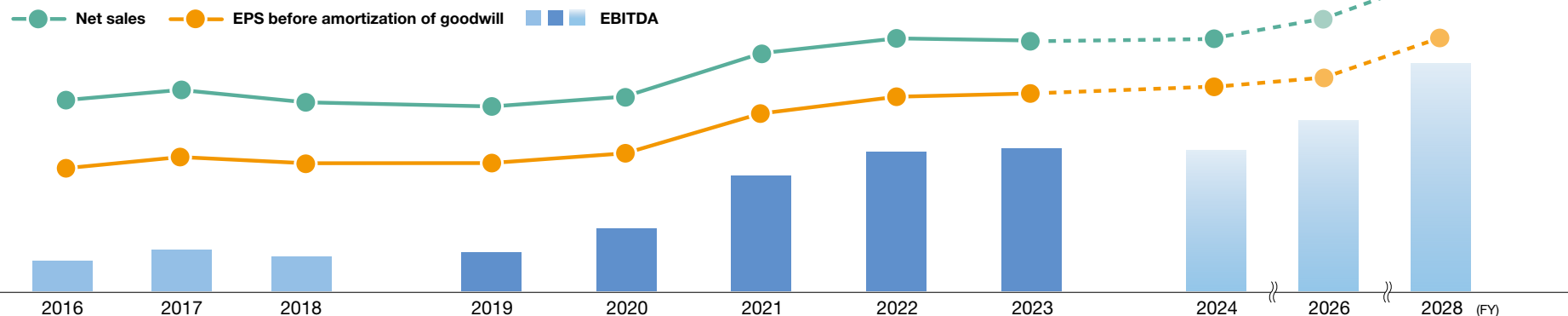


# Mid-Term Management Plan 2028 “Achieving Evolution”

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

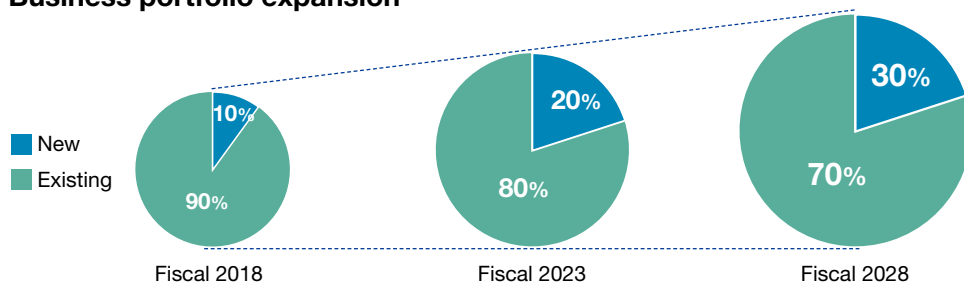
- Continuing to strengthen R&D activities
- Securing engineering human capital and strengthening global talent

### 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

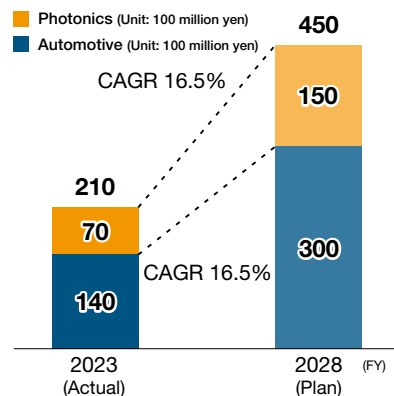
Accelerate growth in the automotive and photonics domains, markets that are expected to expand further in the future

## Business Strategy for Growth Domains

## Automotive Business

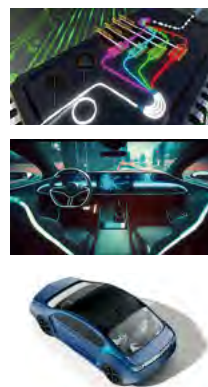
In 2016, Dexerials entered the automotive industry, which is undergoing a once-in-a-century transformation. In supporting the transformation of the automotive industry, mainly with Anti-reflection films, net sales grew to the 14.0 billion yen level under the previous Mid-term Management Plan. Under the 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)



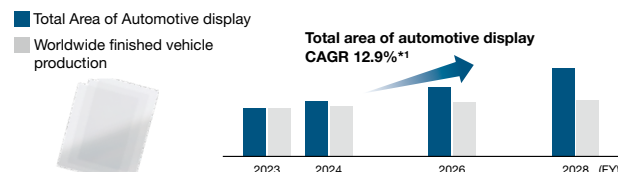
## Photonics Business

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

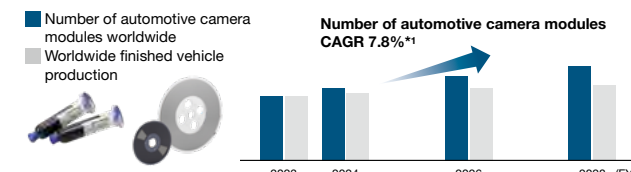
## Anti-reflection Films for Automotive Displays



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



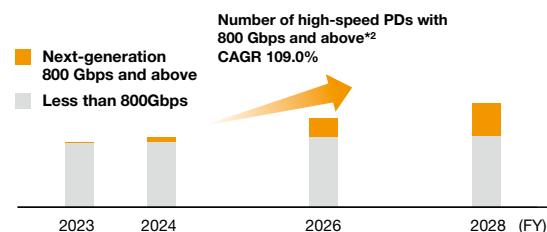
As autonomous driving becomes more widespread, an increasing number of vehicles are being equipped with sensor modules, including automotive cameras and LiDAR, which act as the vehicle's eyes.

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

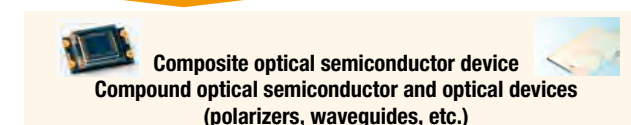
In line with the growing demand for data centers, there has also been a sharp increase in demand for high-speed photodiodes (PD) used in transceivers, where we expect significant market growth. In fiscal 2023, Dexerials secured a project from a leading manufacturer of optical transceivers, and we will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

Current generation up to 800 Gbps (100G/Lane)	Project for a leading worldwide manufacturer acquired
Next-generation 800 Gbps and above (200G/Lane)	Development already started Steady progress being made
Generation after next 1.6 Tbps and above (200G/Lane or more)	Development of <b>composite optical semiconductor devices</b> envisioned



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.

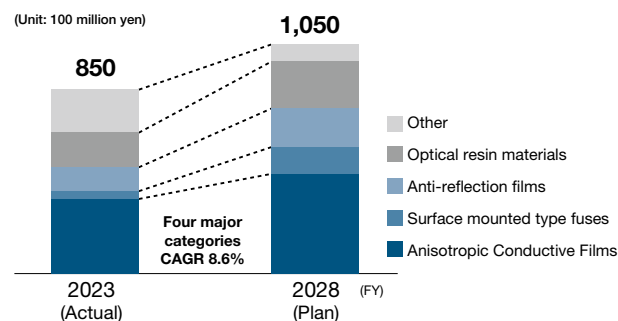
- 1) Further growth of Particle-arrayed ACF for flexible organic EL displays
- 2) Strengthening development and spec-in activities for micro LED displays
- 3) Growth of ACF for sensor modules (further advances in pre-cut ACF technologies launched during the previous Mid-term Management Plan)

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.

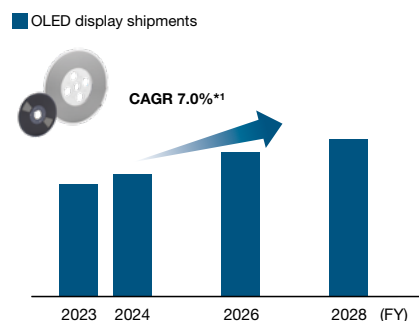
In particular, products for high current applications represent high value-added products unique to Dexerials. We will continue to expand our customer base and applications for this product to achieve business growth.

## 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.

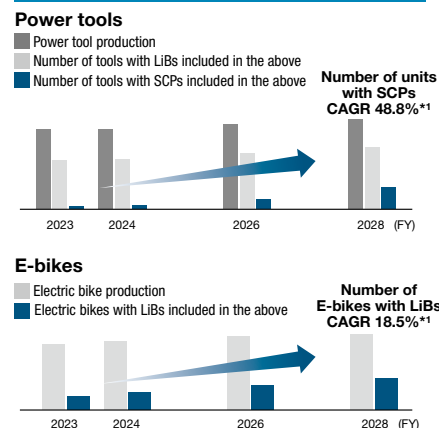
## Key Initiatives for Micro LED Displays

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

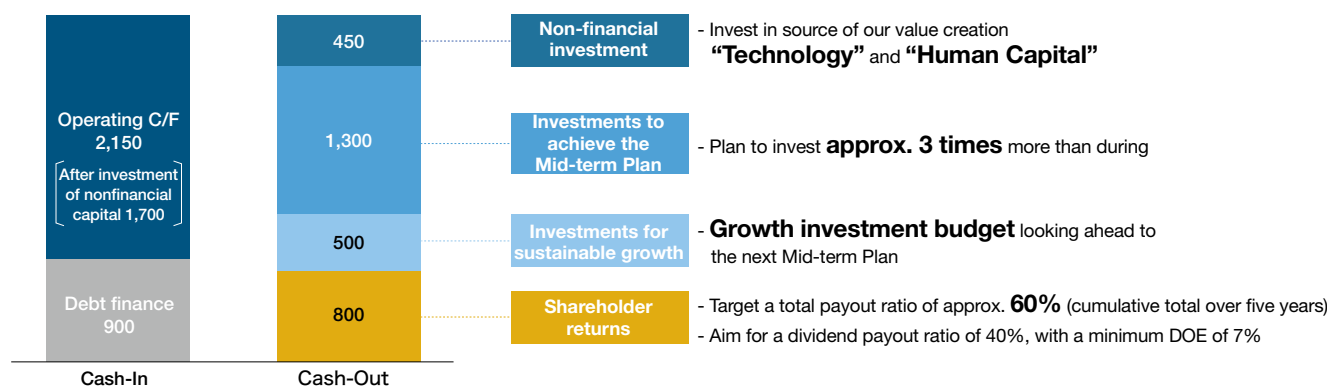
Under the previous Mid-term Plan, we achieved net sales, operating profit, and EBITDA targets ahead of schedule. The driving force behind this was operating cash flow improvement by business feasibility evaluation using simplified ROIC.

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.

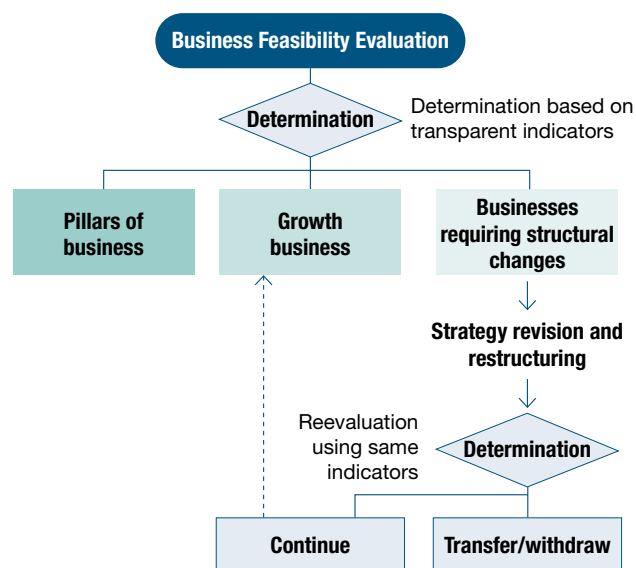
#### Previous Mid-term Plan Evaluation Criteria

Each business is quantitatively evaluated based on four evaluation criteria

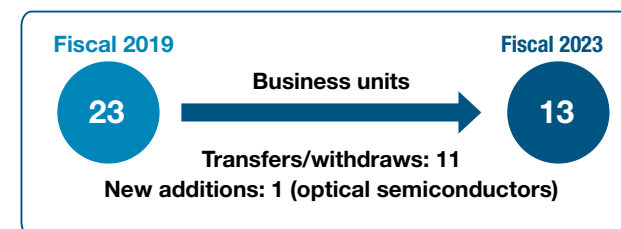


Perspective (item)	Details
Earning power	Average annual EBITDA for the past three years
Business efficiency	Average annual simplified ROIC by business unit for the past three years
Growth rate	Expected growth rate (sales and profits) of our business within the market, taking market maturity into consideration
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

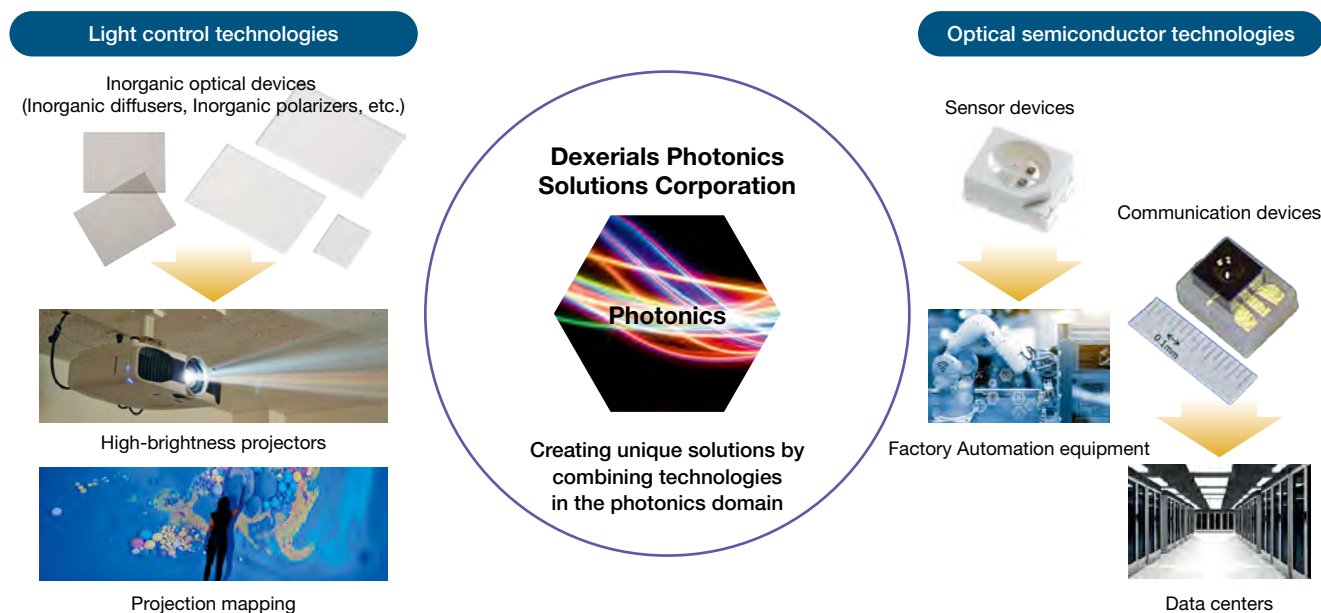
The Dexerials Group combines various technologies and human capital to create materials, devices, and solutions essential to the evolution of digital technologies. In particular, we predict that the development of AI and IoT, as well as the next-generation high-speed communications that underpin them, 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.



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.

## 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.



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.

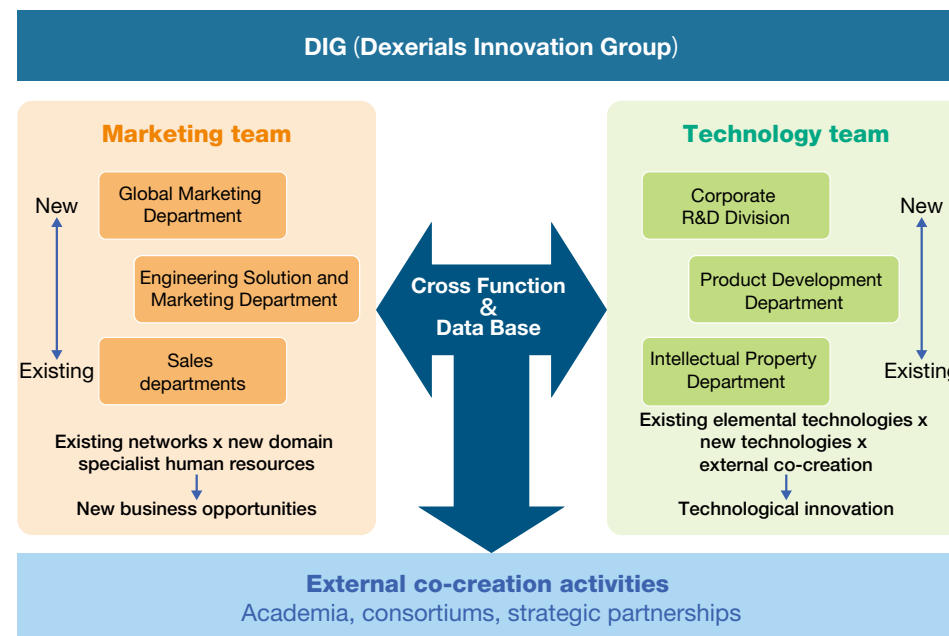
The marketing team supporting global development comprises select members from the Engineering Solution and Marketing Department, who possess the sales and technical expertise enabling them to ascertain current customer issues, and engage in dialogues with customers to address future issues, as well 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.

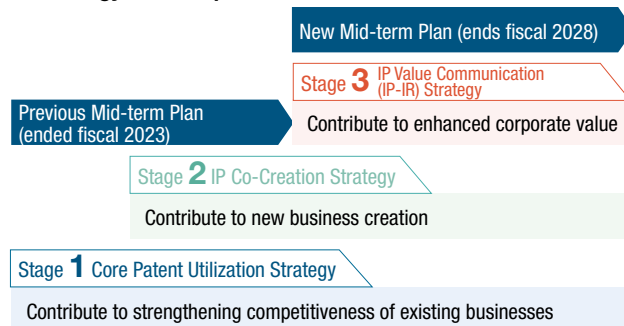
### Intellectual Property Strategy

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.

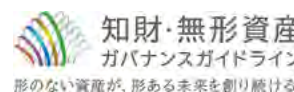
### IP Strategy Roadmap



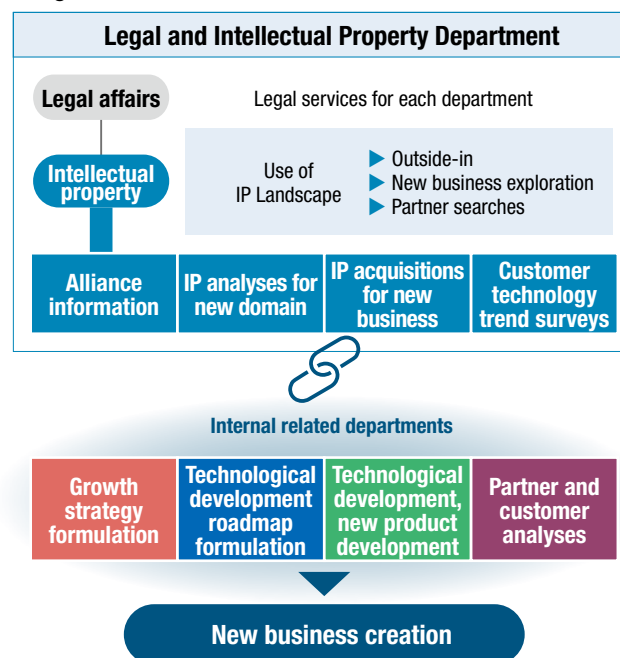
\* IP Landscape: A method for strategically analyzing and visualizing IP information and utilizing it for management decisions and R&D strategies.

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 3, “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.

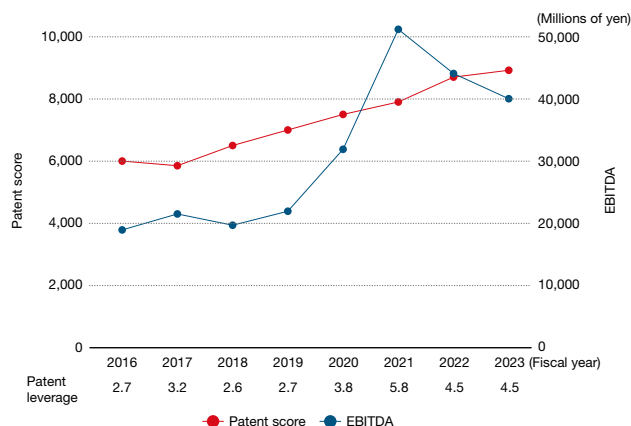
### IP Investment-to-Revenue Cycle

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

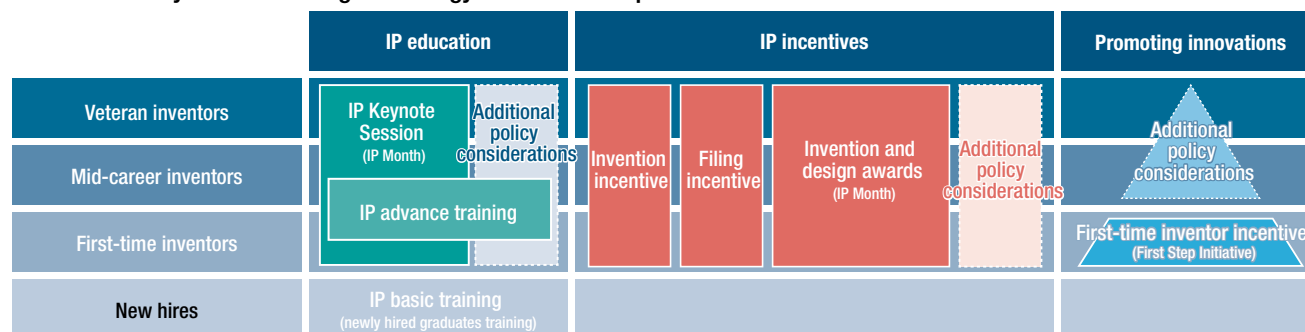
- IP basic training (newly hired graduates training)
- IP advanced training (young employee and mid-career hire training)
- IP Keynote Session (IP Month 2024)

"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

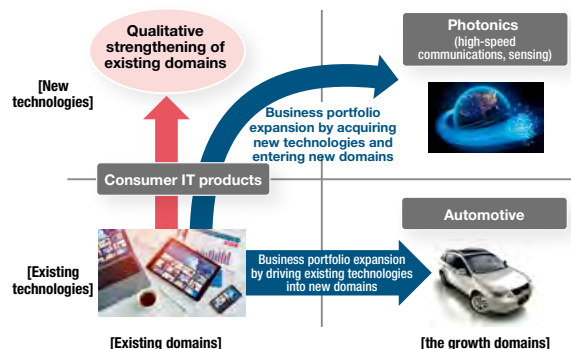
Human resources are human capital, thus budgets for acquiring and developing personnel represent investments rather than expenses. As the quality and quantity of human resources have a significant impact on the speed of management and the achievement of targets, we view the degree to which we can strengthen 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

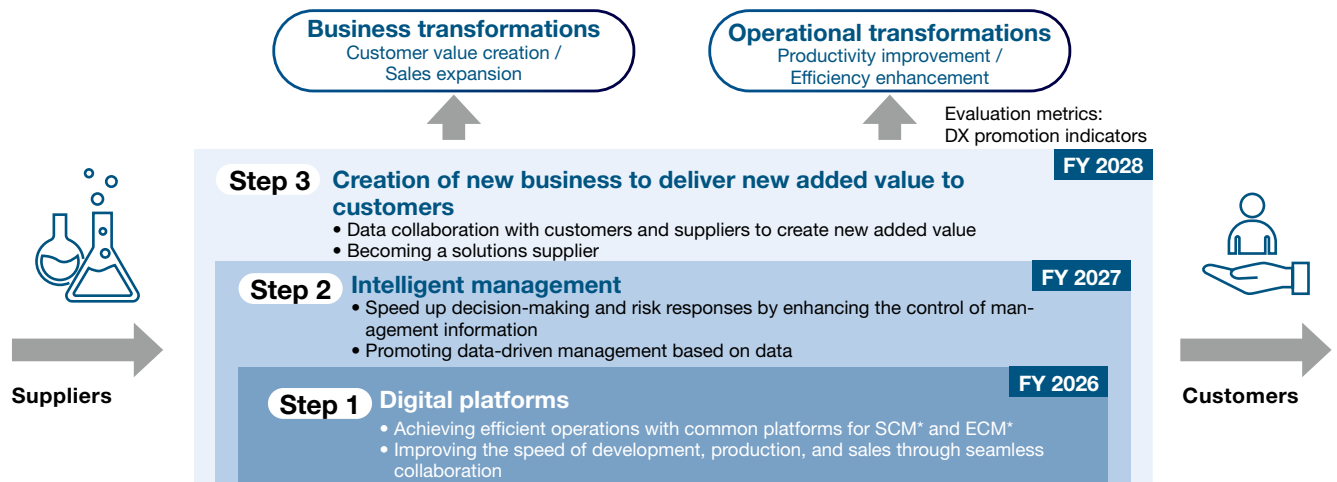
that centrally manages digitized data, enabling data-driven management and decision-making based on data utilization, which in turn will strengthen corporate competitiveness.

#### 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

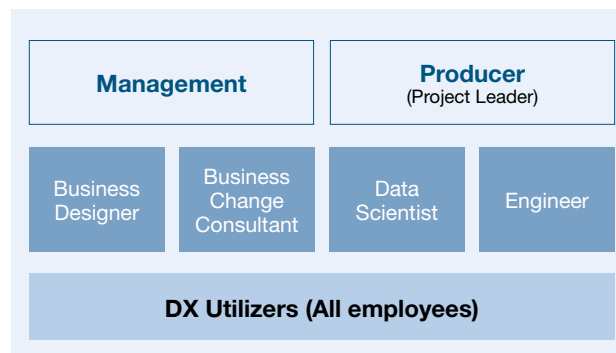


Image of DX Human Resources	Specializations
<b>Management</b>	Fosters an organizational transformation mindset as a change leader
<b>Producer</b> (Project Leader)	Conceptualizes overall projects, drives them to success
<b>Business Designer</b>	Proposes new businesses and operational process transformations
<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 (All employees)</b>	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.



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