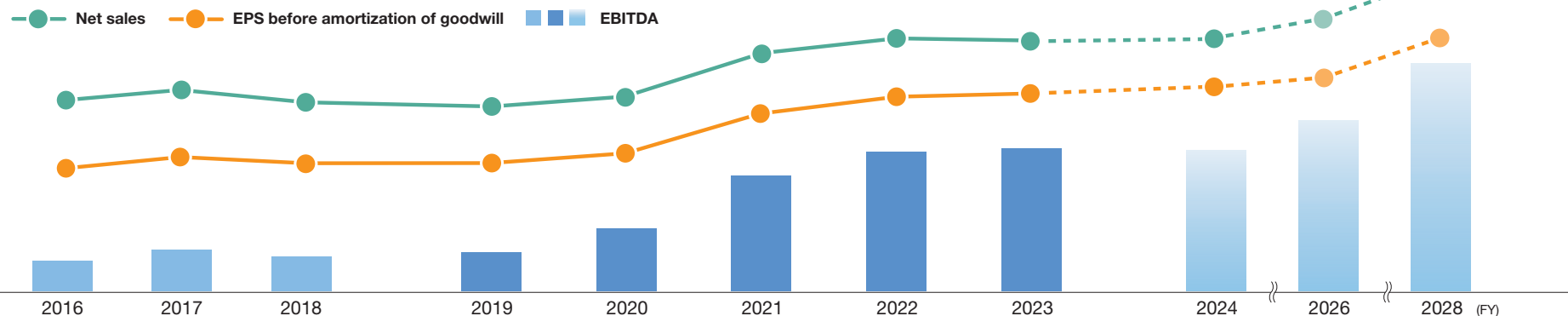


\*<sup>1</sup> Company forecast based on the Ministry of Internal Affairs and Communications' Information and Communications White Papers for 2014 and 2023 \*<sup>2</sup> PX: Pixel \*<sup>3</sup> EB: Exabyte

# Mid-Term Management Plan 2028 “Achieving Evolution”

TOPICS

Dexerials has launched Mid-Term Management Plan 2028 “Achieving Evolution” (hereinafter, new Mid-term Plan), a five-year plan ending in fiscal 2028. Under the previous Mid-term Management Plan 2023 “Challenges for Evolution” (hereinafter, previous Mid-term Plan), we built a foundation for growth by improving earning power and reforming our management structure to make it more resilient in the face of changes in the external environment. The new Mid-term Plan with a theme of “Achieving Evolution” establishes three policies and aims to achieve sustainable growth and enhanced corporate value by balancing growth investments and shareholder returns.



## Mid-term Management Plan “Change for Growth 2018”

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

Positioning	A “Change for Growth” stage to establish a revenue and profit base required for “sustainable growth” toward realizing the desired corporate image
Results	<p><b>Basic policies</b></p> <ul style="list-style-type: none"> <li><b>Establish new growth drivers</b> <ul style="list-style-type: none"> <li>Grew Anti-reflection films to 10.0 billion yen level</li> <li>Automotive business: Established a dedicated organization, grew sales to 10% of total net sales</li> </ul> </li> <li><b>Secure stable earnings by strengthening the competitiveness of existing businesses</b> <ul style="list-style-type: none"> <li>Expanded the market share of Anisotropic Conductive Films (ACF) (with a rapid growth of Particle-arrayed ACF)</li> </ul> </li> <li><b>Optimize business structure</b> <ul style="list-style-type: none"> <li>Concentrated development resources at the Tochigi Technology Center</li> <li>Streamlining certain businesses in the optical solutions category and integrated production bases in China</li> </ul> </li> </ul>
Issues	Delays in shifting resources from consumer IT to new domains and failure to reach targets due to insufficient ability to respond to changes in the business environment

Positioning	Laying the foundation for sustainable growth and enhanced corporate value through the realization of our mid-term growth strategy and corporate reforms
Results	<p><b>Basic policies</b></p> <ul style="list-style-type: none"> <li><b>Accelerate business growth in new domains</b> <ul style="list-style-type: none"> <li>Identified photonics as a third pillar of business and launched DXPS*, a subsidiary engaged in the photonics business</li> </ul> </li> <li><b>Qualitatively change businesses in the existing domains</b> <ul style="list-style-type: none"> <li>Expanded high value-added products</li> <li>Invested in increased production of Anti-reflection films and Surface mounted type fuses</li> </ul> </li> <li><b>Strengthen the management base</b> <ul style="list-style-type: none"> <li>Formed a strategic partnership with Restar Corporation</li> <li>Introduced a job-type personnel system globally</li> <li>Provided Dexerials' stock to employees</li> </ul> </li> </ul>
Issues	Business portfolio expansion and response to environmental changes

\*DXPS: Dexerials Photonics Solutions Corporation

## Mid-Term Management Plan 2028 “Achieving Evolution”

## Mid-Term Management Plan 2028 “Achieving Evolution”

We took the first step towards growth under the previous Mid-term Plan, and over the next five years we will enter a phase in which we will achieve sustainable growth and enhanced corporate value.

We will continue to further expand our business portfolio and work toward building a management base that is resilient to change under three basic policies.

### Positioning

**Achieve sustainable growth and enhancement of corporate value by balancing growth investments and shareholder returns**

### Basic policies

## 1. Expanding businesses in growth domains

Accelerate growth in the automotive and photonics domains, markets that are expected to expand further in the future

## 2. Qualitative strengthening of businesses in existing domains

Expand business and maintain growth with a focus on high value-added products such as Anisotropic Conductive Films (ACF) and Surface mounted type fuses

## 3. Evolution of the management base

Evolve into a solid management foundation that supports sustainable growth by strengthening sales functions, enhancing human capital and technology, and improving manufacturing functions

### Fiscal 2028 management targets

Net sales <b>150.0 billion yen</b>	Business profit <b>50.0 billion yen</b>	EBITDA margin <b>43%</b>
EPS* <b>626 JPY</b>	ROIC <b>Approx. 14%</b>	ROE <b>Approx. 25%</b>

\* Before stock split

### Enhancing the sales functions

Further enhancing the business model

- Enhancing Design-in and Spec-in activities globally
- Strengthening distribution and reducing volatility through partnerships

### Enhancing the Human Capital and Technology

Stepping up actions to address materiality

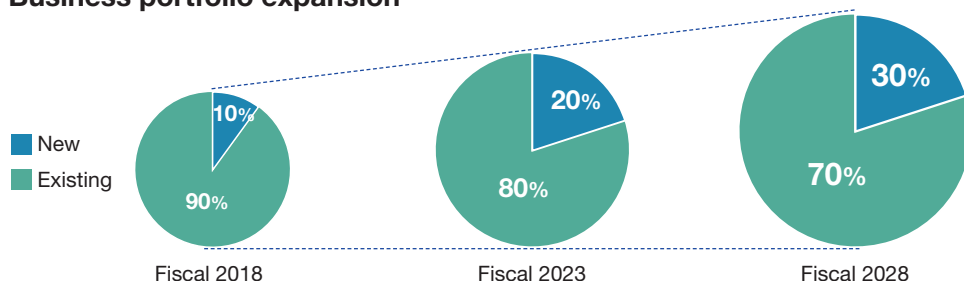
- Continuing to strengthen R&D activities
- Securing engineering human capital and strengthening global talent

### Enhancing the manufacturing functions

Efficiency improvements in anticipation of a decrease in the working age population

- Building smart factories through digital transformation (DX)
- Improving BCP functions

### Business portfolio expansion



As part of efforts in growth domains under the new Mid-term Plan, we will focus on the automotive domain, where business growth is expected to outpace market expansion due to advances in digitalization, and the photonics domain, where demand for high-speed data communications is growing dramatically due to advances in generative AI. In existing domains, we will achieve growth by further refining our technological differentiation and promoting high value-added products that anticipate changes in technological trends. In terms of the management foundation that will support these efforts, we will work to reinforce our business models globally, strengthen the recruitment and training of technical and global human resources, and promote the creation of smart factories.

Basic  
Policy

## 1 Expanding Businesses in Growth Domains

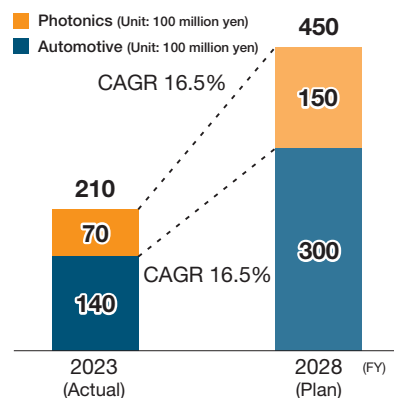
Accelerate growth in the automotive and photonics domains, markets that are expected to expand further in the future

## Business Strategy for Growth Domains

## Automotive Business

In 2016, Dexerials entered the automotive industry, which is undergoing a once-in-a-century transformation. In supporting the transformation of the automotive industry, mainly with Anti-reflection films, net sales grew to the 14.0 billion yen level under the previous Mid-term Management Plan. Under the new Mid-term Management Plan, we will promote the expansion of Anti-reflection films in line with the trend toward growth of the size of automotive displays and the number of these displays installed in vehicles. We also aim to expand sales of smart precision adhesives for sensor modules, driven by the increasing adoption of automotive sensors.

## Scale of businesses in growth domains (net sales)



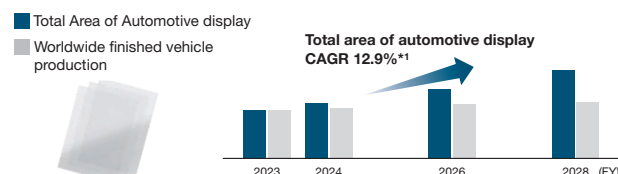
## Photonics Business

We have identified the field of photonics, which is essential for generative AI and other technological advances, as a growth domain and have been making preparations in this area. The surge in communications volume is driving the increasing demand for data centers. In this environment, we aim to achieve growth by focusing on the expanding adoption of high-speed photodiodes that meet the demand for higher communication speeds.



## Expanding business by contributing to the evolution of automobiles without being dependent on the number of finished vehicles

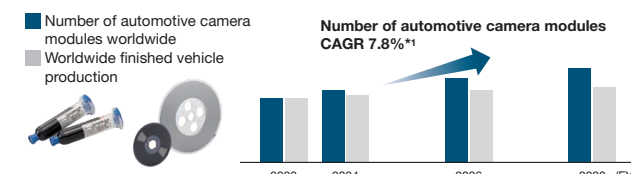
## Anti-reflection Films for Automotive Displays



In line with CASE advances in the automotive business, technologies that convey visual information to drivers are being widely adopted. Accordingly, the number of automotive displays will increase and their screen sizes will continue to grow, and we expect the adoption of our Anti-reflection films for automotive use to expand. In April 2024, we commenced operation of a new line with improved productivity, expanding our supply capacity while promoting further adoption of automotive displays through a design-in approach.

\*1 Our estimates based on market analysis information by research firms

## Smart precision adhesives for sensor modules



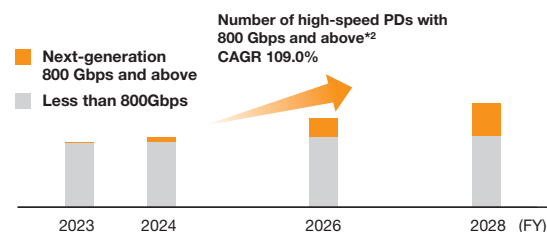
As autonomous driving becomes more widespread, an increasing number of vehicles are being equipped with sensor modules, including automotive cameras and LiDAR, which act as the vehicle's eyes.

In response to these automotive advances, we are leveraging technologies cultivated in the electronics field to expand sales of smart precision adhesives ACF, and other sensor-related products. We have already acquired Tier 1 and Tier 2 projects in Japan, and we will promote design-in and spec-in activities globally to further expand the automotive business.

## Unique products in expanding market due to data center demand for generative AI and other applications

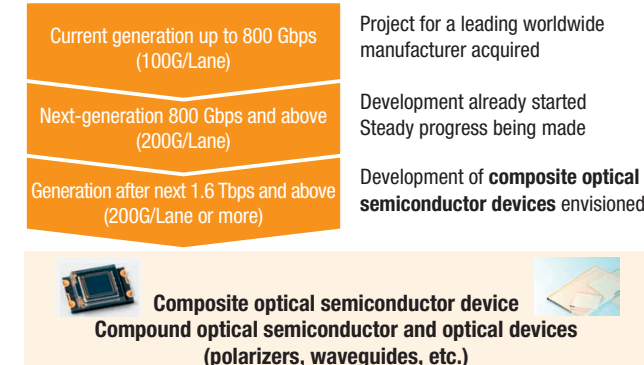
## High-speed Photodiodes for Optical Transceivers

In line with the growing demand for data centers, there has also been a sharp increase in demand for high-speed photodiodes (PD) used in transceivers, where we expect significant market growth. In fiscal 2023, Dexerials secured a project from a leading manufacturer of optical transceivers, and we will invest in increased production to meet the anticipated strong demand.



\*2 Source: Market analysis information from LightCounting

Further, we are working on designs for 200 Gbps standards and composite optical semiconductor devices in preparation to meet future technological needs.



Basic  
Policy

## 2 Qualitative Strengthening Businesses in the Existing Domains

Expand the businesses centered on high value-added products and maintain their growth

### Growth Drivers in Existing Domains

#### Anisotropic Conductive Films (ACF)

We aim to expand the ACF business by capitalizing on three major market trends. Accordingly, we have also launched construction of a new plant, which is scheduled to commence operations in 2026.

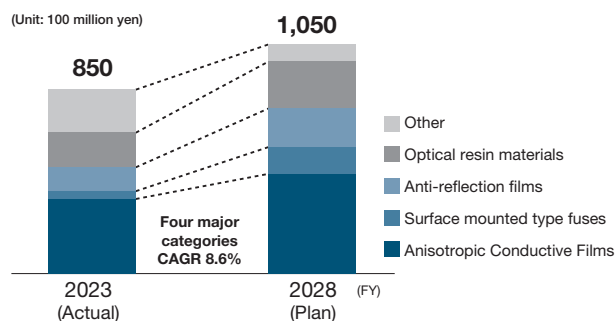
- 1) Further growth of Particle-arrayed ACF for flexible organic EL displays
- 2) Strengthening development and spec-in activities for micro LED displays
- 3) Growth of ACF for sensor modules (further advances in pre-cut ACF technologies launched during the previous Mid-term Management Plan)

#### Surface Mounted Type Fuses

From the perspectives of the electrification of various applications and lithium-ion battery safety improvements, our secondary protection device Surface mounted type fuses have great market potential.

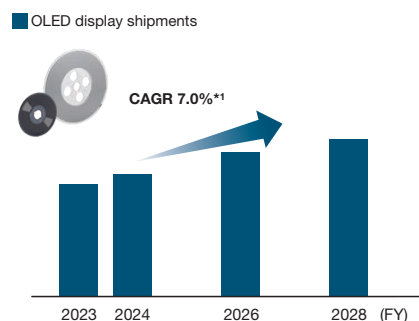
In particular, products for high current applications represent high value-added products unique to Dexerials. We will continue to expand our customer base and applications for this product to achieve business growth.

### Scale of businesses in existing domains (net sales)



### Drive spec-in activities for new applications while supporting the increasing trend toward organic EL displays

#### Organic EL Display Market Environment



#### Key Initiatives for OLED Displays

During the previous Mid-term Management Plan, amid the ongoing transition from liquid crystal (LCD) to organic EL (OLED) displays, our Particle-arrayed ACF became the de facto standard for smartphones using OLED displays, which contributed to expanded business performance. During the new Mid-Term Management Plan period, we expect to see a shift from LCD to OLED displays for applications other than smartphones, with demand for Particle-arrayed ACF remaining extremely high. Accordingly, we expect the capacity of our current production lines to be exceeded by the end of the new Mid-Term Management Plan, and we will make investments to increase production capacity with the aim of commencing expanded operations in 2026.

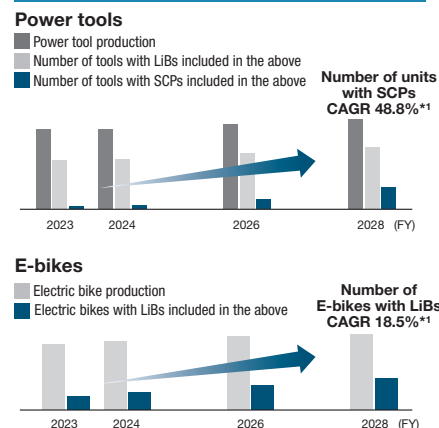
#### Key Initiatives for Micro LED Displays

We have also launched development and spec-in activities for micro LED displays, new displays that will follow after flexible OLED, and the likelihood of their adoption is increasing.

As micro LED product displays require ACF covering a large area, we are continually examining ways to increase manufacturing capacity while closely monitoring market and business trends.

### Create value by contributing to the improvement of the safety of lithium-ion batteries (LiB)

#### LiB Market Environment



\*1 Our estimates based on market analysis information by research firms

#### Key Initiatives

We will accelerate global expansion and grow our customer base for power tools, which saw significant growth during the previous Mid-term Management Plan.

In Europe and the United States, regulations on lithium-ion battery protection circuits are becoming increasingly strict. Our products are already undergoing evaluation by several power tool manufacturers, and shipments have commenced.

Further, amid the electrification of various applications, E-bikes in particular are becoming increasingly popular, and the installation of lithium-ion batteries is also accelerating. Under the new Mid-Term Management Plan, E-bikes are positioned as a target application, and we will be expanding activities in this field.



Basic  
Policy

3

**Evolution of the Management Base**

Evolving into a solid management base to support sustainable growth

## Enhancing the Sales Functions

 **Aiming to Strengthen Our Business Model by Expanding Global Networks and Sales Channels**

We are working to enhance our sales functions to adapt to changes in the environment and achieve sustainable growth. Specifically, we will enhance the design-in and spec-in activities globally, create new business opportunities for high-value-added products through partnerships, and reinforce our distribution capabilities.

**Earning customer trust through Design-in and Spec-in activities**

Our sales function has strengths in Spec-in activities for direct customers and Design-in activities for end customers. Spec-in activities support parts manufacturers in customizing and improving their products. Design-in activities support manufacturers of end products through the participation of our engineers in projects from the product design and development stages. We will deepen relationships of trust with customers by communicating directly with customer company engineers and proposing solutions to the underlying issues uncovered through these dialogues.

In gaining the trust of our customers, we will be able to obtain information such as future development roadmaps. Gathering information and taking proactive actions will lead to competitive advantages in the market.

In our engineering and marketing approach, which involves making proposals across business units, sales representatives are required to possess not only technical expertise but also communication skills, including proficiency in foreign languages such as English and Chinese, business acumen, and strong personal qualities. In fact, for many of the products where our company holds a high market share, these representatives have successfully guided projects to success.

**Strengthening global sites and structures to improve quality through smooth collaboration**

To strengthen Design-in and Spec-in activities globally, where many of our customers have a significant influence on the market, we are increasing the number of engineers assigned globally or hired locally. Design-in activities, which are conducted during the design and development stages, are often carried out in Europe and the United States, while spec-in activities, which optimize processes during production, are frequently conducted in China and other parts of Asia, making global collaboration crucial.

We introduced a sales force automation (SFA) system as a tool to share information in a timely manner and increase opportunities to acquire business. Information previously managed on an individual basis is now stored as data within the Dexerials Group and managed so that it can be reviewed. Going forward, we plan to use this system as a communication platform with business units.

□ P.52 Accelerating Change Through Digital Transformation (DX)

In addition to the above, we established engineering solutions centers to conduct evaluations and analyses near important sites in China and South Korea to strengthen customer technical support. In the future, we plan to establish a site with similar capabilities in the United States to accelerate feedback to customers.

**Kozaburo Hayashi**Executive Officer  
Global Sales &  
Marketing Division Head

When expanding global sites, we focus on improving the quality of our customer relationships rather than increasing their quantity. Our aim is to start with one product offering for a customer and expand it to two or even three product categories. I am confident that these efforts will ultimately lead to an expanded business portfolio and stronger relationships with our customers.

**Expanding sales through strategic partnerships**

At the end of 2023, we entered into a strategic partnership with Restar Corporation. Restar has an extensive track record as a trading company for semiconductors and electronic components both inside and outside Japan. As we expand the photonics domain into a third pillar of business, we hope to develop new customers through Restar.

Further, in establishing a joint venture that will assume control of our sales function, we will be able to expand our business of high value-added products and strengthen our distribution function. In July 2024, we commenced operations in Hong Kong as a joint venture selling products for China. We are now preparing to launch operations in South Korea and Taiwan in January 2025. We are also promoting personnel exchanges, and hope to further enhance synergies through deeper mutual understanding.

We plan to further deepen relationships with Restar as well as with distributors who have cooperated with us to date, to strengthen our sales capabilities and ultimately this will enhance our own sales functions.

Perspective drawing of the Kanuma Plant aiming to become a smart factory utilizing IoT and big data and to improve BCP

## Enhancing the Manufacturing Functions

# Enhancing the Manufacturing Functions and Responding to Environmental Changes by Increasing Efficiency Through Digital Transformation and Improving BCP Functions

Given the decline in Japan's working-age population, the Production Strategy Division is taking the lead in promoting the building of smart factories through digital transformation (DX). We will also work to improve BCP functions to minimize damage and rapidly recover in the event of a disaster or other emergency, and we will develop a foundation that can respond to changes in the business environment.



**Takashi Yoshida**

Executive Officer  
Production Strategy  
Division Head

## Unifying manufacturing functions under the Production Strategy Division to optimize operations from a company-wide perspective

Since the previous Mid-term Management Plan, we have been enhancing our manufacturing functions, investing heavily in production line expansion. As a result, the plant has become more labor-efficient, and in particular, Anti-reflection films for automotive can now be produced approximately 1.5 times more efficiently. Additionally, under the new Mid-Term Management Plan, we are working to build smart factories through DX and further improve BCP functions.

Our manufacturing functions have two features. The first is that the Production Strategy Division is responsible for a comprehensive range of functions, including production engineering and production management. This system enables us to consistently build new production line equipment and processes, from design to launch and mass production. The second feature is that the Production Strategy Division also possesses a production site strategy function, facilitating production optimization and streamlining from a company-wide perspective, including global production sites and partner companies.

While we operate our production facilities and sites with maximum efficiency, we do not decentralize production bases by producing the same products at multiple locations. From the perspective of stable supply, diversifying production sites is effective. However, since we have many product items and each product is manufactured using dedicated manufacturing equipment, diversifying production sites would increase operating costs and make it difficult

to supply at competitive prices. As many of our customers rely on Dexerials as a single-source supplier, we recognize that our current challenge is how to ensure a stable supply without increasing the number of production sites.

## Improving BCP without dispersing production sites by enhancing energy productivity and disaster resilience

We are currently constructing a new plant on land adjacent to Kanuma Plant No. 2 with the aim of expanding production capacity. One of the key points is to build plants and production lines that improve BCP without dispersing production sites. The new plant will be a smart factory utilizing DX to facilitate remote operations, labor-efficiency, and automation, so that we can respond to sudden increases in demand even as the working population declines, and maintain production lines even during a pandemic.

To build smart factories, we are verifying production capacity by optimizing production equipment layouts using BIM data<sup>\*1</sup> and 3D point cloud data<sup>\*2</sup> to create a “digital twin” in the future. Simultaneously, we are also working to increase efficiency through the utilization of robotic process automation (RPA) and other tools. We plan to build a smart factory on-site with optimized processes and more than double the productivity per employee.

## Strengthening human capital and smart factories by balancing economic and social value

We are currently focused on strengthening human capital through efforts to ensure all employees in manufacturing divisions undergo DX training, and that employees who lead DX on the front lines

undergo additional, specialized training. Further, the Production Strategy Division has established KPIs and is advancing the transformation of human resources portfolio in manufacturing. We will reskill our manufacturing personnel and increase the number of transfers to technical positions, while also promoting the hiring of IoT engineers, to develop human resources capable of taking on technical planning and strategy development.

As the working population shrinks, to enhance unique Dexerials' technologies that no other company can imitate, the new plant needs to provide a production environment that is comfortable for everyone to work in, regardless of gender, disability, or nationality. The building has been converted to the ZEB<sup>\*3</sup> standard to reduce CO<sub>2</sub> emissions, and we are working with the Sustainability Promotion Division to implement environmentally friendly<sup>\*4</sup> measures towards the realization of a decarbonized society.

Further, in line with the start of operations at the new plant, we are also upgrading core systems to enable highly efficient production planning across the entire company. While placing importance on the balance between economic and social value, we will further evolve our manufacturing functions by strengthening our human capital and building smart factories to respond to changes in the external environment and achieve sustainable growth.

<sup>\*1</sup> Building information modeling. Refers to solutions that utilize information in all processes, from building design and construction, to maintenance and management.

<sup>\*2</sup> A tool that uses a 3D laser scanner to measure factories and equipment and create a 3D model of the site.

<sup>\*3</sup> Net zero energy building: A building whose annual primary energy consumption balance is zero.

<sup>\*4</sup> The building will be designed to be resistant to major earthquakes and floods, and will increase energy productivity by using a cogeneration system and solar power generation so that it can continue to operate for several days even during a power outage.

## Financial Strategy

## Capital Allocation to Achieve Sustainable Growth and Enhance Corporate Value

The new Mid-Term Management Plan “Achieving Evolution” began in fiscal 2024. Building on our achievement of numerical targets ahead of schedule under the previous Mid-term Management Plan, we are pursuing a strategy that emphasizes a balance between growth investments and shareholder returns, with the aim of achieving sustainable growth. To further enhance corporate value, we will pursue the balance of economic and social value.

### Kazuyoshi Terashita

Executive Officer,  
Business Management Division Head



### Maintaining an awareness of capital efficiency (ROE and ROIC), while steadily implementing the three pillars of the new Mid-term Plan to enhance corporate value

To enhance corporate value while maintaining an awareness of capital efficiency (ROE and ROIC), we believe it is important to improve the EBITDA margin, an indicator of earning power. Accordingly, the new Mid-Term Management Plan (hereinafter, new Mid-term Plan) launched in fiscal 2024 calls for the steady implementation of measures in line with three basic policies, underpinned by a financial strategy

comprising capital allocation of 305.0 billion yen over the cumulative five-year plan period.

### Appropriate allocation of capital amounting to 305.0 billion yen over the cumulative five-year plan period (fiscal 2024–2028) to balance investments for sustainable growth and shareholder returns

In terms of cash inflows, we forecast operating cash flow of 215.0 billion yen and debt financing of 90.0 billion yen. We think the utilization of debt (leverage) leads to more efficient

use of shareholders' equity, and we aim to achieve the optimal balance between debt and equity, considering the nature of the investment.

Regarding cash outflows, we expect to allocate 130.0 billion yen to growth investments (approximately three times the amount invested during the previous Mid-term Management Plan). These investments will be made in high-resolution projects—projects with a high probability of realizing growth—to achieve the new Mid-term Plan. One of these projects is the expansion of Kanuma Plant No. 2, an Anisotropic Conductive Films (ACF) manufacturing site. The expansion of this plant will increase our ability to steadily supply high value-added ACF.

□ P.37 Enhancing the Manufacturing Functions

We have also secured an additional investment budget of 50.0 billion yen for sustainable growth. This was made possible by increasing earning power under the previous Mid-term Plan, which has enabled us to generate investment capacity for longer-term growth beyond the new Mid-term Plan period. These are upfront investments aimed at long-term business growth, and although their returns are not reflected within the new Mid-term Plan, we will boldly pursue capital investments and M&A as their likelihood of success increases over the new Mid-term Plan period. Currently, several candidate projects are under consideration, and we are assessing their feasibility from multiple perspectives. By making investments with an eye toward the next Mid-term Plan beginning after 2028, we aim to solidify the foundation for sustainable growth.

Further, how we invest in the sources of our value creation, technology and human capital, will be key to our sustainable growth. We plan to allocate 45.0 billion yen over five years to these non-financial investments. Our strength lies in our business model, which is based on “Design-in” and “Spec-in.” For example, regarding products for smartphones, we hold technical discussions with display manufacturers, who are direct customers, as well as with smartphone

manufacturers, who are end customers. For this reason, developing human resources with diverse skills is an important management issue.

We believe that growing our business, and ultimately the Company, through these growth investments is the best way to return value to shareholders. Under the new Mid-term Plan, we are confident that we can generate sufficient cash flows to support sustainable growth and necessary investments while also enhancing shareholder returns.

In fiscal 2023, the final year of the previous Mid-term Plan, EBITDA exceeded 40.0 billion yen. Given our enhanced earning power, we revised our shareholder return policy in the new Mid-term Plan. Specifically, the previous policy targeted a total payout ratio of 40% of profit before goodwill amortization, while the new Mid-term Plan has raised this target to 60% over the five-year period. Additionally, the consolidated payout ratio target is set at 40%, and, with a focus on stable dividends and capital efficiency, we have introduced a minimum dividend on equity (DOE) target of 7% or higher.

Under the previous Mid-term Plan, improving cash flows was a priority, and shareholder returns were implemented based

on that policy. The total payout ratio remained in the 40–50% range each fiscal year. In addition to continuously increasing the dividend amount each period, we have also flexibly executed share buybacks, taking into consideration our financial situation, stock price levels, and other factors. As a result, the total payout amount reached 35.0 billion yen over the past five years. With a greater ability to generate cash under the new Mid-term Plan, we recognize that we have reached the starting line to achieve both growth investments and shareholder returns.

### Previous Mid-term Plan overview: Expanded business portfolio through the qualitative transformation of existing businesses based on business feasibility evaluation and expansion in growth domains

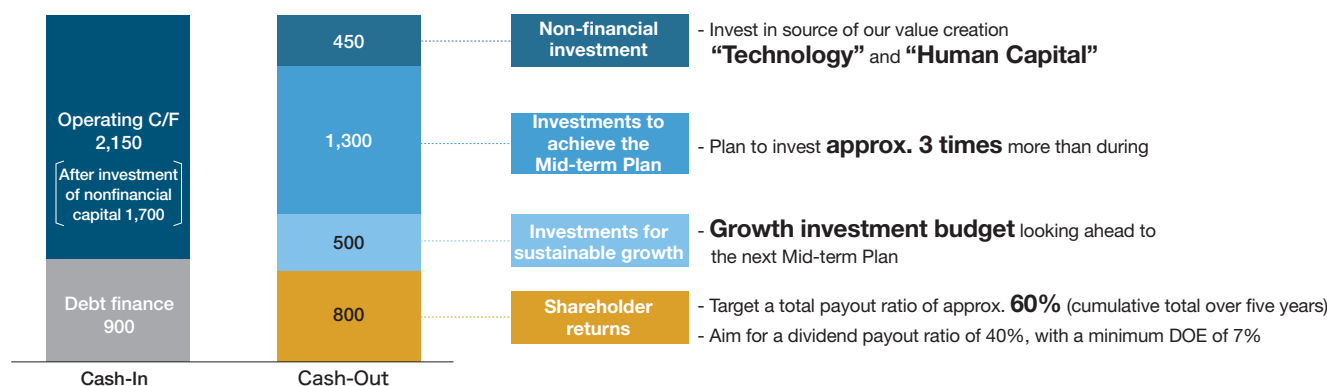
Under the previous Mid-term Plan, we achieved net sales, operating profit, and EBITDA targets ahead of schedule. The driving force behind this was operating cash flow improvement by business feasibility evaluation using simplified ROIC.

We analyzed the earning power and growth potential, of each business unit based on ROIC calculated using the capital directly invested in each unit. This comprehensive analysis led to the downsizing and consolidation of 11 business units. The basic assumption is that human resources and capital that were invested in downsized or consolidated businesses will be shifted to the next growth businesses. These efforts have enabled us to focus on high-growth, high-profit business units.

□ P.41 Business Feasibility Evaluation

At the same time, we have also been working to expand growth domains. In 2022, we acquired Kyoto Semiconductor Co., Ltd., a company that develops, produces, and sells optical semiconductors and modules, as a subsidiary, and established Dexerials Photonics Solutions Corporation, integrating it with our existing inorganic optical business. Although our

#### ■ Capital Allocation Cumulative total for the five-year period of the Mid-Term Management Plan (100 million yen)



ability to generate cash in growth domains is not yet sufficient, while investing in growth domains, we have been able to generate solid cash flows from ACF, Anti-reflection films, and other existing high value-added products, which has led to the expansion of our business portfolio.

As a result of advancing business portfolio expansion, which simultaneously strengthens existing businesses and expands growth domains within business feasibility evaluation, we achieved record-high operating profit in fiscal 2023, despite a decline in net sales. On the other hand, the expansion of our business portfolio has led to increased diversification of product model cycles. In the existing domain of consumer IT, product life cycle is one to two years, while in growth domains, that of the automotive business is three to five years, and that of photonics is five to 10 years. This diversification has increased the stability of overall company performance, which has become one of our strengths.

We have also formed a strategic partnership with Restar Corporation, a semiconductor and electronic components trading company. By leveraging their strong presence, we aim to enhance our “Design-in” and “Spec-in” capabilities with customers in the Asian region. Through this partnership, we believe we can reduce exchange rate sensitivity and expand our customer base, thereby contributing to the reduction of overall earnings volatility for the company.

### Trust and expectations for sustainable growth among stakeholders, fostered through appropriate information disclosure and sincere engagement, will contribute to enhanced corporate value

To build our reputation in the stock market, we must first ensure investors understand how we intend to maintain high profitability and grow going forward. In that sense, we recognize that at present, our P/E ratio is below the level of our industry peers and therefore insufficient. I assume that at the root of this are doubts among investors as to



whether Dexerials can continue to grow. We aim to enhance corporate value through initiatives that respond by creating economic and social value through our products and businesses. We conduct IR meetings in an effort to deepen shareholder and investor understanding with regard to business growth potential and capital policies.

In May 2024, we revised our director remuneration system, significantly increasing the proportion of stock-based compensation, from 20% under the previous Mid-term Plan to 40%, further aligning the interests of management and shareholders. In June 2022, we provided company shares to employees in Japan to enhance their awareness and participation in management.

□ P.83 Performance-linked Compensation

□ P.66 Employee Stock Ownership Plan (ESOP)

We also implemented a 3-for-1 stock split, with a record date of September 30, 2024. By reducing the amount per investment unit, we are facilitating an environment more conducive to investment for our investors with the aim of improving share liquidity and expanding the segment of individual investors that empathize with our management philosophy, purpose, and commitment to sustainable growth. We conduct factory tours in conjunction with the General Meeting of Shareholders and hold IR briefings in various locations, including online. We will maintain these efforts to create individual fan shareholders.

We will also continue to place importance on communication with institutional investors. In fiscal 2023, we held around 300 dialogues, providing opportunities to explain our strengths, including our “Design-in” and “Spec-in” business model. In the process, we received many opinions regarding the balance between growth investments and shareholder returns. These opinions are reflected in the capital allocation strategy under the new Mid-term Plan.

□ P.87 Communication with Shareholders and Investors

Moreover, in recent years, institutional investors have been expected to “exercise their voting rights responsibly.” Accordingly, we are also working to further strengthen governance by referring to standards issued by the world’s leading proxy voting advisory firms.

Needless to say, my mission is to enhance the Company’s corporate value and presence. As a precondition, I believe it is important to thoroughly explain our business model, growth strategy, and management messages to shareholders, investors, and other stakeholders to establish a sense of trust and bridge any information gaps. We will adopt the stakeholders’ perspective and communicate in a way that facilitates consent. Through communication and engagement with investors regarding our efforts to enhance corporate value and the progress of our Mid-term Plan, we aim to increase the expectations for our growth in the capital markets and enhance our corporate value.

## Business Feasibility Evaluation

### Business Feasibility Evaluation Objectives and Positioning

We assess all business units using an evaluation axis based on simplified ROIC, and engage in thorough selection and focus.

Under the previous Mid-term Management Plan, the immediate challenge was to improve profitability. With the aim of qualitatively transforming existing businesses, we reviewed our business portfolio using a business feasibility evaluation system. We employ four evaluation axes—earning

power, business efficiency, growth rate, and competitive advantage—to conduct quantitative assessments of each business.

Based on the business feasibility evaluation, we will strengthen or streamline businesses that should be continued. For businesses deemed in need of structural changes, we review strategies and formulate restructuring plans, then engage in further discussions to decide whether to continue, transfer, or withdraw from the business. If a decision is made to transfer or withdraw from a business, we shift resources to ongoing businesses.

Having thoroughly engaged in selection and focus based on business feasibility evaluations, we reduced the number of business units from 23 in fiscal 2019, the first year of the

previous Mid-term Plan, to 13 in fiscal 2023, the final year of the plan. This system enables us to focus management resources on ongoing businesses, improve profitability, and prepare for the next stage of growth.

Under the new Mid-Term Management Plan that started in fiscal 2024, we will continue to conduct business feasibility evaluations to contribute to the business portfolio expansion and other related activities.

In today's world, where change is the norm in the business environment, maintaining a lean structure is essential for sustainable growth. In conducting business feasibility evaluations, we aim to select and focus management resources for further growth.

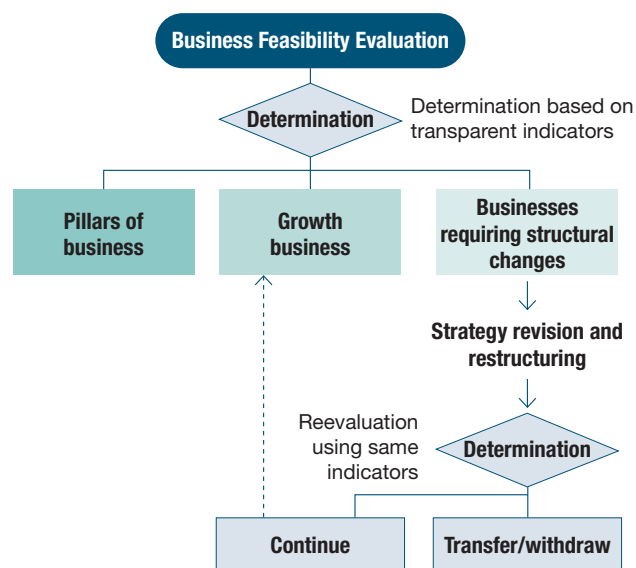
#### Previous Mid-term Plan Evaluation Criteria

Each business is quantitatively evaluated based on four evaluation criteria

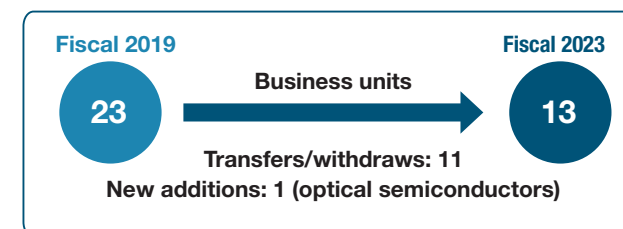


Perspective (item)	Details
Earning power	Average annual EBITDA for the past three years
Business efficiency	Average annual simplified ROIC by business unit for the past three years
Growth rate	Expected growth rate (sales and profits) of our business within the market, taking market maturity into consideration
Competitive advantage	Evaluated based on technological development capabilities and intellectual property competitiveness (IP landscape score)

#### Business Feasibility Evaluation Mechanism



#### Business Feasibility Evaluation Results



#### Transfer/withdraw example

In the business feasibility evaluation, the water treatment agent business was categorized as a business requiring structural changes. After reviewing our business strategy with the aim of restructuring, we made the decision to transfer this business and related technologies to a company that can better utilize it, rather than continuing to engage in the business ourselves.

The patent rights and technical know-how related to said water treatment agents have been transferred to and taken over by a specialized company engaged in the water treatment business. Subsequently, Dexerials ended its involvement in this business.

## Business Growth in the Photonics Domain

## Optical Technologies Facilitate High-speed, Large-capacity Communications. We Aim to Double Photonics Business Sales in Five Years

The photonics business, where further market expansion is expected going forward, has been positioned as a third pillar of business to which we will allocate resources to accelerate growth. As a solutions provider supporting the evolution of technology, we will contribute to the realization of, “a more prosperous and efficient society” in Dexerials’ purpose.

**Kazuya Hayashibe**

Executive Officer  
President, Dexerials Photonics Solutions Corporation



### Achieving business growth and resolving social issues in the developing photonics domain

The Dexerials Group has been promoting business portfolio expansion to establish a management base that is resilient to changes in the external environment. After extensive deliberations aimed at realizing the creation of new businesses, and at the same time, the resolution of social issues through technological innovations, we positioned the business in photonics, a growth domain, as the “third pillar.”

The photonics domain is a field in which light and electricity are combined to process information through photoelectric conversion, which involves the mutual exchange of signals between photons and electrons. Products that use photoelectric conversion and light control technologies include optical semiconductors and inorganic optical devices.

In today’s society, the forms of information and communication are changing dramatically, and we are being asked to handle even more information. Communication volumes are

increasing rapidly due to the use of generative AI to process digital content and the spread of IoT. In the automotive and healthcare sectors, the evolution of sensing technologies for the purpose of obtaining large amounts of information is accelerating. In response to changes in society, where photonics is being used in a variety of areas, the current market need is to advance photoelectric conversion functions so that they can handle higher speeds and larger capacities.

### Combining Group company technologies to create unique solutions

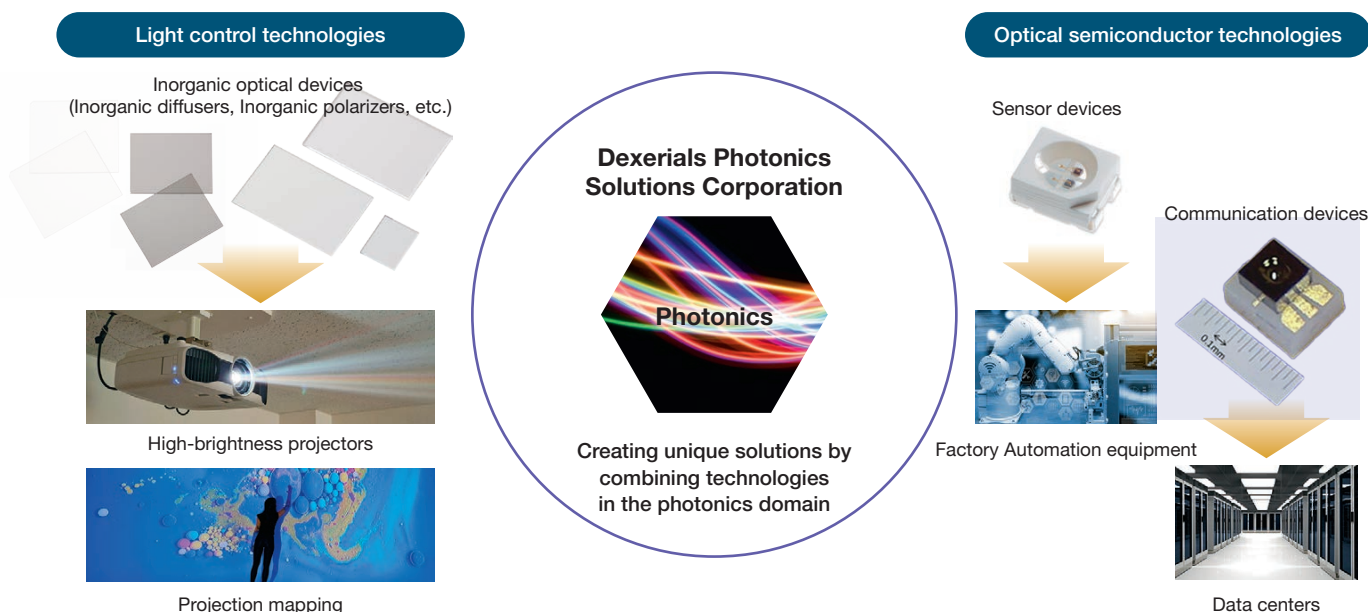
The Dexerials Group combines various technologies and human capital to create materials, devices, and solutions essential to the evolution of digital technologies. In particular, we predict that the development of AI and IoT, as well as the next-generation high-speed communications that underpin them, will be effective in making more efficient use of resources and alleviating labor shortages, and we feel a strong sense of social significance advancing the photonics domain.

That is why the Group will continue shifting resources to this

domain, which is expected to continue growing. Further, to realize our purpose, “Empower Evolution. Connect People and Technology,” we will evolve into a “solutions provider” in the photonics domain, combining marketing with technologies such as photoelectric devices and optics.

To achieve this vision, in March 2022, we acquired Kyoto Semiconductor Co., Ltd. (hereinafter, “Kyosemi”), engaged in the optical semiconductor device business, as a Group company. In April 2024, Kyosemi merged with Dexerials Precision Components Corporation, a company that manufactures inorganic optical device products using semiconductor processes, to form Dexerials Photonics Solutions Corporation (DXPS). The entire Dexerials Group is working to develop and provide solutions in the photonics domain.

Kyosemi has cultivated technologies for the development and manufacture of optical semiconductor device products, while the Dexerials Group’s strengths lie in materials and devices for electronics. We believe this integration will create synergies between Kyosemi’s optical semiconductor technologies and our Group’s technologies for controlling light and electricity, enabling us to provide value as a unified Group.



## Strengthening competitiveness and ensuring stability through the evolution of the management base and forward-thinking development

As stated in our materiality, technology and human capital are essential to future growth. Within our Group, engineers and sales staff collaborate to communicate directly with customers, allowing us to identify latent technical challenges and upcoming technology trends. By analyzing these issues from customer dialogues and using them to propose forward-looking solutions and drive technology development, we can accelerate business growth. “Engineering marketing,” in which customers work together with Dexerials’ engineers and sales staff to develop and propose solutions that are one step ahead of market needs, is one of our Group’s strengths, and we believe it is something we need to enhance further.

To this end, we must accurately ascertain system design needs in the photonics domain and create solutions that are essential to the evolution of society and technology. This requires the integration of skills from diverse talents, and we are actively recruiting individuals with a wide range of specialized expertise, including those from fields beyond the current areas. Specifically, in acquiring talents capable of driving technological innovation, we are focusing on recruitment and training from a global perspective in line with our human resources strategy, and are expanding the skills and resources necessary for growth.

☞ P.50 Materiality (2) Strengthening Human Capital

Further, as part of our investments in technology and human capital, we established the Dexerials-Tohoku University Photonic Meta Sensing® Co-creation Research Center in 2023. This is an initiative aimed at promoting research and human resource development in the photonics domain, and creating innovative devices and deploying them in society.

By accelerating research through this academic-industrial collaboration with Tohoku University and creating new technologies and solutions, we will contribute to advancements in the photonics domain, the resolution of social issues, and sustainable corporate growth.

☞ P.46 Innovation

We will work to continuously deepen our business model with a focus on strengthening investments in technology and human capital. By reinforcing our management foundation, we aim to build a system capable of responding to the rapid changes of the VUCA era.

## The pillar supporting the Group and driving the achievement of net sales of 15.0 billion yen in fiscal 2028

DXPS, which is responsible for the photonics business, is targeting net sales of 15.0 billion yen in fiscal 2028. To achieve this, we aim to create solutions that add new value by realizing composite functions through the combination of light control technologies cultivated up to now. We are also working to expand the production of high-speed photodiodes, which are key devices for high-speed, large-capacity communications in the fields of optical communications and optical semiconductors. Under the Mid-Term Management Plan 2028 “Achieving Evolution,” we will steadily promote these measures to meet needs in the expanding market.

The expansion of our business portfolio is the most important issue in achieving our purpose and realizing sustainable growth. DXPS has just reached the starting line toward further Group growth and enhanced corporate value. First, we will expand business in the photonics domain to achieve our sales target by fiscal 2028. Looking ahead, we will grow DXPS and make the photonics business into pillars that will drive the Group forward. We hope to live up to the high expectations of all our stakeholders.

Materiality Strengthening Technology (Technological Strategy)



## Technology Innovation and Business Transformation by expanding human resources diversity and driving innovation –leveraging “inside-out” core competencies combined with new technologies acquire from an “outside-in” approach–

The Dexerials Innovation Group (DIG) was established in 2020, bringing together a diverse range of experts to drive new innovation for Dexerials. As a company-wide control tower for the realization of our purpose, we are drawing a path toward expanding our business portfolio that balances economic and social value by contributing to the evolution of digital technology in a wider range of areas.

### Kuo-Hua Sung

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



#### **Q** Please tell us about DIG’s efforts from its establishment to the present, and its medium- to long-term direction

**Toward a medium- to long-term plan: DIG’s Roles and Strategies**

Launched as an internal organization in 2020, the Dexerials Innovation Group (DIG) comprises experts from diverse fields who examine social issues from various angles. While exploring technologies that can potentially become solutions, DIG develops technological innovation strategies aimed at creating new businesses.

When it was first established, DIG was responsible for identifying the technological needs and the goal was to create new technology and business. Through thorough examination of technical & market data intelligence, systematic analysis with criticality and convergence, and prioritization for valuation & differentiation, Photonics and Semiconductor areas are identified as our focus domain. In the area of photonics, we are working to strengthen our structure for further growth in the current Mid-Term Management Plan.

Accordingly, DIG has now entered the medium- to long-term plan and starting the execution phase. As the central command center for company-wide efforts targeting the fulfillment of our purpose — “Empower Evolution. Connect People and Technology.”—DIG formulates and implements strategies that drive growth and innovation and pave the way toward sustainability while also streamlining, optimizing, and setting directions for the efforts of all business units. We are proactively integrating technologies from external sources, closely monitoring market trends, and diligently addressing customer needs while aligning our marketing strategies with both external and in-house technologies, exploring how we can utilize these advantages to benefit various industries.

At DIG, we always keep in mind the questions “What does it mean for us to develop this technology?” and “What value can we provide to society?” In other words, the process is to pursue “what are the differentiators to increase our added value?” The topics of discussion are wide-ranging. There are dynamic themes that affect the entire company, medium- to long-term, and subdivided subjects, such as tasks assigned to each department and progress management. Executing strategies developed through a variety of discussions inter-

nally and externally with customers and industries, including the incorporation of intellectual property (IP) strategies into the business, dialogue with academia and consortia, and collaboration of strategic partnerships and open innovation, will ultimately lead to the expansion of the business portfolio.

DIG stands at its core value to “INNOVATE” in all aspects, creating new technologies and being a responsible partner and a leader in our global society.

#### **Q** Please tell us about the perspectives and efforts that you consider important for achieving medium- to long-term growth **Medium- to long-term growth strategy through the fusion of “inside-out” core competencies and new technologies acquired from “outside-in” approaches**

To expand our portfolio, we will need to transform our businesses on an ongoing basis, and I am convinced that two perspectives will be particularly important as we target this transformation over the medium- to long-term.

The first perspective relates to the use of our core strengths. Building on the solutions we have developed through the consumer IT domain, an area in which we have excelled, we deliver original products and technologies that other companies cannot replicate. Six core technology domains (thin-film formation and coating, inorganic materials, organic materials, evaluation and analysis, microfabrication, and photonics) supported our development of unique solutions and will remain essential to our growth moving forward. Additionally, we have five key skill-set categories—material, process, equipment, analysis/evaluation and design—that are essential in all technical fields. These strengths enable the creation of new technologies and provide the foundation for market introductions with speed and dexterity. By coupling our core technologies with human resources that possess these diverse skills, we can expand into new business areas while strengthening our competitive edge. We view these advantages as crucial for establishing market leadership.

P.46 Innovation

The second perspective is our “outside-in” approach, which aims to generate business opportunities and create new businesses through the resolution of social issues. This approach requires extensive dialogue with customers, partners and industry leaders. We find the technical challenges in the digital technology market, examine the factors that impede breakthroughs, and propose new solutions and values to overcome these hurdles.

These efforts are supported by the accumulation of various technologies that we have cultivated over the years (our “Tool Box”). For example, in response to the need for high speed communication due to the increase in data volume based on generative AI advancement, we can propose solu-



tions using opto-electric fusion technologies — electronics, optics, and optical semiconductors in our “toolbox”.

**Q Please tell us about the achievement of expanding your business portfolio and your approach to “human resources.”**  
**Aim to expand our business portfolio and enter new growth areas based on the strengthening of technology and human resources.**

The expansion of our business portfolio begins with two material priorities: technology and human resources. In terms of technology, as I mentioned earlier, we will leverage our core competencies combined with new technologies acquired from an “outside-in” approach to accelerate our development.

With regard to human resources, we cannot limit our focus to simply increasing personnel; we must also explore how to secure top-level talent in fields where we aim to grow. Simply put, we must improve the quality of our human resources. DIG already consists of members with diverse backgrounds in terms of gender, nationality and area of expertise. With their varied perspectives, these personnel enable efficient, effective and crucial decision-making through inclusive and collaborative discussions that transcend departmental and disciplinary boundaries. We also develop talents by inviting individuals with industry expertise as advisors and creating opportunities for discussion. Through these efforts, we expect to strengthen the critical thinking and strategic analysis capabilities of our personnel.

Moving forward, we will intensify these initiatives while continuing to focus on new growth areas rooted in photonics and semiconductor technologies. With the rapid advancement of generative AI, the IoT, next-generation communication, sensing devices, and other digital technologies, society has entered a major period of transformation during which demand for high-speed, high-precision, large-scale, and Cloud and Edge information transmission and data processing and computing will expand exponentially. Given these

conditions, we firmly believe innovation related to optical semiconductors and photonics will lay the groundwork for a prosperous future.

By leveraging our strong core competencies from “inside-out” combined with a variety of new technologies acquired from “outside-in”, we aim to further strengthen our competitive advantages. In addition, with strategic investment attracting more diverse and global talents, critical Technology & Human Resources “missing parts” can be fulfilled, to further solidify our Technology Roadmap and expand our Business Portfolio. Dexerials will continue to provide innovative solutions to solve the technological challenges in the digital technology market and establish its leadership in the industry.

**Q Lastly, please tell us about your motto for sustainable growth and the realization of our Purpose.**  
**Sustainable Growth Strategies and the Future of Technological Innovation based on the “4 Cs” mindset**

When venturing into new business areas, we cannot rely only on our technological capabilities but also talents with diverse perspectives and collaborative relationships are essential. Accordingly, the support of our stakeholders is becoming increasingly crucial. When it comes to business, I personally emphasize the “4 Cs” mindset - Collaboration, Commitment, Creativity, and Curiosity. By skillfully applying these four Cs and collaborating with our stakeholders, we will explore how far we can expand the potential of our technologies, how broadly these technologies can be applied, and how we can leverage them to facilitate the creation of a more prosperous and efficient society.

These initiatives for sustainable growth are very important for all with the goal of achieving a better society and extending our position as a responsible and trusted solution partner globally. And for the better of our precious future generations, therefore, please keep an eye out for what we are up to in the near future.

## Innovation



### Creating New Value Through the Integration of Various Core Technologies and Human Capital

The Dexerials Group places great importance on innovation as a key driver for realizing our purpose and achieving sustainable growth. The sources of our innovation are our six core technologies and the professional human capital (engineers) who have mastered these and a variety of other technologies.

Amid the volatility, uncertainty, complexity, and ambiguity of the VUCA era, social issues and needs are becoming more diverse and complex, making innovation increasingly important.

In addition to discovering business opportunities beyond existing business domains, and advancing existing core technologies, we are integrating different technologies to promote the further strengthening of our proprietary technologies. Through these efforts, we will further enhance our ability to resolve social issues, lead technological innovation on a global scale, and create new value by developing and proposing unique products and solutions.

### Six Core Technologies and Unique Products Derived from Hybridization



### Exploring New Domains and Creating Businesses with the Aim of Achieving Sustainable Growth

Under the new Mid-Term Management Plan, we will focus on two areas: Strengthening and creating business, and next exploration activities for new business.

First, with regard to business creation, based on the strategic technology field survey conducted by Dexerials Innovation Group (DIG), we will focus efforts on two domains (photonics and semiconductor integration solution) centered on optical semiconductors.

Next, regarding entry into new domains based on core technologies, we will pursue the potential of new technologies that can lead to the resolution of social issues by next exploration activities for new business. Through this initiative, we aim to leverage our existing core technologies to identify new business opportunities and foster sustainable growth.

#### Focus Domains

Strengthening and creating businesses	Photonics	Optical communications: Providing solutions to the issues of increased data traffic and power consumption Sensing: Providing solutions for high-resolution, high-sensitivity sensors used to obtain various photonics information
	Semiconductor integration solution	Providing composite optical semiconductor devices and integration solutions for compounding that can contribute to next-generation high-speed communication technologies
Next exploration activities for new business		Exploring the potential application of core technologies in new domains: Verifying the commercialization of technologies that resolve social issues (energy, healthcare)

### Collaborating with Academia to Promote Basic Research Activities Aimed at Creating Innovation

Basic research conducted within research activities aimed at strengthening and creating businesses plays an important role in the evolution of innovative products and solutions, as well as advances in core technologies. At the same time, corporate R&D activities often involve establishing development themes and activities focused on commercialization, and it is important to balance this with basic research activities that create new technologies and reinforce core technologies.

Through collaborations with academia, we are exploring and expanding themes for basic research activities and promoting human resource developments in areas where we are strengthening business.

After a year and a half of concrete academic consultations, guidance, and joint research, activities conducted by the Dexerials-Tohoku University Photonic Meta Sensing© Co-creation Research Center, established in 2023, are beginning to produce research results in the form of new technologies, products, and solutions at an unprecedented level.

We are also a Coalition Member of Nano Terasu (3 GeV high-brilliance synchrotron radiation facility), which began operations in April 2024, and promote its use for the purpose of exploring technologies aimed at creating innovation.



**Yoshifumi Ueno**  
Corporate R&D Division  
Head

## A Platform for Creating Innovation Through Co-creation

We have established a company-wide cross-functional structure and platform led by DIG to promote medium- to long-term business transformation. Activity information from each department is input into this platform, which is used to evaluate the information, then formulate and implement strategies for development, business, and resource shifts aimed at expanding our business portfolio.

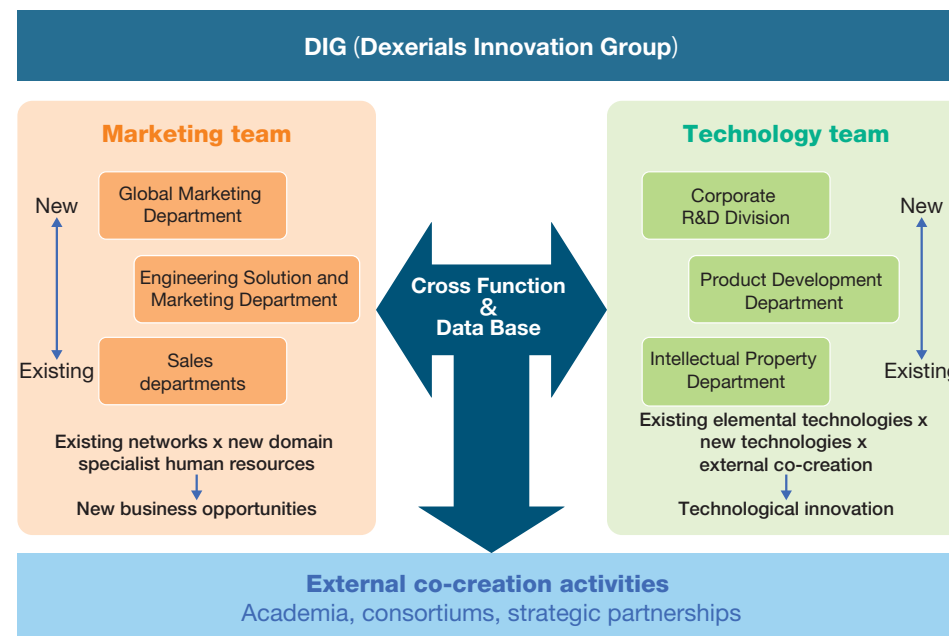
The marketing team supporting global development comprises select members from the Engineering Solution and Marketing Department, who possess the sales and technical expertise enabling them to ascertain current customer issues, and engage in dialogues with customers to address future issues, as well as the Global Marketing Department, which utilizes digital marketing to research and analyze issues facing society and the industry as a whole.

On the other hand, the technology team is made up of a select team comprising the Product Development Department, which is in charge of production design and development for each business unit, the Corporate R&D Division, which researches and develops technologies focused on the Mid-Term Management Plan and beyond, and the Intellectual Property Department.

These teams identify the missing parts essential for realizing technology roadmaps based on strategy, and formulate and implement strategies for development, business and resource shifts. We are also enhancing our global specialist human resources to acquire business and technical information in new fields.

Additionally, we are proactively pursuing co-creation with external parties. We are addressing new challenges facing society and industry by incorporating cutting-edge knowledge and technologies through efforts to develop new markets leveraging commercial channels and collaborations with academia.

## Platform for Creating Innovation



## Technical Exchange Meetings

### Fusing All Dexerials Technologies and People to Target “Achieving Evolution”

Dexerials holds annual technical exchange meetings with the aim of realizing sustainable growth and creating new value through collaborations between technologies and engineers across departments and fields of expertise. Through these meetings, we aim to improve technological capabilities throughout the entire company by bringing together internal development results and new knowledge, enabling employees to learn from each other and generate new ideas.



The latest development results from each department are presented in the form of a poster session, with employees from different fields who do not normally interact with each other proactively collaborating and exchanging opinions, providing a valuable opportunity to combine technologies and generate new ideas. Dexerials' core technology experts also share knowledge from their respective technical fields and discuss future initiatives.

Through these company-wide activities, we will continue to proactively promote collaboration between technologies and engineers, accelerate technological evolution, and realize further value creation and sustainable growth.

## Organizer's Message

### Encouraging Vigorous Interactions Among Employees from Different Divisions

Technical exchange meetings had been held remotely during the pandemic, but in 2023, we resumed the face-to-face format, using the newly completed reception building. Further, to ensure employees had the opportunity to proactively interact with each other, we introduced new mechanisms such as interactive poster displays using signage monitors, and video streaming for employees who were unable to attend.

I hope that interactions between employees from different departments facilitated by these meetings will lead to the promotion of innovation activities and the evolution of technologies throughout the Group.



**Hiroshi Tazawa**  
Corporate R&D Division  
Advanced Integration  
Processes  
Technology Development  
Department

## Leveraging Intellectual Property to Realize Sustainable Growth



Dexerials Group regards Intellectual Property (IP) as one of its most important management assets. While we maintain a cycle of IP creation, protection, and utilization, we also utilize the IP Landscape\* to create and evaluate businesses. At the same time, we are proactively investing in human capital through IP education for employees and new incentive systems. In connecting technologies and human resources through IP, we are promoting the resolution of our materiality (key issues) and supporting value creation and sustainable growth.

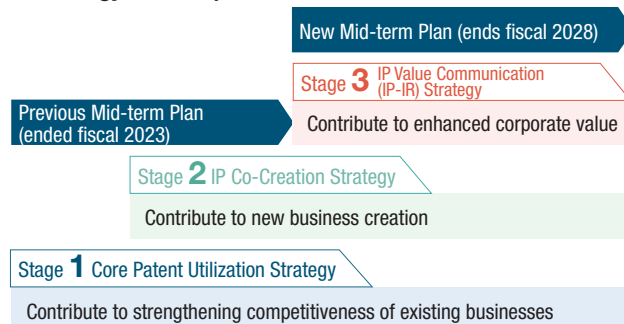
### Intellectual Property Strategy

Our IP strategy for the future consists of three stages: “Core Patent Utilization Strategy”, “IP Co-Creation Strategy”, and “IP Value Communication (IP-IR) Strategy”.

In stage one, “Core Patent Utilization Strategy”, we aim to strengthen IP competitiveness by acquiring global rights for inventions created in each business category.

We also analyze patent scores for each business category to optimize our patent portfolio.

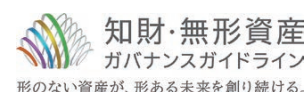
### IP Strategy Roadmap



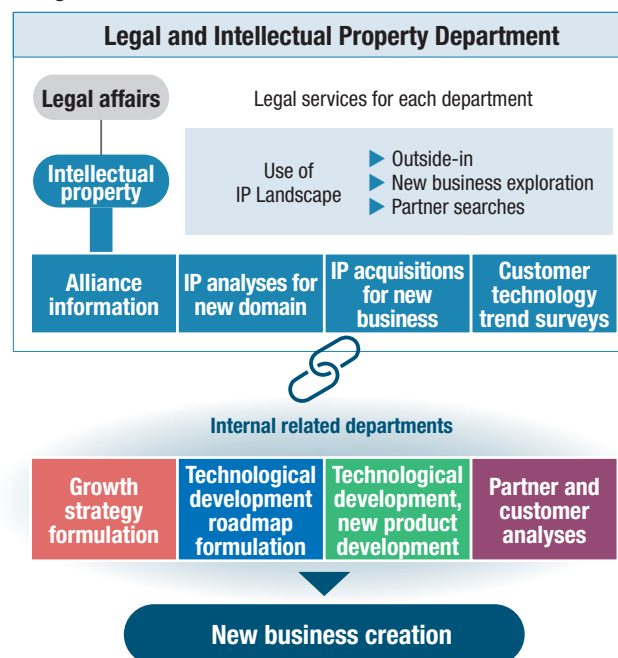
\* IP Landscape: A method for strategically analyzing and visualizing IP information and utilizing it for management decisions and R&D strategies.

In stage two, “IP Co-Creation Strategy”, we work with other departments to develop IP Landscapes with the aim of contributing to the creation of new businesses.

In stage three, “IP Value Communication (IP-IR) Strategy”, we have been proactively disclosing IP information in accordance with the “Intellectual Property and Intangible Assets Governance Guidelines,” with the aim of contributing to corporate value enhancement through IP. The new Mid-Term Management Plan includes strengthening IP as part of our approach to technology, which is one of our materiality. As we promote this initiative, we also aim to improve engagement with stakeholders by proactively disclosing our IP investment status.



### IP Landscape Internal Development IP Information Usage Network



### Global Patent Portfolio Supporting Technological Originality

To enhance business competitiveness, we are establishing global-market entry barriers and securing IP rights to realize our business model while ensuring legal compliance. In recent years, the percentage of foreign patent applications has risen to 78%, with patents registered globally accounting for 66% of the total. This percentage is nearly on par with the global sales ratio of 78.8% in our business (both figures are as of the end of fiscal 2023), and we maintain a balance between business and patents.

Moreover, we comprehensively protect inventions generated throughout our value chain, from development to commercialization (functional materials, devices, manufacturing methods, etc.).

This approach safeguards our technological originality and enables us to deliver comprehensive solutions to a broad spectrum of stakeholders, ranging from direct customers to end users.

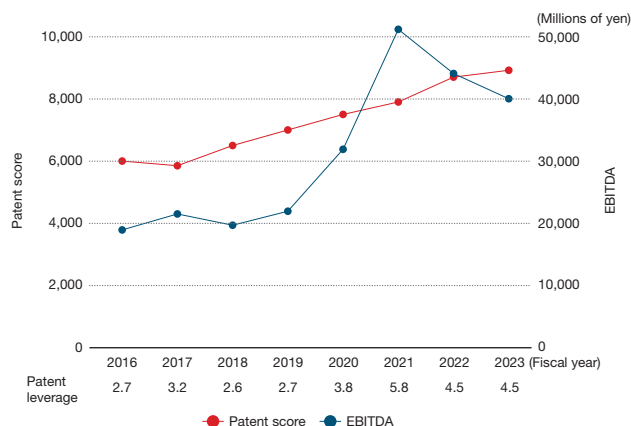
### IP Investment-to-Revenue Cycle

We invest approximately 24% of R&D expenditure in IP (fiscal 2023 results). These investments are used to maintain and strengthen our IP portfolio, as well as for know-how management, IP Landscape analysis, IP reward systems, IP education, and digital transformations, among other efforts. They are also the source for creating solutions to address the materiality of linking technology and human capital through IP.

Furthermore, since fiscal 2023, we have been publicly disclosing our analysis of the correlation between patent scores and EBITDA (earning power), one of our key management indicators. The analysis reveals that EBITDA growth trends correlate positively with patent scores (IP investments). This data supports our value creation narrative: enhanced patent scores created through R&D ensure the superiority of our own technologies, which then act as a barrier to entry for other companies, and ultimately lead to increased sales and profits.

Conversely, any decline in the correlation between patent scores and EBITDA would signal the need for strategic interventions, such as patent portfolio review and optimization of

### Correlation Between Patent Scores and EBITDA



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

\* EBITDA = Operating Profit + Depreciation + Amortization of Goodwill (excluding the effect of exchange fluctuations)

\* Patent leverage = EBITDA ÷ patent score

our patent utilization strategies.

### IP Intelligence Connecting Technology and Business

We have established a cross-organizational framework for IP information collection and analysis, conducting proactive IP intelligence activities centered on IP landscape analysis.

These activities encompass various applications, including:

- IP due diligence for M&A and strategic alliance evaluations
- Business opportunity exploration in collaboration with new business development divisions
- Support for new market and application development in partnership with existing business units
- Real-time technology trend analysis in coordination with marketing departments

This comprehensive IP intelligence framework drives both new business creation and enhancement of existing operations.

### IP Investment Combining Technology and Human Capital to Create Sustainable Innovation

Retaining talent with advanced technological capabilities and an IP mindset is a key factor for sustainable growth. Based on our analysis of Dexerials' inventors over the past 15 years, we concluded that increasing the number of inventors who file their first patent application after joining the company is important for creating new innovations.

Accordingly in 2023, we introduced an incentive system called "First Step Initiative" on a trial basis for first-time inventors (inventors, including mid-career hires, applying for their first patent after joining the company). With this system, we aim to retain and expand our pool of inventors, including both new graduates and mid-career hires, visualize individual innovative capabilities, and support sustainable growth.

Through various IP initiatives, we are addressing the materiality challenges of linking "technology" and "human capital" through intellectual property. Examples include IP education, IP incentives, and the promotion of innovation, and we will consider additional measures as necessary.

By continuously investing in IP education and resources, we aim to cultivate a growing number of employees who can strategically leverage IP to sustain and enhance corporate value.

### IP Education Examples

IP education

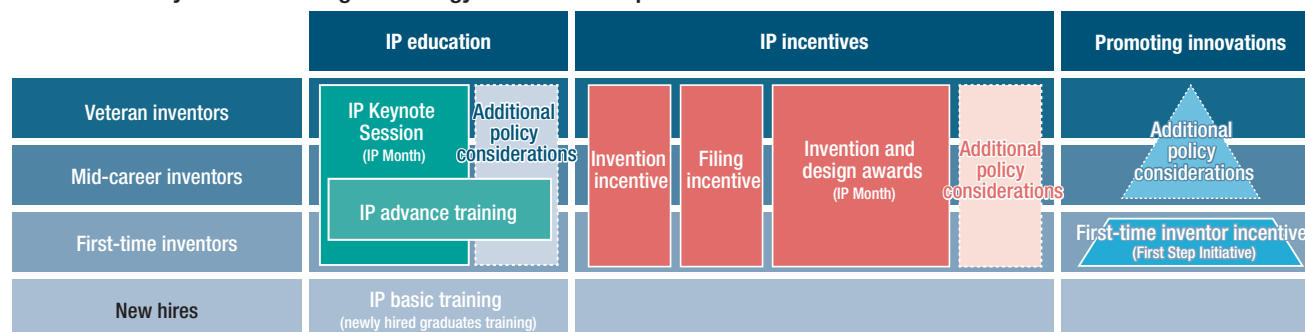
- IP basic training (newly hired graduates training)
- IP advanced training (young employee and mid-career hire training)
- IP Keynote Session (IP Month 2024)

"Asahi Kasei Group's IP Intelligence Activities: Toward the Sustainable Improvement of Corporate Value" presented by Sakae Nakamura (Senior Fellow, Asahi Kasei Corporation)



Snapshot from the IP Keynote Session

### IP Investment System Combining Technology and Human Capital



## Materiality Strengthening Human Capital (Human Resources Strategy)

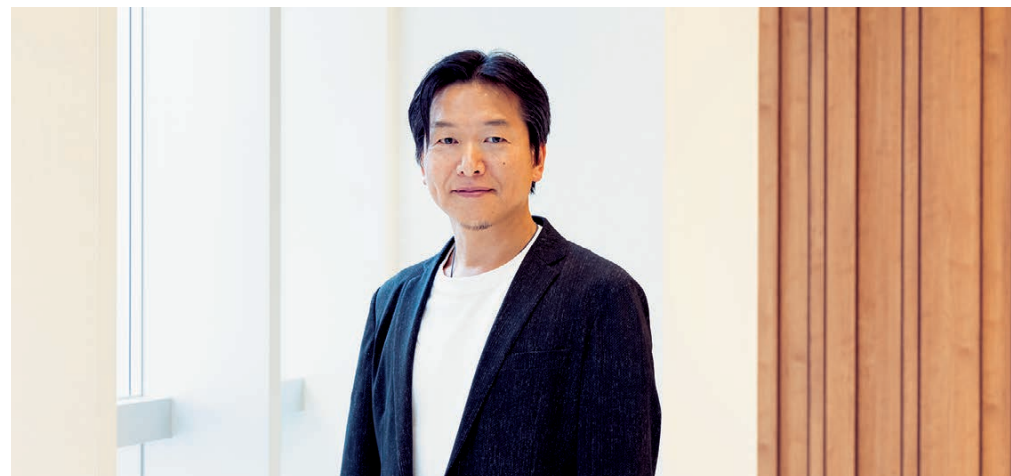


## Realizing an Optimal Human Resources Portfolio through Three “People Strategies” Implemented in Conjunction with Management

Dexerials has identified “Technology” and “Human Capital” as material issues for achieving sustainable corporate growth. Strategies for the diverse human resources constituting the source of our earning power are designed in conjunction with business strategies. In this section, the head of the Human Resources Division, Naoyuki Tsuda, will discuss three People Strategies and specific initiatives aimed at achieving sustainable growth.

**Naoyuki Tsuda**

Executive Officer  
Human Resources Division Head



### Striving to strengthen human resources, the source of value creation

In asking ourselves what is important for Dexerials to maintain sustainable growth, discussions centered on the Board of Directors determined technology and human capital to be material issues. Dexerials creates solutions through technology, and in this era of rapid change, we generate value based on a business model that anticipates customer needs and leads to proposals. People are at the heart of these efforts, and employees with a diverse range of specialized skills—in other words, “human resources”—are our greatest strength.

Without question, people are the key to realizing our purpose. We have newly formulated a purpose, “Empower Evolution. Connect People and Technology.” as our *raison d’être*. To what degree can we increase the overlap between what our employees empathize with our purpose, and what they want to achieve as individuals? And to what degree can we acquire and strengthen the capabilities of our people, who are the source of value creation, in conjunction with future business strategies? These are the two points I place particular emphasis on as we advance our human resources strategy as a material issue.

In fact, each member of the management team had a different concept with regard to the meaning of “human resources.” We held retreats to discuss how we should think about and position human resources. The Dexerials Way<sup>\*1</sup>, our group-wide action guidelines, can also be referred to as “Dexerials uniqueness.” Rather than simply listening to customer requests, we take a customer-oriented approach that ascertains potential needs and makes forward-looking proposals. And, we create value by fully leveraging specializations. As discussions progressed, these two aspects emerged as the source of Dexerials’ human resources uniqueness.

P.66 Dexerials Way

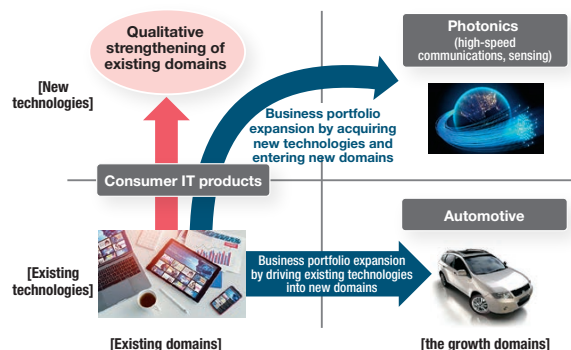
Human resources are human capital, thus budgets for acquiring and developing personnel represent investments rather than expenses. As the quality and quantity of human resources have a significant impact on the speed of management and the achievement of targets, we view the degree to which we can strengthen human resource capabilities globally as a critical challenge in terms of achieving the new Mid-Term Management Plan launched in fiscal 2024 and future goals.

### Backcasting from a medium-term outlook to envision our human resources portfolio

The human resources portfolio must always be considered in conjunction with the business portfolio. Our strength lies in our ability to provide single-source, high value-added products, such as our Anisotropic Conductive Film (ACF), for which we have the top global market share<sup>\*2</sup>. These products were developed by highly specialized employees who identified potential needs through customer dialogues and then made continuous improvements using various technologies. Dexerials’ businesses are divided into four quadrants, “existing technologies and new technologies,” and “existing domains and new domains.” The consumer IT products business is an area where we use existing technologies in an existing domain. In the automotive business, we are taking on challenges in a new domain utilizing existing technologies. The photonics business is a new area, both in terms of technologies and markets. In other words, we must identify the technologies and human resources required in all four quadrants, then acquire and develop the appropriate human resources.

Based on this approach, we have set out the following three people strategies for sustainable growth. The first is to develop a human resources portfolio. We envision what the

## ■ Dexerials Business Mapping



business portfolio should be in the mid-term vis-a-vis business strategy, then backcast to anticipate when, where, and what type of human resources will be needed. As there are limits to the speed, quality, and quantity of growth we can achieve on our own, we will further promote collaborations with external parties to achieve inorganic growth utilizing external resources.

Second, to develop a human resources portfolio, we must design a common global infrastructure, language, and system. In addition to the job-type personnel system, in 2024, we introduced a global personnel system encompassing all affiliated companies and employees inside and outside of Japan. With this system in place, talented and motivated human resources will choose to work at Dexerials, enabling us to grow as an organization that develops personnel internally.

□ P.66 Global expansion of the job-type personnel system

The third strategy, is to become a company that is agile, passionate, and encourages people to take on challenges. To foster an environment where everyone feels empowered to embrace new challenges, we will establish an in-house recruitment system for employees who want to transcend barriers and take on new roles or ascend to higher positions. We will also facilitate a borderless environment enabling employees to move more freely between Japan as well as other countries and regions.

## Promoting human resources acquisition and promotions to strengthen technological and marketing functions

With regard to acquiring and promoting human resources, we are considering what kind of human resources portfolio is required to realize our ideal business portfolio for 2030. We are identifying areas in need of reinforcement in our technology, manufacturing, development, and sales divisions. Specifically, we want to focus on strengthening human resources with expertise in semiconductor technologies for the new photonics field, and those who can enhance our global marketing functions. We recognize that photonics, in particular, is in a phase where we must move quickly to secure and promote talent from within and outside the Company. To bolster technologies, including photonics, we are increasing the number of new graduate and mid-career hires, with plans to hire more than twice the number of engineers in 2024 compared to 2023. Outside Japan, we are moving away from a sales-based approach and stepping up engineering marketing efforts so that we can ascertain and quickly respond to local development needs.

At present, global engineering employees account for around 40% of our human resources portfolio, and we plan to increase this to over 50% by 2028, the final year of our new Mid-term Plan.

## Implementing various measures to promote digital transformation and diversity, and enhance engagement

The promotion of digital transformation (DX) is critical for Dexerials, and we are implementing programs to promote an understanding of digital technologies among all employees from a human resources perspective. In terms of education, we place emphasis on proactive learning and self-development, and have expanded employee learning opportunities through the provision of e-learning and training on a variety of skills. At the same time, in addition to conventional training for the upper tier, we are expanding education for the middle tier and practical opportunities for growth in an effort to create a pipeline to leadership.

□ P.67 Human Resource Development

We are also proactively engaged in promoting diversity. Our direct customers and end customers are often based in different countries, and up to now, engineers in Japan have been traveling to various countries to provide support. However, as rapid decision-making and responses are required, we proactively recruit and employ local foreign talents to facilitate prompt support. Going forward, it will be essential to further raise the level of participation by a diverse range of human resources that include foreign national employees, as well as women, seniors, and younger generations. We will also strengthen efforts to hire more female employees.

□ P.69 Diversity

We are working to improve engagement, as it is directly linked to the amount of value a company creates. Specifically, we place emphasis on creating an environment in which employees can grow. We are working from both top-down and bottom-up perspectives to reduce the distance between management and employees, as well as to strengthen collaborations among teams. We have also introduced an Employee Stock Ownership Plan (ESOP) in Japan, as we encourage our employees to gain a sense of participation in management decisions. We aim to be a company held in high esteem by society, where employees can actively participate by taking an interest in management and increasing their engagement, placing value on health and a sense of fulfillment rather than merely the achievement of economic value.

□ P.66 Enhance employee engagement, Employee Stock Ownership Plan (ESOP)

What is truly important for Dexerials is to ensure that our company is well understood by a wide range of stakeholders, including not only investors but also prospective employees. By raising awareness, we hope to foster greater empathy with us, leading to encounters with new talent. We will work to enhance our appeal from a human resources perspective so that as many stakeholders as possible find value in our company.

\*1 The Dexerials Way is an action guideline that defines expected behaviors of each employee based on global competencies to resolve social issues with unique Dexerials solutions and continue creating value.

\*2 The 2023 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 2024" issued by Fuji Chimera Research Institute, Inc.

## Accelerating Change Through Digital Transformation (DX)

We view DX as the key to corporate innovation and strengthened competitiveness. We will make maximal use of the power of digital technologies to respond to the changing market and meet customer expectations. Furthermore, rather than merely introducing technologies, we will instill a digital mindset in our organizational culture to encourage all employees to generate innovative ideas, and facilitate rapid decision-making by management.

### Basic Policy and Approach to DX

#### 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.

In line with the DX basic policy, all employees are working as one to promote business and operational transformations to ensure Dexerials is a company that is able to achieve sustainable growth.

### Business Transformations

By accurately ascertaining customer needs and matching them with the technological elements we possess, we can propose services more quickly. We aim to contribute to the resolution of a wide range of social issues by creating new added value that meets customer expectations.

#### Case Study Strengthening competitiveness through the global sharing of information

We utilize a customer management system to ascertain trends in customer needs obtained through sales activities. We are also creating a management platform linked to market research that includes market information. Further, the use of AI to match internal technologies and resources with customer needs will make it possible to identify opportunities to develop new products and services in anticipation of social demands.

This will strengthen cooperation between the sales and development divisions, enabling us to quickly turn ideas into reality. By seamlessly integrating supply chain information, from order receipt to production and sales, we aim to accelerate decision-making and enhance our competitiveness, strengthen collaborations with global stakeholders, and provide products and services that exceed customer expectations.

### Operational Transformations

We aim to improve operational efficiency and speed by standardizing and digitalizing supply chain and engineering chain processes. We will also create an integrated data platform

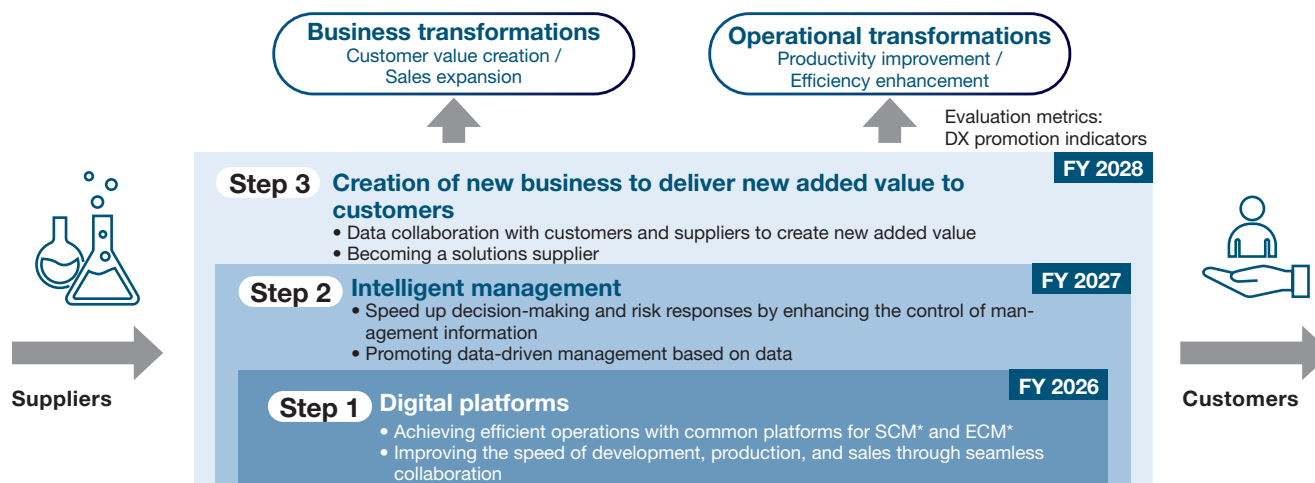
that centrally manages digitized data, enabling data-driven management and decision-making based on data utilization, which in turn will strengthen corporate competitiveness.

#### Case Study Utilizing AI to enhance operational efficiency and quality

Rapid advances in digital technologies represented by generative AI are poised to bring about major changes in workstyles. Since 2020, we have been creating a system for the development of in-house applications using agile methods (a rapid and flexible approach), and have promoted operational standardization and systematization, and the digitization of internal information. This is leading to the creation of an environment in which internal and external information can be utilized efficiently, including the use of AI-powered interactive searches and browsing, as well as text-based summaries and document creation.

Currently, over 200 business applications are in operation, contributing to tens of thousands of hours of efficiency and improved work quality. By staying attuned to advances in technology and actively adopting and adapting new technologies, we aim to strengthen our operational foundation.

### Steps Leading Toward DX



\* SCM: Supply chain management ECM: Engineering chain management

## DX Promotion Structure

In line with growth strategies, the DX Promotion Department visualizes overall DX promotion and promotes company-wide DX measures while maintaining effective IT governance. Each business division has a person in charge of leading DX, who works with the DX Promotion Department to propose measures and formulate implementation plans.

## Human Resources Development for Promoting Transformations

To promote digital transformations, we are focusing efforts on building a strong corporate culture where all employees can proactively drive transformations. To achieve sustainable growth amid increasing uncertainty in the external environment, it is important that all employees have the ability to go beyond their own duties and lead overall business.

We have defined our ideal image of DX human resources and created a curriculum to develop human resources in accordance with seven specializations. In addition to providing training that is useful in the execution of work duties, we have also launched the “D-academy” e-learning service, which is open to all employees with the aim of enhancing skills and promoting transformations in DX awareness.

Our goal is to enhance digital literacy across all employees, with approximately 10% expected to gain advanced expertise as specialists capable of acting as promoters within each functional organization by 2026. Ultimately, we strive for DX talent, cultivated within a corporate culture capable of digital transformation, to accelerate the creation of customer value.

We will continue to strengthen human resources development to promote DX while advancing measures that empower all employees to drive digital transformations.



## Image of 7 DX Human Resources

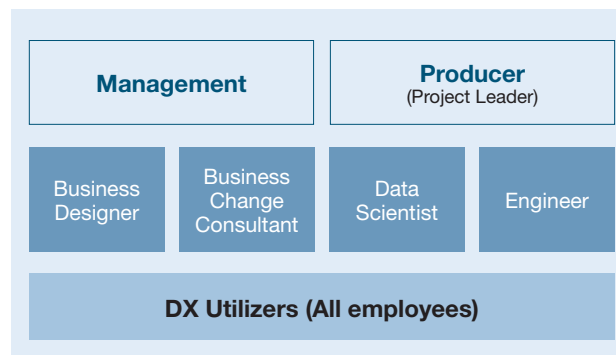


Image of DX Human Resources	Specializations
<b>Management</b>	Fosters an organizational transformation mindset as a change leader
<b>Producer</b> (Project Leader)	Conceptualizes overall projects, drives them to success
<b>Business Designer</b>	Proposes new businesses and operational process transformations
<b>Business Change Consultant</b>	Identifies current business issues and proposes digital solutions
<b>Data Scientist</b>	Sets goals for data analysis, analyzes results, and provides suggestions
<b>Engineer</b>	Possesses IT knowledge and promotes the introduction and construction of systems both internally and externally
<b>DX Utilizers</b> (All employees)	Uses digital data to implement DX

## Digital literacy training D-academy

DX Basic Course participation rate:  
(fiscal 2023)  
(Average of other companies : 40%)\*

▶ **95%**

Average hours of study per employee  
(fiscal 2023)  
(Average of other companies: 19 hours/year)\*

▶ **27.8 hours/year**

\* According to a survey by an educational content provider

## DX-ADVanCE Exchange Meetings

### Promoting and Accelerating the Company-wide Sharing of DX Activities

Dexerials holds “DX-ADVanCE exchange meetings” in which all employees participate to share digital business reform methods and results from throughout the Company and invigorate DX activities.

Since our founding in 2012, we have been promoting ADVanCE activities\* as company-wide site improvement initiatives. Starting from fiscal 2023, we have updated these company-wide activities focusing on DX events.

At exchange meetings, six internally selected speakers give presentations and discuss DX themes, and there is also a panel exhibition by the development and back-office divisions. Through the lively exchange of opinions among the 20 specialists attending this event, the entire company, watching remotely, gains insights into how DX is applied across a wide range of fields, thereby improving employees’ DX literacy and accelerating DX activities.

\* ADVanCE activities: All Dexerials Value and Creativity Empowerment



## Organizer's Message

### Expanding Perspectives and Collaborations through Exchange Meetings

I am in charge of promoting DX in the Development Division. At the exchange meeting, I presented our efforts to build a compounding database and accelerate the development of new materials by utilizing our accumulated compounding data. Each presentation offered a different perspective on resolving issues, which enabled me to learn new points of view. The exchange meeting also created more opportunities to interact with DX promotion representatives from other departments, giving me a real sense of our growing community. As I continue working to accelerate the development of new materials, I have come to realize that promoting DX is not something that can be achieved by one person alone. Looking ahead, I hope to drive transformations through dialogues and collaborations with a diverse range of people.



**Yoshiro Takada**  
Optical Solutions  
Business Unit  
Product Development  
Department

## Sustainability Management

Through the pursuit of sustainability unique to Dexerials, we seek to contribute to the realization of a prosperous and efficient society while achieving our sustainable growth and enhancement of our corporate value.

Message from  
the Executive Officer Responsible for  
Sustainability Management



**Kouji Yamagishi**

Executive Officer  
Sustainability Promotion  
Division Head

### Realizing a “Smart World” through our materiality: Technology and Human Capital

“For Dexerials, sustainability is essentially equivalent to the Company’s purpose.” This is the conclusion we reached through discussions by our management team.

Our purpose can be interpreted in both the present tense and the future tense. A sustainability-minded perspective is represented in the future-tense aspect of our purpose, in other words, “what we want to be”. More specifically, we envision in a future society the further evolution of digital technology. With the understanding that such a society embodies a welcomed social structure that is more efficient and prosperous than the one we have today, we have determined that focusing on that domain is the right direction to demonstrate our corporate value (our term, “Smart World,” encapsulates this concept).

To realize our purpose, we must expand the Company’s business portfolio while vigorously promoting its business

model. The driving force behind this effort will be our materiality: technology and human capital. In the value creation process highlighted in this report, we have brought to the fore the elements unique to Dexerials in the fields of technologies and human resources.

We believe that to have this value creation process function uninterruptedly, repeated trials and errors in various actions, including the demonstration of strength, challenge, change, and creation, are essential. This is illustrated in the diagram below (see diagram at lower right).

### Achieving sustainable growth and enhancing corporate value while balancing economic and social value

Next, in terms of the actual operation of our sustainability promotions, we fundamentally updated the previous CSR Policy, re-establishing it as our Sustainability Policy. The “creation of economic value and social value through businesses” is the central theme of this policy as we look toward the realization of our purpose. The policy is structured in two stages, the first being the positioning of materiality at the center of our pursuits, and the second being the identification of ESG Key Issues as our responsibility to meet societal demands (address potential management risks).

□ P.56 Materiality and ESG Key Issues

I would also like to add that the essence of the previous CSR policy is incorporated into our Code of Conduct, and the ESG Key Issues introduced at this time are centrally covered in the Sustainability Policy.

□ P.55 Sustainability Policy

In alignment with this direction, sustainability-related strategic targets have also been added to the Mid-Term Management Plan 2028 “Achieving

Evolution.” We are committed to following up on our performance on this front.

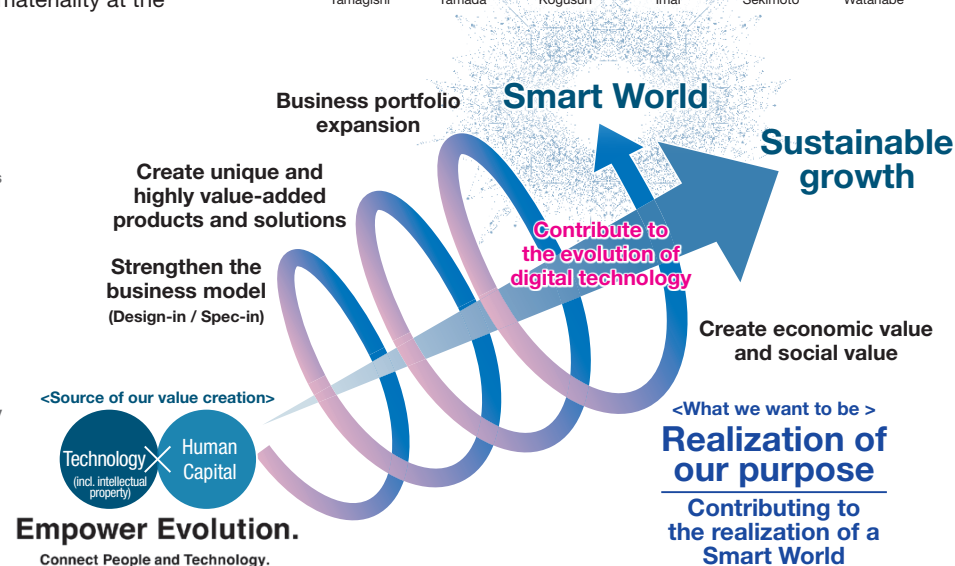
□ P.83 Performance-linked Compensation

We have completed the initial phase of establishing the framework for sustainability management. In other words, we have finished the launch phase as a company and are now entering the implementation phase. We intend to put things into action alongside the implementation of our new Mid-term Management Plan. We will make our utmost effort to “achieve evolution” while focusing firmly on our purpose.

### Sustainability Promotion Team



Yamagishi Yamada Kogusuri Imai Sekimoto Watanabe



## Promoting Sustainability TOPICS

We are promoting sustainability by setting forth the Sustainability Policy and identifying important company-wide issues and ESG-related key issues as we pursue sustainable growth and the enhancement of corporate value. We have also built a cross-divisional framework for the promotion of sustainability.

### Dexerials Group Sustainability Policy

At Dexerials Group, we define our raison d'être (purpose) in society is to provide essential materials, devices, and solutions that support the evolution of digital technologies, enhancing societal efficiency. By addressing social issues, we aim to expand our business and contribute to the realization of a sustainable society. We believe that consistently achieving sustainable growth and enhancing corporate value toward this purpose while balancing economic and social value is the essence of the sustainability that Dexerials aspires for.

#### 1. Value creation through businesses

Rooted in our corporate vision "Value Matters," we aim to contribute to the realization of a prosperous and efficient society by constantly providing unique and highly value-added products and solutions that are indispensable to the evolution of technology, balancing both economic and social value.

For this, we will combine our business model, which is our strength, with various technologies that are the source of our value creation. In this way, we will strengthen technology for developing unprecedented products and solutions and human capital for creating new value.

#### 2. Building the foundation for value creation

We will sincerely address our ESG Key Issues to support value creation through business activities while reducing potential business risks. At the same time, we will seek to help realize a sustainable society and enhance our corporate value.



### Dexerials Group Code of Conduct

#### 1. Basic policy

- (1) Implementation of management philosophy
- (2) Compliance with laws and rules
- (3) Relationship with stakeholders
- (4) Use of Compliance Hotline

#### 2. Conducting business with integrity and fairness

- (1) Trust of customers and trade partners
- (2) Product safety
- (3) Fair competition
- (4) Fair procurement activities
- (5) Compliance with import and export laws and regulations
- (6) Restrictions on gifts and entertainment
- (7) Records and reports
- (8) Prohibition of personal conflicts of interest

#### 3. Sound work environment

- (1) Work environment which allows self-fulfillment
- (2) Equal employment opportunities
- (3) Sound labor practices
- (4) Prohibition of harassment

#### 4. Management of assets and information

- (1) Prohibition of private use of company assets
- (2) Intellectual property
- (3) Management of confidential information
- (4) Prohibition of insider trading
- (5) Personal information
- (6) Relationship with the media

#### 5. Being a good corporate citizen

- (1) Environmental preservation
- (2) Management of Chemical substances
- (3) Harmonious relationship with the community
- (4) Safety and disaster prevention
- (5) Measures against antisocial forces



## Dexerials' Materiality and ESG Key Issues

## Amplify Positive Impact (Provide Value)

## Materiality initiatives

Important issues for strengthening our business model (ensuring that Dexerials remain indispensable for technological evolution)

- ▶ Technological Strategy → □ P.44
- ▶ Innovation → □ P.46
- ▶ Leveraging Intellectual Property to Realize Sustainable Growth → □ P.48

Technology

X Human Capital

- ▶ Human Resources Strategy → □ P.50
- ▶ Personnel System for Sustainable Value Creation → □ P.66
- ▶ Human Resource Development → □ P.67

## Initiatives on ESG Key Issues

Important non-financial issues in line with the impact of overall corporate activities on society and businesses (important fundamental issues for ensuring that Dexerials consistently gain stakeholders' trust and confidence as an indispensable partner).

## E: Environment

Addressing climate change  
Reduction in CO<sub>2</sub> emissions

Resource recycling  
Reduce waste and use resources efficiently

Pollution control  
Reduction of environmental incidents

## S: Society

Promoting active involvement of diverse human resources; compliance to international human rights principles

Improve ratio of female managers; promote human rights awareness and due diligence

Employee health and safety  
Health and productivity management; Strengthening occupational safety

Product quality  
Maintenance and improvement of product quality

## G: Governance

Corporate governance  
Maintenance and enhancement of the management system; Evolution of corporate governance toward greater effectiveness and transparency

Compliance  
Compliance with laws and regulations and penetration of the Code of Conduct

Risk treatment  
Strengthening information security and BCP

Supply chain  
Supply chain management

## Control Negative Impact (Reduce Risks)

## The Process of Identifying Materiality

The members of the Board of Directors conducted a series of discussions on the theme of "sustainability management unique to Dexerials in an era of VUCA." Based on such discussions, we identified materiality—technology and human capital—as our important issues as we contribute to the realization of a prosperous and efficient society while simultaneously ensuring economic value and social value.

Furthermore, we also incorporated materiality into one of the basic policies of Mid-term Management Plan "Achieving Evolution" (hereinafter, new Mid-term Plan), namely the "evolution of the management base." We then began taking action, setting a target for our sustainability strategy (a key performance indicator for technology and human capital).

We intend to strengthen investments in technology and human capital for the future, evolve into a company that can achieve differentiation through its technologies and the human resources that support such technologies, and thereby work toward further growth and the enhancement of corporate value.

## The Process of Identifying Materiality

## Step 1

**The members of the Board of Directors (including all outside directors) conducted discussions on the theme of "sustainability management unique to Dexerials in an era of VUCA." (Fiscal 2022)**

(Summary)

- ◆ The evolution of digital technology is essential for resolving more social issues in the future.
- ◆ In a society that is becoming increasingly digitalized, Dexerials' raison d'être is to contribute to the realization of a prosperous and efficient society by creating materials and devices that are indispensable to the world and irreplaceable by other players while simultaneously ensuring economic value and social value.
- ◆ To this end, we must enhance our business model (our strength) rooted in the corporate vision of "Value Matters."

## Step 2

**The same members as the above engaged in more in-depth discussions on the most important issues for enhancing the business model and ensuring business continuity. The members identified technology and human capital as the source of our continued value creation and agreed to establish them as our medium- to long-term materiality.**

(Conclusion)

- ◆ In identifying the business domains where we can contribute toward the resolution of future social issues, we concluded that acquiring the necessary technologies and strengthening our human resources so that they can create new value from such technologies are the most important issues toward sustainable growth and enhancement of corporate value.

## Step 3

**We incorporated technology and human capital into our important issues and targets for non-financial investments under new Mid-term Plan. The Board of Directors set forth the sustainability strategy targets, among other items. In addition, upon revising the executive remuneration system, the sustainability strategy targets were adopted as one of the metrics for determining officers' performance-linked compensation.**

Materiality

Technology

Human Capital

## The Process of Identifying ESG Key Issues

The ESG Key Issues were identified in 2024 from a medium- to long-term perspective, based on our Sustainability Policy and for the resolution of external diseconomies (social issues). As a global company, we comprehensively considered international rules, standards, and guidelines, along with the requests from progressive customers and external evaluation agencies of various countries, as well as the

consistency with our purpose and growth strategy.

At the start of the review process, 42 issues were extracted. After repeated reviews from diverse angles (mentioned above), they were narrowed down to 13 issues. Much like the Mid-Term Management Plan, KPIs and targets were set for fiscal 2028 based on our managements' decisions. Accordingly, initiatives have been launched with the aim of accomplishing such targets.

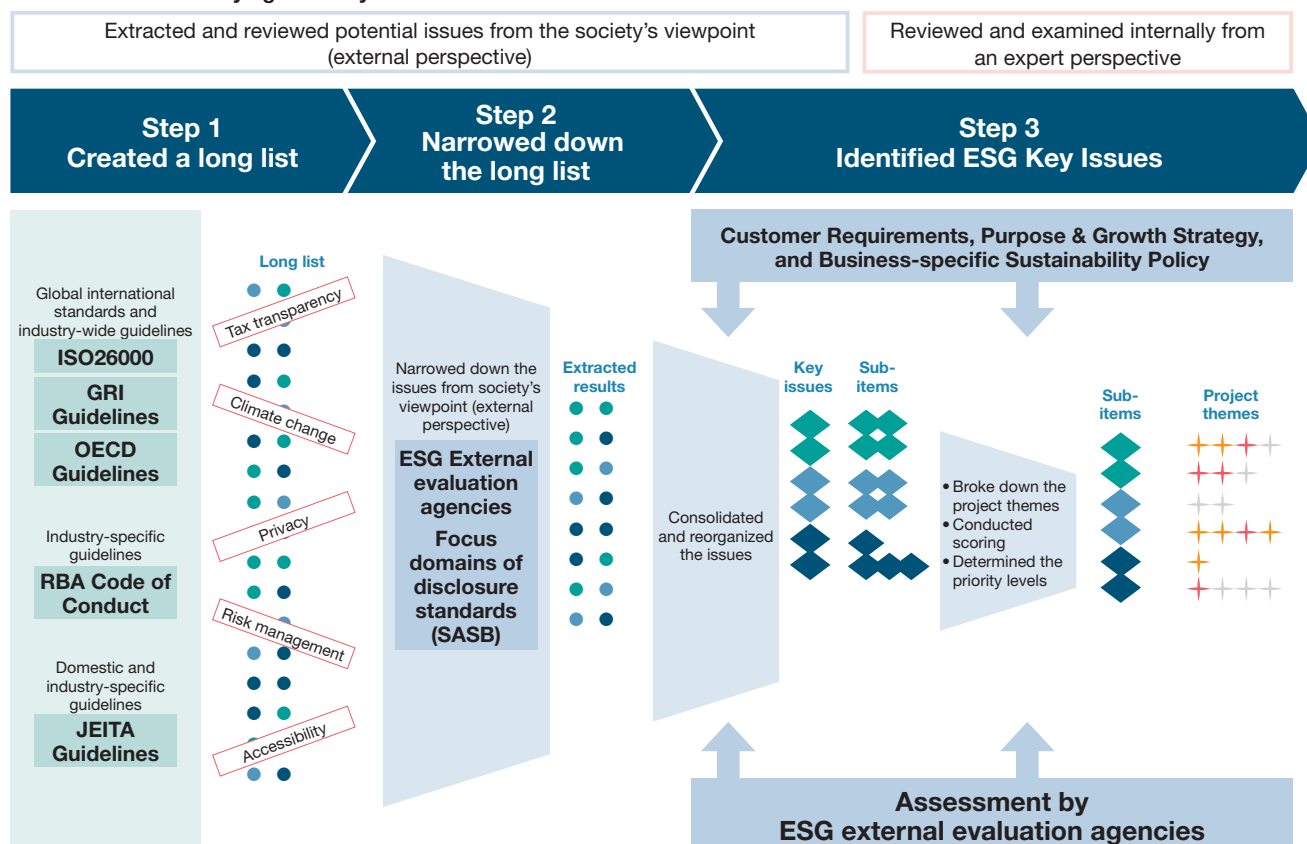
## Sustainability Promotion System

We pursue and promote sustainability initiatives unique to Dexerials, with the Representative Director and Chief Executive Officer leading our efforts, and the Executive Officer in charge of Sustainability Promotion directing.

To drive actions collectively as a group, we have in place the Sustainability Working Group (WG), which brings together the related departments. There, we invite external lecturers to confirm societal trends. We also hold cross-divisional discussions on the progress of activities for which we strive to accomplish the KPIs and targets set per each of our materialities (important priority issues) and ESG Key Issues.

Individual items of importance pertaining to sustainability promotion are reported and discussed at the meetings of the Board of Executive Officers and the Board of Directors as appropriate and are reflected in the formulation and execution of management and business strategies.

### The Process of Identifying ESG Key Issues



### Sustainability Promotion System



## ESG Key Issues

We pursue sustainability unique to Dexerials and seek to contribute to the realization of a prosperous and efficient society while achieving sustainable growth and enhancement of corporate value.

### Our Basic Approach to the Promotion of ESG Key Issues

(ESG initiatives unique to Dexerials and essential to further growth and corporate value enhancement)

The Dexerials Group intends to work on its medium- to long-term ESG key issues based on the following approach, in line with the Sustainability Policy. Accordingly, we will engage in thorough communication with our business partners, focusing on coexistence and co-prosperity, and contribute to the realization of a sustainable society for the entire value chain, premised on the resolution of external diseconomies (social issues).

- Many of our products are highly value-added products that meet the needs of society. They thus tend to be single-source products whose quality and stable supply must be maintained without fail. As such, we will thoroughly comply with laws and regulations and take measures to address various risks related to business continuity (occupational safety, quality, BCP, information security, etc.) and thereby build a solid business foundation while reducing potential financial risks. In our responsibility as a global company, we will reduce the environmental impact of our business activities and promote a circular economy. At the same time, we will work to improve energy efficiency and productivity through the adoption of smart factories, and contribute to the decarbonization of society.

- As we seek to boost the vitality of every employee and expand opportunities for their endeavors while operating our businesses globally, we will press on with our initiatives for health and productivity management, respecting the human rights of all stakeholders, promoting active involvement of diverse human resources, and supporting our employees in maintaining sound mental and physical health.

- Our top management will seek to clearly determine the direction of business management in the VUCA era, maintain and improve our management system that underpins speedy and bold decision-making (risk-taking), and continuously work on the evolution of corporate governance toward greater effectiveness and transparency.

ESG Key Issues			Issues and Initiatives	Improvement Drivers (FY2024–2028 KPIs / Targets)	Reference
Environment	Climate change	Supply chain	Reduction in CO <sub>2</sub> emissions	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions (Scope 1 and 2): -38% versus FY2019 in FY2028</li> <li>CO<sub>2</sub> emissions (Scope 3): Set reduction target and reduce</li> </ul>	<a href="#">P.62 Information Disclosure Based on TCFD Recommendations</a>
		Consolidated	Improve energy efficiency and productivity through energy-saving and the adoption of smart factories	Energy productivity (Net sales ÷ energy used): 1.5x versus FY2023 in FY2028	<a href="#">P.62 Information Disclosure Based on TCFD Recommendations</a>
	Resource recycling	Consolidated	Reduce waste and use resources efficiently	<ul style="list-style-type: none"> <li>Percentage of waste disposed at landfills: 0.5% or less</li> <li>Establish chemical recycling system for waste plastic</li> </ul>	<a href="#">P.61 Resource Recycling</a>
	Pollution control		Practice strict compliance with environmental protection laws and regulations	Violation of environmental regulations: None (every fiscal year)	<a href="#">P.60 Pollution Control</a>

ESG Key Issues				Issues and Initiatives	Improvement Drivers (FY2024–2028 KPIs / Targets)	Reference
Society	Diversity and respect for human rights	Consolidated	Promoting active involvement of diverse human resources; compliance to international human rights principles	[Diversity] Improve ratio of female managers (in Japan)	10% or higher in FY2028	<a href="#">P.69 Diversity</a>
		Supply chain		[Human rights] Promote human rights awareness and due diligence based on our human rights policy		
	Employee health and safety	Consolidated	Health and productivity management	Create an environment where employees can continue to work safely, maintaining sound mental and physical health	FY2030: Steady improvement based on the roadmap	<a href="#">P.72 Health and Productivity Management</a>
			Strengthening occupational safety		Major disasters, equipment-induced disasters: None (every fiscal year)	<a href="#">P.73 Occupational Safety</a>
	Product quality		Maintenance and improvement of product quality	Provide Dexerials Group products that are high-quality, safe, and reliable	Occurrence of serious quality problems: None (every fiscal year)	<a href="#">P.75 Product Quality</a>
Governance	Corporate governance	Non-consolidated	Maintenance and enhancement of the management system	Discussions on skills matrix for our vision of the ideal Board of Directors; implementation management succession	(1) Regular reviews of the skills matrix and implementation of the succession process (2) Discussions on the skills matrix and monitoring of the succession plan	<a href="#">P.78 Corporate Governance</a>
			Evolution of corporate governance toward greater effectiveness and transparency	(1) Steadily implement and improve the evaluation of Board of Directors' effectiveness (every fiscal year) (2) Consistently maintain a highly transparent determination process for the executive remuneration system and implement system review by the Remuneration Committee		<a href="#">P.78 Corporate Governance</a>
	Compliance	Consolidated	Compliance with laws and regulations and penetration of the Dexerials Code of Conduct	Strictly maintain zero tolerance of serious violations of laws and regulations, including violations associated with the prevention of bribery and other corruption (every fiscal year)		<a href="#">P.88 Compliance</a>
				Improve employee awareness of compliance	Improving scores in the group-wide survey on compliance awareness	<a href="#">P.88 Compliance</a>
	Risk treatment	Consolidated	Strengthening information security	Prepare for the risk of dealing with significant environmental changes	Major security incidents: None (every fiscal year)	<a href="#">P.92 Strengthening Information Security</a>
			Strengthening BCP		Development and operation of a business continuity plan that adopts an all-hazards approach to counter diverse risks	<a href="#">P.92 Business Continuity Plan (BCP) Initiatives</a>
	Supply chain		Supply chain management	Work with suppliers and have the entire supply chain fulfill its social responsibilities regarding the global environment, human rights, labor, and other matters	CSR procurement assessment: Average score of 3 or higher	<a href="#">P.93 Supply Chain Management</a>



# Environment

## Environmental Management

The Dexerials Group has established its Environmental Philosophy and Principles, based on which it implements environmentally conscious initiatives in all of its business activities.

### Environmental Philosophy and Principles

#### Environmental Philosophy

We, under our corporate vision of “Value Matters Unprecedented innovation, unprecedented value.”, implement business that leads to new values and activities which, in turn, contribute to environmental conservation, with the perspectives of environmental consciousness and resource recycling that ensure sustainability of all global ecosystems, societies, and the corporation.

#### Principles

We promote environmental management, and each one of our employees uses, to the full, technologies and skills toward its realization. We will continue to be a company respected and trusted by society, by achieving targets in a systematic manner and making continuous improvements in all of our business fields.

1. We actively pursue environmental business opportunities and continuously develop and provide environmentally conscious products.
2. We use energy and resources efficiently, and widely apply productivity improvement methods and recycling-based operations.
3. We enhance environmental risk management and the flow management of chemical substances, thereby striving to prevent pollution.
4. We understand and comply with international and national laws, ordinances, regulations, etc. concerning environmental conservation.
5. We contribute to raising environmental awareness and improving professional standards, and to human resource development, through business practices, education, and corporate communications.
6. We, as a member of the society and the local community, promote environmental conservation, cooperation, and communication activities.
7. We strive to maintain and improve institutional infrastructure to promote activities, active interaction and sharing, and the management system.

### Environmental Initiatives

In all our corporate activities, we are making the utmost effort in areas such as CO<sub>2</sub> emissions reduction, effective use of resources, proper disposal of waste, and water conservation. Particularly for climate change, we have set a target for fiscal 2030 and are taking various actions to reduce environmental impact.

### Environmental Management System

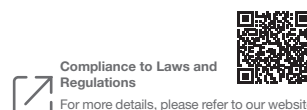
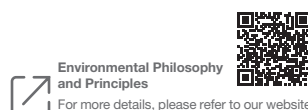
The Group has built an environmental management system that encompasses both domestic and global operations. Under the supervision and management of environmental managers, environmental activities are being deployed throughout the Group that take into account the differences in the various products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

#### ISO14001 Certification Status

Environmental management system	Organization	Site
ISO 14001	Dexerials Corporation	Headquarters and Tochigi Technology Center
		Kanuma Plant No. 1
		Kanuma Plant No. 2
	Dexerials Photonics Solutions Corporation	Tagajo Plant
		Eniwa Operation
		Kamisunagawa Operation
	Dexerials (Suzhou) Co., Ltd.	Tome Operation

### Environmental Targets

To realize a sustainable society, we have set a fiscal 2030 target of reducing Scope 1 and 2 emissions by 46% compared to fiscal 2019, and achieving zero Scope 2 emissions. Additionally, as annual targets for our environmental activities, we are also committed to continuing to maintain zero environmental accidents and zero violations of related laws and regulations.



## Pollution Control

ESG Key Issues

### Pollution Control Initiatives

For water and air pollution control, the Group's manufacturing sites have in place systems for ensuring strict compliance with legal limits and detecting abnormalities at an early stage through continuous monitoring.

### Water Pollution Control

Regarding wastewater from our sites, we maintain voluntary management standards that are stricter than the legal limits stipulated in laws and prefectural ordinances. At the same time, we have in place a centralized monitoring system with functions to detect abnormalities so that leakage outside our premises can be prevented.

### Air Pollution Control

Regarding air pollution control, we carry out statutory inspections and measure emissions of the boilers emitting sulfur oxides (SO<sub>x</sub>) and nitrogen oxides (NO<sub>x</sub>) as well as the equipment emitting volatile organic compounds (VOC), all of which we meet the standards. Moving forward, we intend to further reduce environmental impact through efforts such as switching the boiler fuel from heavy oil to gas.



## Chemical Substance Management

### ESG Key Issues

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 Group believes that thorough compliance in the management of chemical substances is indispensable to the 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 2023, this committee met every month to share the latest legal information and discuss responses.

### 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\*<sup>1</sup> in Japan and other countries, 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 globally may require procedures such as notifications and registrations, we respond appropriately to such regulatory requirements through local sales or manufacturing subsidiaries or consulting companies.

\*<sup>1</sup> Act on the Regulation of Manufacture and Evaluation of Chemical Substances

### Initiatives Associated with Chemical Substances

The Group bolsters the management of chemical substances by educating its employees and assessing the risks thoroughly. We use a system to manage chemical substances and consistently operate such a system to ensure compliance with the rules and regulations and, in turn, the safety of our employees.

## Resource Recycling

### ESG Key Issues

We are working to achieve a circular economy through resource recycling, which involves waste reduction and the effective use of resources.

### Basic Approach

Environmental challenges facing our society, such as climate change, resource depletion, and loss of biodiversity, are becoming pressing issues on a global scale. Against this backdrop, there is a growing emphasis on the introduction of a circular economy that promotes efficient and lasting use of resources and thereby minimizes waste generation. The Group will promote a circular economy through the effective and efficient use of limited natural resources while reducing and recycling waste. In this way, we will reduce environmental impact and contribute to the realization of a sustainable society.

### Waste Reduction

The Group has set a target of the landfill disposal rate (the percentage of waste disposed of in landfills relative to the amount of industrial waste generated) at 0.5% or less. To meet this target, we are promoting initiatives to reduce waste while also putting waste to effective use. Specifically, we are making efforts to reduce waste by increasing product yield. We are also implementing efficient 3R (reduce, reuse, and recycle) initiatives. Waste generated in the production process, such as used organic solvents, acidic and alkaline waste liquids, and waste plastics, is properly sorted, collected, and put through intermediate treatment and final disposal (landfill) in accordance with the laws and regulations. Continuing from our performance in the previous year, in fiscal 2023, we once again achieved our percentage target for waste disposal at landfills.

## Waste Recycling

To make effective use of waste, the Group promotes material and thermal waste recycling. Since the majority of waste generated at the Company is difficult to process through material recycling, most of our waste undergoes thermal recycling.

### Recycling of Industrial Waste at Dexerials\*<sup>2</sup>

Recycling method	FY2020	FY2021	FY2022	FY2023
Material recycling (%)	0.3	0.3	0.4	0.7
Thermal recycling (%)	99.7	99.7	99.6	99.3

\*<sup>2</sup> Headquarters and Tochigi Technology Center, and Kanuma Plants

Meanwhile, to realize a circular economy through resource recycling, it is important to shift to methods such as material and chemical recycling that enable physical and chemical-based reuse, rather than depending on thermal recycling. In February 2022, the Group took an equity stake in R Plus Japan, Ltd., a company specializing in the recycling of used plastics, and has since been working on recycling used plastics through the company's chemical recycling system.



Chemical Substance  
Management

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



## Information Disclosure Based on TCFD Recommendations

### Basic Approach

Climate change is an important issue that humanity must resolve to realize a sustainable society, as well as a prerequisite for business continuity.

Dexerials declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in September 2021, and we are working to identify the management risks and opportunities posed by climate change in a timely and appropriate manner, while also working to implement highly effective activities to help realize a sustainable society.

We will also provide new value through our own products and technologies and promote initiatives designed to leave a rich environment to future generations, as we aim to co-exist harmoniously with our stakeholders.

In line with this basic approach, we will achieve long-term enhancement of corporate value through highly transparent information disclosure and initiatives to address climate change.

### ESG Key Issues

#### TOPICS Governance

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, we organized Sustainability Working Groups (SWGs) and are promoting activities geared toward the achievement of a sustainable society. Climate change is one of the ESG Key Issues approved by and reported to the Board of Executive Officers and Board of Directors. The achievement of CO<sub>2</sub> reduction targets has been decided to be reflected in the determination of performance-linked stock compensation for directors. We will continuously monitor CO<sub>2</sub> reduction targets associated with ESG Key Issues and initiatives, and report to the Board of Directors and the Board of Executive Officers to strengthen oversight and provide feedback on the formulation and execution of management and business strategies. Further, by undertaking initiatives from an inter-divisional perspective, we aim to enhance our activities and promote in-company awareness.

□ P.57 Sustainability Promotion System □ P.58 ESG Key Issues □ P.83 Performance-linked Compensation

### Risk Management

In accordance with internal rules and regulations on risk management, the Group has established a Risk Management Committee. This committee assesses Group-wide medium- to long- and short-term business operational risks, financial risks, external environmental risks, and ESG risks including climate change, then formulates and implements measures to avoid or reduce risks, and monitors their progress. Particularly, we position climate change as one of the fundamental management risks and are actively addressing it. Based on the supervision of the representative director, who is also the Chief Risk Management Officer, the executive officer in charge of the Sustainability Promotion Division Head serves as the committee chair. The committee operates based on a dedicated climate change organization. Key risk items associated with climate change are regularly reported to and discussed by the Board of Executive Officers. Additionally, significant management and business risks are reported to and discussed by the Board of Directors.

### Strategy

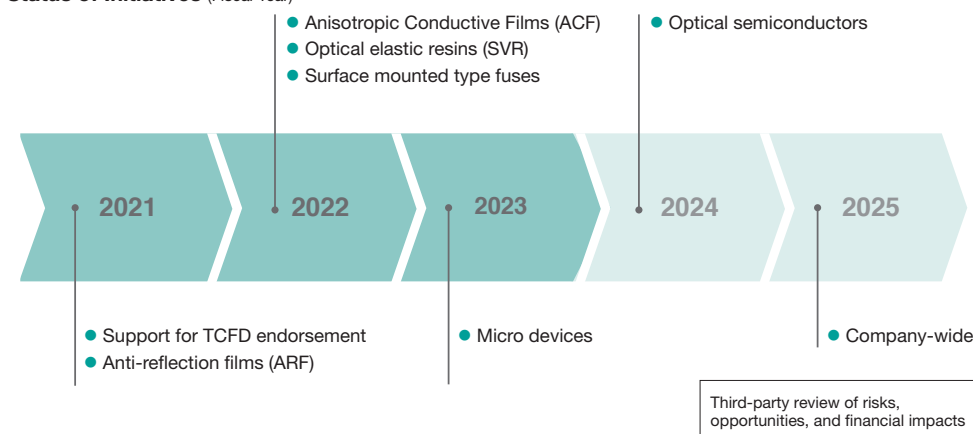
To identify risks and opportunities associated with climate change from a long-term perspective up to 2050, we are performing analyses taking into account two scenarios (less than 2°C and 4°C). Accordingly, we are sequentially expanding the scope of business units subject to scenario analysis, assessing impacts on business, and discussing countermeasures.

#### TOPICS 1) Scope of Products Subject to Scenario Analysis

The Group identified risks and opportunities specific to climate change based on less than 2°C and 4°C temperature rise scenarios. Since fiscal 2021, we have conducted scenario analyses prioritizing mainstay products with a significant impact on CO<sub>2</sub> emissions. In fiscal 2023, we newly subjected Inorganic optical devices manufactured by Dexerials Precision Components Corporation\* to analysis, and in fiscal 2024, we added optical semiconductors manufactured by Dexerials Photonics Solutions Corporation.

\* Dexerials Photonics Solutions Corporation was established on April 1, 2024, following the merger of Kyoto Semiconductor and Dexerials Precision Components Corporation.

#### Status of Initiatives (Fiscal Year)



#### CO<sub>2</sub> Emissions (Scope 1 + 2) Coverage Rate (Consolidated) (FY)



## 2) Setting of Scenarios

Having considered the impact on our Group from objective future information with regard to transition risks and opportunities, we examined estimated financial impacts and considered initiatives to address transition risks and opportunities.

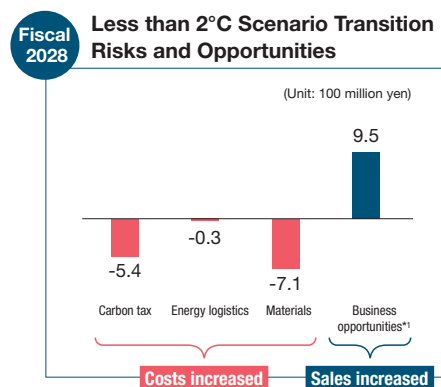
Scenarios	Less than 2°C scenario	4°C scenario
Overview	As a result of our carbon-neutral efforts, the average temperature rises by less than 2°C by the end of this century compared with pre-Industrial Revolution levels. Movements toward the realization of a decarbonized society and a recycling-oriented society are accelerating.	With only limited progress in carbon-neutral efforts, the average temperature rises 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>

## TOPICS 3) Estimated Financial Impact

In fiscal 2024, we conducted an analysis based on the following three time frames, in line with our growth strategies and linkage with environmental targets based on TCFD guidelines.

- Short term: Fiscal 2028 (final year of new Mid-Term Management Plan)
- Medium term: Fiscal 2030 (climate change mid-term target year)
- Long term: Fiscal 2033 (final year of next Mid-Term Management Plan [assumed])

Among the items above, the financial impact for the final year of the new Mid-Term Management Plan is illustrated below.



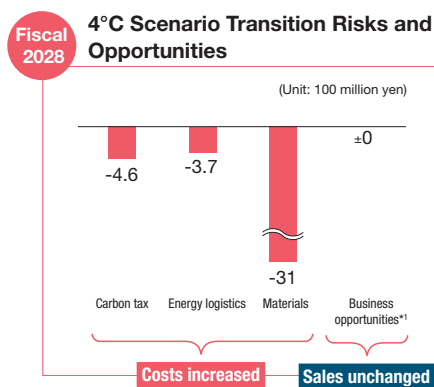
### Business Profit Basis

Profit decline 0.33 billion yen

Compared to fiscal 2028 plan -0.7%

\*1 Marginal profit

□ P.33 Fiscal 2028 management targets Business profit



### Business Profit Basis

Profit decline 3.93 billion yen

Compared to fiscal 2028 plan -7.9%

## TOPICS Financial Impact Estimate Results Based on the Less than 2°C Scenario

After comprehensively assessing transition risks and opportunities based on the less than 2°C scenario, we estimate that business profit under the Mid-Term Management Plan will decrease by 0.7% compared to the plan due to the impact of climate change. The main factor contributing to transition risk is the rising cost of raw materials (mainly rare metals) due to stricter regulations on greenhouse gas emissions. The introduction of a carbon tax is also expected to increase business operating costs (an issue common to all six business categories<sup>\*2</sup>). On the other hand, appropriate responses to transition risks can also create business opportunities. We analyzed international climate change scenarios and industry trends (risks and opportunities as perceived by customers) and organized transition opportunities based on third-party advice. We are working to understand impacts on our business in more detail, and carefully considering opportunities that will lead to social contributions. As a result of these efforts, we identified the main opportunities as growing demand for EVs, and products that contribute to the expansion of EV production (Surface mounted type fuses, Anti-reflection films, and optical semiconductors). We also envisioned opportunities to increase our added value (increase sales) through environmental considerations. The opportunities for sales expansion due to reduced power consumption in data centers facilitated by photonics (Photonics-Electronics Convergence) are not reflected in this estimate, as we are currently investigating its consistency with international scenarios.

We will continue conducting cross-functional discussions with our production and business divisions to develop measures that address these transition risks and opportunities, and we plan to link these discussions to future initiatives.

<sup>\*2</sup> Six business units: Anti-reflection films, Anisotropic Conductive Film (ACF), Optical elastic resins (SVR), Surface mounted fuses, Micro devices, and optical semiconductors.

## TOPICS Financial Impact Estimate Results Based on the 4°C Scenario

Transition risks: In the 4°C scenario, ongoing dependence on fossil fuel causes demand to increase, and the cost of energy and raw materials will rise. Regarding business opportunities, although delays are predicted in the progress of automobile electrification, leading to fewer EV sales opportunities, we do not expect this to affect the ongoing growth of the size of automotive displays. Therefore, the overall impact is expected to be minimal. Our estimates indicate a 7.9% decrease in business profit compared to Mid-Term Management Plan.

Physical risks: For physical risks, we estimated potential damage from flooding based on hazard maps. When including the impact of physical risks (a decrease of 0.43 billion yen), the estimated decline in business profit for Mid-Term Management Plan is expected to be 8.8% compared to the plan.

#### TOPICS 4) Climate-related Risks/Opportunities and Main Initiatives

The risks and opportunities identified have been organized from the perspective of changes in society, and countermeasures for each are being considered as follows. The importance of each item is assessed based on two axes, “degree of impact” and “likelihood of occurrence.” Risks and opportunities recognized as particularly significant are incorporated into the Mid-Term Management Plan for further consideration.

Classification	Climate Change Risks and Opportunities	Impact on Business	Period of Impact*1	Financial Impact*2	Response Policies and Countermeasures
Transition risks (less than 2°C)	Policies & legal restrictions	Rise in carbon tax due to introduction of carbon pricing	Short to long term	Small	<ul style="list-style-type: none"> <li>Energy conservation in manufacturing (improving yield and productivity)</li> <li>Improving energy productivity</li> <li>Introduction of smart factories and FEMS*3</li> <li>Use of renewable energy and shift to low-carbon fuels</li> </ul>
		Tightening of regulations on reduction of greenhouse gas (GHG) emissions	Short to long term	Medium	<ul style="list-style-type: none"> <li>Improving logistics efficiency through digital transformation</li> <li>Collaboration with material suppliers to reduce GHG emissions</li> </ul>
	Technologies	Technological progress toward a decarbonized, circular society	Short to long term	Small–Medium	<ul style="list-style-type: none"> <li>Collecting and responding to information on low-carbon/decarbonization-related technologies</li> <li>Collecting information on biomaterials and recycled materials through communication with the upper streams of the supply chain</li> <li>Introduction in packaging materials and products</li> </ul>
	Reputation	Changes in consumer thinking and customer policies			<ul style="list-style-type: none"> <li>Visualization of greenhouse gas emissions (strengthening calculation system for Scope 1, 2, 3, and product carbon footprint), transition plan disclosure</li> </ul>
Transition opportunities (less than 2°C)	Policies & legal restrictions	Tightening of regulations on reduction of greenhouse gas (GHG) emissions	Short to long term	Small	<ul style="list-style-type: none"> <li>In consideration of CO<sub>2</sub> emissions impacts and financial effects, set priorities and continue energy conservation activities in a planned manner</li> </ul>
	Technologies	Technological progress towards a decarbonized, circular society	Short to long term	Small–Large	<ul style="list-style-type: none"> <li>Automotive: Develop and introduce products that contribute to the expansion of EVs and EV production, etc.</li> </ul>
Physical changes (4°C)	Acute	Increasing severity of climate disasters	Short to long term	Small	<ul style="list-style-type: none"> <li>Participating in the development of an Artificial Photosynthetic Chemical Process (ARPCChem) contributing to the realization of carbon neutrality</li> <li>Introducing and deploying packaging materials made from plant-derived materials</li> </ul>
	Chronic	Rise in average temperatures due to global warming	Short to long term	Small	<ul style="list-style-type: none"> <li>Strengthening business continuity planning (BCP)</li> <li>Considering air conditioning cost reductions</li> </ul>

\*1 Periods: Short term: Fiscal 2028 (final year of new Mid-Term Management Plan); Medium term: Fiscal 2030 (climate change mid-term target year); Long term: Fiscal 2033 (final year of next Mid-Term Management Plan [assumed])

\*2 Financial impacts: Small: Under 1.0 billion yen; Medium: Over 1.0 billion yen; Large: Over 4.0 billion yen

\*3 FEMS: Factory Energy Management System

### Participating in the Development of an Artificial Photosynthetic Chemical Process (ARPCChem) Contributing to the Realization of Carbon Neutrality

In recent years, the use of hydrogen has been emphasized as a means of realizing carbon neutrality by 2050. In this context, Dexerials has been participating in the Artificial Photosynthetic Chemical Process (ARPCChem) project since it entered the second phase (2022–2031). The aim is to develop artificial photosynthesis chemical technologies that enable the production of inexpensive CO<sub>2</sub>-free hydrogen. Japan is a world leader in this technology field, having conducted the world’s first demonstration test of artificial photosynthesis. Companies and research institutes are developing technologies with an eye toward societal implementation in the areas of catalyst development, hydrogen separation membrane development, and safety verification. Dexerials will apply its various inorganic synthesis development and mass production technologies to the development of catalysts for artificial photosynthesis, thereby contributing to improved solar energy conversion efficiency and the establishment of mass production technologies.

These activities are being conducted as part of the Green Innovation (GI) Fund project launched by the Ministry of Economics, Trade, and Industry and the New Energy and Industrial Technology Development Organization (NEDO).



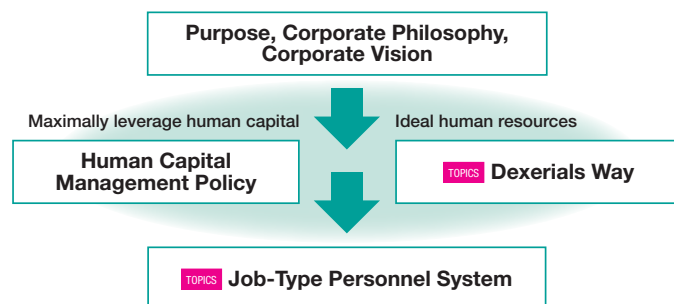


# Social

## Personnel System for Sustainable Value Creation

### Human Capital Management Policy and Dexerials Way

To realize our cherished corporate philosophy and corporate vision, as well as our purpose, our raison d'être in society, we aim for sustainable growth through the resolution of social issues. To achieve this, we have established the Human Capital Management Policy to maximally leverage human capital under a common global human resource system, as well as the Dexerials Way, which sets forth the conduct expected of all employees.



### 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



### TOPICS Global Expansion of the Job-Type Personnel System

As a foundation for the execution of human resource strategies, in fiscal 2024, the Dexerials Group introduced and expanded a global standard job-type personnel system for all employees (including Group companies) both within and outside Japan.

In creating this system, we designed organizations and jobs in line with growth strategies from a global perspective, assigned optimal human resources, and switched to a system in which remuneration is determined based on the size of the task and the results achieved, while maintaining an awareness of the market. We are strengthening recruitment to acquire excellent human resources.

The introduction of a job-type personnel system will make the role of each employee clearer, and encourage everyone to reconsider the purpose and significance of their work at Dexerials with the aim of facilitating ongoing personal growth. We respect diversity and individuality, and by creating a competitive human resources system, we aim to evolve our organizational culture and working environment while achieving sustainable growth and enhancing our corporate value. We are also engaged in the global expansion of a human resource system supporting the job-type personnel system.

### TOPICS Dexerials Way

To distill Dexerials' DNA into a common global language, we established six expected behaviors of all global employees encapsulated in "Dexerials Way," and continue to use these as indicators for evaluating conduct to support the practices and growth of each and every employee.



Focusing Customer



Focusing on Performance



Leveraging New Tech & Expertise



Collaborating Internally & Externally



Creating New and Different



Optimizing Diverse Talent

### Enhancing Employee Engagement

The Dexerials Group believes that encouraging each and every employee to share our purpose, corporate philosophy and company direction, and increasing motivation to contribute voluntarily, will enable us to evolve into a more creative and robust organization and team, provide more value in response to social issues, and become an organization and culture that facilitates the growth of both individuals and the Company. In fiscal 2022, we conducted a global engagement survey. Results and trends were shared with all employees, who discussed strengths and challenges in each workplace in an effort to achieve continuous improvement.

Going forward, we will work on priority issues common to the entire Company over the medium- to long- term, and while regularly monitoring the results through engagement surveys, we will promote toward achieving our target of increasing the ratio of positive responses by fiscal 2028, which we have set as a sustainability strategy target for materiality (technology and human capital).

### Employee Stock Ownership Plan (ESOP)

We introduced an Employee Stock Ownership Plan (ESOP) in April 2016.

The provision of company stock is an employee benefit that contributes to employees' medium- to long-term asset formation driven by company growth, while also serving as an incentive for all employees to strive for even greater heights, which leads to enhancing employee engagement.

Dexerials aims to create a virtuous cycle in which we increase the asset value of the Company through business operations, and return profits generated from sustainable growth and enhanced corporate value to all stakeholders.



## Human Resource Development

Based on our belief that “Technology and human resources are the most important non-financial assets,” Dexerials is proactively working to create a working environment in which individual employees can bring their capabilities into full play and create sustainable value in alignment with realizing our purpose.

### Human Resource Development Policy

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.

#### Policy for Human Resource Development

##### Dexerials' Path Towards Achieving the 'Value Matters' Corporate Vision

We believe that the development of each and every employee is the most important task



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



#### Equal relationship where the Company and employees grow together

##### Company

Provides opportunities and a places for learning and gaining experience

##### Employees

All employees are human resources who create value

### Personnel Development Measures for Sustainable Growth

For the Group to continue providing products and solutions that anticipate social issues, we believe it is essential to expand our business portfolio in line with our strategy and continue to transform the technologies and human resources that will make this possible.

To this end, we are taking the initiative to foster a highly creative organizational culture by linking our purpose, corporate philosophy, corporate vision, growth strategy, personnel system, and personnel development measures to draw out the potential of each employee and maximally leverage our human capital.

Under the job-type personnel system, which is the foundation for the execution of human capital strategies, each employee must take the initiative in their work while their superiors provide support and draw out the knowledge and skills necessary to achieve the results and expected behaviors required for their job. We are promoting mechanisms (self-development support, selective training, etc.) enabling employees to identify the overlap between their “What we want to be” and the organization’s expectations, then select and learn the knowledge and skills necessary to fill the gaps. We are also strengthening support for employee independent and self-driven learning and growth by promoting regular one-on-one meetings with supervisors.

Going forward, we will establish a global, common education and training system, respect diversity and individuality, and create a system targeting more autonomous growth, which will enable us to evolve our organizational culture and working environment, while aiming for sustainable growth and enhanced corporate value.

### A Diverse Education and Training System

Dexerials encourages employees to take the initiative in their own learning, and through a system supporting this objective and a variety of training programs, we have created an environment in which each and every employee can maximize their capabilities. We have a variety of programs available, including training for new employees, training for employees in their second and third year of employment, and leadership and management training. We also provide programs that assist employees in acquiring the business skills necessary to demonstrate their expertise, as well as support for self-development that leads to employees’ independence and the self-driven development of their careers.

#### Participation and Hours Spent in Major Training (Fiscal 2023)

Group training participants ➤ Total of **2,695** persons

e-learning participants ➤ Total of **42,549** persons

Annual training hours per employee ➤ Total of **17.7** hours

#### TOPICS Personnel Development Measures Aimed at Supporting Employee Independent and Self-driven Learning and Growth

- “Company-led” and “Selective” (selection of content meeting individual needs)
- Linkage between growth strategy, job-type personnel system, and education and training programs

	Until now	Going forward
Company	Objective <ul style="list-style-type: none"> <li>• Providing a place to learn the capabilities and skills necessary to fulfill jobs/roles</li> </ul> Details <ul style="list-style-type: none"> <li>• <b>Base training (grade-specific training)</b></li> <li>• Training themes decided by personnel</li> </ul>	<ul style="list-style-type: none"> <li>• Supporting independent and self-driven learning among all employees</li> </ul> 1) Expanding support for self-development (strengthening business skills to maximize specializations) 2) Expanding selective training
Employees	Acquire knowledge and skills required for roles when newly appointed	<ul style="list-style-type: none"> <li>• Autonomously learns for career realization</li> <li>• Selects area of study to bridge the gap between current state and what I want to be</li> <li>• Envisions what I want to be, aligns with individual purpose</li> <li>• Continuously learns and acquires experience in the workplace</li> </ul>
Training system	Company-led training system	Education system that supports employees in continuing to learn autonomously

In addition to the existing training system, we have made enhancements enabling employees to “think about and choose what to learn on their own in order to grow.”  
**Strengthening human resources by aligning with business strategies and the “job-type” personnel system**

## Supporting Employees in Achieving Career Realization Autonomously

### Supporting Autonomous Learning and Growth

Dexerials is expanding its self-development support system and initiatives (subsidy system for fees associated with correspondence courses, online learning, etc.) in support of autonomous career advancement by employees. Having employees acquire new knowledge and skills enhances diversity, brings new added value to the Company, and supports motivated employees in achieving further growth and a sense of fulfillment.

In fiscal 2023, we introduced an online learning program that enables employees to systematically acquire knowledge, ranging from basic business information to practical applications, in support of employee self-improvement enabling them to more fully leverage their specializations and play active roles in the Company.

We also provide training for managers regarding effective one-on-one meetings so they can better support the growth of their

subordinates, and through these and other dialogues, we are fostering a corporate culture where employees continue developing by learning for themselves, thinking for themselves, and acting for themselves.

### Internal Recruitment for Expanding Autonomous Career Options

To provide each employee with a variety of options and expand their career possibilities, we conduct in-house recruitment for many departments and positions. This system enables employees to voluntarily apply for job openings in various workplaces, providing them with opportunities to realize the careers they envision and improve their skills.

We believe that maximizing the growth and potential of each employee will lead to sustainable growth and enhanced corporate value, and going forward, we will continue to proactively implement initiatives to promote employee growth.

## 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.

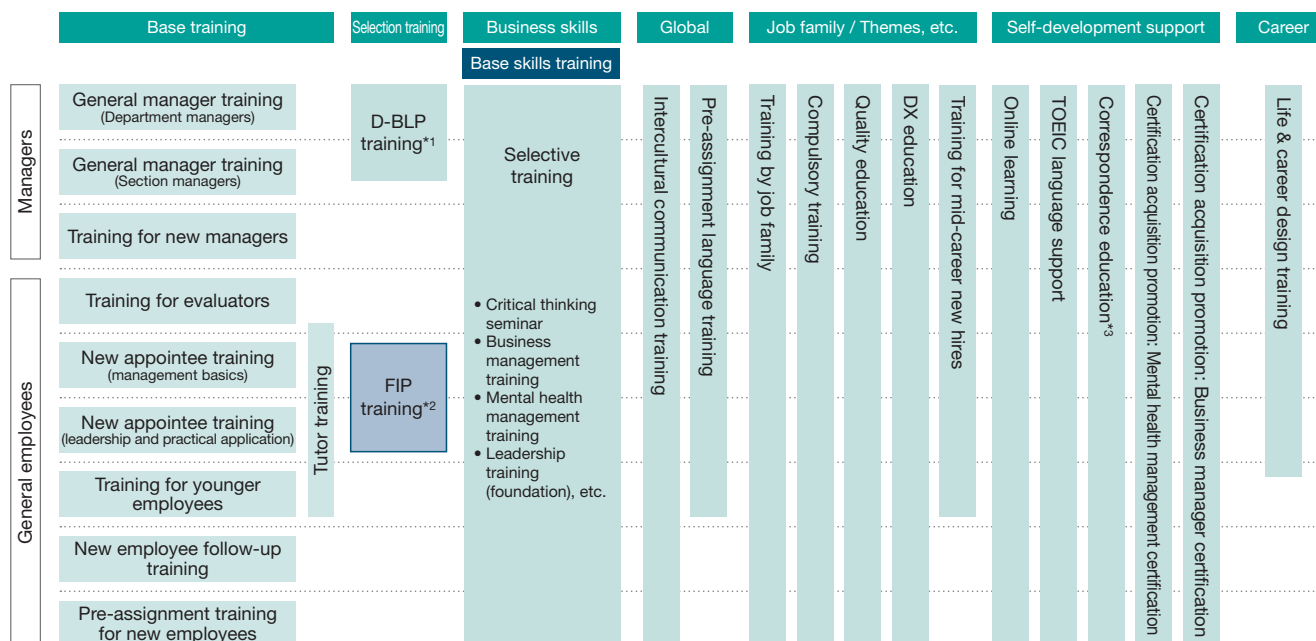
D-BLP is an approximately six-month long training program launched in 2019 to provide opportunities for candidates to systematically acquire knowledge necessary for managers. We have continued to implement this program while adapting it in line with changes in the Japanese and global business environments. Specifically, we have been incorporating lectures based on the latest social trends given by experts who possess a wealth of insight and knowledge regarding management strategies, corporate finance, the SDGs, ESG, and other areas that course attendees need in order to acquire the knowledge, thinking, and skills necessary to view issues from a manager's perspective and resolve them. Broadening the horizons and thinking of management leadership enhances their creativity and judgment.

Further, in fiscal 2024, we introduced the FIP<sup>\*2</sup> training program for young employees to develop innovative leaders with global perspectives who can create new value. From now on, participants will acquire strategic and creative thinking skills based on a global, long-term perspective, establishing a foundation for demonstrating leadership.

We have also commenced initiatives to develop leaders at global sites, as we work to build a global pipeline.

Going forward, as a value-creating company that can support society's evolution, we will continue to enhance human resources development measures to cultivate management and leadership talent that can respond to changes in the environment and achieve business strategies.

### Education and Training System



<sup>\*1</sup> Dexerials Business Leadership Program

<sup>\*2</sup> Dexerials Future Innovators Leadership Development Program

<sup>\*3</sup> Half of expenses is subsidized by Dexerials in support of self-development learning

## Diversity

ESG Key Issues



### Basic Approach

In line with our Human Capital Management Policy, we proactively promote the global recruitment and appointment of diverse human resources, including men, women, non-Japanese, and people with disabilities. Additionally, we have introduced and continue to utilize remote work systems to realize flexible workstyles without restrictions on location or time.

□ P.66 Human Capital Management Policy

### Strengthening Diversity Communication

In addition to diversity promotion training and communication skills improvement courses, we provide intercultural communication training to employees working in departments that frequently communicate with non-Japanese employees and people globally to help employees recognize and appreciate differences in language, values, cultural habits, and other communication styles. In the engagement survey conducted for all employees in fiscal 2022, we included questions related to diversity to ascertain levels of awareness. To further stimulate communication throughout the organization, we will work to promote diversity and create an organization that makes the most of the uniqueness of the individual.

### Promotion of Female Active Participation and Career Advancement

As part of our diversity initiatives, we are promoting female participation and career advancement.

In Japan, we formulated and implemented the General Business Owner Action Plan based on the Act on Promotion of Women's Active Engagement in Professional Life for a three-year period starting from fiscal 2021, and as a result, we were able to significantly increase the proportion of women among new graduates and mid-career hires, from 21.0% to 28.8%. We were also able to significantly increase the proportion of female managers, from 3.7% in fiscal 2021, to 7.2% in fiscal 2023.

We will continue to strengthen diversity management for management positions and create opportunities for young employees to demonstrate leadership, thereby expanding opportunities for women to play active roles.

### Employment of People with Disabilities

In 2015, the Group established Dexerials Kibou Corporation, a certified special subsidiary that promotes the employment of people with disabilities, and is proactively fulfilling its social responsibility by promoting the employment of diverse human resources in jobs that suit their aptitudes. We have assigned qualified Employment Counselors for People with Disabilities to each workplace, creating a work environment where even 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. (Percentage of employees with disabilities on a domestic consolidated basis: 2.8%)

Additionally, we are optimizing the workplace environment across a wide range of divisions, from administrative to manufacturing, to ensure employees with disabilities can actively participate.

When newly assigning employees with disabilities, we conduct training designed to enhance mutual understanding and communication, including learning about important considerations 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 as well, including the installation of indicator lights for safety and accident prevention purposes.

Ratio of female managers  
(end-fiscal 2024)

7.2%

Ratio of female managers  
(consolidated) (end-fiscal 2024)

11.5%

Ratio of employees with disabilities  
(end-fiscal 2024)

2.8%

## International Exchanges

### Interacting with Global Students

In July 2024, 20 students and professors from Eindhoven University of Technology in the Netherlands visited our Headquarters and Tochigi Technology Center to further their study of advanced materials and development technologies.

On this day, participants had the opportunity to experience the anti-reflection effects of Anti-reflection films, there were tours of the Analysis Office, where product functions and effects are measured, and the technology exhibition corner, with lively discussions conducted throughout. In addition to questions about development technologies and products, participants enthusiastically asked questions and exchanged opinions about environment-related topics (including waste management and zero-CO<sub>2</sub> emissions facilities), providing a valuable opportunity for both sides to gain new insights and knowledge.

Students noted, "It was good to actually see the manufacturing process of unique products and learn about their high quality," and "The factory was very clean, and I was surprised at how efficiently they can work with such a small number of employees."

Going forward, we will continue to promote these exchanges and create new opportunities.





## Respect for Human Rights

ESG Key Issues

Respect for human rights is essential for corporations to fulfill their social responsibilities and maintain sustainable operations. As a global company, we are committed to respecting the human rights of all our stakeholders.

### Basic Approach and Policies

Human rights are defined as “rights that are recognized for humans to live with dignity.” They are rights that everyone is born with, that cannot be violated by anyone, and that should be respected. Establishing a corporate culture of respect for all stakeholders, diverse backgrounds, and opinions is essential in today’s world, where corporations are expected to promote diversity and inclusion. Meeting our corporate social responsibilities and respecting human rights are also fundamental for sustainable management. As a company that operates globally, these ideals are established within the Code of Conduct and other related policies and guidelines, and instilled through training and other learning opportunities provided to employees upon joining the Company, ensuring that employees understand and are aware of this code of conduct on a daily basis. The Dexerials Group Code of Conduct specifically 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, or position. Respect for human rights is also incorporated into the Group’s CSR Policy and Compliance Handbook<sup>\*1</sup>, and Dexerials declares that it respects all human rights, does not discriminate, and has no involvement in forced labor or child labor.

We will ensure that each and every employee understands that all human rights issues are a corporate social responsibility, and will make efforts to respect the human rights of everyone involved in our business activities.

<sup>\*1</sup> A guide that explains the necessary compliance and precautions that all executive officers and employees of the Dexerials Group must observe when conducting business activities.

### Specific Initiatives

We conduct annual educational training every year based on the aforementioned human rights basic approach and policies. In fiscal 2023, we introduced new Group training and implemented the following initiatives.

#### Production of Human Rights Awareness Videos 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 in fiscal 2023, we conducted “Sustainability training (human rights)” for all employees. In addition to learning the basics, from the perspective of business and human rights, we also considered whether human rights violations are occurring in the course of the Company’s normal business dealings. Having declared that understanding and accepting the “differences” of each person is the most important aspect of respecting human rights, this provided an opportunity for everyone to go back to the basis and think about human rights.

#### Communication Skills Improvement Training (General Employees)

To prevent harassment, it is essential to build relationships of trust between superiors and subordinates, as well as among coworkers. One way to achieve this is through daily, open workplace communication —where information and opinions are shared freely, frankly, and transparently. With this in mind, we continued to conduct training in fiscal 2023, focusing on the acquisition of communication skills. These skills help in identifying and addressing issues early on, and also prevent problems from being covered up. The training ensured that employees understood the elements of trustworthiness, empathy, and logic, as well as aimed to improve their persuasion and communication skills to encourage behavioral changes in others.

#### Harassment Prevention Training (for Managers)

We conduct training to prevent harassment, and in fiscal 2023, we held group discussions for managers with external lecturers, followed by group training based on the results. We introduced examples of harassment prevention measures from various perspectives, including sharing incidents that have occurred within the Company, providing a multifaceted examination of the impacts of harassment, learning communication skills to distinguish between harassment and guidance, and understanding the role of management in creating a

comfortable workplace. Through these efforts, we aim to foster a self-correcting workplace environment where everyone can work with peace of mind, and harassment does not occur and is not tolerated.

#### Lectures

Since fiscal 2022, we have provided an external point of contact (via attorney) for whistleblowing and strengthened the foundations of the whistleblowing system so that all Group employees can use it with greater peace of mind. In fiscal 2023, a lecture was held for managers by the attorney serving as the external point of contact. Participants learned about the Group’s whistleblowing system, the risks arising from harassment in the workplace, the relationship between harassment issues and corporate culture, and points to consider for improving the working environment. This provided participants with a deeper understanding of the importance of the whistleblowing system.

P.88 Compliance

**VOICE**

### Creating a Working Environment Where All Employees Can Work with Peace of Mind

The Dexerials Group values a corporate culture where all employees respect human rights and diverse human resources can work with peace of mind.

In fiscal 2023, we conducted harassment prevention training based on recent examples and actual incidents, as well as lectures by legal advisors.

These efforts have led to feedback from employees indicating that “communication in the workplace has become more open, and relationships of trust have deepened.”

Moving forward, we want to enhance training programs with a focus on global expansion and promote the creation of an even better culture and an environment where all employees can work with peace of mind.



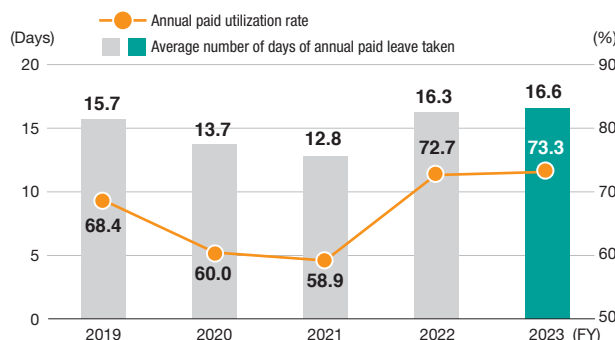
**Yumiko Igarashi**  
Human Resources  
Division  
HR & Labor Service  
Management Department

## Diverse Workstyles and Work-life Balance



Dexerials is mindful of employee work-life balance and strives to ensure comfortable working conditions enabling employees to perform to the best of their abilities in a safe and secure environment. Through our revamped work management system, we comply with 36 agreements and properly manage working hours. We are implementing a systematic approach to ensure employees can take annual paid and return refreshed. This includes encouraging employees to plan their annual paid leave and use paid leave in hourly units. In addition, we established an accrual system that allows employees to accumulate up to 20 days of expired annual paid leave. This accumulated leave can be used for injury, illness, nursing care, volunteer activities, childcare, infertility treatments, or other life events. Going forward, we will continue to consider how to create a comfortable working environment from various perspectives, while promoting ongoing improvements.

### Average Number of Days of Annual Paid Leave Taken and Utilization Rate (Five-year Period)



### Promoting Remote Work

In fiscal 2021, we introduced a permanent remote working system aimed at improving productivity and preventing infections. With this system, we aim to ensure efficient work

performance by determining the frequency of remote work based on the details of individual employee work duties. To maximize the effectiveness of this system, we provide training for managers on remote work management techniques and for regular employees to learn effective online communication skills. We will continue to adopt work styles in response to the changing times and strive to create an environment where diverse human resources can play active roles.

## Supporting Childcare and Nursing Care

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

To enable all employees to pursue work styles that suit their lifestyles, we have established systems and schemes, including support that exceeds legal requirements, promotes remote work, and facilitates an hourly paid leave system, we will provide support and expand schemes enabling employees to balance work with family and free time.

For a company to achieve sustainable growth, a work environment where each employee can take on challenges in a positive

manner is crucial. We have a working system in place that enables all employees to work energetically, with diverse human resources creating value in various environments.

Male Employee Childcare Leave  
Utilization Rate (Fiscal 2023 Results)\*1

32%

\*1 Based on the provisions of the "Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Act No. 76 of 1991), the rate of child care or other leave taken was calculated under Article 71-4, Item 1 of the "Ordinance for Enforcement of the Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Ordinance of the Ministry of Labor No. 25 of 1991).

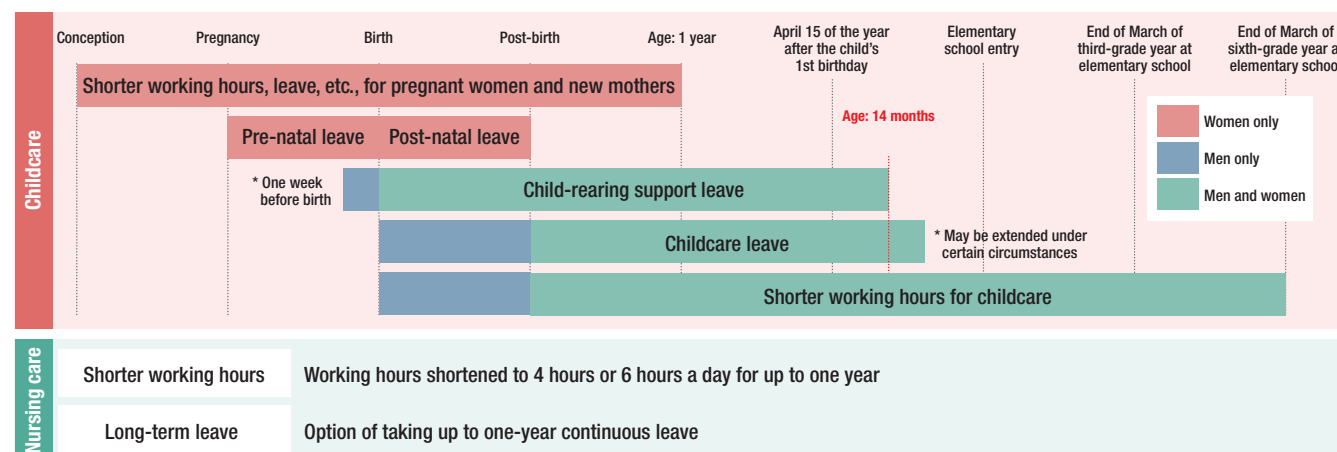
### Childcare support

We encourage employees to submit a birth notice at least six months prior to the due date. Regardless of gender, employees who submit notifications are provided with detailed individual briefings on pre-natal, post-natal, childcare leave, and other related systems. Additionally, as part of our unique initiatives, employees can also take up to 20 days of paid leave for childbirth or childcare, encouraging both male and female employees to actively participate in childcare.

Dexerials' Unique Annual Paid Leave  
Utilization Rate (Male)  
(Fiscal 2023 Results)

83%

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





## Health and Productivity Management

ESG Key Issues

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 medium- to long-term roadmap-based health management initiatives on a company-wide basis.

### Basic Approach and Policies

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 formulate and promote health measures after receiving approval from management.

### Fiscal 2030 Targets and Results

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%. In fiscal 2023, one of the indicators, the percentage of employees who reported "improving my lifestyle habits on a daily basis" was 32.9%, making a 6.9% increase over the past four years.

We will continue to implement measures that reflect employee opinions and issues, as we aim to create a work environment in which employees can work enthusiastically by increasing the number of employees capable of self-care.

### Fiscal 2023 Initiatives

Based on our health management roadmap, we designed fiscal 2023 as the year for all employees to "learn and think" about "health management", and implemented measures based on the result of an employee awareness survey. As our main activity, we introduced a "health point system" as a first

step for employees to engage in self-care, and by visualizing healthy behaviors, we encouraged them to continue actively engaging in them. Additionally, we have begun developing and improving refreshment spaces at each business site in an effort to create a more comfortable working environment. We have also been gradually improving the work environment in preparation for the complete ban on smoking at all domestic business premises starting in 2024. We have closed all smoking areas and have been promoting and expanding subsidies for smoking cessation clinic visits to support employees in their efforts to quit smoking.

In recognition of our ongoing efforts, we were certified as a Health and Productivity Management Organization 2024 (Large Enterprise Category) for the fourth consecutive year since fiscal 2021.

### Health Support Initiatives

Dexerials promotes a variety of health measures that reflect employee needs, and fosters a vibrant workplace where employees are healthy in "mind" and "body" and can proactively take on challenges, both in terms of work and career development.

### Mental Health

Dexerials is promoting the creation of a vibrant workplace where employees can proactively take on challenges, both in terms of work and career development. Through e-learning, managers learned

about "the role they play in protecting the mental health of their subordinates", and after completing the course, they formulated and implemented work environment improvement measures in their own departments. Further, after the stress checks are conducted, all employees participate in an e-learning course to deepen their understanding of "positive mental health"<sup>\*1</sup> and apply what they have learned to their daily work duties.

### Supporting Voluntary Health Habits

As a first step in encouraging employees to voluntarily and continuously manage their health, we introduced a health point system in fiscal 2023 using a smartphone health management app that is easy and fun to use. 63.1% of employees use this app. Employees can continue to participate in health activities at their own pace and are able to exchange points for drinking water, which encourages them to engage in health activities voluntarily and enjoyably.

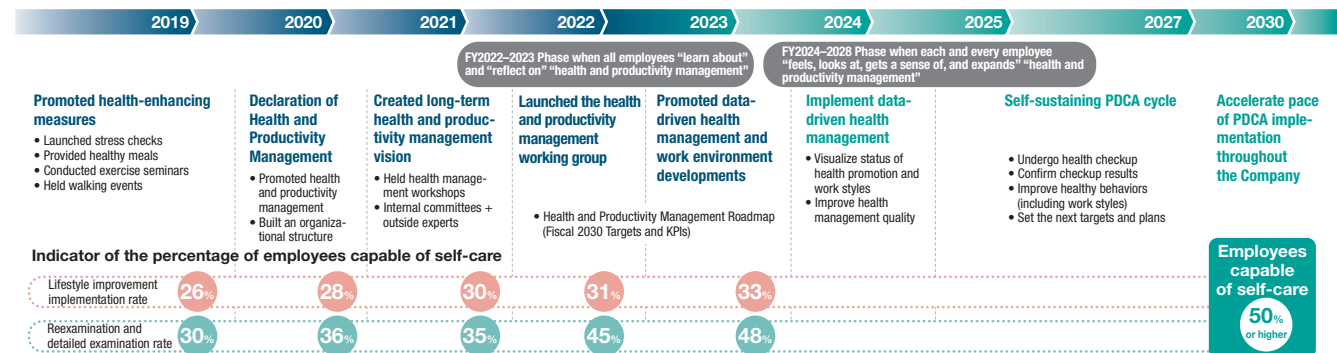
### Health Activities Aimed at Improving Work Styles and Communication

To provide employees engaged in remote work, shift work, and a variety of other work styles with opportunities to learn about and practice the latest health information, we offer online seminars on lifestyle habits such as exercise, diet, sleep, and smoking cessation tailored to match individual work styles. We have also established a "team award" for walking and slogan competitions, which has also helped to improve communication within departments.

<sup>\*1</sup> Positive mental health is a concept that, unlike traditional approaches focused primarily on addressing mental health issues, places importance on self-affirmation and happiness. To increase the number of people who work with vitality, in fiscal 2023, we studied flexible methods for managing stress, as well as ways to proactively engage with work and find creative ways to derive fulfillment from it.

### Health Management Progress to Date and Roadmap to Fiscal 2030

Through **the health** of all our employees and **the creation of a work environment**, we aim to **realize a happy future** while promoting health management to support sustainable growth.





## Occupational Safety

ESG Key Issues

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 engage 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 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.



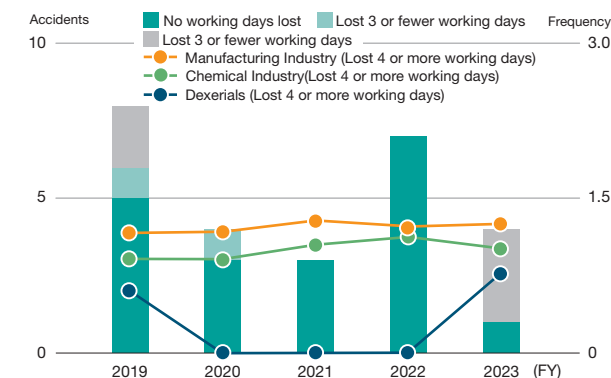
Safety Philosophy, Basic Policies  
For more details, please refer to our [website](#).



### Occurrence of Workplace Accidents and Related Initiatives

Based on its safety philosophy and basic policies, Dexerials is implementing initiatives to prevent serious accidents by setting annual targets. With regard to workplace accidents throughout the Group in fiscal 2023, there were no work-related fatal accidents or occupational illnesses days. However, there were three workplace accidents resulting in lost working days.

#### Number of Workplace Accidents



Note: Includes consolidated and contract employees

We analyzed results and identified the lack of risk assessments in safety mechanisms on equipment as the cause of accidents and other problems. In response, we identified risks from the perspectives of work, equipment, and work environment safety, and revised work procedures, such as ensuring fail-safe equipment and the use of protective gear. We also conducted a cross-sectional survey of similar facilities and operations within and outside Japan and implemented countermeasures.

### Promotion System

The representative director and president is the highest authority for occupational safety and health management in the Group, with the Safety and Health Headquarters responsible for company-wide functions, while each business site takes the initiative in promoting safety and health activities.

In addition, each site has established a “Safety and Health Committee” based on the Industrial Safety and Health Act, where company representatives, employee representatives, and safety and health committee members work together to promote safety and health through activities such as discussions and workplace patrols.

### Safety and Health Management Activity Results (Fiscal 2023: Japan)

Category	Initiatives	Fiscal year targets	Results
(1) Operational / equipment safety	Identify on-site work / equipment risks, implement mitigation measures	Zero workplace accidents involving lost working days	Three workplace accidents involving lost working days (One accident that did not result in loss of working days) (Zero accidents involving serious injury)
(2) Work environment safety	Implement risk countermeasures and flow management for hazardous substances, improve and maintain working environment		
(3) Health management P.72 Health and Productivity Management	Prevention / improvement of health disorders caused by remote work / excessive working hours, mental health, and measures for people requiring observation	• Reduction of observed rate • Encouragement to quit smoking	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: 12
(5) Disaster-prevention measures P.92 Business Continuity Planning [BCP] Initiatives	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

## Workplace Accident Prevention Initiatives

### Risk Reduction Activities Led by Each Business Site

To prevent workplace injuries and accidents and ensure employee safety, the Safety and Health Committee Secretariat and individual workplaces take the lead in tabulating and analyzing registered risks using a risk assessment system. This enables us to understand hazards and risk trends for each business classification and to plan appropriate countermeasures by referring to past measures and risk reduction information from other business units. In risk reduction activities based on these plans, the Chief Safety and Health Manager takes an active role and works to invigorate these efforts.

### Strengthening Collaboration in Activities with Consolidated Subsidiaries

We developed a system and operational framework that directly prevents industrial accidents that could lead to corporate incidents at Kyoto Semiconductor Co., Ltd. (now Dexerials Photonics Solutions Corporation), which joined the Group in fiscal 2022. We are also steadily implementing measures to ensure compliance with relevant laws and regulations as planned. Furthermore, we are strengthening the global sharing of information on workplace accidents, near-miss cases, and management system activities across the Company, while gradually and steadily enhancing company-wide functionality, activity comprehensiveness, and literacy.

### Digitalization of Occupational Safety and Health Management System

With the aim of enhancing safety awareness in the workplace and strengthening risk management, we are digitizing our occupational safety and health management system to improve the quality of company-wide safety activities through centralized data management and rapid information sharing.

In fiscal 2023, we conducted a digitalized internal audit using this system to evaluate the effectiveness of workplace promotion activities. We also used the explanatory function to deepen understanding in each workplace, as well as cross-sectional information obtained through visualization of audit results to enhance the level of activities in each workplace.

### External audit of occupational health and safety and responses

Dexerials undergoes regular external audits (second-party audits) conducted by our customers. Following these audits, we have been reviewing the installation of emergency equipment, such as emergency showers and eye wash stations, for use in the event of hazard-

ous substance exposure. In fiscal 2023, we provided training on the proper use of this equipment to all employees in affected workplaces.

## Education and Training

Dexerials is focused on improving occupational safety and creating an education and training environment where employees can learn efficiently and effectively. By introducing and updating occupational health and safety management systems and risk assessment systems, we refine the education of health and safety officers and managers and provide programs to deepen their understanding of risk management and safe behaviors. Through these efforts, we aim to raise safety awareness among employees, help them acquire practical skills, and maintain a safe work environment.

### Manager Education (Education of Foremen)

In the education of foremen, we introduced an e-learning format to create an environment where participation in training can be scheduled flexibly according to work conditions. This helps foremen acquire the knowledge to effectively manage safety and provide work instructions.

### Officer Education

Special training on lasers and the operation of forklifts weighing less than one ton is provided by qualified personnel who customize the curriculum to suit workplace conditions, facilitating education that is directly linked to practical work. This helps trainees to adjust smoothly to on-site work after training.

### Education and Training Results in Fiscal 2023

Education and training programs	Participants	Fiscal 2023 results
New employee training	New employees	22 persons
Laser safety education	Appointees, persons engaged and to be engaged in targeted work	43 persons
Education of foremen	Foremen and prospective foremen	56 persons
Specialized education for operators of forklifts less than 1 ton	Persons to be engaged in targeted work	2 persons
VR training for traffic safety	Drivers of private cars and company cars	1,221 persons
Hazard simulation equipment	Persons being hired and current employees	22 persons
VR training for hazardous situations	Persons being hired and current employees	853 persons

## Main Education and Training Programs

### Case Study Danger Experience Education (1) 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 a lack of 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.



### Case Study Danger Experience Education (2) Use of VR

In fiscal 2023, we focused on accidents involving the handling of chemical substances based on workplace accident trends, directing educational activities at development-related employees to prevent similar incidents. When selecting program content, we analyzed workplace accidents and registered risks, providing content that reflects actual work conditions. In implementing this educational activity, we reached a consensus with development management regarding the importance and effectiveness, and supported all workers in practicing safe behaviors. As a result, we have successfully eliminated similar accidents.



## VOICE Reaffirming Safety Awareness through Simulation Experiences

The VR simulation of dust and flask explosions was a good opportunity to reexamine the potential dangers of everyday work. Through this simulation, we were able to reaffirm the importance of safe work procedures and further enhance our awareness. In addition, we gained new insights from scenarios that are not directly related to our work, and our readiness for unfamiliar scenarios has increased. I believe that VR-based education can improve the quality of our work and maintain a strong safety awareness. I would like to continue to participate in this educational program and make use of it in my daily work.



**Sho Kamata**  
Corporate R&D Division  
Advanced Materials Devices  
Technology Development  
Department

## Product Quality

ESG Key Issues



The Dexerials Group is working to ensure product quality with high levels of reliability and satisfaction in order to provide customers with high-quality, reliable and safe products.

### 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.”

#### Basic Policies

We challenge activities in all process of development, design, production and service to realize more attractive quality.

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 utilize quality management system and improve effectiveness.



Quality Philosophy and Basic Policies  
For more details, please refer to our [website](#).



### Quality Promotion System

Our Quality Management System (QMS) is the foundation of Group business activities, and all our manufacturing facilities have obtained ISO 9001 certification. Further, to ensure compliance with laws, regulations, and customer requirements, we have established a quality management system promotion framework led by top management, with the chief administrator, division representatives, quality assurance heads, QMS promoters, and other personnel. 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.

Promotion of cross-organizational activities and collaboration are indispensable for achieving quality targets and realizing products. Therefore, each activity requiring collaboration is designated as a “business process” and managed under a system of responsibility for “each process”. In addition, to monitor these activities, we conduct regular internal quality audits. During the audits, internal quality auditors confirm whether business and on-site operations are conducted in accordance with legal regulations and rules, and whether manufacturing is performed in accordance with process and quality specifications. Problems are then identified,

improvements are made, and the results are reported to top management.

After internal audits are complete, a questionnaire is administered to both the audited department and the auditors. Based on these results, the audit plan for the following year is formulated, and training for auditors and other education is provided to increase the effectiveness of audits using the PDCA cycle.

### Quality Compliance

To prevent quality-related scandals, which have become a serious social issue in recent years, we conduct annual quality-focused compliance training for all employees. In addition to examining case studies from other companies, this training also explores the mechanisms behind quality fraud to raise awareness of quality compliance.

We also conduct quality compliance surveys for all employees, and based on the results, we have confirmed improvements over time. The identified risks are addressed and improved through internal quality audits and other measures.

### Product Safety

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

In addition, in order to accurately communicate product safety information to customers, we provide SDS\*2 that are compliant with laws and regulations both within and outside Japan.

### Quality Communication

Through communication with customers, we share their needs and technology challenges. We provide technological support and solutions to address these, aiming to create products that

### ISO 9001 Certification Acquisition Status

Certification Unit	Company Name	Site Name
Dexerials Corporation	Dexerials Corporation	Headquarters and Tochigi Technology Center
		Kanuma Plant No. 1
		Kanuma Plant No. 2
		Tagajo Plant
	Dexerials Photonics Solutions Corporation	Tokyo Office
		Eniwa Operation
		Kamisunagawa Operation
		Tome Operation
	Dexerials America Corporation	
	Dexerials Europe B.V.	
	Dexerials (Suzhou) Co., Ltd.	

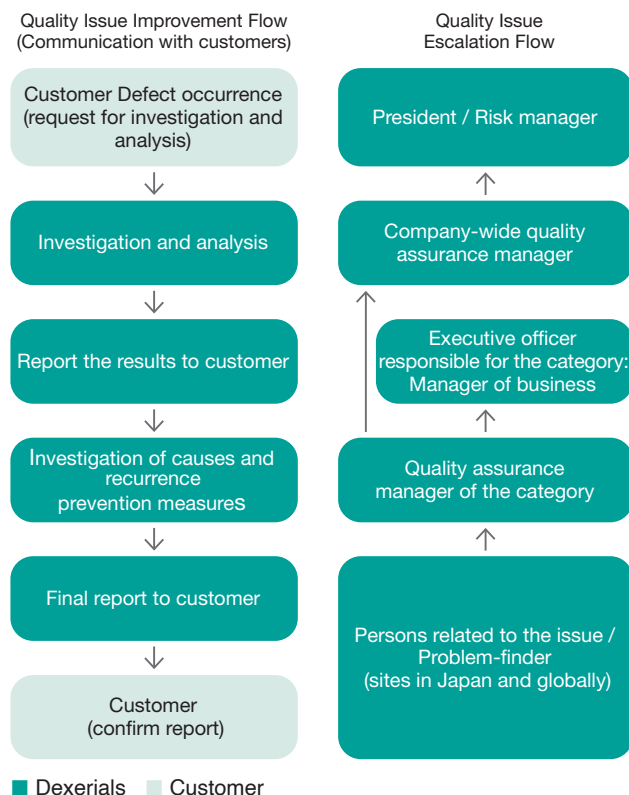
\*1 UL standards: Safety standards established by UL LCC, a company that enacts safety standards and conducts tests and certifications

\*2 SDS: Safety data sheets

earn customer trust and deliver 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

#### Quality Issue-related Improvement and Escalation Contact Flow



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.

#### Promotion of DX in Quality Control

The Dexerials Group believe 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 also promoting DX in quality control and are working on increasing our competitiveness by innovatively improving quality, utilizing the abundant data and knowledge accumulated so far.

Many of our major products are roll-shaped film products. As they are continuously produced over a long period of time, preventing consecutive defects caused by unexpected issues has become a critical challenge in quality control. In response, we have introduced automated optical inspection equipment and automatic measuring devices using our proprietary sensing technologies into the Anti-reflection film manufacturing process, establishing a system that allows for quality monitoring throughout the entire length of the product. This is linked to SCADA\* and production management systems, enabling us to analyze huge amounts of complex data using data science and develop our own proprietary AI. This makes it possible to visualize quality, detect anomalies, and predict defects in real time. Through these efforts to automate quality control, we have created a system that prevents consecutive defects, thereby achieving a significant reduction in defect rates.

We are expanding these efforts to other business sites. In addition to developing next-generation sensing technologies and applied solutions incorporating AI, we are also focusing on research and development aimed at improving prediction accuracy and automation through the latest data science. By continuously working on these initiatives, we aim to achieve innovative quality improvements and realize smart factories.

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

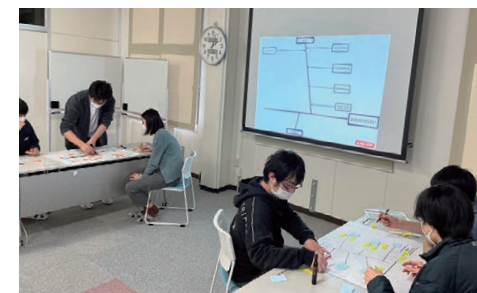
#### Technology Education and Human Resource Development

In line with our basic policy for human resource development, the Dexerials Group continually develops specialists who demonstrate high levels of ability in quality control.

We have produced a “roadmap for quality training” that clarifies the quality management knowledge required in each post at a wide range of levels, from new employees to specialized technicians. We provide training for all divisions, incorporating practical exercises to help employees acquire specialized knowledge and tools. This includes foundational training, such as quality control and “Seven QC Tools Training,” as well as more advanced training like “Statistical Methods Training.”

In response to changes in the educational environment, including the normalization of remote work and measures to control infectious disease spread, we are improving the convenience and efficiency of training, by offering a wider range of formats, such as face-to-face, online, and e-learning to enhance educational opportunities.

Quality training includes trainee surveys, and we are reviewing training content and textbooks to improve quality literacy (i.e., the ability to put quality into practice).



Snapshot from the group session to create a cause and effect diagram in the “Seven QC Tools Training”

## Social Contribution Activities

The Dexerials Group is engaged in various social contribution initiatives both within and outside Japan that aim to revitalize the regions in which we operate and pass on a better environment to future generations.

### Community Revitalization Activities



#### Collaboration with Utsunomiya Blitzen (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 2023, we visited elementary and junior high schools in the prefecture to hold bicycle traffic safety classes. We also supported the Watarase Criterium\*, a full-fledged bicycle race held at Watarase Cycle Park in Tochigi Prefecture, which is open to everyone from elementary school students to adults.



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



#### Delivering the Excitement of Theater to Children with Theater of the Heart

Theater of the Heart (Kokoro no Gekijo) is a social contribution project sponsored by the Butai Geijutsu Center and Shiki Theatre Company. Children from across Japan are invited to attend Shiki Theatre Company performances free of charge, and the plays are used to convey important messages about life. We have supported the aims of this project since April 2024, sponsoring performances in Tochigi, Hokkaido, and Miyagi prefectures, where Group bases are located.



#### Dexerials Cup: 21st Miyagi Prefecture Champions Cup U-12 Soccer Tournament

We have been sponsoring this tournament, which is organized by the Miyagi Football Association since 2013 with the aim of contributing to the local community through sports promotion and youth development. Fiscal 2023 marked the second year since the women's division was added to the tournament, providing a rare opportunity for both male and female teams to come together. Coaches and parents of participating teams have expressed their gratitude for our support of the tournament.



#### Tome Industrial Festival

Since 2008, we have participated in this industrial festival held in the city of Tome, Miyagi Prefecture, where one of our Group bases is located. The purpose of this event is to showcase Tome's diverse and outstanding manufacturing industry and array of companies, as well as to provide a space for interactions with local residents. The festival held in fiscal 2023 was a great success, with a hands-on project area where participants made their own "sparkling crystals" under the guidance of organizing committee members.



### Environmental Protection Activities



#### Restoring Greenery to the Mountains of Ashio, Tochigi Prefecture

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 executive officers, employees, and their families, and engage in tree-planting activities.



### Donations and Contribution Activities



#### TABLE FOR TWO

We take part in the TABLE FOR TWO program in the company cafeterias of the Headquarters and Tochigi Technology Center, the Kanuma plants, and the Tome Operation of Dexerials Photonics Solutions Corporation. When employees purchase healthy meals, 20 yen, which is the equivalent of 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 2023, we donated 112,440 yen, equivalent to 5,622 school meals.



# Governance

## Corporate Governance

ESG Key Issues



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

### Toward Strengthening Corporate Governance

Since our listing in 2015, we have maintained transparency and objectivity in our management supervisory by having in place a Board of Directors whose majority are outside directors with a high degree of independence and specialization.

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 the evaluation of executive directors, succession planning for officers, and the officer remuneration system to ensure the transparency and soundness of management. In 2019, we introduced the entrusted executive officer system to further spread the delegation of authority to speed up decision-making. 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 accelerated the promotion of a monitoring model. In 2024, to vigorously pursue further corporate value enhancement and sustainable growth as outlined in the new Mid-Term Management Plan, we revised the executive officer remuneration system to place greater emphasis on incentives and more strongly encourage the sharing of profit consciousness with shareholders.

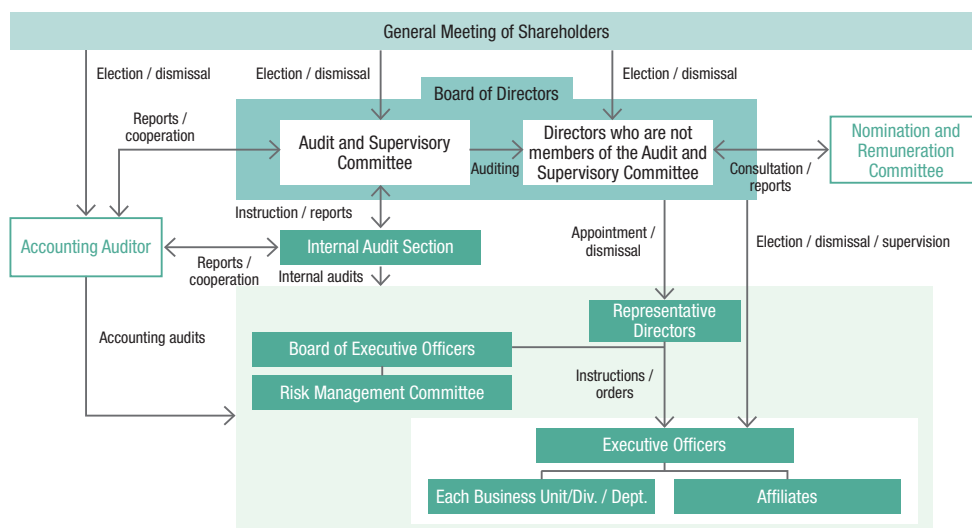
Moving forward as well, we need to address significant environmental changes and engage in business portfolio

expansion that contributes to the evolution of digital technology. Further down the road, it is necessary to achieve a balance of economic value and social value. For this, it is crucial that we correctly determine the Company's direction and maintain and enhance our management system, which underpins speedy and bold decision-making (risk-taking). At the same time, advancing the evolution of our corporate governance system toward greater effectiveness and transparency is essential.

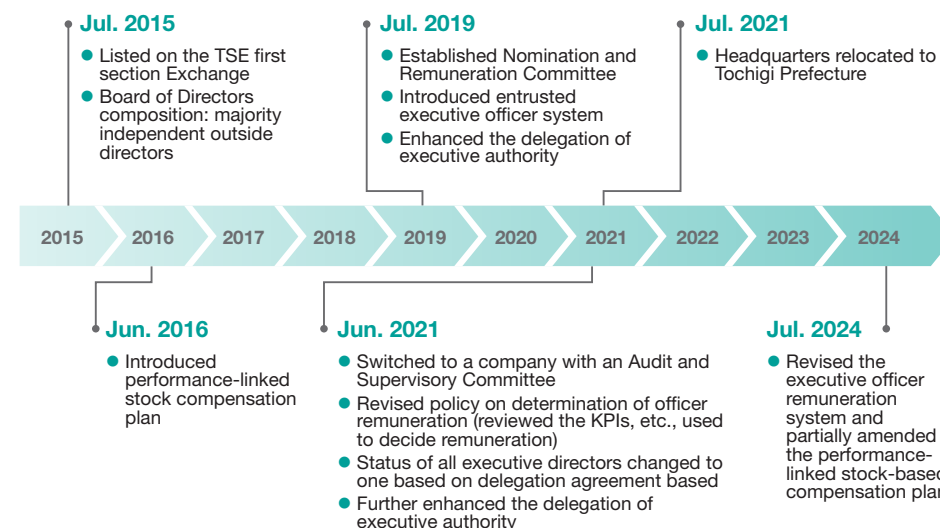
### Election and Dismissal of Directors / Directors Serving as Audit and Supervisory Committee Members; Election and Dismissal of the Members of the Management; Nomination of Candidates

In nominating directors (excluding directors serving as Audit and Supervisory Committee members), we select candidates who have the character and judgment that are in accordance with our corporate philosophy, exhibit execution skills that

### Dexerials' Corporate Governance System (As of November 2024)



### History of Corporate Governance Reforms



demonstrate leadership, and excel in communication.

For the nomination of directors serving as Audit and Supervisory Committee members, the criteria include having experience and knowledge in areas such as corporate management, finance and accounting, and legal affairs, with a particular emphasis on sufficient knowledge in finance and accounting. Candidates can be selected from inside and outside the Company.

For outside directors, we invite 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 who consistently maintain a fair perspective.

Also, outside directors are determined in consideration of the balance of knowledge, experience, specialist areas,

etc., of the Board of Directors as a whole. We do not exclude those with management experience at other companies. A skills matrix is used to clearly state the management balance we consider ideal for Dexerial's Board of Directors.

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.

## Composition of Officers with Diverse Skills

The members of our Board of Directors are highly competent in the areas of technology management, finance and accounting, capital policy, and legal affairs, and have management experience at global companies. Additionally, they are equipped with other diverse skills, including expertise in corporate governance, CSR, and environmental issues, which are necessary for propelling sustainability management.

## Directors and Board of Directors

As of November 2024, our Board of Directors consists of eight members, including five outside directors, therefore outside directors always account for the majority. As experts in corporate management and various other fields, the outside directors have abundant experience and a high level of insight, and they play a role in strengthening oversight from an independent and fair standpoint.

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 the remuneration of individual directors, and oversees the execution of business.

Apart from the Board of Directors meetings, the Board conducts business site visits, including those to subsidiaries, and also holds off-site meetings. At these off-site meetings, discussions regarding the Board's ideal form, philosophy, and policies are carried out, as are discussions on important measures, starting from their formulation phase. For instance, continuous discussions have been held with the outside directors regarding the new Mid-Term Management Plan from the stage of its formulation through finalization. The future composition of the Board of Directors, succession planning, and other matters that lead to the realization of the Board's vision are also discussed.

The outside directors seek to better communicate with the execution team through these discussions. They then leverage their findings to enhance discussions at the Board of Directors, thoroughly considering the state of affairs on the execution front.

## 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 Nomination and Remuneration Committee Member	Toshihiro Hagiwara	●		●			●
Outside Director Chairperson of the Audit and Supervisory Committee Nomination and Remuneration Committee Member	Rika Sato			●	●	●	
Standing Director Audit and Supervisory Committee Member	Masato Taniguchi		●	●		●	
Outside Director Audit and Supervisory Committee Member Nomination and Remuneration Committee Member	Tetsuyuki Kagaya			●			●

\* The above table does not cover individual directors' entire range of knowledge and experiences.

## 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 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 receive broad discretionary authority to 12 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 10 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 12 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 Section conducts internal audits based on the audit plan prepared at the beginning of the fiscal year, taking into account the development and operating status of the internal control, compliance, and risk management systems of the Company and its Group companies. It then evaluates an internal control reporting system(J-SOX).

The audit results are reported to the Audit and Supervisory Committee and the Board of Directors (dual reporting line). The Internal Audit Section also checks the reports submitted by the audited business units and monitors the status of the improvements being made. The J-SOX evaluation results are reported in a similar manner, via the J-SOX secretariat, and for any deficiencies detected in each control, the Internal Audit Section checks the status of the improvements being made. Once every quarter, the Internal Audit Section holds a meeting with the accounting auditor (the so-called three-way audit meeting) to exchange opinions. For any significant internal control-related events identified through internal audits, the Internal Audit Section provides information to the accounting auditor and seeks appropriate guidance and advice as necessary.

The Audit and Supervisory Committee formulates the audit policy and audit plan, prepares audit reports, and evaluates and selects the accounting auditor. For consent on the accounting auditor's remuneration and matters such as checking the development and operating status of the internal control system, the committee reviews the situation and votes for decisions as necessary.

In accordance with the audit policy and division of duties determined by the Audit and Supervisory Committee, the committee members participate in the Board of Directors meeting and other important meetings and exchange views with the directors. Additionally, they check and exchange opinions on the audit reports provided by the Internal Audit Section and those officers in charge of subsidiary audits. At the three-way audit meeting, the committee members also check and exchange opinions on the content of the accounting auditor's audit plan.

The standing committee member attends the Board of

Executive Officers meetings and other meetings, and also goes through documents involving important resolutions. He also interviews representatives from various business units, the Risk Management Section, and global subsidiaries, and exchanges views with the Internal Audit Section. Additionally, he works to strengthen communication with the accounting auditor by confirming the progress of audits and exchanging opinions on a monthly basis.

## Accounting Audit

The Company has an audit agreement with PricewaterhouseCoopers Japan LLC, which conducts accounting audits in compliance with the Companies Act and the Financial Instruments and Exchange Act. To ensure stringent audits, measures have been taken so that the Company and the accounting auditor share no material interests and will not be involved in accounting audits of the Company for more than a certain period of time.

## Evaluation of Board Effectiveness and the Formulation of an Action Plan

### Basic Approach

The Company's Board of Directors conducts a regular evaluation of its effectiveness once a year. While also utilizing the objective viewpoint of a third party, all members of the Board strive to clarify the status of Board effectiveness and associated challenges and to step up efforts toward improvement.

## Evaluation of Effectiveness and Action Plan Formulation Process

To ensure assessment objectivity and transparency, a third party conducts individual interviews with all directors using a questionnaire prepared by the Board of Directors Secretariat. Each director's responses are then analyzed and summarized.

At the Board of Directors meeting, an interim review is conducted mid-year to check the progress of the action plan for that fiscal year. After the fiscal year has ended, the Board summarizes the state of affairs based on the results of third-party evaluation and formulates the action plan for the next fiscal year.

### Changes in the Number of Officers (as of end-June each year; as of November 2024 only)

	2020	2021	2022	2023	2024
Directors (of which, outside)	6 (4)	7 (4)	7 (4)	7 (4)	8 (5)
Audit and Supervisory Committee Members (of which, outside)	3 (2)	—	—	—	—
Executive Officers*	10	6	8	9	12

\* Including executive officers who are directors

### Interim Review of Activities Based on the Action Plan (December 2023)

Given that fiscal 2023 is our third year since transitioning to a company with an Audit and Supervisory Committee, we first reviewed the Board's activities since fiscal 2021, along with the action plans. We then set up an opportunity to go over the points the Board must focus on in the second half of fiscal 2023 and in fiscal 2024 in order to boost its effectiveness.

### Assessment of Effectiveness and Formulation of an Action Plan (January–July 2024)

(1) January–March 2024

As three years have passed since we transitioned to a company with an Audit and Supervisory Committee, in addition to the Board of Directors, we included the Audit and Supervisory Committee and the Nomination and Remuneration Committee in the scope of the director interview questionnaire to check the effectiveness of these committees as well. Feedback, support framework, and information provision to individual directors were also among the items covered in the questionnaire.

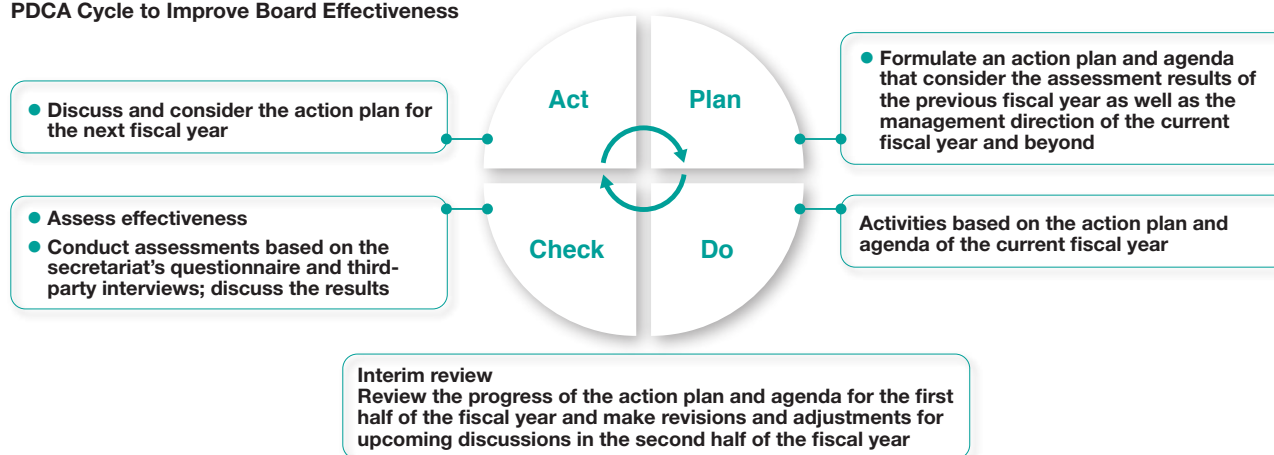
(2) April 2024

Matters were discussed at the Board of Directors meeting following the presentation of a third-party report on the aforementioned questionnaire interviews.

(3) May–July 2024

The Board of Directors discussed and determined an action plan for the issues identified through discussions.

### PDCA Cycle to Improve Board Effectiveness



## TOPICS Results of the 2023 Effectiveness Assessment

### 1. Summary

The results of the evaluation for fiscal 2023 indicated that the Board of Directors is operating in a highly effective manner.

The following items were identified as the strengths of each meeting body and points of improvement from the previous fiscal year.

#### Board of Directors

- (1) Implemented effectiveness assessment that focused on the action plan
- (2) Made progress on discussions concerning Board succession
- (3) Agenda setting in line with the functions and roles of the Board of Directors; flexible Board operations

#### Audit and Supervisory Committee

Regarding the information obtained through the activities of the standing Audit and Supervisory Committee member, accomplished timely and appropriate sharing of such information with the Audit and Supervisory Committee and outside directors.

Based on the summarization, the points shown below were identified as items to consider for further improvement of effectiveness.

- (1) Forming a common understanding of the definition of a "Monitoring Board" that we should pursue
- (2) Forming a common understanding of the division of duties among the members of the Nomination and Remuneration Committee; deepening discussions on the future Board composition (including the role of Board chairperson) based on this
- (3) Sharing of matters concerning institutional investor engagement, etc., at the Board of Directors meetings; their use in future engagement activities
- (4) Review of the information being provided to outside directors (including the level of accuracy, timing, etc.)
- (5) Further discussions between the Audit and Supervisory Committee and the business execution team regarding the role of the Audit Department

### 2. Action plan for fiscal 2024

The Board of Directors has devised the following action plan for fiscal 2024 to deepen discussions on the functions, roles, and operations of a Board that can contribute to the effectiveness of the new Mid-Term Management Plan (improvement of corporate value for the medium to long term).

- (1) Form a common understanding of the definition of a "Monitoring Board" that we should pursue (strengthen the oversight function)
  - Conduct fixed-point observation and timely discussion regarding capital allocation, which is the starting point of our growth strategy
  - Bolster growth strategy and the management base aligned with it; monitor reforms
- (2) Deepen discussions on Board succession, reflecting on our future vision for the Board of Directors
  - Reassess the role of the Nomination and Remuneration Committee as an advisory body to the Board of Directors
  - Determine the scope of advice; follow up on the report content
- (3) Discuss how oversight and audit functions ought to be; promote further discussions between the Audit and Supervisory Committee and the business execution team
  - The role of audit that raises the effectiveness of monitoring (operation and management of the Audit Department)
  - Decide themes for the audit plan of the Audit and Supervisory Committee and for internal audits, also referring to the items being monitored at the Board of Directors meetings

## 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 committee consists of seven directors, of which more than a majority (five) 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. In fiscal 2023, the Nomination and Remuneration Committee held seven regular meetings and also met three times outside these meetings for more intensive discussions. The committee's main topics

### Nomination and Remuneration Committee Meetings in Fiscal 2023

Date	Matters deliberated on
April 2023	<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>Deliberation schedule for fiscal 2023</li> </ul>
May 2023	<ul style="list-style-type: none"> <li>Deliberation on the amounts of officers' remuneration</li> <li>Assessment of directors' performance in fiscal 2022</li> </ul>
July 2023	<ul style="list-style-type: none"> <li>Discussion on succession planning (activity plan)</li> <li>Discussion on revising an executive officer remuneration system</li> <li>Report on fiscal 2023 commitments</li> </ul>
October 2023	<ul style="list-style-type: none"> <li>Discussion on the definition of talent requirements for succession planning</li> <li>Discussion on the skills matrix</li> <li>Discussion on revising an executive officer remuneration system</li> </ul>
December 2023	<ul style="list-style-type: none"> <li>Discussion about Board succession</li> <li>Discussion on revising an executive officer remuneration system</li> </ul>
January 2024	<ul style="list-style-type: none"> <li>Discussion on succession planning (activity report)</li> <li>Discussion on the officer composition for the next fiscal year</li> <li>Discussion on revising an executive officer remuneration system</li> </ul>
March 2024	<ul style="list-style-type: none"> <li>Discussion about Board succession</li> <li>Discussion on the skills matrix and officer composition for the next term</li> <li>Deliberation on the policy for determining officers' remuneration</li> </ul>

of discussion were the selection of officer candidates, confirmation of the successor development process, the skill requirements of the Board of Directors, performance evaluation when determining officer remuneration, and the structure and appropriate level of compensation.

In fiscal 2024, the committee plans to advance discussions with a greater focus on in-depth conversation regarding Board successions, also considering the action plan prepared in line with the assessment of Board effectiveness.

## Officers' Remuneration

### Basic Policy

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 enhancement of corporate value.

The appropriate remuneration levels are determined by comparing the Company's current remuneration systems and levels with those of companies of similar size, type, and industry. This comparison is based on executive compensation survey data provided by external research organizations.

### Basic Approach to 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 sustainable growth
- The composition of officer remuneration shall be such that it encourages the sharing of profits and risks with the shareholders, raises awareness of the shareholders' perspective, and instills a stronger drive to enhance corporate value
- The level of remuneration shall be appropriate for attracting and retaining excellent global human resources
- The remuneration determination process shall be objective and transparent

## TOPICS Composition of Officers' Remuneration

In line with the basic policy of the new Mid-Term Management Plan starting in fiscal 2024, we seek to implement individual measures and achieve sustainable growth at an accelerated pace while also boosting the motivation of directors and officers more speedily toward the enhancement of corporate value for the medium- to long- term. To this end, we strengthened the link between officers' remuneration and the Company's business performance, raise the ratio of stock-based compensation, and revise the method for providing stock-based compensation to promote further value-sharing with the shareholders.

Specifically, for the representative directors, we have increased the performance-linked portion of total remuneration. In particular, we have raised the ratio of stock-based compensation to bolster their drive to share profits and risks with the shareholders and enhance corporate value. The remuneration of the representative director upon achieving each evaluation indicator selected as performance targets is as follows. Please note that outside directors and directors serving as Audit and Supervisory Committee members are only paid base remuneration.

### Representative Director Remuneration Structure

Before revision			After revision		
Monetary compensation		Stock information	Monetary compensation		Stock information
Fixed 50%	Variable 50%		Fixed 30%	Variable 70%	
Base 50%	STI 30%	LTI 20%	Base 30%	STI 30%	LTI 40%

\* STI: Short-term incentives \* LTI: Long-term incentives

\* Base remuneration makes up 100% of the remunerations for outside directors and directors serving as Audit and Supervisory Committee members.

### Base Remuneration

Remuneration allocated based on one's job title and responsibilities (weighted allocation) is paid as a monthly fixed compensation. The maximum amount of remuneration for directors (excluding Audit and Supervisory Committee members) was set at 450 million yen annually (including a maximum of 70 million for outside directors), as per resolution at the 12th Annual General Meeting of Shareholders held on June 25, 2024. The maximum amount of remuneration for directors serving as Audit and Supervisory Committee members was set at 70

million yen annually, as per resolution at the above-mentioned Annual General Meeting of Shareholders.

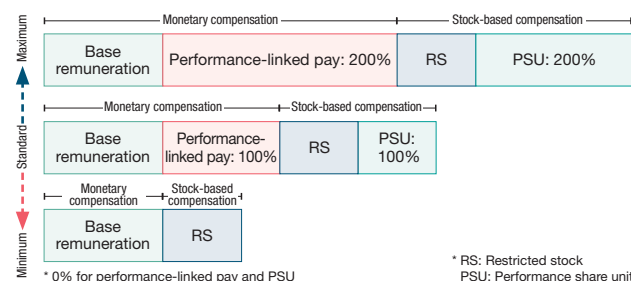
## TOPICS Performance-linked Compensation

Performance-linked compensation comprises “performance-linked pay,” which is paid according to performance during the fiscal year, and “stock-based compensation,” 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 determined using consolidated net sales and EBITDA, which demonstrate the Company’s earnings power, as evaluation indicators, while also taking into account the evaluation by the Remuneration Committee, which is chaired by an outside director and whose majority are outside directors. 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 monetary compensation to strengthen the recipients’ awareness toward improving the Company’s medium- to long-term performance and enhancing corporate value. Specifically,

### Fluctuation Range of Representative Directors’ Performance-linked Compensation



once every five consecutive fiscal years, the Company contributes to a trust the capital necessary for acquiring the shares slated to be granted to the directors. The shares acquired through the trust are granted in two ways: restricted stock (RS) granted according to points commensurate to the job post, with one point being equivalent to one share, and performance share units (PSU) granted according to points reflecting the results versus the Mid-Term Management Plan, with one point also being equivalent to one share. Directors receiving the shares sign a transfer restriction agreement, which restricts them from disposing of the granted shares via transfer and other means until they retire as directors.

As evaluation indicators to determine PSUs, we use total shareholder return (TSR), which encourages directors to share profit-consciousness with the shareholders, in terms of both the benefit of stock price appreciation and the risk of stock price decline, while also motivating them to contribute to the Company’s sustainable growth and corporate value enhancement. On the front of technology and human capital (the materiality indispensable to our sustainable growth), the degree of our achievement of sustainability strategy targets set as priority management targets is reflected as well.

The amount of PSUs to be granted is determined based on the level of achievement of the above-mentioned indicators over the period of the Mid-Term Management Plan. Furthermore, the amount of PSUs will be reduced partially or in full if we cannot reach the minimum targets that should be met to fulfill our responsibility as a corporate entity. These include cases where the average ROE performance during

### Timing of Granting Points and Delivering Shares, etc. Under the Stock-based Compensation Plan

	Timing of granting points	Timing of delivering shares, etc.
RS	After the end of each fiscal year	At a fixed time each year
PSU	After the end of the final year of the Mid-Term Management Plan	At a fixed time during the fiscal year following the final year of the Mid-Term Management Plan

### Performance Indicators for Performance-linked Compensation Serving as Medium- to Long-term Incentives

Evaluation Indicators	Description	Weighting	Fluctuation range
Total shareholder returns (TSR)	TSR performance over five years (versus benchmark companies)	80%	0 – 200%
Sustainability strategy target	Level of achievement of key performance indicators for technology and human capital (the materiality indispensable to our sustainable growth)	20%	0 – 200%

the performance-linked term falls short of a certain level or where the CO<sub>2</sub> emissions reduction target is not achieved in the area of climate change, which is a material social issue.

### Amount of Officers’ Remuneration in Fiscal 2023

Officer classification	Total amount of remuneration, etc. (Millions yen)	Total amount of remuneration, etc. by type (Millions yen)			Number of eligible officers
		Base remuneration	Performance-linked compensation	Stock-based compensation	
Directors (excluding directors serving as Audit and Supervisory Committee Members)	315	109	75	130	4
Directors (Audit and Supervisory Committee Members)	37	37	—	—	4
Total	353	147	75	130	8
(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.

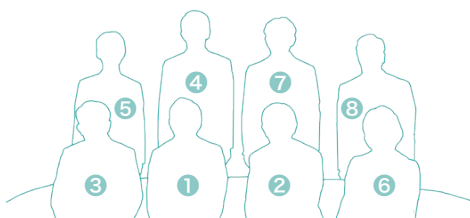
## Decision-making Process

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.

The remuneration of individual directors who are Audit and Supervisory Committee members shall be determined through discussions among the Audit and Supervisory Committee members, within the range of the maximum remuneration amount approved in advance at the General Meeting of Shareholders.

## Directors and Executive Officers (As of November 2024)



### Directors

#### ① Yoshihisa Shinya

Attendance at the FY2023 Board of Directors meetings: 13/13  
Representative Director and President, President and Executive Officer  
Officer in charge of management and business operations

Nomination and Remuneration Committee Member

- Jul. 2001 Joined Sony Chemicals Corporation (current Dexerials Corporation)
- Apr. 2005 General Manager, Development Department, Optical Material Business Unit, Dexerials Corporation
- Apr. 2012 Deputy Head, Optical Solutions Products Business Division, Dexerials 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 Deputy-Head, Corporate R&D Division Deputy-Head, Dexerials Corporation
- Apr. 2017 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.

#### ② Toshiya Satake

Attendance at the FY2023 Board of Directors meetings: 13/13  
Representative Director and Senior Managing Executive Officer  
Officer in charge of management and administration

Nomination and Remuneration Committee Member

- 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

#### ③ Takashi Yokokura

Attendance at the FY2023 Board of Directors meetings: 13/13  
Outside Director

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)



**4 Satoshi Taguchi**

Attendance at the FY2023 Board of Directors meetings: 13/13  
Outside Director

	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	
Jun. 2021	Outside Director, Dexerials Corporation (to present)	

**5 Toshihiro Hagiwara**

Attendance at the FY2023 Board of Directors meetings: —  
Outside Director

	Independent Officer	Nomination and Remuneration Committee Member
Apr. 1996	Joined RECOF Corporation	
Aug. 2004	Joined Cerberus Japan K.K.	
Apr. 2006	Managing Director, Cerberus Japan K.K.	
Jan. 2017	The Asahi Shimbun Company (Corporate Planning Office, Strategic Investment Division)	
May 2019	Managing Executive Officer (in charge of Management), TechnoPro Holdings, Inc. Director and Senior Executive Officer, TechnoPro, Inc. (to present)	
Jul. 2019	Managing Executive Officer (in charge of Management) and CFO, TechnoPro Holdings, Inc.	
Sep. 2019	Director (in charge of Management), Managing Executive Officer and CFO, TechnoPro Holdings, Inc.	
Jul. 2021	Director, TechnoPro Construction, Inc. (to present)	
Jul. 2021	Managing Director and CFO, TechnoPro Holdings, Inc. (to present)	
Jun. 2024	Outside Director, Dexerials Corporation (to present)	

**Directors (Audit and Supervisory Committee Members)****6 Rika Sato**

Attendance at the FY2023 Board of Directors meetings: 13/13  
Outside Director, Chairperson of the Audit and Supervisory Committee

	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)	

**7 Tetsuyuki Kagaya**

Attendance at the FY2023 Board of Directors meetings: 13/13  
Outside Director, Audit and Supervisory Committee Member

	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)	

**8 Masato Taniguchi**

Attendance at the FY2023 Board of Directors meetings: 10/13  
Director, Standing Audit and Supervisory Committee Member

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.	
Oct. 2020	Auditor, Dexerials (Shanghai) Corporation	
Oct. 2020	Audit & Supervisory Board Member, Dexerials Precision Components Corporation	
Jul. 2021	Auditor, Dexerials Korea Corporation	
Aug. 2022	Audit & Supervisory Board Member, Kyoto Semiconductor Co., Ltd.	
Jun. 2023	Director (Standing Audit and Supervisory Committee Member), Dexerials Corporation (to present)	

**Executive Officers, Division Heads, Business Unit Heads****Yoshihisa Shinya**

President and Executive Officer  
Officer in charge of management and business operations

**Toshiya Satake**

Senior Managing Executive Officer  
Officer in charge of management and administration

**Takashi Yoshida**

Executive Officer  
Production Strategy Division Head

**Kozaburo Hayashi**

Executive Officer  
Global Sales & Marketing Division Head

**Kuo-Hua Sung**

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

**Kentaro Oshima**

Executive Officer  
Automotive Solutions Business Unit Head

**Naoyuki Tsuda**

Executive Officer  
Human Resources Division Head

**Kazuyoshi Terashita**

Executive Officer  
Business Management Division Head

**Kouji Yamagishi**

Executive Officer  
Sustainability Promotion Division Head

**Kazuya Hayashibe**

Executive Officer  
Representative Director and President, Dexerials Photonics Solutions Corporation

**Hiroshi Uchida**

Executive Officer  
Optical Solutions Business Unit Head

**Kenji Kamiya**

Executive Officer  
Connecting Materials Business Unit Head

**Yoshifumi Ueno**

Corporate R&D Division Head

TOPICS

## Message from the Newly Appointed Outside Director

Aiming to achieve sustainable growth and value creation by leveraging the discipline of the capital markets.

Outside Director **Toshihiro Hagiwara**

During the latter three years of the previous Mid-term Management Plan, the COVID-19 pandemic caused disruptions, and geopolitical risks also surged. Despite this, we were able to refine our earning power, which generates added value for our customers, and as a result, we significantly outperformed our financial targets. The performance can be attributed to a successful combination of several factors, including our tireless research and development to cultivate core competencies, product development that anticipated technological trends, and the resolution of technological issues our customers had not been aware of.

To a certain extent, we were able to build a management foundation that serves as the groundwork for our next stage of growth, and in the capital markets, there are rising expectations for Dexerials' future. As our market capitalization expands, more investors become interested in the Company. This further raises the importance of analyses from the perspective of investors, as well as logical communication with them based on a common language. Under the current Mid-term Management Plan, which factors in greater cash flow generation, we are planning to spend three times as much on growth investment compared to the previous Mid-term Management plan. Meanwhile, to grow while creating value, it is crucial that the return on investment exceeds the cost of capital; hence, if the desired investment opportunities are not expected for some time, shareholder returns will also be justified from the standpoint of capital efficiency. As upheld in the new Mid-Term Management Plan, to "achieve sustainable growth and enhancement of corporate value by balancing growth investments and shareholder returns" with certainty, I believe that our management approach needs to evolve into one that leverages discipline concerning capital markets.

In the past, I worked for a foreign investment fund for approximately 13 years, supporting various companies in their business reforms and value enhancement. Currently, as the CFO of a tech-field HR service company, which was one of the fund's investees, I take part in over 200 IR meetings a year, mainly with global institutional investors. The insights I gain from such dialogue are shared at the Company's Board of Directors meetings, and are used to inform management practices that take the cost of capital and share price into account. As an outside director of Dexerials as well, I hope to contribute to improving the Company's Board effectiveness and "Achieving Evolution" as outlined in the current Mid-Term Management Plan, while remaining mindful of the discipline of the capital markets.

## Independence Standards for Outside Directors

If none of the following attributes applies to an Outside Director or a candidate for Outside Director, the Company judges that such Outside Director or candidate for Outside Director is independent from the Company.

1. A person who currently serves as Director (excluding Outside Director, with the same applying hereinafter), Audit & Supervisory Board Member (excluding Outside Audit & Supervisory Board Member, with the same applying hereinafter), Executive Officer or employee of the Company or subsidiaries of the Company (hereinafter referred to as the "Dexerials Group") (hereinafter referred to collectively as "Director etc.") or served as such in the 10 years prior to his/her appointment.
2. A second-degree or closer relative of a Director etc. of the Dexerials Group
3. A major shareholder of the Company (or if the shareholder is an organization, such as a corporation, a person who belongs to it) <sup>\*1</sup>
4. A person who belongs to an organization of which the Company is a major shareholder <sup>\*1</sup>
5. A major business partner of the Dexerials Group (or if the business partner is a corporation etc., a person who belongs to it) <sup>\*2</sup>
6. A major lender to or creditor of the Dexerials Group (or if the lender or creditor is an organization, such as a corporation, a person who belongs to it) <sup>\*3</sup>
7. A person who has received a donation amounting to 10 million yen or more in the current fiscal year from the Dexerials Group (or if the person receiving such donation is an organization, such as a corporation or an association, a person who belongs to such organization or belonged to such organization in the most recent five years)
8. A person who has received remuneration amounting to 10 million yen or more in the current fiscal year for providing professional services concerning law, finance, tax affairs, etc. or consulting services to the Dexerials Group (or if such person is an organization, such as a corporation, a person who belongs to it)
9. The company where a person serves as a Director etc. and the Dexerials Group have a relationship of interlocking outside officers.<sup>\*4</sup>

<sup>\*1</sup> "Major shareholder" means a person who directly or indirectly holds 10% or more of the total voting rights.

<sup>\*2</sup> "Major business partner" means a person who received from the Dexerials Group or paid to the Dexerials Group an amount equal to 2% or more of annual consolidated sales of the said business partner or the Dexerials Group.

<sup>\*3</sup> "Major lender" means a lender from which the Dexerials Group borrows an amount equivalent to 2% or more of consolidated total assets.

<sup>\*4</sup> "Relationship of interlocking outside officers" means receiving an outside officer from a company where a Director etc. of the Dexerials Group serves as an outside officer.

## Communication with Shareholders and Investors



At Dexerials, we believe that timely and appropriate information disclosure to shareholders and investors ensures our decision-making transparency and fairness and guarantees effective corporate governance functions. At the same time, we also think such disclosure promotes public understanding along with an appropriate market assessment of Dexerials and thereby helps enhance the Company's corporate value. For this reason, rather than limiting ourselves to statutory dis-

closure, we work proactively to release through our website and other channels financial and non-financial information that leads to a more in-depth understanding of the Company and its businesses. We also make every effort to build an information disclosure system that is highly transparent and trustworthy.

When holding dialogue with our investors, we select our participants based on the policies and attributes of the investors, as well as the topic of the dialogue. In such a way, we create opportunities for our president, the officer in charge of investor relations, and other members of the management team to have direct conversations with our investors and shareholders in Japan and globally.

### Investor Relations Activities (FY2023)

Activity	Number of sessions	Details
Financial results briefings for analysts and institutional investors	4	Hosted a briefing session each quarter (with the president and the executive officers as speakers) Posted financial results materials (financial results, presentation, Q&A summary, video) on our website by the day after the briefing session
Meetings with analysts and institutional investors (of which, those hosted by the president and other executive officers)	300 (72)	Held one-on-one interviews with analysts and institutional investors in Japan and globally; conducted meetings during conferences and other events
Corporate briefings for individual investors	1	Hosted an online corporate briefing session for individual investors. Posted the session video on our website
Facility visits for institutional investors and the press	1	Conducted a tour for institutional investors and the press, showcasing the manufacturing process of Anti-reflection films, technological exhibits, etc. (March 2024; Headquarters and Tochigi Technology Center)
Facility visits for shareholders	1	After the Annual General Meeting of Shareholders, conducted a tour for shareholders, showcasing the research facility dedicated to the automotive business, technological exhibits, etc. (June 2024; Headquarters and Tochigi Technology Center)

### Internal Dissemination of Feedback

The opinions and evaluations received from our shareholders and investors are shared with our management team and widely across our organization, and the knowledge gained from the capital markets is applied to our business management and activities.

Activity	Target audience	Frequency	Details
Reporting of IR activities to the Board of Executive Officers	All executive officers	Monthly	Sharing capital market insights on management improvement and corporate value enhancement; these include analyst reviews, investor opinions, and the state of share price and valuation
Sharing of analyst report summaries	All executive officers Relevant divisions	As required	Sharing summaries of the analyst reports issued by securities companies via e-mail, etc.
Reporting of financial results announcement and briefings	All employees	After the announcement of financial results	Sharing via e-mail the financial results summary, along with investors' points of interest and evaluations of the Company

### Highlights (Achievements)

#### Plant tour for institutional investors

Under the previous Mid-term Management Plan, we have dedicated substantial resources to the automotive business, which we designated as a new business domain. For a more in-depth understanding among our institutional investors regarding the growth of our automotive business and the reason behind it, in March 2024, we held a tour of the research facilities, manufacturing processes, and equipment at our headquarters and Tochigi Technology Center.

Following the tour, we invited the participants to a round-table discussion with our officers, including the president, and through Q&A and dialogue, we were able to deepen their understanding of our businesses. In a questionnaire regarding the event, we received many comments expressing high expectations for our Mid-Term Management Plan starting in fiscal 2024.



Snapshot from the round-table discussion session

#### Annual General Meeting of Shareholders and a facility tour for shareholders

Since June 2023, the Annual General Meeting of Shareholders has been held at Headquarters and Tochigi Technology Center. On the same day as the meeting, we have hosted a tour of our showroom and other facilities, inviting many of our shareholders to gain a more in-depth understanding of Dexerials. By seeing the products and research facilities that are rarely on display and listening to the explanations by our employees, including mid-career and young staff members, the tour participants deepen their understanding of the Company. We have received comments from the participants, stating that they became even bigger fans of Dexerials and that they wanted the tour to be hosted again next time.



Tour snapshot

#### Corporate briefing session for individual investors

To create more opportunities for dialogue with individual investors, we hold online corporate briefing sessions in addition to those conducted face-to-face. The online sessions are favored as an easy-to-participate forum, and many investors of wide-ranging demographics take part from across Japan. In addition to providing product overviews, we use this opportunity to explain Dexerials' purpose, corporate philosophy, and future potential. These sessions have been a valuable opportunity to attract interest in the Company.



Snapshot of the online session

## Compliance

ESG Key Issues



The Dexerials Group's corporate philosophy—"Integrity Have Integrity and Sincerity"—is at the core of all activities of the Company. Practice compliance is not only our social responsibility but also the very realization of Dexerials' corporate philosophy, and it is an essential element for sustainable growth and development.

As a company trusted by our customers and other stakeholders, we will make the utmost effort to ensure thorough compliance.

### Group Code of Conduct

The Group has established the Dexerials Group Code of Conduct, which applies to all officers and employees both domestically and globally, and promotes thorough compliance and sound business activities.

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



Dexerials Group Code of Conduct  
For more details, please refer to our [website](#).



### Prevention of Corruption and Bribery

The Global Anti-bribery Regulations, established based on the basic policy of the Dexerials Group Code of Conduct, prohibit giving or receiving bribes to or from public officials, business partners, and other parties. They also outline and govern the procedures that all officers and employees of the Dexerials Group must strictly follow, including the procedures for prior application, approval, and reporting on entertainment and gift-giving. Additionally, we provide education on anti-corruption and anti-bribery to all employees of the Group. In fiscal 2023, there were no legal actions taken against the Dexerials Group for violations of anti-corruption and anti-bribery.

Serious violations of laws and regulations,  
including those related to anti-corruption (FY2023)

▶ **0 cases**

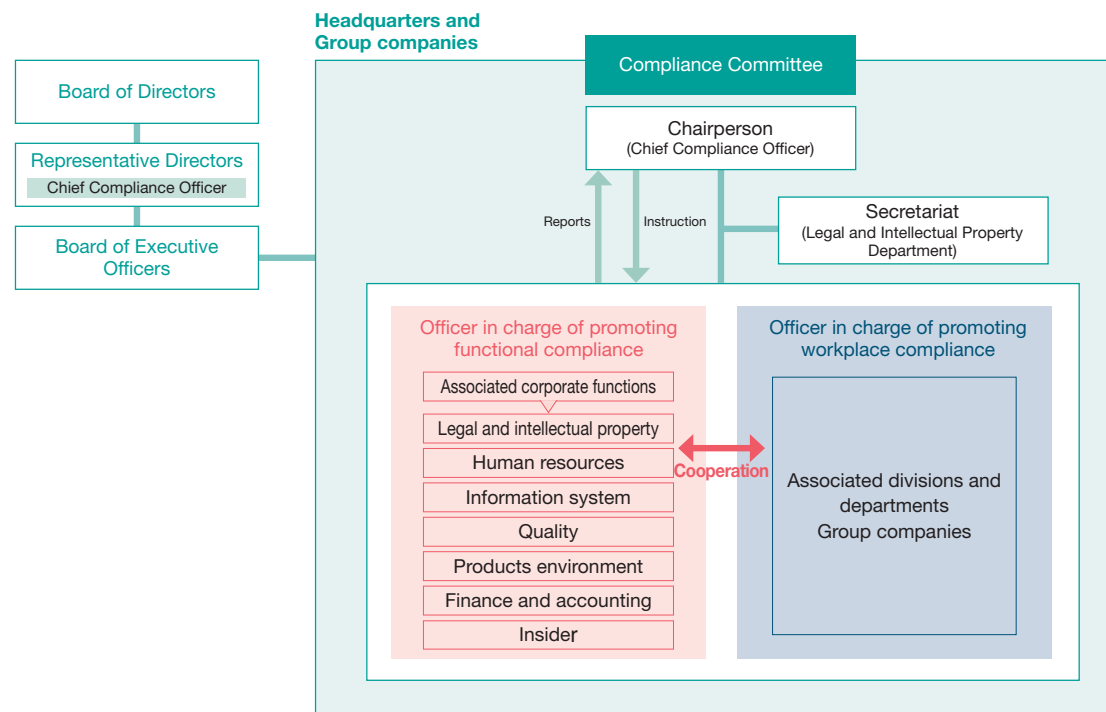
### Compliance System

In April 2024, the Dexerials Group established the Global Compliance Management Regulations to establish a sustainable compliance system based on its corporate philosophy and to promote and enforce global compliance based on the Code of Conduct. In accordance with these regulations, we have appointed the representative director as the chief compliance officer and established the Compliance Committee to promote its activities.

The Compliance Committee is chaired by the chief

compliance officer and includes the officers in charge of promoting compliance, as well as the standing member of the Audit and Supervisory Committee. There are two officers in charge of promoting compliance: one taking action from the perspective of company-wide functions, including human resources, quality, and others, and the other focusing on the workplace perspective, covering business units, divisions, Group companies, and other classifications. These officers lead the compliance activities under the direction of the chief compliance officer.

#### Compliance System



## Initiatives to Strengthen Global Compliance

We have created a Compliance Handbook that explains the compliance requirements, precautions, and matters that all officers and employees of the Dexerials Group must observe in the course of their business activities. Through this handbook, we actively educate and raise awareness among all employees of the Group both in Japan and globally.

### Compliance Month and Activities

October is our designated Compliance Month. During the month, we deliver a message from the president, offer intensive compliance-related education, and focus on distributing relevant information to all Group companies. In fiscal 2023, we delivered a message covering topics such as harassment prevention, the creation of a diversity-friendly work environment, and the enforcement of quality-related compliance. Through these activities, we provided opportunities for our employees to reflect on their daily actions and the importance of compliance, driving measures to raise awareness among each and every employee.

### Compliance Education Content (FY2023)

Contents	Details	Date (s)	Target group
"Compliance News" e-mail newsletter	What Compliance means, Compliance Hotline, Prevention of harassment, etc.	April, June, August, December, February	All Group company employees in Japan and globally
Training for new employees	Code of Conduct	April	New employees
Group training	Harassment prevention	October	Managerial level and above
Lecture by an attorney	Role of management in developing a workplace culture, etc.	October	Managerial level and above
Compliance training e-learning	Code of Conduct, Compliance Hotline system, prohibition of acts such as bribery, prevention of insider trading, etc.	October	All Group company employees in Japan and globally

## Corporate Philosophy

# Integrity

Have Integrity and Sincerity

### Compliance Education

We provide compliance training to all employees of all Group companies in Japan and globally, using e-learning and other methods. Additionally, we regularly distribute an e-mail newsletter titled the Compliance News, which uses manga to explain cases of compliance violations so that employees can feel familiar with the makings of compliance. The newsletter is translated into three languages (English, Chinese, and Korean) and is used for compliance education at all domestic and global Group companies.

In fiscal 2023, we also held a group training session for managerial-level employees and above on the topic of "organizational management to prevent harassment," conducting lively discussions on how to improve each work environment. We have also been working to raise awareness, for instance, by inviting the attorney in charge of our external point of contact for whistleblowing to give lectures to our managers.



Snapshot from the lecture for managers

### Global Survey on Compliance Awareness

In January 2024, we conducted a compliance awareness survey at all Group companies in Japan and globally. The survey has been conducted since 2022. Its objective is to steadily improve the level of Group-wide compliance activities by periodically measuring the effectiveness, thoroughness, and penetration of the Group's compliance initiatives, as well as changes in employee awareness, and by running the PDCA cycle.

The latest survey, based on a comparison and analysis of the previous results, has revealed successful initiatives as well as new challenges. The details of the survey were reported to the officers, the officers in charge of promoting compliance, and others at the Compliance Committee meeting, and a summary was shared with all employees of the Dexerials Group.

As for the challenges identified, individual feedback was provided to each function and workplace. As part of the Compliance Committee's activities, each function and workplace analyzes the issues and discusses potential measures. We regularly follow up on the progress of the planned measures through reports to the Compliance Committee; thereby working to strengthen compliance across the entire Group.

### 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 globally 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 the 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 2023, we received 11 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 today's Volatility, Uncertainty, Complexity, and Ambiguity (VUCA) environment, business operation risks are becoming increasingly complex and diverse. We are actively engaged in risk management, focusing on promptly identifying potential risks and implementing effective countermeasures. Specifically, we have identified enhancing the functionality of our Business Continuity Plan (BCP) as a key priority in our Mid-Term Management Plan to ensure we continue delivering value to society and our customers.

### Basic Approach

The Dexerials Group defines and recognizes risks as factors that hinder the achievement of business goals or disrupt business continuity.

To ensure operational safety and business continuity, and to fulfill our responsibility to supply products to customers, we engage in comprehensive risk management across the Group. This includes identifying risks that may affect not only our management but also society as a whole, and implementing appropriate risk mitigation measures.

### Risk Management Structure

Amid increasing societal uncertainty caused by the COVID-19 pandemic and the ongoing threat of cyberattacks, advanced risk management is essential to enhancing corporate resilience, particularly in addressing emerging and unknown risks. To this end, we have established a dedicated risk management department, through which we have been working to improve our management systems and methods and strengthen risk management activities.

In accordance with risk management regulations, the Group has established a Risk Management Committee, with the Representative Director appointed as Chief Risk Management Officer and the Executive Officer responsible for sustainability promotion appointed as Risk Manager. The Risk Management Committee has set up risk subcommittees for each specialized functional domain to discuss high-priority risks. The Committee regularly reports the status of

risk responses to the Board of Executive Officers, and when necessary, evaluates and corrects risk responses before reporting to the Board of Directors.

### Risk Management Process

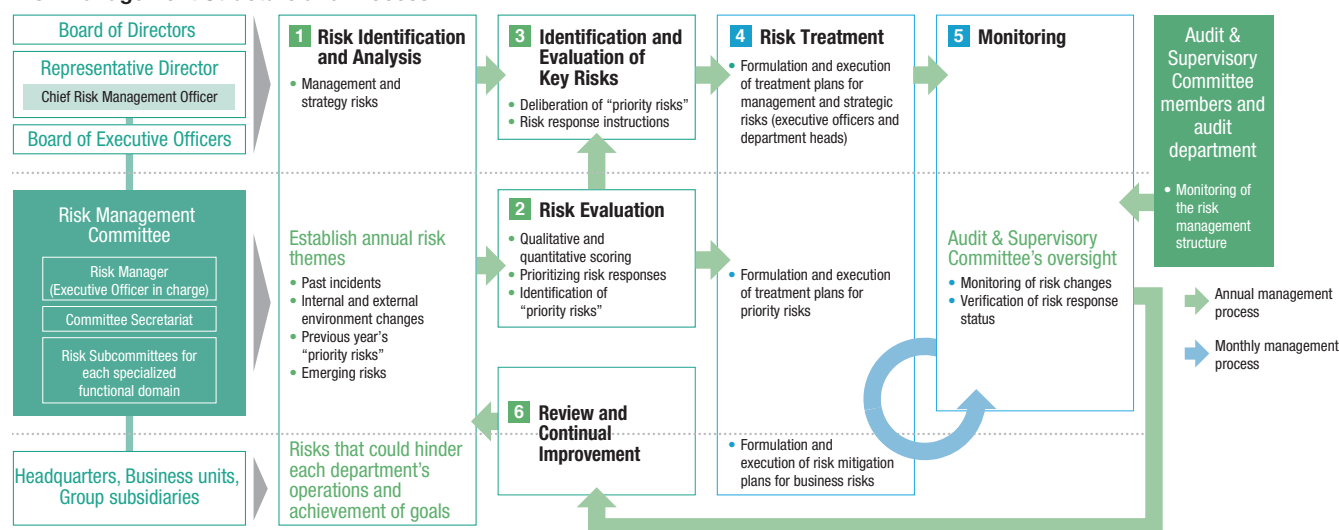
Due to the constantly changing environment surrounding the Dexerials Group, we conduct risk management under the leadership of the Risk Management Committee, following the process outlined below to ensure timely and appropriate countermeasures.

- 1 Risk identification and analysis:** Comprehensively identify risks and analyze them based on specific event assumptions and actualized scenarios
- 2 Risk evaluation:** Qualitatively and quantitatively score risks
- 3 Identification of key risks:** Identify risks with high scores as "priority risks" for focused response
- 4 Risk treatment:** Address "priority risks" with topmost priority
- 5 Monitoring:** Submit monthly reports to the Board of Executive Officers (with discussions on corrective actions as needed)
- 6 Review and continual improvement (every six months):** Review the following year's priority risks during the risk identification stage (Step 1) and discuss further actions

### Priority Risks

We identify risks by setting risk themes, taking into account key events and natural disasters from a global perspective, significant past incidents, and changes in the macro environment, and review them annually. Risks that score above a certain threshold are designated as "priority risks" — risks that require particular focus during the current fiscal year. The departments responsible for each priority risk develop an annual risk mitigation plan, and the results of monitoring these efforts are regularly reviewed by executive officers, who issue corrective instructions as necessary and report to the Board of Directors. Additionally, as a third line of defense, the audit department monitors the risk landscape and evaluates the overall effectiveness of the risk management structure. Through this process, we strengthen our response to critical risks and ensure continuous improvement.

### Risk Management Structure and Process



## List of Major Corporate Risks

Risks that impact the Group and corresponding countermeasures. We have identified risks in conjunction with the Mid-Term Management Plan, and are regularly monitoring progress, making revisions as necessary.

Category		Item	Main risks	Countermeasures
Business operational risk	Management and strategy	Management and strategy risk	Drastic changes in demand in business domains Delay in digitalization initiatives	<ul style="list-style-type: none"> <li>Expand business portfolio and build a system capable of changing demand</li> <li>Develop differentiated technologies and high-value-added products</li> </ul>
		New business and investment risk	Entry into new businesses, expansion into new domains, acquisitions (M&A), and business partnerships	<ul style="list-style-type: none"> <li>Conduct economic assessment of investments, consider returns and risks</li> </ul>
		Performance-related risk	Intensified competition, sudden demand fluctuations, and a decline in selling prices	—
	Business operations	Financial and accounting risk	Forex rate fluctuations, compliance with global accounting standards	<ul style="list-style-type: none"> <li>Hedge risks through forward exchange contracts, ensure accounting accuracy</li> </ul>
		Product and production (including sales) risk	Occurrence of major quality incidents Product defects leading to recalls or damages	<ul style="list-style-type: none"> <li>Implement quality control initiatives and accident prevention measures</li> <li>Prevent quality incidents during the design phase and design reviews</li> <li>Ensure thorough quality inspections using IT</li> <li>Conduct quality management under international quality control systems</li> </ul>
		Procurement and logistics risks	Suspension of production due to regulatory restrictions Logistics stoppages due to delays or export/import restrictions	<ul style="list-style-type: none"> <li>Gather information on regulatory changes</li> <li>Strengthen supply chain management</li> </ul>
	Compliance	Legal violations and misconduct risk	Illegal or unethical activities	<ul style="list-style-type: none"> <li>Establish global compliance regulations</li> </ul>
		Accident and negligence risk	Revocation of licenses and permits	<ul style="list-style-type: none"> <li>Take measures to foster compliance awareness</li> </ul>
		Intellectual property risk	Infringement or violation of intellectual property rights	<ul style="list-style-type: none"> <li>Conduct rigorous intellectual property infringement investigations</li> </ul>
		Labor management risk	Harassment	<ul style="list-style-type: none"> <li>Establish and promote internal and external whistleblowing systems</li> <li>Continuously conduct training and education</li> </ul>
	Sustainability	Climate change risk	□ P. 62 Information Disclosure Based on TCFD Recommendations	
		Environmental risk	Stricter environmental regulations, hazardous substance leakage	<ul style="list-style-type: none"> <li>Conduct emergency response drills</li> </ul>
Accidents and disaster risk	Hazards	Natural disaster risk	Difficulty continuing operations due to accidents or natural disasters	<ul style="list-style-type: none"> <li>Maintain and strengthen BCP systems, conduct training and education on BCP</li> </ul>
		Pandemic risk	Impact on business due to infectious disease outbreaks	<ul style="list-style-type: none"> <li>□ P.92 Business Continuity Plan (BCP) Initiatives</li> </ul>
		Accident risk	Occurrence of severe occupational accidents	<ul style="list-style-type: none"> <li>Proactively identify risks and implement preventive measures</li> <li>Conduct safety education using VR technology and other tools</li> </ul>
		Information security risk	Business suspensions, data leaks, or core system downtime due to cyberattacks	<ul style="list-style-type: none"> <li>Strengthen security monitoring systems</li> <li>Regularly conduct information security training</li> </ul>
External environment risk	Geopolitics	Political, economic, and social risk	Changes in national economic policies and export/import regulations Impact of economic fluctuations, economic slowdowns, rising raw material and energy costs	<ul style="list-style-type: none"> <li>Share and respond to political and economic changes in global business operations</li> </ul>
		Geopolitical risk	Disruptions in the supply chain	—

## BCP Initiatives

ESG Key Issues



Earthquakes, typhoons, and other natural disasters caused by climate change may inflict serious damage on personnel, facilities, and the essential utilities required for business operations.

We offer unique, high-value-added products that contribute to technological advancements, making the stable supply of products crucial. This underscores the importance of our Business Continuity Plan (BCP) initiatives. In addition to preventing disasters or accidents that could significantly affect our business and enhancing facilities and operations to minimize their impact, we conduct regular employee training and awareness programs. Further, to ensure business continuity in the event of a disaster or accident, we have developed, trained on, and continuously updated our BCP.

In fiscal 2023, in response to geopolitical risks, we updated satellite phones and satellite communication devices not only at domestic sites but also internationally. To back up terrestrial communication networks, we established a global emergency communication network to secure reliable communication methods.

Additionally, while prioritizing the safety of everyone involved in our operations, including our employees, we have

strengthened our BCP framework to ensure the stable supply of our products.

### Strengthening BCP

To strengthen our BCP, we conduct regular training to ensure that employees maintain the necessary knowledge and skills. The training content is updated regularly, and we review the effectiveness of information gathering, communication (information sharing), countermeasures, and recovery planning for specific incidents. We have also developed a remote work environment to facilitate seamless collaboration between departments and business locations, with the goal of improving our overall capabilities. As part of our efforts to establish and enhance the remote work environment, we have installed solar-powered disaster-use outlets to secure communication methods and support initial response efforts during a disaster. In fiscal 2023, we conducted a BCP drill simulating a major earthquake directly beneath the Tokyo Metropolitan area affecting both our headquarters (and the Tochigi Technology Center) and the Kanuma Plant, and confirmed the effectiveness of the plan. In line with our ESG Key Issues, we are advancing the development and operation of an all-hazards BCP to minimize damage to management resources and broaden our response to various hazards.

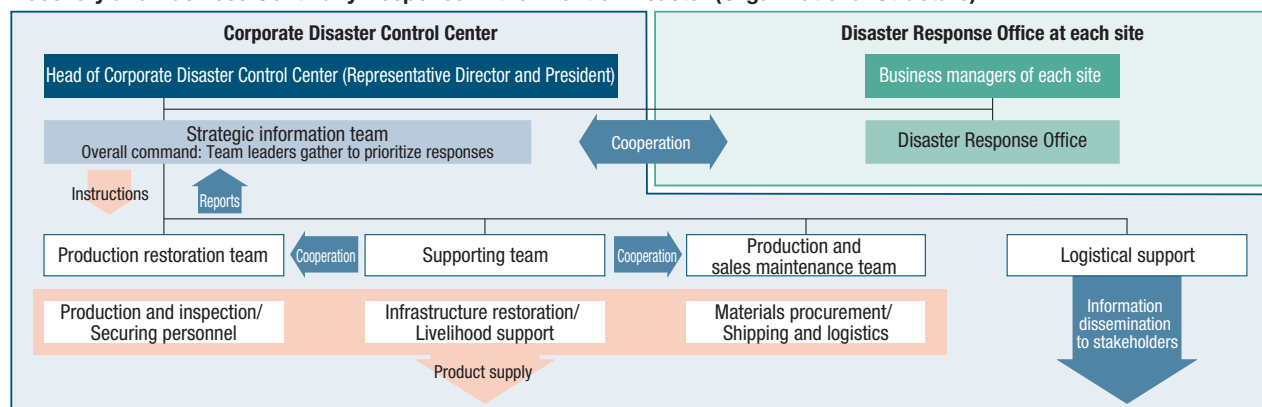
## Strengthening Information Security

ESG Key Issues



Dexerials aims to maximize customer value and become a trusted partner as a company that creates unprecedented products that enhance customers' manufacturing processes and add global value. To achieve this, we view the protection and management of information assets—both our own and those of our customers and suppliers as a key management priority. In compliance with laws, regulations, and company policies, we ensure that all employees understand and share the importance and responsibility of safeguarding information assets as well as we are committed to their proper protection and management. In response to the increasing risks posed by supply chain vulnerabilities and cyberattacks in recent years, we have identified these issues as ESG Key Issues. We are reinforcing our information security management system, which includes security rules, monitoring mechanisms, and enhanced employee training. Furthermore, starting in 2024, we will establish a CSIRT\* to enhance our response to security incidents.

### Recovery and Business Continuity Response In the Event of Disaster (Organizational Structure)



### Key Initiatives

#### 1 Strengthening information security rules

In response to recent cybersecurity concerns and revisions to ISMS standards, we have updated our information security regulations to align with global standards, reinforcing our security framework.

#### 2 Bolstering monitoring systems

To defend against cyberattacks and prevent internal misconduct that could result in information leaks, we have strengthened our authentication system and enhanced security monitoring capabilities through a dedicated team.

#### 3 Enhancing employee education

To foster awareness of the importance of information security, we have introduced email newsletters for all employees and conducted training for employees in Japan (100% participation rate in information security training in fiscal 2023).

\* CSIRT : Computer Security Incident Response Team

## Supply Chain Management

ESG Key Issues



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

### Basic Philosophy

#### 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 suppliers 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.

### Promotion of Sustainable Procurement

To promote CSR throughout the entire supply chain, we have compiled the Dexerials CSR Procurement Guidelines, which outline the basic approach to social responsibilities that both we and our suppliers must fulfill, along with specific matters of cooperation. Taking societal demands into account, we request the understanding and cooperation of our suppliers of materials and other goods. Since fiscal 2021, we have conducted a survey based on the Guidelines, covering a

total of 48 questions—42 regarding the status of initiatives outlined in the Guidelines and others related to CSR policies practiced by each supplier. The survey aimed to understand supplier efforts in areas such as human rights, labor, health and safety, and the environment. Further, in response to recent increases in raw material prices and labor costs, we are working to set transaction prices in line with government directives and guidelines, fostering the advancement of the entire supply chain.

#### 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 permits 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>● BCP (Business continuity plan) establishment and preparation</li> <li>● Appropriate disclosure of corporate information</li> </ul>

## Supply Chain Risk Management

The environment surrounding supply chains is becoming increasingly challenging due to intensifying geopolitical risks and natural disasters. Reducing these risks, which significantly impact procurement and logistics, has become an urgent priority.

In response, we are predicting and identifying risks faced by our domestic and global suppliers, digitalizing our monitoring system, and promoting awareness of the Supply Chain BCP Guidelines. Through these initiatives, we are building a system that ensures preparedness for various risks and disasters, allowing us to respond swiftly and take appropriate actions during emergencies.

## CSR Procurement Survey

The survey results up to fiscal 2023 confirmed that many of our suppliers implemented initiatives that exceeded our required CSR standards.

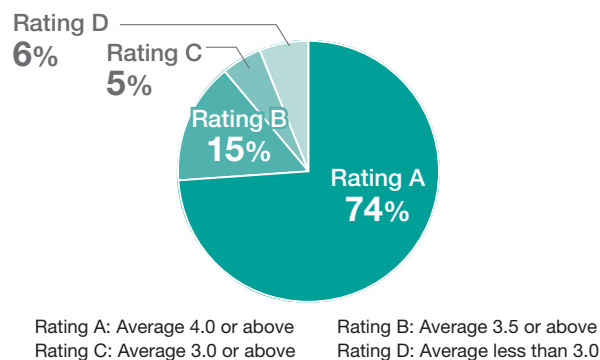
In fiscal 2024, to further strengthen CSR across the entire supply chain, we placed particular focus on raw material suppliers, given their significant impact on our products. Since raw materials are directly linked to product quality and reliability, ensuring thorough CSR practices at procurement sources is critical. We conducted a CSR survey with 86 raw material suppliers, thoroughly assessing their efforts in areas such as human rights, labor, health and safety, and the environment, while also engaging in CSR awareness activities. Through these efforts, we aim to further improve transparency and accountability across the supply chain and build a more sustainable supply framework.

In addition to the CSR procurement survey, we also conduct due diligence on new suppliers, including background checks for anti-social activities, financial assessments, and, in the case of raw material suppliers, Green Partner assessments. We only engage in business with companies that meet our selection criteria.

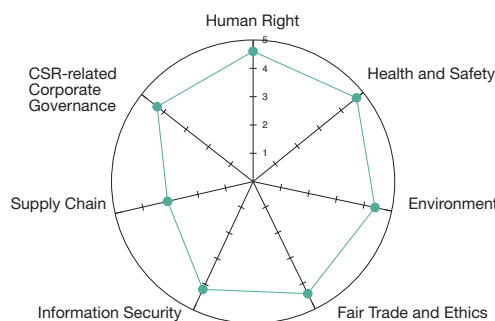
Survey period	Number of questions	Average score of all questions
July 2024	48 (+2 YoY)	4.37 points

## CSR Procurement Survey Results (July 2024)

### Percentage by Rating Rank



### Average Score by Category



Analysis of the survey results indicated that 94% of our suppliers achieved a rating of C or higher, meeting our required standards. For those rated D, we plan to provide educational support and other activities related to CSR. By category, the average score was relatively low for supply chain management, highlighting the need to address CRS initiatives for secondary and subsequent suppliers as a future challenge. We will continue to explore ways to support our suppliers.

## Green Procurement

Dexerials has established a set of Management Standards for Environment-related Substances with the goals of conserving the global environment and promoting a sustainable society. Products are manufactured in accordance with these Standards, which categorize controlled substances as those to be banned immediately, those to be phased out, or exempt substances. These substances are subject to monitoring to prevent their inclusion in our products or to confirm the reduction of their use.

Dexerials designates suppliers who cooperate with the 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

We have a clear policy of not using raw materials or components that contain conflict minerals from countries involved in human rights violations or similar issues. In line with this policy, we regularly and continuously conduct investigations into raw materials and parts for such conflict minerals, utilizing the assessment tools provided by the Responsible Minerals Initiatives (RMI), which is promoted by the Responsible Business Alliance (RBA), an electronics industry sustainability promotion Organization.

## Response to Procurement Issues

Our current procurement risks include the impact of pandemics, reliance on specific suppliers for raw materials, geopolitical risks arising from unstable political conditions, and natural disasters. Additionally, the introduction or amendment of regulations may restrict the use of certain raw materials. To mitigate these risks, we have implemented measures such as diversifying supply sources and increasing raw material inventory during normal operations to ensure the stable continuity of our business.

Further, we are actively working to comply with chemical substance regulations, aligning with the global trend toward enhancing safety for both biodiversity and the environment.

## Financial Data (Consolidated)

	(Unit)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Net sales	Millions yen	57,710	65,830	95,712	106,167	106,167
(Optical Materials and Components)	Millions yen	23,624	28,572	49,159	55,384	51,453
(Electronic Materials and Components)	Millions yen	34,226	37,395	47,195	51,495	54,387
Operating profit	Millions yen	4,617	11,339	26,642	32,288	33,421
Operating profit margin	%	8.0	17.2	27.8	30.4	31.8
Profit attributable to owners of parent	Millions yen	2,734	5,329	16,669	20,685	21,382
Capex	Millions yen	3,029	3,832	5,250	13,926	7,482
Depreciation	Millions yen	4,607	4,674	4,207	4,615	4,510
Amortization of goodwill	Millions yen	1,798	1,798	1,788	2,283	2,283
R&D expenses	Millions yen	3,653	3,611	3,876	4,274	4,706
Exchange rate	JPY/USD	108.7	106.1	112.4	135.5	144.6
Cash flows from operating activities	Millions yen	9,656	13,187	25,804	21,339	27,457
Cash flows from investing activities	Millions yen	(3,891)	(2,471)	(12,434)	(9,447)	(10,866)
Free cash flow	Millions yen	5,764	10,715	13,369	11,892	16,591
Cash flows from financing activities	Millions yen	(3,600)	(4,259)	(5,783)	(12,535)	(10,343)
Total assets	Millions yen	86,279	95,201	128,785	126,379	138,016
Net assets	Millions yen	49,567	53,305	64,576	73,774	84,953
Interest-bearing debt	Millions yen	17,333	15,486	19,433	19,712	21,736
Capital to asset ratio	%	57.5	56.0	49.5	57.7	61.6
Net D/E ratio	Times	0.07	(0.09)	(0.16)	(0.13)	(0.18)
Net assets per share	Yen	814.68	874.66	1,063.24	1,257.14	1,485.96
Earnings per share (EPS)	Yen	45.05	87.60	274.61	350.62	368.71
Annual dividend per share	Yen	34	44	60	65	100
Dividend payout ratio	%	75.6	50.3	21.8	18.5	27.1
Dividend on equity ratio (DOE)	%	4.2	5.2	6.2	5.6	7.3
Total payout ratio (before amortization of goodwill)	%	45.6	42.2	42.3	56.6	50.8
Management Indices						
EBITDA	Millions yen	10,786	17,590	32,478	39,101	40,024
Return on invested capital (ROIC)	%	4.4	11.4	22.5	24.4	22.3
Return on equity (ROE)	%	5.5	10.4	28.5	30.3	27.1
(Reference) Before amortization of goodwill	%	9.2	13.9	31.5	33.6	30.0

Note: Net sales include inter-segment transactions.

Associated with the reclassification of results for phosphor films from Electronic M&C segment to Optical M&C segment in FY21, results for FY20 have also been reclassified accordingly.



Securities Report (Japanese only)  
For more details, please refer to our [website](#).

## Non-financial Data

			Unit	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Applicable Scope	Related Pages
Environment	GHG Emissions (Scope 1)		Thousand tons of CO <sub>2</sub>	9.1	9.3	9.3	7.3	6.5	Consolidated*4	□ P.62 Information Disclosure Based on TCFD Recommendations
	GHG Emissions (Scope 2)	Market standards	Thousand tons of CO <sub>2</sub>	37.5	35.9	33.6	27.4	24.8	Consolidated*4	
		Location standards	Thousand tons of CO <sub>2</sub>	36.7	35.3	34.1	32.4	33.7	Consolidated*4	
	GHG Emissions (Scope 1 + Scope 2)	Market standards	Thousand tons of CO <sub>2</sub>	46.6	45.2	42.9	34.7	31.3	Consolidated*4	
		Location standards	Thousand tons of CO <sub>2</sub>	45.8	44.6	43.4	39.7	40.2	Consolidated*4	
	GHG Emissions (Scope 3)		Thousand tons of CO <sub>2</sub>	—	—	—	259.6	228.6	Consolidated*2	
	Category 1 Purchased goods and services		Thousand tons of CO <sub>2</sub>	—	—	—	214.8	180.0	Consolidated*2	
	Category 2 Capital goods		Thousand tons of CO <sub>2</sub>	—	—	—	9.6	14.5	Consolidated*2	
	Category 3 Fuel- and energy-related activities		Thousand tons of CO <sub>2</sub>	—	—	—	5.9	6.0	Consolidated*2	
	Category 4 Upstream transportation and distribution		Thousand tons of CO <sub>2</sub>	—	—	—	16.7	17.3	Consolidated*2	
	Category 5 Waste generated in operations		Thousand tons of CO <sub>2</sub>	—	—	—	1.8	1.9	Consolidated*2	
	Category 6 Business travel		Thousand tons of CO <sub>2</sub>	—	—	—	0.2	0.2	Consolidated*2	
	Category 7 Employee commuting		Thousand tons of CO <sub>2</sub>	—	—	—	2.7	2.7	Consolidated*2	
	Category 12 End-of-life treatment of sold products		Thousand tons of CO <sub>2</sub>	—	—	—	7.9	6.1	Consolidated*2	
	GHG emissions per net sales (Scope 1 + Scope 2)		tons of CO <sub>2</sub> / Millions yen	0.81	0.69	0.45	0.33	0.30	Consolidated*4	
	Total energy consumption*1		MWh	124,285	123,929	123,345	109,949	110,426	Consolidated*4	
	Chemical Substance Management	VOC emissions	Tons	37	36	34	30	35	Consolidated*3	□ P.60 Pollution Control
Waste management	Waste emissions	Ten thousand tons	0.26	0.25	0.29	0.26	0.29	Consolidated*3	□ P.61 Resource Recycling	
Water resource management	Water usage	Ten thousand tons	29	27	29	29	31	Consolidated	□ P.60	
Environmental violations	Number of violations of environmental regulations		Incidents	0	0	0	0	0	Consolidated	Environmental Management

Notes \*1: Figures retroactively adjusted to improve accuracy. \*2: Non-consolidated + (former) Dexerials Precision Components Corporation \*3: Excluding (former) Kyoto Semiconductor \*4: Excluding global sales companies

S Social			Unit	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Applicable Scope	Related Pages
Diversity	Number of employees	Total	Persons	1,999	1,772	1,915	1,943	1,892	Consolidated	□ P.69 Diversity
		Japan	Persons	1,604	1,423	1,603	1,640	1,595	Consolidated (domestic)	
		Global	Persons	395	349	312	303	297	Consolidated (global)	
		Ratio of global employees	%	19.8	19.7	16.3	15.6	15.7	Consolidated	
	Number of employees (non-consolidated)	Total	Persons	1,604	1,313	1,342	1,378	1,352	Unit	
		Male	Persons	1,307	1,106	1,126	1,153	1,116	Unit	
		Female	Persons	297	207	216	225	236	Unit	
		Ratio of female employees	%	18.5	15.8	16.1	16.3	17.5	Unit	
	Average age of employees	Total	Age	43.96	43.08	43.56	43.71	43.92	Unit	
	Average service years of employee	Total	Years	19 years 0 months	17 years 0 months	17 years 1 month	16 years 8 months	16 years 0 months	Unit	
	Job turnover		%	1.9	1.3	1.5	2.4	3.1	Unit	
	New graduate hires	Number of recruits	Persons	22	19	22	17	18	Unit	
		Ratio of female recruits	%	22.7	10.5	13.6	23.5	16.7	Unit	
		Retention rate after three years	%	73.7	77.5	88.0	90.9	94.7	Unit	
	Ratio of new mid-career hires		%	40.5	51.3	64.5	79.8	65.4	Unit	
Human resource development	Ratio of female managers (consolidated)		%	—	—	—	—	11.5	Consolidated	□ P.67 Human Resource Development
	Ratio of female managers (non-consolidated)	Total number of managers	Persons	406	299	299	294	250	Unit	
		Number of female managers	Persons	11	11	11	15	18	Unit	
		Ratio of female managers	%	2.7	3.7	3.7	5.1	7.2	Unit	
	Wage ratio by gender		%	—	77.2	81.3	82.6	83.5	Unit	
	Non-Japanese employees	Number of non-Japanese employees	Persons	8	10	12	17	20	Unit	
		Ratio of non-Japanese employees	%	0.5	0.8	0.9	1.2	1.5	Unit	
	Employees with disabilities		%	3.40	3.37	3.30	2.68	2.77	Consolidated (domestic)*1	
	Average training hours per employee		Hours	13.6	11.6	13.2	14.4	17.7	Consolidated (domestic)*2	
	Employee training expenses		Millions yen	—	—	34.0	73.0	102.8	Consolidated (domestic)*2	
	Number of participants in major training programs	Group training	Persons	2,158	1,690	1,323	1,950	2,695	Consolidated (domestic)*2	
		e-learning	Persons	16,854	21,420	29,486	35,347	42,549	Consolidated (domestic)*2	
		Course hours	Hours	5,618	7,140	9,829	11,728	14,183	Consolidated (domestic)*2	
	Ratio of employees receiving regular physical examinations		%	100	100	100	100	100	Consolidated (domestic)*2	
Health and Productivity Management	Ratio of employees receiving reexaminations/detailed examinations		%	30.1	35.5	34.8	45.0	47.8	Consolidated (domestic)*2	□ P.72 Health and Productivity Management
	Stress check response rate		%	97.1	97.1	96.0	95.9	95.4	Consolidated (domestic)*2	
	Lifestyle improvement implementation rate		%	26.0	28.0	30.2	31.1	32.9	Consolidated (domestic)*2	

Notes \*1: Consolidated (domestic) includes certified special subsidiaries; non-consolidated (including certified special subsidiaries) from fiscal 2019–2021 \*2: Excluding (former) Kyoto Semiconductor \*3: Figures retroactively adjusted to improve accuracy

S Social			Unit	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Applicable Scope	Related Pages
Diverse Workstyles and Work-life Balance	Total annual remote work implementation rate		%	—	70.3	75.8	74.4	72.2	Consolidated	□ P.71 Diverse Workstyles and Work-life Balance
	Statutory overtime hours (monthly average)		Hours	21.80	22.77	24.20	21.89	21.72	Consolidated	
	Paid leave	Average rate of taking paid leave	%	68.4	60.0	58.9	72.7	73.3	Consolidated	
		Average number of days taken	Day	15.7	13.7	12.8	16.3	16.6	Consolidated	
	Childcare support	Total	%	17.6	17.1	32.5	50.0	50.0	Consolidated	
		Utilization rate of childcare leave	%	100.0	100.0	100.0	100.0	100.0	Consolidated	
		Female	%	3.5	3.3	0.0	20.0	31.8	Consolidated	
		Male	%	100.0	100.0	100.0	91.7	100.0	Consolidated	
		Rate of return to work after childcare leave	%	30	29	30	29	26	Consolidated	
		Number of employees using shortened working hours system for childcare	Persons	100.0	100.0	85.7	87.5	100.0	Consolidated	
		Retention rate after taking childcare leave	%	—	10	4	8	6	Consolidated	
	Nursing care support	Number of employees taking nursing care leave	Persons	—	67	11	59	43	Consolidated	
		Total number of days of nursing care leave taken	Day	0	0	0	0	1	Consolidated	
		Number of employees using shortened working hours for nursing care	Persons	—	10	4	8	6	Consolidated	
Occupational Safety	Workplace accidents	No working days lost	Incidents	5	3	3	7	1	Consolidated (domestic)	□ P.73 Occupational Safety
		Lost three or less working days	Incidents	1	1	0	0	0	Consolidated (domestic)	
		Lost four or more working days	Incidents	2	0	0	0	3	Consolidated (domestic)	
		Fatalities	Incidents	0	0	0	0	0	Consolidated (domestic)	
		Total	Incidents	8	4	3	7	4	Consolidated (domestic)	
		Frequency rate*3	%	2.47	1.22	1.01	2.07	1.06	Consolidated (domestic)	
	Number of contractor fatalities		Persons	0	0	0	0	0	Consolidated (domestic)	
	Annual rate of work-related accidents per 1,000 people		—	1.10	0.00	0.00	0.00	1.57	Consolidated (domestic)*1	

\*1: Consolidated (domestic) includes certified special subsidiaries; non-consolidated (including certified special subsidiaries) from fiscal 2019–2021 \*2: Excluding (former) Kyoto Semiconductor \*3: Figures retroactively adjusted to improve accuracy.

			Unit	As of June 25, 2024					Related pages	
Corporate Governance	Composition of the Board of Directors	Members	Persons	8					□ P.78 Corporate Governance	
		Number of outside directors (including independent officers)	Persons	5						
		Ratio of outside directors	%	62.5						
		Number of female directors	Persons	1						
	Composition of the Audit & Supervisory Committee	Members	Persons	3						
		Number of outside directors	Persons	2						
	Composition of the Nomination and Remuneration Committee	Members	Persons	7						
		Number of outside directors	Persons	5						
	Number of executive officers		Persons	12						
				Fiscal 2023						
	Amount of officers' remuneration	Directors (excluding Audit & Supervisory Committee members and outside directors)	Members	Persons	2					
			Total amount	Millions yen	295					
		Directors (including Audit & Supervisory Committee members, excluding outside directors)	Members	Persons	1					
			Total amount	Millions yen	17					
		Outside Officers	Members	Persons	4					
			Total amount	Millions yen	40					
	Number of meetings and attendance rate	Board of Directors	Number of meetings	Times	13					
			Attendance rate	%	100					
			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	7					
			Attendance rate	%	100					
			Unit	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Applicable Scope	Related Pages
Compliance	Number of whistleblowing		Incidents	—	—	—	7	11	Consolidated	□ P.88 Compliance

		Unit	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Applicable Scope	Related Pages
R&D Expenditure/Intellectual Properties	R&D expenditure	Millions yen	3,653	3,611	3,876	4,274	4,706	Consolidated	□ P.48 Leveraging Intellectual Property to Realize Sustainable Growth
	Global patents ownership ratio (consolidated)	%	63.9	64.9	65.9	66.2	66.0	Consolidated*1	

\*1: Excluding (former) Kyoto Semiconductor



## Corporate Information (As of March 31, 2024)

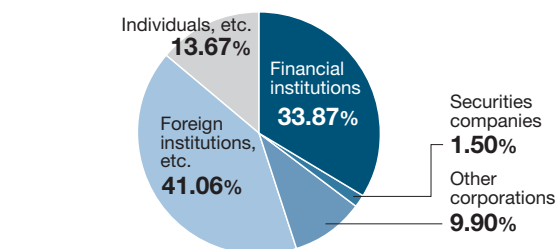
Company name	Dexerials Corporation
Establishment	June 20, 2012
Capital stock	16,251 million yen
Headquarters	1724 Shimotsuboyama, Shimotsuke-shi, Tochigi, Japan
Representative	Representative Director and President Yoshihisa Shinya
Number of employees	1,892 (on a consolidated basis)
Listing	Tokyo Stock Exchange, Prime Market
Ticker symbol	4980
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation
Total number of authorized shares	100,000,000 shares
Number of shares issued	60,192,200 shares (including 294,111 treasury shares)
Number of shareholders	15,699

## Largest Shareholders (As of March 31, 2024)

Shareholders	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,887,600	16.51
SSBTC CLIENT OMNIBUS ACCOUNT	5,865,691	9.79
Custody Bank of Japan (Trust Account)	3,595,500	6.00
Dai Nippon Printing Co., Ltd.	3,125,000	5.22
Custody Bank of Japan (Trust E Account)	2,727,200	4.55
SEKISUI CHEMICAL CO., LTD.	2,520,000	4.21
The Nomura Trust and Banking Co., Ltd. (Trust Account)	2,420,100	4.04
RBC ISB S/A DUB NON RESIDENT / TREATY RATE UCITS-CLIENTS ACCOUNT-MIG	1,218,900	2.03
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,071,200	1.79
MISAKI ENGAGEMENT MASTER FUND	1,053,300	1.76

Note 1: 294,111 treasury shares owned by Dexerials Corporation are not included in the list above.  
 Note 2: Our treasury stock of 294,111 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, 2024)



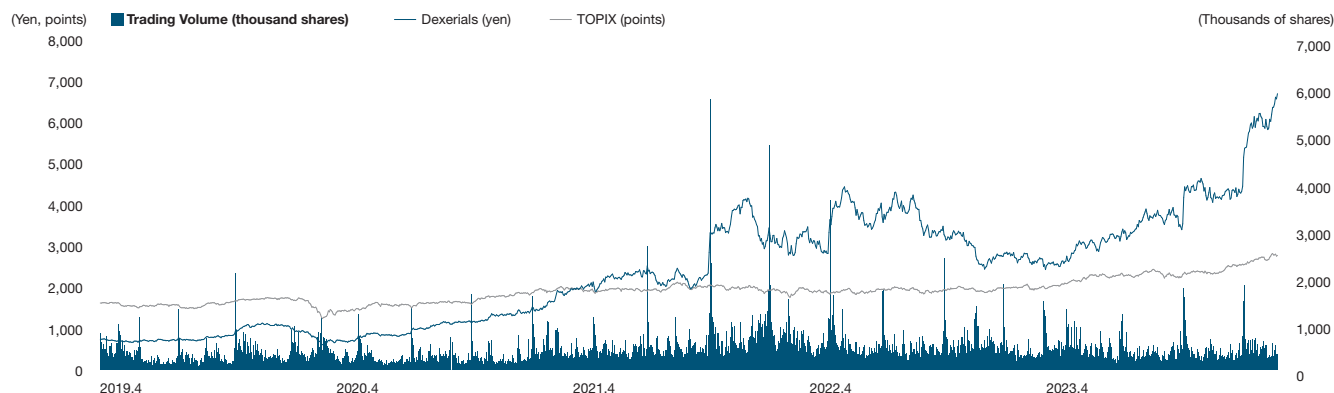
Note: Our treasury stock of 294,111 shares is excluded from the above list and distribution.

## External Evaluation and Inclusion in Indexes (As of November 2024)

## Index Inclusion Status



## Stock Price and Trading Volume \*Before stock split (April 1, 2019–March 31, 2024)



## Total Shareholder Return (TSR\*)

Holding period	1 year	3 years	5 years
Dexerials	252.5%	365.3%	952.3%
TOPIX	141.3%	152.5%	196.2%

\* Total Shareholder Return. Stock price at initial investment, the basis for return on investment comprising capital gains and dividends. 1-year: Closing price at end-March 2023; 3-year: Closing price at end-March 2021; 5-year: Closing price at end-March 2019.

## Evaluations and Awards



<sup>\*1</sup> FTSE Russell (a registered trademark of FTSE International Limited and Frank Russell Company) hereby certifies that, as a result of a third-party survey, Dexerials Corporation has been found to fulfill the requirements for inclusion in FTSE Blossom Japan Sector Relative Index and has become a constituent of said index. FTSE Blossom Japan Sector Relative Index is widely used to create and assess sustainable investment funds and other financial products.

<sup>\*2</sup> The inclusion of Dexerials Corporation in any MSCI index, and the use of MSCI logos, trademarks, service marks, or index names herein, do not constitute a sponsorship, endorsement, or promotion of Dexerials Corporation by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

## Third-party Opinion



As ESG evaluations progress toward global standardization and evaluation organization criteria becomes increasingly stringent, the importance and usefulness of integrated reports are also on the rise. Given these conditions, Dexerials has been making efforts to enhance its sustainable management structure, and this report provides a consistent explanation linking the value creation story, value

creation strategy, and value creation foundation. I made this point in 2023, but the 2024 report makes it even easier for readers to see the overall picture.

The most noteworthy aspect of this report is that, after lengthy discussions within the Company, Dexerials has formulated its purpose, “Empower Evolution. Connect People and Technology.” This purpose is linked to the Company’s business model, and also discussed in the Message from the President, in which the president outlines management goals for implementing the new Mid-Term Management Plan, including specific targets through fiscal 2028. In my estimation, this content provides more detail than the 2023 report.

Elements of the 2024 report that made the strongest impression on me were as follows.

First, the report has enhanced explanations of products and the business model. They accurately convey the source of Dexerials’ earning power and effectively meet investor expectations.

Second, in the Mid-Term Management Plan launched in fiscal 2024, the Company has set clear targets for fiscal 2028, outlined three basic policies to support the plan (Expanding businesses in the growth domains, Qualitative strengthening businesses in the existing domains, and Evolution of the management base), and identified materiality (“Technology” and “Human Capital”), all of which bring the plan into sharper focus.

Third, in identifying materiality, the Company clearly defined “Technology” and “Human Capital” as key issues for strengthening its business model, and by separating these from ESG Key Issues, Dexerials is able to more clearly express its unique characteristics.

At the same time, the Company has demonstrated ingenuity in setting KPIs from a multifaceted perspective, referring to various guidelines and benchmarks to identify ESG Key Issues.

Dexerials’ overall story has become more compelling, and the flow from purpose, to the new Mid-Term Management Plan, and then materiality is highly persuasive. The report includes detailed explanations of financial strategies and risk management, and the inclusion of employee feedback throughout the report makes a very favorable impression. The report volume has increased by about 10% compared to 2023, making for an improved publication.

The report also features a special interview with institutional investors, which is very timely given the growing importance of dialogues with investors.

At the same time, there are issues to be addressed, including the removal of a table indicating performance comparisons among ESG Key Issues. This omission makes it difficult to review fiscal 2023 results. Improvements are also needed for occupational safety issues for which targets have not been achieved.

Although steady progress is being made each year, the Company must further deepen the discussion to realize the purpose set out in the president’s message. While ongoing compliance with global disclosure standards is necessary, I believe that by steadily implementing and embedding objectives aligned with Dexerials’ purpose throughout the organization—rather than focusing solely on commonly used indicators — the Company’s social and business value will naturally increase. As an important tool for achieving this, I look forward to the ongoing and unique evolution of the Dexerials Integrated Report.

## 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 have embarked on a new voyage toward further growth, guided by the compass and chart toward the future we have been formulating since the previous Mid-term Plan. This includes our purpose, medium- to long-term vision of “what we want to be,” and new Mid-term Plan formulated by backcasting from that vision.

In this report, with the main theme of “Realizing Our Purpose, Advancing to the Next Stage,” we communicate our medium- to long-term direction and growth strategies with a focus on storytelling.

Further, based on the advice from Professor Noda last year to

present a vision of “what we want to be” and “what it will take to realize”, as well as valuable feedback from domestic and global investors on the 2023 report, we have made improvements from various perspectives.

Professor Noda’s positive evaluation of our efforts to enhance this report is tremendously encouraging. We hope this significantly revamped report will provide readers with a sense of Dexerials’ possibilities and growth potential.

I would also like to note that the results of our efforts to achieve fiscal 2023 CSR targets (KPIs) based on previously identified materiality, as mentioned by Professor Noda, will be disclosed on our website. At the same time, we will provide ongoing updates on the newly established ESG Key Issues in future integrated reports, enabling

readers to monitor our progress toward annual targets and review our business performance.

Going forward, we will continue engaging in dialogue with our stakeholders as we pursue the essence of sustainability unique to Dexerials, as outlined in our purpose and Sustainability Policy. Through these efforts, we aim to achieve further growth and enhance corporate value. We sincerely appreciate the ongoing support of all our stakeholders.



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