

May 13, 2024

Company Name:	Dexerials Corporation
Security Code:	4980
Listing:	Prime, Tokyo Stock Exchange
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Notice Regarding Revisions to Officer Remuneration System

Dexerials Corporation (the “Company”) hereby announces that its Board of Directors approved a resolution at a meeting held on May 13, 2024 to revise its officer remuneration system for Directors and Executive Officers (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors; hereinafter, “Directors, etc.”) in order to incentivize them to contribute to the sustainable enhancement of the Company’s corporate value over the medium- to long- term and further promote shared value with the shareholders.

The revisions to the officer remuneration system will come into force by resolutions of the 12th Annual General Meeting of Shareholders to be held on June 25, 2024 (hereinafter, the “Shareholders’ Meeting”) for “Proposal 3: Determination of the Amount of Remuneration for Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)” and “Proposal 5: Partial Revision to Performance-Linked Stock Compensation Plan for Directors (Excluding Directors Serving as Audit and Supervisory Committee Members and Outside Directors).”

1. Purpose of the revisions to the officer remuneration system

The Company has decided to revise its officer remuneration system in order to achieve sustainable growth by working on various measures set forth in the basic policy of the Mid-term Management Plan “Achieving Evolution” starting from fiscal 2024, as well as to further enhance the motivation of Directors, etc. to contribute to improving business performance and medium- to long-term corporate value of the Company.

The proposed revision to the Company’s basic approach for determining officers’ remuneration is as follows:

- (i) Officers’ remuneration shall correspond to the role, responsibilities, and performance of each officer.
- (ii) Officers’ remuneration shall be designed such that it reflects the medium- to long-term management strategy and also strongly incentivizes sustainable growth.
- (iii) The composition of officers’ remuneration shall be intended to share profits and risks with the shareholders, aware of shareholders’ point of view, and more strongly incentivize the enhancement of corporate value.
- (iv) The level of remuneration shall be appropriate for attracting and retaining excellent global human resources.
- (v) The remuneration determination process shall be objective and highly transparent.

As to the revisions to the officer remuneration system, the Nomination and Remuneration Committee, which is chaired by an Outside Director and where Outside Directors represent a majority, held discussions from an objective perspective about what the direction of the officer remuneration system should be based on the aforementioned basic approach. We then concluded that the revisions will further strengthen the linkage of the Company's officer remuneration with its medium- to long-term financial results and shareholders' value, and therefore is in line with the concept of the Corporate Governance Code. Accordingly, the Company's Board of Directors approved a resolution for the revisions at a meeting held on May 13, 2024.

2. Outline of the revisions to the officer remuneration system

The Company will revise its officer remuneration system to strengthen the linkage of its officer remuneration with its financial results and raise the ratio of stock compensation, as well as the payment method of its stock compensation to further promote shared value with the shareholders.

(i) Revision to the amount of monetary remuneration

The amount of current monetary remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) was set by resolution of the 9th Annual General Meeting of Shareholders to be no more than 300 million yen a year (including the amount of remuneration for Outside Directors of no more than 40 million yen). In view of strengthening the competitiveness of remuneration to achieve growth as a global company and securing an increase in the remuneration amount by increasing the ratio of performance-linked remuneration to total remuneration, as well as of reinforcing the board system in the future, the amount of monetary remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) will be revised to be no more than 450 million yen a year (including the amount of remuneration for Outside Directors of no more than 70 million yen).

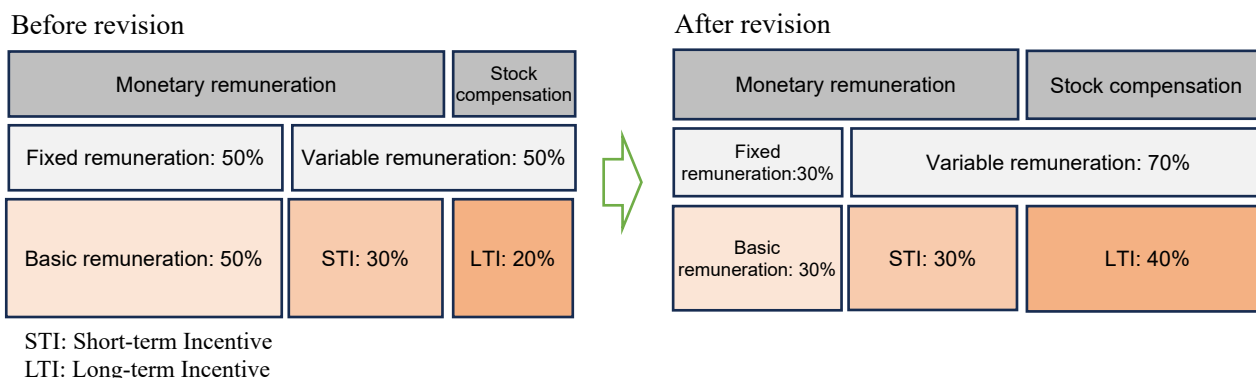
The amount of monetary remuneration for Directors serving as Audit and Supervisory Committee Members will also be revised to be no more than 70 million yen a year from the previous amount of no more than 50 million yen a year.

(ii) Revision to the composition of remuneration

With respect to the composition of remuneration for Representative Directors, the ratio of stock compensation will be particularly raised to increase the linkage with the Company's financial results, and furthermore, to share profits and risks with the shareholders and more strongly incentivize the enhancement of corporate value. Specifically, remuneration for Representative Directors in the case where each evaluation indicator set as a performance target is achieved will be designed such that basic remuneration accounts for 30% of the total remuneration, short-term incentive (performance bonus) for 30%, and medium- to long-term incentive (stock compensation) for 40%.

As before, remuneration for Directors serving as Audit and Supervisory Committee Members and Outside Directors will be composed solely of basic remuneration.

Figure: Composition of remuneration for Representative Directors



(iii) Revision to stock compensation (medium- to long-term incentive)

As to the stock compensation plan, the current performance-linked stock compensation plan “Board Benefit Trust (BBT)” (hereinafter, the “Current BBT”) will be revised into a performance-linked compensation plan “Board Benefit Trust-Restricted Stock (BBT-RS)” (hereinafter, the “Plan”).

The objective of the Plan is to share a common awareness of profit with the shareholders and for Directors to share with the shareholders the risk of falling stock prices as well as the benefit from rising stock prices and raise awareness of contributing to sustainable growth and enhancing corporate value.

Specifically, stock compensation will be paid separately in the forms of (a) restricted stock (RS), under which shares acquired through the trust are granted to eligible Directors according to the number of points to be awarded based on their respective positions at a rate of one share per point; and (b) performance share units (PSUs), under which shares are granted to eligible Directors according to the number of points that reflects the achievement level of the Mid-term Management Plan at a rate of one share per point. The Company will enter into a transfer restriction agreement with each of the Directors to restrict the transfer and other forms of disposal of shares granted until he/she retires from office. The Directors will receive shares by following a certain process to be designated as beneficiary, in principle, in the number corresponding to the number of points awarded to them from the trust at a certain point in time every year. Provided, however, that if the Directors meet prescribed requirements, they may, in principle, receive in respect of a certain percentage of the points awarded to them an amount of cash equivalent to the market price of the Company’s stock in lieu of the Company’s shares at the time of their retirement.

● Timing of awarding points and delivering shares, etc. under the stock compensation plan

	Timing of awarding points	Timing of delivering shares, etc.
RS	After the end of each fiscal year	At a certain point in time every year
PSUs	After the end of the final fiscal year of the Mid-term Management Plan	At a certain point in time during the fiscal year following the final fiscal year of the Mid-term Management Plan

RS: Restricted Stock

PSU: Performance Share Unit

In addition to total shareholder return (TSR), which is currently used as an evaluation indicator, the Company will reflect the achievement level of its sustainability strategic targets to determine the performance-linked portion of PSU in order to incentivize the Company's sustainable growth and the enhancement of its corporate value. As for sustainability strategic targets, the Company's officer remuneration system will be linked to targets that Directors should be strongly incentivized to ensure that these targets are implemented as particularly important management indicators for a material issue "Technology and Human Resources," which is indispensable for the Company's sustainable growth.

Specifically, the performance-linked portion of PSU will be determined in accordance with the achievement levels of the following indicators during the period covered by the Mid-term Management Plan.

Table: Performance indicators of medium- to long-term incentive performance-linked compensation

Evaluation indicator	Description	Weight	Variation range
Total shareholder return (TSR)	Five-year results of TSR (compared to benchmark companies)	80%	0–200%
Sustainability strategic targets	The achievement level of important indicators for a material issue "Technology and Human Resources," which is indispensable for sustainable growth	20%	0–200%

In addition to the above, if the Company fails to achieve a certain level of average ROE, a performance target that should at least be achieved as a corporate responsibility, during the period to which the performance-linked compensation is linked, or if the Company fails to achieve a certain level of CO₂ reduction to solve a social issue of climate change, the amount of PSU will be reduced partially or in full.

Note: The details of the revisions to the stock compensation plan are disclosed separately in "Notice Regarding Partial Revision to Performance-Linked Stock Compensation Plan for Directors of Dexerials Corporation" dated May 13, 2024.