

**Dexerials**

– 10th Anniversary –

Dexerials Integrated Report

**2022**





The logo for Dexerials, featuring the word "Dexerials" in a white, sans-serif font inside a dark blue rectangular box.

– 10th Anniversary –

In October 2022, we marked the 10th anniversary of our commencement of business as Dexerials Corporation.

We would like to express our deepest gratitude to all our stakeholders who have supported us during this past decade.

Looking ahead, it is expected that social issues will be resolved increasingly as the whole society experiences further digitalization.

We will continue to strive to achieve sustainable growth and enhance our corporate value by providing products and solutions that support the evolution of digital technology.

We therefore ask for your continued support.

Corporate  
Philosophy

# Integrity

**Have Integrity and Sincerity**

Corporate  
Vision

# Value Matters

**Unprecedented innovation, unprecedented value.**

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

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

With integrity and commitment, each and every employee endeavors to create value exceeding our customers’ expectations.

We have firmly established these ideals as a public corporation within society.

Our mission, which is also our desired corporate image, is to enhance the richness and quality of life and our global environment by continuing to develop new products of value to the world, as well as to nurture people who can create value.

“Integrity” and “Value Matters”.

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

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#### Editorial Policy

The Integrated Report covers the Dexerials Group’s business strategy, business results, financial information, non-financial information such as CSR activities, and so on, and has been published since fiscal 2019 as a communication tool to facilitate understanding of the Group among all stakeholders.

#### Applicable Scope and Term

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

**Applicable Term:** This report is based in principle upon the results of activities in fiscal 2021 (April 1, 2021–March 31, 2022); however, some reports and data may refer to past or current information.

#### Reference Guidelines

The International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC)  
Guidance for Collaborative Value Creation published by the Ministry of Economy, Trade and Industry  
GRI “GRI Standards”  
ISO26000  
Environmental Reporting Guidelines (Fiscal Year 2018 Version) published by the Ministry of the Environment

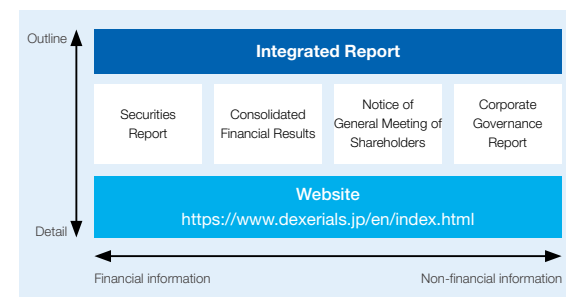
#### Disclaimer on Forward-looking Statements

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

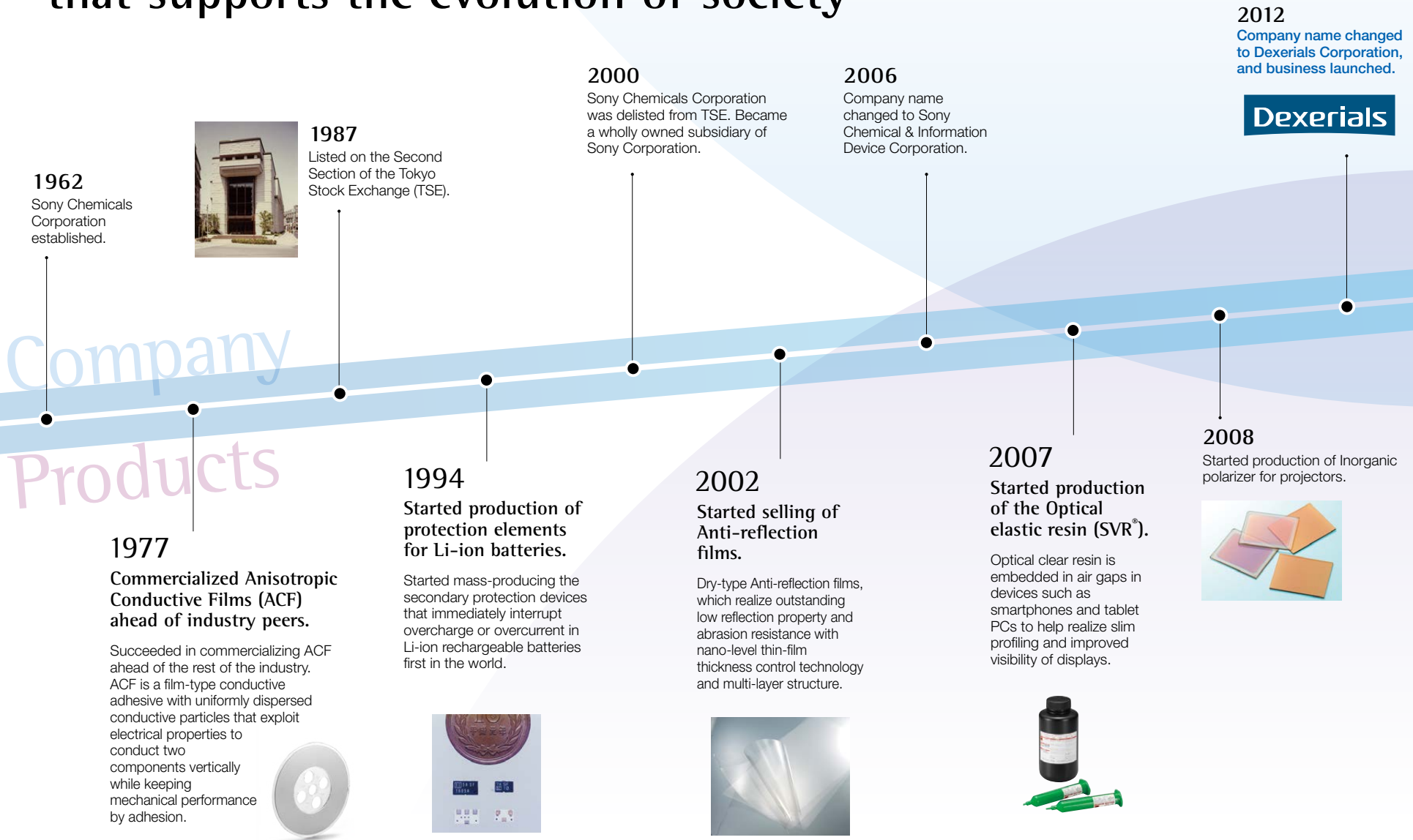
#### Communication Map

Detailed financial information: Refer to the Securities Report and the Investor Relations page on the Dexerials website.

Detailed CSR information: Refer to CSR pages on the Dexerials website.



# We have been and will always be a value creation company that supports the evolution of society





Since the foundation of our predecessor in 1962, we have helped consumer electronics products advance by developing, manufacturing, and selling functional materials. The year 2022 marked the 10th anniversary of the foundation of Dexerials. We will stay true to our founding spirit and, with unprecedented ideas, continue to take on the challenge of creating value that helps resolve social issues.



2015

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

2016

Tochigi Technology Center started operations.



2020

Dexerials Precision Components Corporation established.

2021

- Headquarters changed to Shimotsuke-shi, Tochigi.
- Tokyo Office moved to Chuo-ku, Tokyo.

2022

- Marked the 10th anniversary of Dexerials Corporation's founding.
- Kyoto Semiconductor Co., Ltd. became a subsidiary of Dexerials Corporation.
- Transitioned from the First Section to the Prime Market of the Tokyo Stock Exchange (TSE).

2013

Started production of PSA-transformable Optical elastic resin (Hybrid SVR) whose adhesive properties are transformed during UV curing.

2014

Started production of eye shield material for medical use.

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



2016

Commercialized "ArrayFIX" Particle-Arrayed Anisotropic Conductive Film (ACF).

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



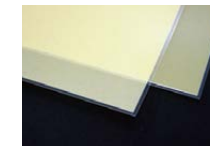
2020

- Developed Anti-reflection film "HD Series".
- Developed "Jettable SVR", optical elastic resin corresponding to inkjet coating.

2021

Commercialized the Phosphor Film "PS Series".

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



## Topics

### The year 2022 marks the 50th anniversary of the establishment of the Nakada Plant

The year 2022 marked the 50th anniversary of the Nakada Plant's establishment. At the plant, Dexerials Precision Components Corporation and OSDC Corporation\* operate the micro device business, manufacturing micro devices (inorganic optics and inorganic materials). The Nakada Plant started out by manufacturing magnetic heads under the Sony Group, and since then, has inherited and advanced many technologies. Since the spin-off in 2021 as part of the organizational reform to establish the current structure, we have steadily strengthened our business structure through self-reliance and cooperation to achieve sustainable growth and by taking on the challenge of advancing to even higher levels as stated in our medium-term policy. We will explore more growth opportunities in lasers, sensors, and projectors, which are becoming increasingly advanced and diverse, with our microfabrication technology and device capability to enhance our corporate value through new value creation.

\*OSDC Corporation is a joint venture between Dexerials Corporation and OUTSOURCING Inc. and manufactures micro devices.



# Highlights

**Global market share No. 1**

**Anisotropic conductive films (ACF) \*1**

**Optical elastic resins (SVR) \*2**

**Anti-reflection films produced utilizing sputtering technology \*3**

**Net sales**

**95,712 million yen**

year on year **+45.4%**

**Operating profit**

**26,642 million yen**

year on year **+135.0%**

**Profit attributable to owners of parent**

**16,669 million yen**

year on year **+212.8%**

**ROE**

**28.5%**

year on year **+18.1 pt**

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

**42.3%**

Internal directors: 3, Outside directors: 4

**Ratio of outside directors**

**57.1%**

**Ratio of mid-career hires**

**44.6%**

**Three-year retention rate for new graduates employed**

**88.0%**

**Number of engineers**

**580**

**Ratio to No. of employees on a consolidated basis 38.0%**

\*1 The 2021 share for amount of ACF for large-sized and small- to medium-sized displays according to the "2022 Current Status and Future Prospects of the Display-related Market" issued by Fuji Chimera Research Institute, Inc.  
 \*2 The 2021 share for total amount of optical clear adhesives (OCR) used in bonding displays according to the "2022 Current Status and Future Prospects of the Display-related Market" issued by Fuji Chimera Research Institute, Inc. Optical elastic resin (SVR) is the product name for Dexerials' optically clear adhesives.  
 \*3 The 2021 share for amount of surface treatment film (dry coating) according to the "2022 Current Status and Future Prospects of the Display-related Market" issued by Fuji Chimera Research Institute, Inc.

# Business Portfolio

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



This business is classified into three categories: optical films, optical resin materials, and optical solutions. These three categories include anti-reflection films, optical elastic resins, and smart precision adhesives. We have a large share of the global market because of the advanced technology and high quality of our anti-reflection films which are our mainstay products.



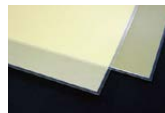
## Anti-reflection films

The dry-type anti-reflection films realizing outstanding low reflection property and abrasion resistance with nano-level thin-film thickness control technology and multi-layer structure contribute to improved visibility of mobile devices and automotive displays such as center information displays. Moth-eye type films utilizing our microfabrication technology feature low reflectance and high visual transmittance and are used for automotive head-up displays as well as eye shielding materials for medical use.



## Optical elastic resins (SVR)

Highly permeable and elastic resin is embedded in air gaps in devices such as smartphones and tablet PCs to realize slim profiling and improved visibility. Our lineup also includes a PSA-transformable optical elastic resins (hybrid SVR) for small-to-medium-sized flat panel displays (FPD) whose adhesive properties are transformed by UV curing to realize workability equivalent to that of optical clear adhesive.



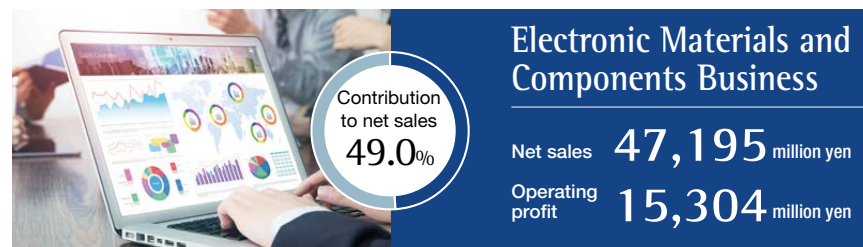
## Phosphor film

Our phosphor film "PS Series" has been developed by shaping green and red phosphors into a film. Incorporating this product into a display enables the use of blue LEDs with less variation in light emission as the light source in place of white LEDs, and also enables the production of higher quality displays than those using a direct LED backlighting.



## UV-curable / thermo-curable adhesives

Our "SA Series" of smart precision adhesives comprises adhesives for UV curing, thermosetting, and UV + thermosetting. This series accomplishes low-temperature, fast curing, along with low shrinkage, and is ideal for precision affixing during assembly such as camera modules and optical pickups.



This business is classified into four categories: adhesive materials, anisotropic conductive films, surface mounted type fuses, and micro devices. Due to our advanced technology and high quality, we have a large share of the global market for anisotropic conductive films (ACF), our mainstay products, which we were the first in the industry to develop and put into mass production in 1977.



## Anisotropic conductive films (ACF)

Anisotropic conductive films are conductive adhesive materials that exploit electrical properties to conduct two components vertically while keeping mechanical performance by adhesion. Widely adopted for display panels and camera modules. Our lineup also includes Particle-arrayed ACF that is mountable in narrow spaces, and pre-cut ACF that is converted into shapes that match circuit boards and the terminal layout.



## Thermal conductive sheets

Thermal conductive sheets conduct the heat generated from IC chips such as CPUs to the heat sink to protect device performance. We offer high performance-type sheets featuring high thermal conductivity and flexibility, high performance and insulation-type sheets, and standard-type sheets.



## Surface mounted type fuses


Self control protectors (SCP) that immediately interrupt overcharge or overcurrent in Li-ion rechargeable batteries are standard fuses for secondary protection devices. We also offer a lineup of power current protector (PCP) fuses for high current applications, which despite being thinner and smaller, protect electronic devices from overcurrent.



## Inorganic polarizers / Inorganic waveplates

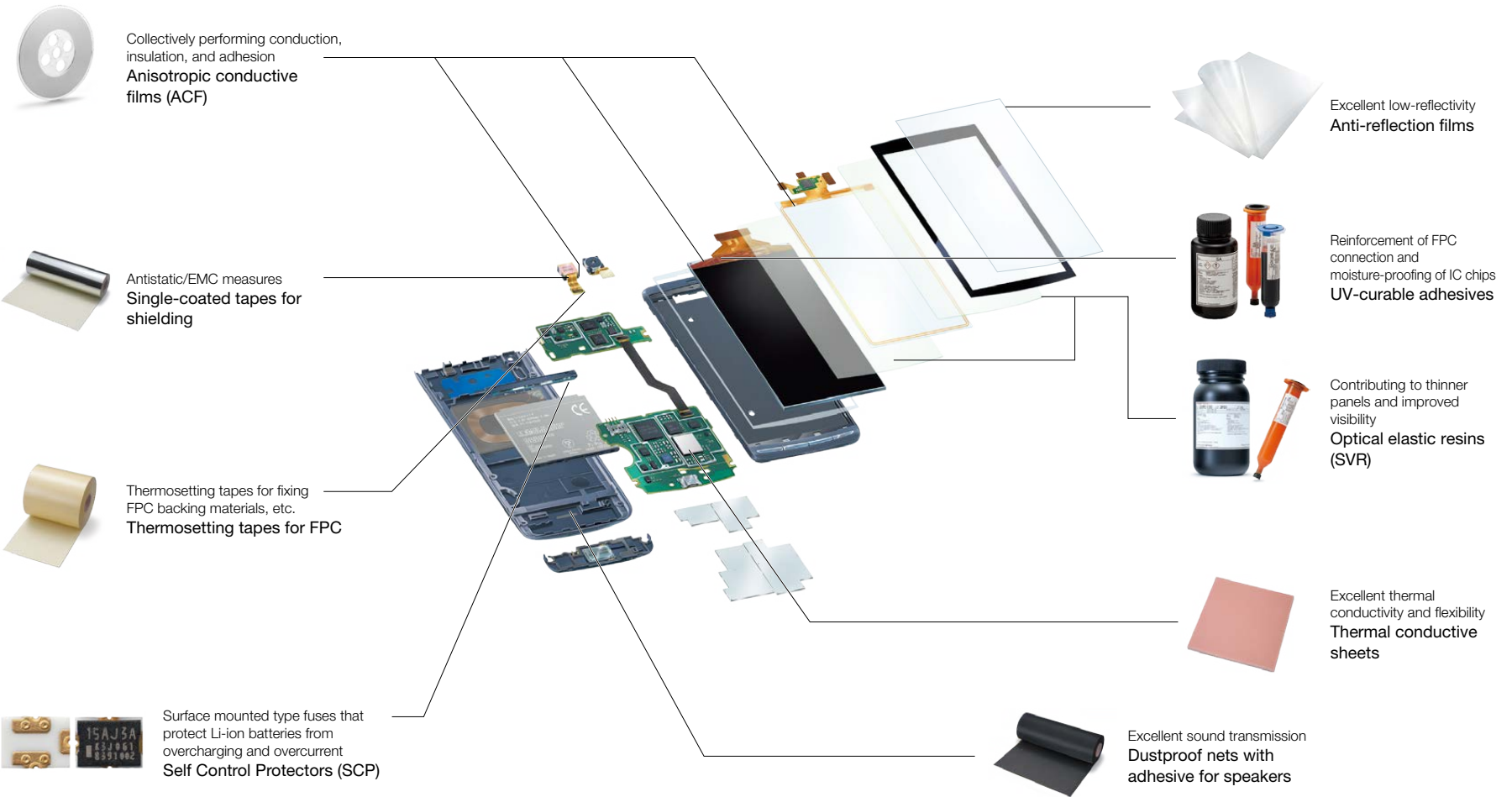
These optical devices have high durability to withstand long hours of use in high temperature and high light intensity environments, and achieve high transmittance and low reflectance with its nano-level processing technology and a unique thin-film microstructure. They boost the brightness and contrast of projectors and optical units that use laser light sources.

# The application field of Dexerials products is extensive and diverse



For example **Smartphones**

Smartphones have become thinner and more sophisticated. To mount numerous circuit boards and components within limited space, Dexerials' functional materials are used.





\* For details of our products, please refer to Dexerials website.

<https://www.dexerials.jp/en/products/> →



For example

## Automobiles

Dexerials' functional materials are used in the automotive field that require higher visibility, smoother screen operation, and higher intelligence.

### In-vehicle display

- Collectively performing conduction, insulation, and adhesion  
**Anisotropic conductive films (ACF)**
- Excellent low-reflectivity  
**Anti-reflection films**
- Contributing to thinner panels and improved visibility  
**Optical elastic resins (SVR)**
- Higher image quality of liquid crystal displays  
**Phosphor film**

### Motor inverter

- Excellent thermal conductivity and flexibility  
**Thermal conductive sheets**

### Head-up display

- Low reflectance and high transparency  
**Moth-eye type anti-reflection films**
- High thermal and light resistance and excellent durability  
**Inorganic waveplate reflection films**
- Enhanced brightness and reduced unevenness of projected moving images  
**Diffusive microlens array**

### In-vehicle camera

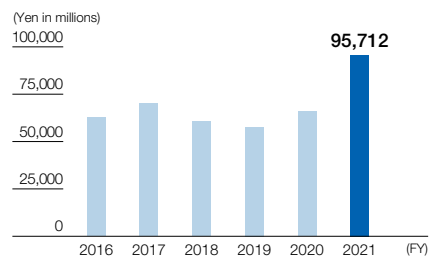
- Fixation of precision components such as lens  
**Smart precision adhesives**
- Excellent thermal conductivity and flexibility  
**Thermal conductive sheets**

### Batteries for in-vehicle electronic equipment

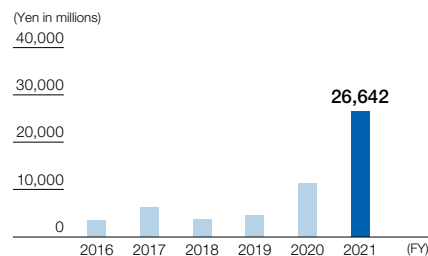
- Surface mounted type fuses that protect Li-ion batteries from overcharging and overcurrent  
**Self control protectors (SCP)**

Consolidated financial performance indicators		FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Net sales	(Yen in millions)	62,598	70,079	60,580	57,710	65,830	<b>95,712</b>
Operating profit	(Yen in millions)	3,491	6,178	3,724	4,617	11,339	<b>26,642</b>
Profit attributable to owners of parent	(Yen in millions)	949	3,426	2,284	2,734	5,329	<b>16,669</b>
Earnings per share (EPS)	(Yen)	15.85	56.91	37.73	45.05	87.60	<b>274.61</b>
Total assets	(Yen in millions)	97,347	94,958	87,586	86,279	95,201	<b>127,410</b>
Capital to asset ratio	(%)	52.1	52.6	56.0	57.5	56.0	<b>50.0</b>
EBITDA	(Yen in millions)	8,543	11,561	9,680	10,786	17,590	<b>32,478</b>
ROIC	(%)	2.7	5.6	3.3	4.4	11.4	<b>22.5</b>
ROE	(%)	1.9	6.8	4.6	5.6	10.4	<b>28.5</b>

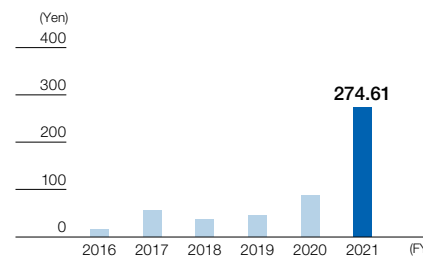
### 1 Net sales



### 2 Operating profit



### Earnings per share (EPS)

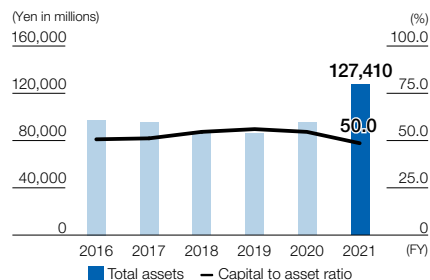


\* For details, please refer to Dexerials website.

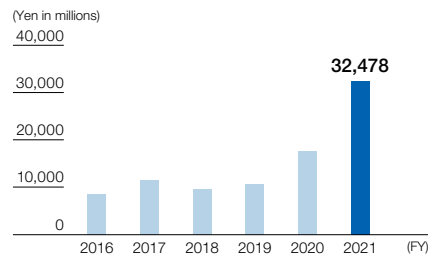
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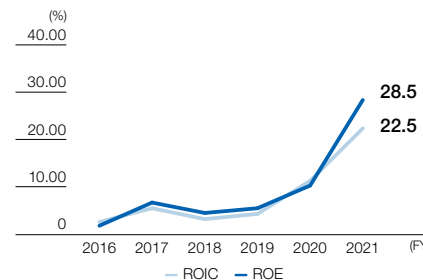
### 3 Total assets / Capital to asset ratio



### 4 EBITDA



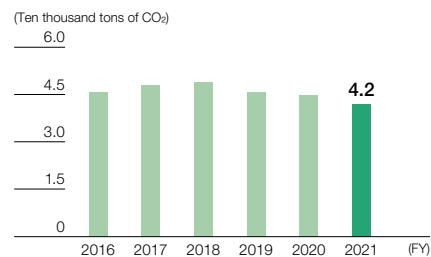
### ROIC / ROE



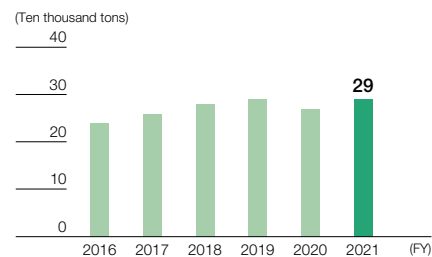
### Explanation of key aspects of financial performance

- As a result of our efforts in developing and proposing products that anticipate technology trends, we were able to expand sales of our high value-added products, such as Anti-reflection films, Anisotropic conductive films (ACF), Smart precision adhesives, and Surface mounted type fuses. In addition to these products, our new product Phosphor film started to fully contribute to our performance from this fiscal year, leading to year-on-year increases in both sales and profits. EBITDA, an indicator of our earning power, also rose significantly.
- We remain financially sound with a capital to asset ratio of 50.0%, although interest-bearing debts increased as a result of making Kyoto Semiconductor Co., Ltd. a subsidiary.

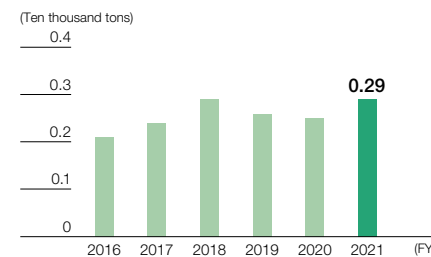
Non-financial indicators		FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
CO <sub>2</sub> emissions	(Ten thousand tons of CO <sub>2</sub> )	4.6	4.8	4.9	4.6	4.5	4.2
Water usage	(Ten thousand tons)	24	26	28	29	27	29
Waste emissions	(Ten thousand tons)	0.21	0.24	0.29	0.26	0.25	0.29
VOC emissions	(Tons)	55	42	46	37	36	34
Number of employees (consolidated basis)	(Persons)	2,124	1,981	2,005	1,999	1,772	1,915
	(non-consolidated basis) (Persons)	1,600	1,585	1,603	1,604	1,313	1,342
Composition of Directors and Number of Board of Directors (total / outside / female)	(Persons)	10/7/2	10/7/2	10/7/2	10/6/1	9/6/1	7/4/1
Percentage of employees with disabilities	(%)	3.28	3.38	3.40	3.40	3.37	3.30
Average rate of taking paid leave	(%)	62.4	61.8	67.2	68.4	60.0	58.9
Average number of days of paid leave taken	(Days)	14.4	14.2	15.3	15.7	13.7	12.8

① CO<sub>2</sub> emissions

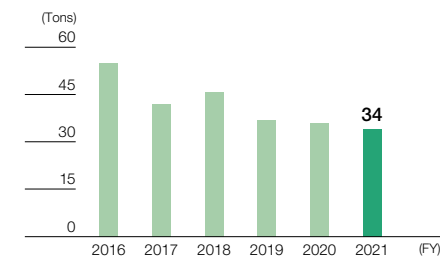
## ① Water usage



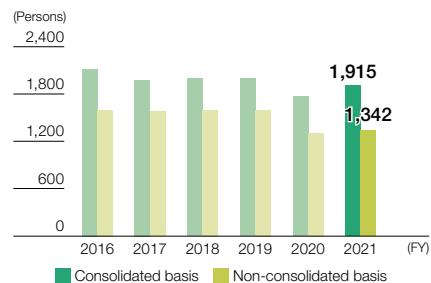
## ① Waste emissions



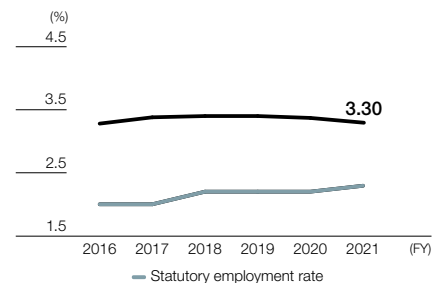
## VOC emissions



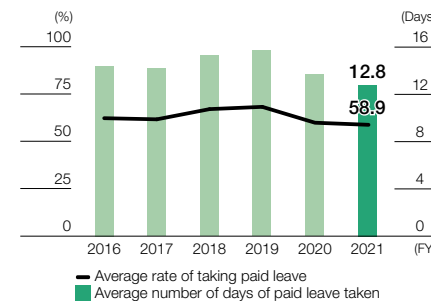
## ② Number of employees (consolidated basis / non-consolidated basis)



## Percentage of employees with disabilities



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



## Explanation of key aspects of non-financial performance

① Our CO<sub>2</sub> emissions were less than those of the previous fiscal year due in part to the effects of our company-wide efforts to promote energy conservation (e.g. replacement of old equipment and devices with new ones and improvement of the design of production lines in terms of efficiency). However, water usage (increased use of water for cooling purposes due to seasonal factors) and waste emissions (increased production in each of our businesses) increased from the previous fiscal year.

See Pages 40–43 for the details of initiatives to reduce environmental impact. →

② The number of employees on a consolidated basis increased as a result of making Kyoto Semiconductor Co., Ltd. a subsidiary in fiscal 2021.



# Create the future together with customers

Corporate Philosophy

## Integrity

Have Integrity and Sincerity

Corporate Vision

## Value Matters

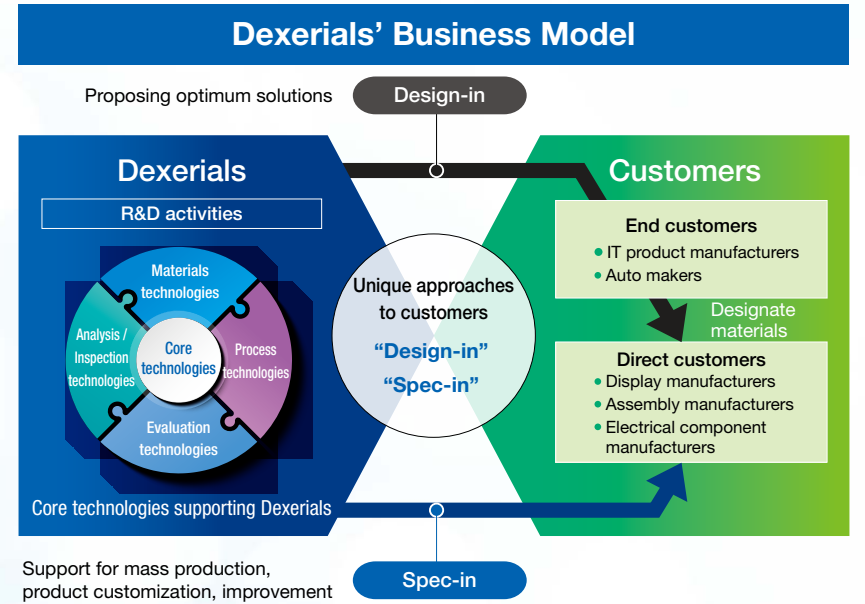
Unprecedented innovation, unprecedented value.

### Changes in the social environment

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

Invested Capital	
<b>Financial Capital</b>	
• Shareholders' equity	60,629 million yen
<b>Manufacturing Capital</b>	
• Capital investment amount	5,250 million yen
• Manufacturing sites	4 sites in Japan, 2 sites overseas
• Headquarters and Tochigi Technology Center where engineers from various fields gather	
<b>Human Capital</b>	
• Number of employees	1,915
• Number of engineers	580
• Ratio of new hires with engineering background to all new hires	100%
<b>Intellectual Capital</b>	
• R&D expenditure	3,876 million yen
• Overseas patents ratio	65.6%
<b>Social Capital</b>	
• Relationships of trust with customers based on unique technology and high quality	
• Relationships with 480 Green Partners	
<b>Natural Capital</b>	
• Electricity	70,944 MWh
• Water	310,000 tons

- ### Four important challenges to be engaged in for the medium- to long-term (Materialities)
- 1 Creating New Value, Resolving Social Issues
  - 2 Reinforcement of Corporate Governance and Compliance
  - 3 Cultivation of Diverse Human Resources and Engagement
  - 4 Ensuring Operational Safety and Business Continuity



**Dexerials' Management Strategy**

**Mid-term Management Plan 2023 "Challenges for Evolution"**

<Three basic policies>

- Accelerate business growth in new domains
- Qualitatively change businesses in the existing domains
- Strengthen the management base

### Returns and Value Offered to Society

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

- Provision of highly functional materials and devices that support next-generation communication equipment and automobiles
- Provision of products that contribute to reduction of environmental impacts
- Creation of new value by applying electronics technology to other fields
- Creation of unique technology by vigorous investment in R&D
- Human resource development through promotion of diversity
- Proactive shareholder returns according to profit (Total payout ratio before amortization of goodwill: 40%)

## Business Model

We use advanced technologies and communication with customers to discover customers' key issues and provide products that will solve those issues. This has allowed us to maintain a high barrier to entry and high market share, realize stable profitability, and constantly develop new products.

### Unique approach to customers

Dexerials' product development is supported by our approaches to both "direct customers" who are manufacturers of displays and components, and "end customers" who are manufacturers of end products beyond that.

#### Design-in

In response to products and new functions developed by the end customers, we identify issues that the customers are not aware of. We then propose new products that will resolve customers' issues. Our products, which have been approved after evaluation by the end customer, are used by the direct customer as designated materials when manufacturing the end products.

Through these activities, we grasp the cutting-edge technology trends, quickly incorporate the end customers' needs, and develop and propose numerous "products that continue to be chosen" by customers.

#### Spec-in

At the same time, we also provide support for mass production using our products to our direct customers. Furthermore, we are highly evaluated by direct customers for providing improved products that contribute to the customers' productivity improvements even after the establishment of the mass-production system, such as shortening of adhesion time and adhesion at low temperatures.

### The key to maintaining a high market share in niche markets

#### "Communication capabilities" to elicit customers' issues and needs

In our communication with the customers, our engineers join our sales representatives to elicit customers' issues and needs, and then work with the development division to the true challenges by adding technical considerations.

In response to these challenges, we develop and propose unprecedented, unique and highly value-added products and solutions, and in doing so, achieve the provision of value that exceeds customers' expectations.

#### Advanced "technological" and "analytical" capabilities to develop products that meet customers' expectations

Our product development that exceeds customers' expectations is founded on comprehensive development capabilities generated by the four core technologies that we have accumulated since the time of our predecessor.

Combining these core technologies opens up a wide range of possibilities.

##### Materials technologies

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

##### Process technologies



##### Evaluation technologies

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

##### Analysis / Inspection technologies



Representative Director and President

新家由久



# Aiming for the Sustainable Growth Stage in our 10th Year

## Pursuing sustainable management that contributes to society through corporate growth

### Reflecting on Dexerials' first 10 years and the Mid-term Management Plan 2023 “Challenges for Evolution”

Ten years ago in 2012, we split off from the Sony Group and began a new start as Dexerials Corporation. Over the next three years, up to our listing on the First Section of the Tokyo Stock Exchange (TSE) in 2015, we worked to raise corporate value by accumulating experience while discussing with stakeholders both inside and outside the Company.

However, the road we travelled after becoming a listed company has not been smooth. We were unable to achieve the final year target of the mid-term management plan that started in 2016 due to the effects of slowing demand for smartphones and tablet PCs. By the time I took over as president in 2019, the reputation of the Company in the markets declined and employees were beginning to lose confidence.

At that time, the business environment was beginning to see huge, rapid changes, such as

the manifestation of many social issues and the accelerating development of technologies for solving these issues.

Within this environment, we had to find a way to make our presence felt and continue to grow. We decided that the most urgent and important issue for the management team was to evolve Dexerials into a company that is resilient to changes in the external environment and that can grow without relying on specific business areas.

Since my appointment, I have continually stressed to employees that in order to continue growing, we must become a company that can adapt to change. Furthermore, in order to change as a company, we need each and every employee to change. As we must change, we should aim to be transformation pioneers.

I thought that rather than taking a defensive stance against changes in the business environment, we should leverage our technological capabilities and ability to innovate in order to shrewdly adapt to changes in the external environment and turn that ability into a strength.

Since then, we have implemented a wide range of internal initiatives to transform ourselves.

On the business front, we have been making a qualitative shift in our existing businesses through selection and concentration, while actively investing resources into new business areas, including the automotive field. In terms of corporate governance, we have shifted the institutional design to a company with an Audit and Supervisory Committee to promote a monitoring model in the Board of Directors, while also delegating authority and accelerating decision making on a company-wide basis. Furthermore, we have also introduced total shareholder return (TSR) as an indicator for internal director remuneration in order to increase corporate value while ensuring that officers share risks together with shareholders.

In addition, the decision to relocate the head office to Tochigi Prefecture was made in the midst of reforming the way employees work by institutionalizing remote work (telework) at all business locations, starting with the COVID-19

pandemic. I feel that this relocation was the correct move in light of our aims to become more resilient to change, as it enables us to put top management decisions into practice at workplaces more swiftly, enhancing the sense of unity between management and the frontlines.

Although the pandemic had some negative aspects to the Company, such as the inability to conduct face-to-face sales activities, it also created a healthy sense of crisis among both management and employees that “We don’t know what will happen in the future, so we must adapt to the changes”.

Also, as business results recover, I believe that employees have begun to accept that working to become a company that is resilient to change is the right approach. We believe it is significant that progress is being made in changing the mindset of our employees, which is an important factor in our aim for sustainable growth and increased corporate value in the future.

Compared to previous three-year mid-term management plans, the Mid-term Management Plan “Challenges for Evolution”, which started in April 2019, covers a five-year period (fiscal 2019–2023). During the first two years, we focused on initiatives including the aforementioned selection and concentration, change in the institutional design, and transformation of employee awareness so as to build a business structure that is resistant to changes in the business environment.

As a result, our “earning power” has improved and in the second year of the plan, we achieved our five-year profit targets three years ahead of schedule. Furthermore, in fiscal 2021, the third year of the plan, we released an updated Mid-term Management Plan at the start of the year and then achieved the final targets for all KPIs of that plan two years ahead of schedule.

In terms of our engagement with stakeholders, as our performance has improved, we feel that investors have a greater sense of trust and

anticipation that than they did three years ago when the plan was first announced.

Although we have already achieved our final year KPI targets for the current Mid-term Management Plan, we will continue aiming to achieve sustainable year-on-year growth in business results over its remaining two years. We also plan to use this time as a preparatory period for the next mid-term management plan, which will begin in fiscal 2024, by further strengthening our management base and



**We have made steady progress on our evolution into a company that is resilient to changes and achieved our Mid-term Management Plan targets for all KPIs two years ahead of schedule.**

formulating financial strategies and capital policies that will support our next growth strategies.

[See Pages 22–25 for the details of Mid-term Management Plan 2023.](#) →

## Review of fiscal 2021

In fiscal 2021, we achieved record sales and profits despite a slowdown in the mobile IT product market. EBITDA, which we emphasize as a management indicator of our “earning power”, also increased significantly by 85% year on year, and EBITDA margin also improved.

We have always been solving the issues facing both our direct and end customers through a business model that leverages our strengths in “Design-in” and “Spec-in”. In our current Mid-term Management Plan, we have been especially focusing on identifying major technological trends through dialogue with both direct customers and end customers who are sensitive to change in order to develop and propose products that anticipate their needs in advance.

We believe that these activities have borne fruit, in the increased number of our products adopted in high-end applications, and then spread to use in middle-end applications. And with the contribution of new products, we are now able to grow our business despite a lack of strong growth in demand for end products. I feel that this is reflected not only in management figures, but above all in the confidence of our employees.

Also, as a step toward the next stage of growth following the automotive field, in February 2022 we welcomed Kyoto Semiconductor Co., Ltd. (“Kyosemi”) into the Group, enabling us to get an early start on the growth strategies of our next mid-term management plan.

We have been exploring next growth areas after automotive from both an “inside-out” and an “outside-in” perspectives to pursue business opportunities and opportunities that enable us to solve social issues. The key concept of these efforts has been to abandon a self-focused approach, by supplementing our capabilities through partnerships and alliances in areas where we do not have technologies.

Under this approach, we began discussions on a roadmap for future technological development, during which we identified the next-generation communications field as an area in which we need partners. The sensor technologies is another field, as this field will likely grow in line with the expansion of IoT applications. Based on these discussions, we joined up with Kyosemi, who we had already been carrying out technological exchange with for around two years.

Kyosemi possesses optical semiconductor technologies that are essential to next-generation infrastructure such as IoT and high-speed communications.

By leveraging our expertise in “combining technologies together”, we plan to create synergies between Kyosemi’s optical

**Welcoming Kyosemi as a new partner, we were able to start our growth strategies under the next mid-term management plan ahead of schedule.**



semiconductors and our own technologies, such as microfabrication, to fuel future technological innovation.

Kyosemi and Dexerials share many cultural similarities, such as a sincere attitude toward engineering and manufacturing. Even so, we have different cultures, so in order to steer the



Company in a direction that is in alignment with the rest of the Dexerials Group, I became a president of Kyosemi concurrently.

[See Pages 10 and 11 for the details of our business model \(Value Creation Process\).](#) →

## Dexerials' seeks sustainability management

It is extremely important that we use the remaining two years of the current mid-term management plan to draw up our next growth scenarios.

As a prerequisite for this, so-called “sustainability management”, which develops businesses that realize a sustainable society while synchronizing economic and social values, is required for companies both to achieve sustainable growth and to increase corporate value in this unpredictable era known as VUCA\*.

\*An acronym for volatility, uncertainty, complexity, and ambiguity.

We have only started discussing our sustainability management efforts with the members of the Board of Directors and others, but I personally believe that rather than attempting to tackle a wide range of social issues across the board, we should work to solve social issues through a business model in which we propose technologies, products, and solutions that are essential to the evolution of digital technology. I believe that this should be our approach to sustainable growth, and to achieve this, I will set an order of priority for allocating resources.

For example, we can contribute to building a congestion-free society by making automobiles themselves into a means of mobile communication that can connect people and goods, while working to make an inefficient society more efficient through digitalization and contributing to automotive decarbonization.

The foundation of our business model, which develops products, technologies, and solutions to realize these initiatives, is “technology” and “human resources”, and we will continue to invest in them to strengthen our business model and, contribute to our sustainable growth and the social evolution.

With a view to reinforcing our investment in human capital, we have diversified our workstyles, including the introduction of a remote working system, we have also raised the amount of investment per employee. Additionally, in July 2022, we granted the Company's shares to employees

in Japan to encourage them to become more involved in the management of the Company.

As an even more important initiative to strengthen our human resources, we are currently discussing reform of our personnel system.

When thinking about what our company-wide human resources portfolio should be, we need a framework that puts systems in place that provide employee with company support, including for reskilling. At the same time, we are encouraging company-wide discussion about our “corporate purpose” and “vision for the future” to get a picture of what the meaning of our existence is from a social perspective and what kind of role we will play in future society.

In my opinion, when there is a lot of overlap between what our individual employees want to achieve at the Company, that is to say their individual purpose, and the Company's purpose, our efforts will drive both a change in employee mindsets and the Company's growth. Therefore, I would like to consider the reform of personnel systems to include employees' individual pursuit of happiness as part of the package.

Responding to various types of risks is also important in corporate management. We are beginning to see new risks emerge, such as the need to address a manufacturing BCP(Business Continuity Plan), particularly in Japan due to the frequency of natural disasters, and the need to change supply chain structures due to the manifestation of geopolitical risk. We will therefore deepen our discussions in these areas.

In addition, the move toward carbon neutrality is an irreversible trend for any country or company.

We have committed to the goal of eliminating CO<sub>2</sub> emissions from electricity consumed in our business activities by 2030 and we think that advancing environmental initiatives ahead of schedule will not only fulfill our social responsibilities, but also lead to business opportunities with our global customers who are

also working to achieve carbon neutrality.

Therefore, we will continue engaging in environmentally friendly business and energetically working to achieve targets while at the same time enhancing information disclosure in accordance with the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD).

[See Pages 42 and 43 for the details of disclosure in accordance with the TCFD recommendations.](#) →

[See Pages 46–51 for the details of initiatives for strengthening human resources.](#) →

## In conclusion

As we enter our 10th year as a company, I would like to once again express my gratitude to each of our stakeholders for your support.

We believe that, after many experiences and times, I think we have finally reached the starting line for sustainable growth. We will move forward, united as a company, with a renewed determination to become a presence that can contribute to society through our corporate growth, so we look forward to your continuing support.

December 2022

Representative Director and President

**Yoshihisa Shinya**

**We will continue investing in “technology” and “human resources”, which are fundamental elements of our business model, to contribute to our sustainable growth and the evolution of society.**



Outside Director

**Satoshi Taguchi**Outside Director  
(Chairperson of the Nomination and Remuneration Committee)**Takashi Yokokura**Outside Director  
(Chairperson of the Audit and Supervisory Committee)**Rika Sato**

Outside Director

**Tetsuyuki Kagaya**

Representative Director and President

**Yoshihisa Shinya**

Representative Director and Senior Managing Executive Officer

**Toshiya Satake**

See Pages 64 and 65 for detailed information about officers. →

## Toward Further Growth and Enhancement of Corporate Value of Dexerials

A frank exchange of opinions between executive management members and outside directors about achieving sustainable growth, increasing corporate value, and realizing a sustainable society in times where the future is uncertain.

## **To present: Reviewing the last three years and issues to be addressed**

**Satake** First of all, let's look at our five-year mid-term management plan that started in 2019. What is your assessment of the last three and a half years? Also, please tell us which current issues you are focusing on.

**Shinya** Three and a half years ago, amid difficult business conditions, I felt a strong sense of crisis that the path we had been following up to that point had no future, and that we must change in order to survive. Since then, we have advanced efforts such as decisive structural reform, as well as the transformation of the Company's structure, systems, and management framework.

As a result, I think we are now finally standing on the starting line for our growth.



**Satake** While focusing on recovering our "earning power" through business portfolio reviews and structural reforms, we changed our workstyles by early adoption of a remote work system at company-wide during the COVID-19 pandemic, and also have integrated management and front-line operations by relocation of our head office to Tochigi Prefecture.

Also, in 2021 we transitioned to a company with an Audit and Supervisory Committee and revised the structure of our Nomination and Remuneration Committee.

I believe that the results of these reforms have been reflected in the business results, and as a result, the employees have gained confidence and the ability to take on new challenges.



**Yokokura** I agree. I think that over these past three years, the Company has vigorously strengthened its management base. Even during the pandemic, the Company consistently worked to further enhance the technological capabilities and business model that are its strengths, which led to an improvement in results. I also think that efforts to facilitate more frequent exchanges of opinions between officers, which included meetings and retreats for outside directors, and further sharing of information and materials required for discussions, have led to an improvement in the quality of discussions by the Board of Directors.

**Taguchi** Over the 18 months I have served as an outside director, I have been able to participate in dynamic discussion and appropriate decision making by the Board of Directors concerning not only company-wide strategies and policies, but also important individual projects. Amid a highly uncertain business environment, it is important for us to envision what the Company wants to be in the future based on its purpose, formulate and execute strategic scenarios that leverage the Company's strengths to achieve this vision, and to practice robust risk management, while properly monitoring whether business operations and management decisions are in alignment with strategic scenarios.



**Satake** What is your assessment of our efforts to date as a member of the Audit and Supervisory Committee?

**Sato** In regard to the Company's transition to a company with an Audit and Supervisory Committee structure, I feel that the effects began to emerge once the relevant employees, including executive officers, outside directors, and the staff that support them, were working with a shared awareness of what constitutes a good governance structure.

I think it is important that we act with a strong awareness of the need to continue working hard to make this structure even better.

**Kagaya** Recent discussions have pointed out a lack of information, a lack of time and resources, and limited motivation as the limitations of outside directors on monitoring boards. However, in the case of the Company, company-specific information required by Audit and Supervisory Committee members is shared promptly and openly, and we are also provided opportunities to observe technical facilities and so on. This makes it easier for us in terms of both information sharing and time. Also, the decision to allow us to hold shares in the Company through an officer's shareholding association to ensure that outside directors share the same perspective as our shareholders and investors, has also helped to mitigate limits on motivation. In this sense, there has been a steady evolution in the



monitoring model over the 18 months that I have served as outside director.



**Sato** As chairperson of the Audit and Supervisory Committee, I would like to contribute to enhancing the supervisory function of the Board of Directors and strengthening the monitoring model, including by facilitating important discussions of the Board through the sharing of information and materials that goes beyond the scope required under Japan's Companies Act. This will be based on the confirmation of matters ranging from internal audits through to audit results, with a particular focus placed on demonstrating the functions of illegality and validity audits.

**Satake** Our president also serves as chairperson of the Board of Directors. What is your assessment of Board of Directors operations since becoming a company with an Audit and Supervisory Committee?

**Shinya** Even as chairperson of the Board of Directors, I am keenly aware that the Board has changed significantly over the last 18 months. Discussions have become deeper, taking a medium- to long-term perspective that focuses more on the entire company and is conscious of changes in the external environment. This has also influenced the executive side, leading to better quality discussions at meetings of the Board of Executive Officers and other venues. One of the factors behind this improvement in

discussion quality has been the fact that we were able to build stronger relationships of trust with outside directors through discussions with them.

The decision to make Kyoto Semiconductor Co., Ltd. ("Kyosemi") into a subsidiary required multiple discussions over the course of nearly a year, and I feel that the supportive push we received from the outside directors was ultimately a major factor.

**Taguchi** Through deep discussions on Kyosemi from a medium- to long-term perspective, the Board of Directors has concluded that Kyosemi possesses significant technologies for the new fields in which we were planning to enter, and that combining this with our own technologies and human resources, it could produce great results and help us to realize our vision for the future.

The main issue going forward will be whether we can produce a concrete business, but I am convinced that it will become the first chapter of our future success story.

**Yokokura** By transitioning into a company with an Audit and Supervisory Committee, we have become able to share the audit status with the Board of Directors, which I think has improved our governance functions. Kyosemi has appealing technological fields with high potential, and I feel this M&A was the correct decision from a long-term perspective.

On the other hand, this was a large investment so we must think carefully about how we will guide its growth and development going forward.



**Satake** The Board of Directors has become able to discuss the overall direction of management, such as medium- to long-term strategy, from the initial thoughts and policy stage. However, I think it is important to further deepen and improve the quality of these discussions.

### Going forward: Realizing sustainable growth and enhancement of corporate value over the medium- to long-term

**Satake** The Board of Directors has been having dynamic discussions regarding sustainability. What do you think will be the most important and material issues for the Company to address in the future in a way that expresses our character?

**Shinya** I think the important issues we should address going forward will be strengthening our business model, investing in the technologies and human resources to support these efforts, and becoming able to respond with agility to the dizzying change seen in the external environment.

**Yokokura** I think the Company's strength is largely shaped by our human and intellectual capital. Therefore, strengthening our technological capabilities and human resources is unquestionably important. In addition to this, I think it is crucial that it creates systems that will generate dynamic and energetic organizational activity.

**Taguchi** In particular, with regard to strengthening human resources, it will be essential that its medium- to long-term strategic scenarios contain a clear picture of the kind of person we require, and clearly set out what we should be doing and how we should do it.

**Sato** Also, it will be important to promote diversity, including in terms of gender and nationality, as part of its efforts to strengthen human resources. This will be

the key to continue to understand the needs of a diverse society.



**Kagaya** Going forward, the Company needs to capitalize the business model that is its strength as leverage to propel it onto a growth path. I think that this process will be driven by its technological capabilities and human resources. It will be particularly key to secure and nurture core human resources who can demonstrate leadership and realize value creation. I think that providing these types of people with challenges will lead to the creation of unprecedented value.

**Shinya** In recent years, we have increased opportunities for exchange with people from a variety of other companies and participated in meetings with Kyosemi's major customers and the like. These interactions have generated strong interest from people who had not come across our company before.

I feel that combining our technologies with other new technologies has potential to create growth opportunities and solutions for social issues in industries that we have yet to engage.

**Satake** Please share your thoughts on the role the Board of Directors should fulfill and what role you will try to play in pursuit of sustainability management.

**Yokokura** I think that out of the fields described by the ESG acronym, corporate governance is the most important and so I will continue to ensure that the Company practices high-level governance. In particular, succession planning for key management positions is the priority issue to be addressed to realize sustainable growth.

Also, as a company that is developing its business alongside the evolution of a digital society, it has a responsibility to contribute to social development and peoples' lives, even if it is not in a direct way. As I think this is also the meaning for its existence from a social perspective, it will be important for the Company to continue to create new value through its business.

**Taguchi** In order to practice "offensive" management in line with its growth strategy, it is important to also practice "defensive" management to support these efforts. The Company needs to build structures and systems to prevent compliance issues, including ethical issues, from occurring, and then properly evaluate their effects and performance.

This falls under risk management and requires appropriate monitoring by the Board of Directors. I would like to leverage my own experience on this point.

**Sato** As a legal professional, I would like to contribute to the achievement of the Company vision by monitoring discussions and exchanges of opinions by the Board of Directors from a medium- to long-term perspective, specifically by identifying and sharing potential legal risks.

**Kagaya** While in general, synchronizing corporate and social sustainability is considered difficult, I believe that the role of an outside director is to encourage decision making for the benefit of society without being biased solely toward corporate interests.

I would like to use my knowledge and insight into finance, accounting, and corporate evaluation to identify the Company's areas of expertise and make

recommendations on what the Company should do for society from both a financial and non-financial perspective.

**Satake** One management issue is to visualize the non-financial value of the technologies, intellectual property, and human resources that are the source of our competitiveness. I would like to ask the chairperson of the Nomination and Remuneration Committee for the opinion on incorporating sustainability-related KPIs as indicators for evaluating officers' remuneration.

**Yokokura** As a member of society, this is definitely something we should consider. In addition, there are many areas in which the Company can contribute to society in its areas of expertise, and I believe that the Company can fully synchronize its sustainability with that of society.

**Satake** Finally, I would like to hear the president's thoughts about how we will work to contribute to the realization of a sustainable society.

**Shinya** To date, we have steadily contributed to solving the issues facing our customers by preempting their needs to develop and supply materials that are essential to the evolution of electronics.

Now, there is a future vision in which the progress of digitalization will greatly contribute to solving a wide range of social issues. I believe that becoming a company that is crucial to realizing this progress is a key concept toward synchronizing corporate and social sustainability.

We will work together as a company to make Dexerials an essential presence for future society so that we can realize both sustainable growth and enhancement of corporate value.

# “Challenges for Evolution” – Progress toward further growth and enhancement of corporate value

We have been implementing our five-year Mid-term Management Plan 2023, “Challenges for Evolution”, since April 2019. In this era of high uncertainty, we have been making steady progress in line with the three basic policies set out in the plan, and have achieved our earnings targets two years ahead of schedule. We have therefore updated the plan, and will be continuing to take on challenges with an eye to further evolution.

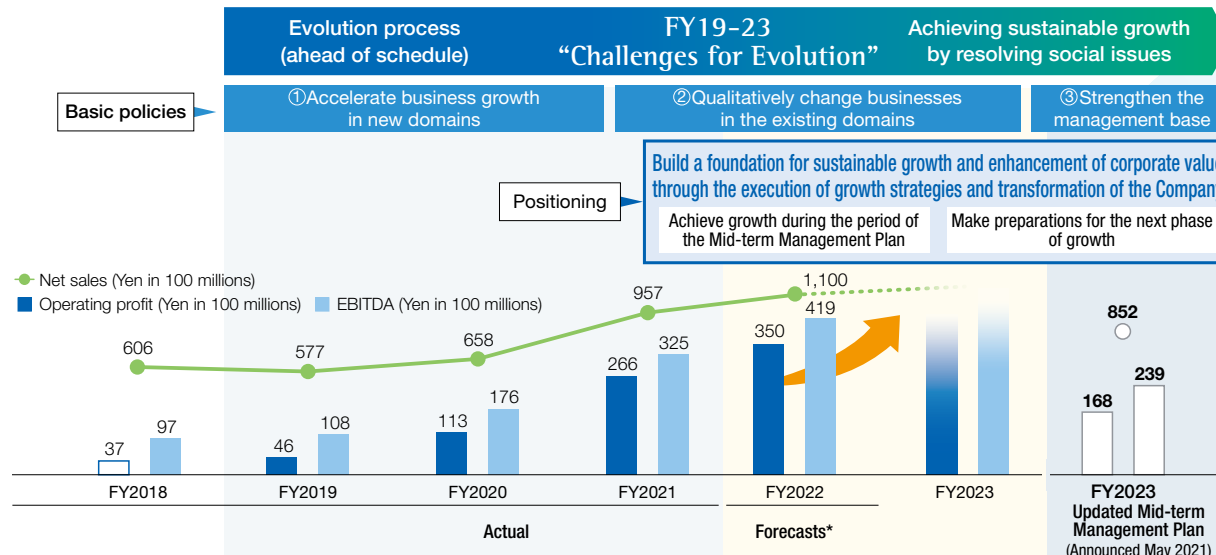
## Initiatives and outcomes up to fiscal 2021 (first three years of the plan)

The Mid-term Management Plan 2023, “Challenges for Evolution”, a five-year plan for achieving sustainable growth and enhancing our value as an enterprise, sets out three basic policies: **“accelerate business growth in new domains”**, **“qualitatively change businesses in the existing domains”**, and **“strengthen the management base”**.

In the three years since the launch of the plan in April 2019, our operating environment has witnessed various changes, making it difficult to predict what is going to happen next. Against that backdrop, and in line with the three basic policies, we have been endeavoring to expand the automotive business, with a focus on anti-reflection films, to develop it as a new domain. And in existing domains, we have been improving efficiency by continuously reviewing our business portfolio and production bases. Regarding our management base, we have taken numerous measures such as strengthening corporate governance, expanding investment in human capital, and reducing fixed costs.

As a result of these initiatives, we achieved our initial business targets ahead of time. In May 2021, we therefore announced an update to the plan, including new earnings targets. After that, both net sales and profits grew despite a slackening of demand in final-product markets as we developed and offered products that anticipated technology trends. Our performance on a consolidated basis in fiscal 2021 was our best ever, and once again, we hit the business targets for fiscal 2023 set out in the updated plan two years earlier than expected. Regarding value-added productivity, too, we have more than doubled net sales per employee and almost quadrupled EBITDA during these past three years.

Through these initiatives to deliver on the mid-term management plan, the earning power of our business has increased, and we have begun to evolve into a company that is unaffected by changes in the operating environment.



### Examples of measures/initiatives over the past three years

- Accelerate business growth in new domains**  
Expanded new domains such as automobiles  
Acquired an optical semiconductor business
- Qualitatively change businesses in the existing domains**  
Strengthened businesses and streamlined production by continuously reviewing our business portfolio
- Strengthen the management base**  
Reinforced corporate governance, reduced fixed costs, and expanded investment in human capital

\* Our Mid-term Management Plan, “Challenges for Evolution”, is available to view on our website:

[https://ssl4.eir-parts.net/doc/4980/ir\\_material\\_for\\_fiscal\\_ym5/63471/00.pdf](https://ssl4.eir-parts.net/doc/4980/ir_material_for_fiscal_ym5/63471/00.pdf)



## Next two years: Ready for the next phase of growth

Although business conditions currently remain favorable, the outlook for our operating environment is as uncertain as ever, and more and more risks are emerging. We therefore expect the situation to continue to be unpredictable over the near term.

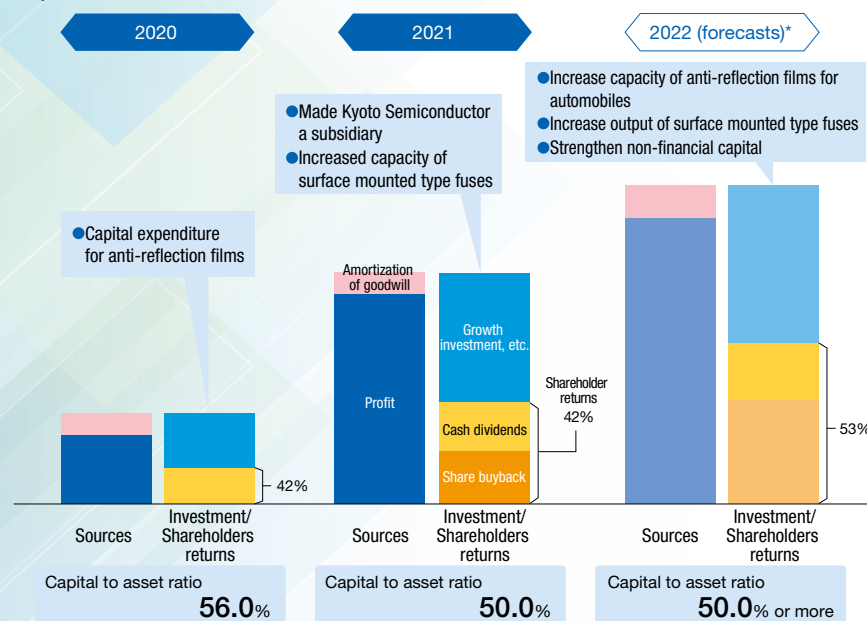
Given that environment, we have positioned the next two years until the end of the period of the plan as one for “building a foundation for sustainable growth and enhancement of corporate value through the execution of growth strategies and

### Capital allocation and shareholder returns

Regarding the allocation of capital during the period of the Mid-term Management Plan, we will be making the investments necessary for growth with a view to further raising our value as an enterprise, while maintaining our financial health by keeping our capital to asset ratio at around 50%. We will also continue to return more profits to our shareholders.

In fiscal 2021, we made an important growth investment aimed at expanding our operations in new domains going forward by acquiring shares of Kyoto Semiconductor Co., Ltd. for 8.8 billion yen and making it a subsidiary. As for investment for growth in fiscal 2022, we are planning to increase capacity of anti-reflection films mainly for automobiles and surface mounted type fuses, and also strengthen our non-financial capital.

#### Capital allocation

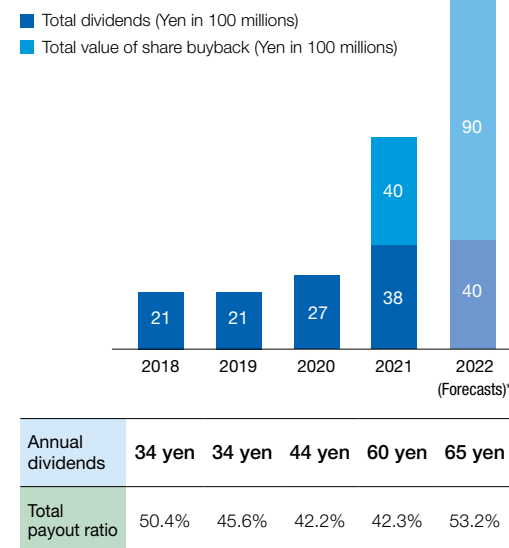


transformation of the Company”, and will be taking various measures based on the three basic policies so as to steadily expand our performance. [Refer to the following page for more details.](#)

At the same time, these two years will be a time for making preparations for our next mid-term management plan, and we will be further strengthening our management base and endeavoring to execute our growth strategies ahead of schedule.

Regarding returns to shareholders, our basic policy is to maintain a total payout ratio before amortization of goodwill of approximately 40%, while paying dividends in line with profit growth and flexibly buying back our own shares in line with our operating environment. For fiscal 2022, we are planning to pay an annual dividend of 60 yen per share plus five yen per share to commemorate the 10th anniversary of our founding, so the total dividend will be 65 yen per share. We also intend to spend up to 9.0 billion yen to buy back our own shares. This, together with the total cash dividends described above, will take the total payout ratio before amortization of goodwill to 53.2% in fiscal 2022.

#### Shareholder returns



#### Share buyback

①Allocation to growth investment	Maximum total purchase value	8.0 billion yen
②Additional contribution to Board Benefit Trust (BBT)	Maximum total purchase value	1.0 billion yen
<b>Total</b>	<b>Total</b>	<b>9.0 billion yen (maximum)</b>

#### Cash dividends

(Forecasts for fiscal 2022)

Annual dividend	60 yen
+	
10th-anniversary commemorative dividend	5 yen
<b>Total</b>	<b>65 yen (planned)</b>

\*As of October 31, 2022



# Expanding the benefits from “Challenges for Evolution” over the next two years

## Proactive development and establishment of structures based on the three basic policies

### Basic policy (1): New domains

### Accelerating the growth of the automotive business, and moving into new domains

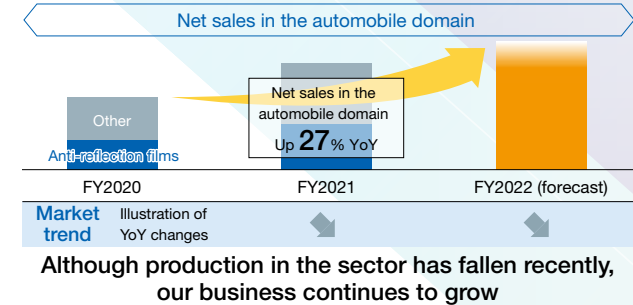
We have positioned the automotive business as a growth domain, and are focusing on it with a view to freeing ourselves from dependence on the mobile IT product market and specific customers. In addition, the trend toward increased number of and larger displays mounted in cars led to increased adoption of anti-reflection films, anisotropic conductive films, and optical elastic resin in fiscal 2021, resulting in a substantial increase in sales.

In fiscal 2022, we aim to increase the adoption of our products by our customers. Regarding anti-reflection films, our key product, we have decided to boost our production capacity, and are currently working to get the new equipment into operation in fiscal 2023.

With the aim of expanding into new growth domains beyond the automotive business, in parallel to initiatives like these, in March 2022 we acquired shares in Kyoto Semiconductor Co., Ltd., which is engaged in the optical semiconductor business, and made it a subsidiary.

[Refer to the following page for more details.](#)

#### Accelerate growth in new domains



### Basic policy (2): Existing domains

### Focusing on high value-added products while broadening our horizons

In fiscal 2022, we expect demand for mobile IT products to be either on par with or slightly weaker than the previous year, but in recent years, we have started to see the benefits of developing and offering products that are one step ahead in terms of incorporating new technology trends, and we believe that the expansion in sales of high value-added products that began in fiscal 2021 will continue for the time being.

Through our efforts up to now, adoption for new application and new parts for high-end models has continued, and technologies used in high-end models have been increasingly employed in middle-range models, which has broadened our horizons in terms of sales and continued to boost our earning power.

### Basic policy (3): Management base

### Strengthening the non-financial capital that underpins sustainable growth

We will be working to fortify the non-financial capital and intangible assets that support sustainable growth. For example, we will develop our human capital, pursue digital transformation, respond to the environment, and draw up business continuity plans. For our employees, in addition to diversifying workstyles, we will implement

various measures with the aim of coexisting with the communities and society surrounding our business sites, such as Tochigi Prefecture, to which we relocated our headquarters in July 2021.

#### Initiatives for enhancing our corporate value

- Business growth through the expansion of range of differentiated technology products
- Strengthening the non-financial capital and intangible assets that underpin sustainable growth



Human capital



Digital transformation (DX)



Environmental response



Business continuity plan

#### Relationship with employees and society

- Diversification of workstyles
- July 2021 Relocation of headquarters to Tochigi Prefecture  
Implementation of various measures aimed at achieving coexistence with the communities and society surrounding our business sites
- July 2022 Provision of approximately 410,000 shares through the Employee Stock Ownership Plan (J-ESOP), turning approximately 1,300 employees in Japan into shareholders

# Business portfolio transformation: Accelerating moves into new domains via new subsidiary Kyoto Semiconductor

## Seizing business opportunities in sensing and optical communications fields

### Focusing on optical semiconductors as a new growth domain

Regarding new domains, the automotive business is growing steadily, but we have continued to search for the next pillar of our business following the automobile business by asking ourselves, “What can we do with our technologies and resources?” and “How can we contribute to resolving social issues?” As society as a whole aims to become more efficient through digitalization, we considered both the business domains and technologies in which evolution will be required going forward and our own technologies and know-how. This led us to the discovery of new business opportunities in the areas of sensing and optical communications, which ultimately resulted in our acquisition of Kyoto Semiconductor Co., Ltd. (“Kyosemi”), which became our subsidiary in March 2022.

Kyosemi develops, manufactures, and sells optical semiconductor devices, which transform light and electricity. In the high-speed communications market, which is expected to see massive growth going forward, it supplies superior products for 5G and Beyond 5G. Optical semiconductors, which detect light and then generate an electrical signal, are also used for sensing, and Kyosemi counts large companies that produce sensor devices for factory automation among its customers.

On the other hand, Dexerials specializes in the control of light and electricity, and its mainstay businesses include anti-reflection films, optical elastic resin, and anisotropic conductive films (ACF). Kyosemi’s optical semiconductors are adjacent

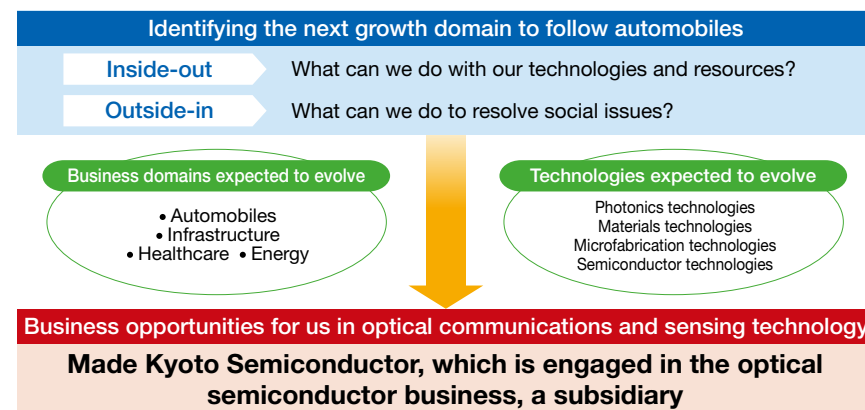
### Potential for business growth through collaboration with Kyoto Semiconductor

Dexerials and Kyosemi will endeavor to raise our corporate value and provide value and resolving issues to enable society to digitalize by combining our respective technological strengths and creating new technologies and products in the fields of high-speed communications and sensing.

Like ourselves, Kyosemi is also working to transform itself into a business entity that is unaffected by changes in its operating environment. Already, it has secured deals with large customers for communications and factory automation, which are markets that are expected to expand in the future, and we will continue to enhance its earning power while increasing the certainty of business growth, thereby laying a foundation for sustainable growth. Over the next two years, we will complete our preparations for creating new products through collaboration with Kyosemi. And during the period of our next Mid-term Management Plan, we aim to lift its sales to the 10 billion yen range.

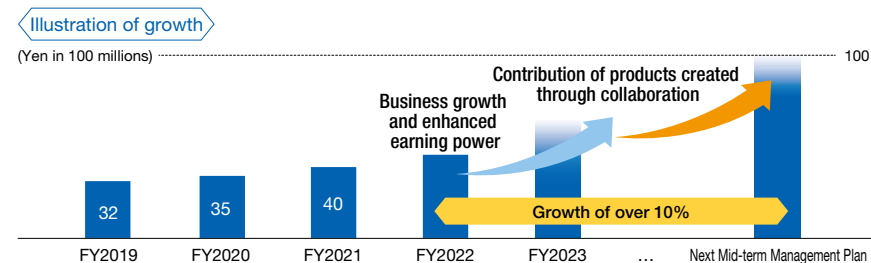
to and highly compatible with our fields, and we believe that by combining its compound semiconductors with, for example, our microfabrication technologies, further evolution will be possible.

#### Background to making Kyoto Semiconductor a subsidiary



#### Kyoto Semiconductor’s business growth

- Secured deals with large customers for communications and factory automation, which are markets that are expected to see strong market growth
- Collaborate in the creation of new products with the aim of making a major contribution to our next Mid-term Management Plan





Optical Solutions Business Unit Head

### Hiroshi Uchida

#### Profile

Joined Sony Chemicals Corporation, the predecessor of Dexerials, in 1998. After being engaged in product development, where he developed wiring materials and its insulating film, liquid adhesives, and other products, he has been involved in developing high-precision components fixing adhesives such as UV curing, low-temperature curing, and smartphone camera module adhesives. In the current position since April 2021.

## Basic strategy and policy

By offering optical solutions unique to Dexerials in a variety of business fields, the Optical Solutions Business Unit will contribute to resolving social issues through customers' products and services, thereby ensuring sustainable growth. To that end, it will be important to further deepen and expand our operations through existing businesses and applications, and to increase our market share by proposing solutions that anticipate customer needs. In each category, we are also aiming to establish a solid business foundation by building a safe and stable production system and pursuing DX and the development of smart factories, while also working to improve productivity by, for example, increasing yields.

# Optical Solutions Business Unit

The Optical Solutions Business Unit handles two key product categories: optical films, which are mainly used in displays, and optical resin materials, which are used in displays and optical devices. It supplies not only materials but also optical solutions for higher resolution and precision in displays and optical devices.

## Risks and opportunities

Lifestyles have changed amid the COVID-19 pandemic, leading to better-than-expected operating results on the back of growth in demand for consumer IT products such as smartphones and laptop PCs. However, we also expect that we will need to have the ability to respond flexibly to changes in consumer demand, as the future remains uncertain due to chip shortages, the Russia/Ukraine situation, and China's zero-COVID policy. We also recognize that stable procurement of raw materials through cooperation with suppliers is a major task, as supply chain turmoil continues, with logistics and materials costs soaring, for example.

In addition, with the acceleration of digitalization and the advance of IoT due to the COVID-19 pandemic, not only are displays expected to become more diverse, but the sensing market is also likely to grow significantly. We see the evolution of optical technology in conjunction with this growth as an opportunity for growth of this business unit. Until now, we have sought to differentiate our products by making them superior to those of our rivals and difficult to imitate, but we recognize that another important task is to build a system that enables us to swiftly come up with new proposals by combining the business unit's technologies with other internal and external technologies.

## Product overview

In fiscal 2021, sales in both the optical films category and the optical resin materials category grew substantially, thanks to the combination of increased demand for consumer IT products in line with changing lifestyles and the vertical start-up of a new product, the "PS Series" of phosphor films, resulting in a 75% year-on-year increase in sales for the business unit. In the optical films category, we have launched the "HD Series", a range of anti-reflection film (ARF) products, one of our mainstays, that offers improved resistance to scratching and smudging. It has been increasingly adopted for use in laptop PCs, and in the automotive field, too, it is being employed in more and more models. And with phosphor films, we vertically started-up products for liquid crystal displays with direct LED backlights, which employ our proprietary green sulfide phosphor, and this contributed to a significant increase in sales.

In the optical resin materials category, sales of high-precision bonding resins expanded because of an increase in the number of camera modules and sensor modules mounted on smartphones, as well as higher pixel counts and larger lenses. In optical elastic resins (SVR), we began mass production of "Jettable SVR", a newly released inkjet-compatible optical elastic resin, for use in tablet PCs, and we plan to further expand this business in fiscal 2022 and beyond.

## Key measures in line with the basic policies of the current Mid-term Management Plan

To move forward with qualitative change in existing domains, which is one of the basic policies in the Mid-term Management Plan, we have decided to invest in a new mass production equipment for anti-reflection films with the aim of increasing our market share and realizing further efficiency gains through the expansion of differentiated technology products. In collaboration with the Automotive Solutions Business Unit, we are currently in the process of setting up the equipment with the aim of commencing mass production during the fiscal 2023. This equipment

features technology that forms an anti-smudge layer on the top surface by using the vacuum deposition method, and the design allows the anti-reflection layer and anti-smudge layer to be deposited consistently, which increases both efficiency and quality in the manufacture of the “HD Series” of highly-durable anti-reflection films. In addition, by bringing digital transformation to the manufacturing process conditions and quality control data that we have accumulated to date, we will build a production system that is also highly efficient in the area of quality control. By doing this, we will expand adoption for in-vehicle displays, which require high durability and high quality, and next-generation mobile IT products, with the aim of enlarging our customer base.

## Future tasks and aspirations

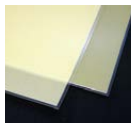
It is not easy to expand and grow our business amid a diverse business environment that is changing in ways we have never experienced before. However, we are not afraid of change and will tackle everything with a spirit of challenge. We will continue to provide not only materials but also optical solutions for displays and optical devices, thereby helping to resolve social issues, and achieving sustainable growth.

### Optical solutions product

#### “PS Series” of phosphor films

These films are used inside liquid crystal displays, which contain a resin layer of uniform thickness in which green and red phosphors are uniformly dispersed. Since blue LEDs, which have less luminescence variability than white LEDs, can be used as the light source for the backlight, it is easier to control the light distribution of the LEDs, making it possible to shorten the distance between the light source and the diffuser, and contributing to a thinner overall display.

The products uses sulfide green phosphor developed by the Company. This sulfide green phosphor, which utilizes inorganic material synthesis technology, one of our elemental technologies, realizes vivid luminescence with a sharp PL (photoluminescence) spectrum, thereby contributing to a wide color gamut for liquid crystal displays.



#### “Jettable SVR” optical elastic resin

By supporting the inkjet coating method used for purposes such as printing, it is possible to apply the appropriate amount of resin to any position with high precision and perform optical lamination. This makes handling easier, and it is simple to use with special display shapes with notches and punch holes for cameras and sensors.

In addition, since the coating thickness can be controlled precisely and continuously, making it suitable for 3D displays with different thicknesses in different areas, such as curved surface displays. This product, which enables the required amount of resin to be applied to the required area, also reduces waste, and contributes to reduction of environmental impact.



*Power* behind

Dexerials



Production Department,  
Optical Solutions Business Unit

**Yukimitsu Karasawa**

I am in charge of front-end processes, including sputtering, which is a key process in the manufacture of anti-reflection films (ARF).

I think our strength lies in our ability to achieve collaboration among production engineering section, production process engineering section, quality assurance section, product development section and production section. We are actively pursuing DX in inspection machines and systemization to improve quality and productivity, and we also design our own production equipment to improve its utilization.

Anti-reflection films are growing into a mainstay business for us. We have a lot of opportunities to deal with various problems that require quick decisions, and I am motivated by the sense of accomplishment I get when I bring about improvements by swiftly surmising the cause of a problem and addressing it.

New sputtering equipment will be introduced in the future. We will contribute to the growth of the business by pursuing further productivity improvement and providing a stable supply of high-quality products so that when it comes to anti-reflection films, people imagine Dexerials. And as manufacturers, we will play a part in further expanding our customer base by creating a safe and comfortable working environment for employees, advancing systemization so that anyone can make products of the same quality, and endeavoring to keep the manufacturing frontline efficient.





Executive Officer, Automotive Solutions Business Unit Head

## Kentaro Oshima

### Profile

Joined Sony Chemicals Corporation, the predecessor of Dexerials, in 1991. Worked in product development, in charge of products such as anti-reflection films. Appointed Head of Automotive Solutions Business Unit in 2020 and endeavored to expand our business in the automotive industry. In the current position since April 2022.

## Basic strategy and policy

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

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

# Automotive Solutions Business Unit

The Automotive Solutions Business Unit is working to grow its business through the application and rollout to automobiles of anti-reflection films, anisotropic conductive films (ACF), and optical elastic resins (SVR), with which the Company has already achieved success in the consumer IT products market.

## Risks and opportunities

Significant changes in the operating environment surrounding us present both substantial risks and opportunities beyond the automotive industry. In addition to the spread of COVID-19 and shortages of semiconductors, the situation in Russia/Ukraine and China's zero-COVID policy are having a major impact, such as by severing the supply chains that support the global auto sector. It will also be important to assess the impact of preparations for rising prices, particularly in the West, so as to anticipate future consumer demand.

Against this backdrop, the shift to EVs is accelerating across the world as countries pursue decarbonization. Automakers around the world are announcing ambitious lineups for 2030 and 2035, which should provide a tailwind for our business, including through the creation of new supply chains.

The rapid digitalization of the automotive industry also presents an opportunity for us to create various new business models for the Company, which offers its products globally. For example, we have begun to actively implement new mechanisms, such as having our headquarters engineering team in Japan take charge of critical process development and instantly reflect the detailed specifications designed at headquarters in local manufacturing processes near our customers around the world.

## Product overview

The main products handled by this business unit include anti-reflection films for automobiles, anisotropic conductive films (ACF), and optical elastic resins (SVR), which are not products or technologies used only in automotive. Therefore, we are working together with other business units in the areas of production, sales, and business strategy as we strive to expand our business.

In fiscal 2021, the automotive market suffered as it was impacted in various ways by COVID-19 and faced a shortage of semiconductors, but this business unit achieved a 27% increase in sales over the previous fiscal year, mainly in anti-reflection films for automotive applications. In addition, optical elastic resins (SVR) have been confirmed for use in global models from major automakers, and we will continue to expand our business in fiscal 2022 and beyond.

On the other hand, as a measure to realize speedy problem solving, which is one of the Company's strengths, we have jointly established an optical solutions center for cutting-edge in-vehicle displays in Cham, Germany, with SemsoTec, a company that we have been collaborating with in that country. We will further expand our business through the establishment of a system for providing optical solutions centered on "Jettable SVR", an inkjet-compatible optical elastic resin.

## Key measures in line with the basic policies of the current Mid-term Management Plan

To accelerate business growth in new areas, we are working with the Corporate Strategy Division, the DIG Promotion Department, and the Corporate R&D Division to explore possibilities for the creation of new technologies and proposal of solutions that incorporate not only an inside-out perspective but also an outside-in perspective.

The automotive industry, the sector that this business unit handles, is one of the industries that DIG

Promotion Department is focusing on. In particular, it has defined sensing technology as a technology where company-wide synchronization is possible, as it has the potential to be applied outside the automotive domain, and based on that view, we are working to create new businesses.

So to balance the challenge of creating new businesses while rapidly expanding our operation, it is essential that we speed up business decision-making. We will therefore strengthen collaboration between the business unit and sales teams globally, and also proactively pursue DX.

## Future tasks and aspirations

We will aim to grow our business by seizing opportunities presented by our uncertain environment and hard-to-swallow changes. In addition, we believe that if the processes employed by this business unit for creating new businesses are also utilized by other business units, this will translate into the building of a sustainable growth process for Dexerials as a whole. We will therefore endeavor to lead the Company by strengthening cooperation among its business units.

### Automotive solutions product

#### “HD Series” of anti-reflection films

Featuring an anti-smudge layer on the top surface, which is formed using the vacuum deposition method, these anti-reflection films offer sliding durability more than 40 times or more compared to current products. This superior sliding durability makes them suitable for use in laptop PCs with touch panels, which are becoming increasingly popular, 2-in-1 devices that can also be used as tablets, and in-vehicle displays, for which demand is expanding in line with the digitalization of automobiles. In particular, we will expand sales of the “HD Series” for in-vehicle displays, which require high durability as they have to withstand harsh operating environments of high temperatures and high humidity and be usable for long periods.



\* Comparison with our company's current product (AR200-T0810-JD) using the abrasion durability test (nonwoven fabric wiper)

#### Collaboration with SemsoTec Group (Germany)

As part of our partnership with automotive design house SemsoTec, which began in October 2020, we will start running the new optical solutions center for in-vehicle displays at their plant in Cham, Germany to accelerate efforts to create next-generation in-vehicle displays and to expand their adoption. The center will be equipped with the latest coating and laminating equipment for large, curved, and odd-shaped displays, which are the new trend in automotive displays, including equipment for coating with our new “Jettable SVR” inkjet-compatible optical elastic resin. This will allow the center to provide customers with cutting edge technologies and solutions after it goes into operation, which is scheduled for the first half of 2023.

*Power* behind

Dexerials



Automotive Solutions  
Business Unit  
AS Business Promotion  
Department

**Arata Mimura**

I am in charge of process improvement and establishment of a system management methodology through DX for IATF 16949-certified products, with IATF 16949 being a technical specification for auto industry quality management systems.

To realize medium- to long-term growth, increasing our presence in the automotive industry will be vital, and I believe that activities to maintain and improve product

quality, which I am in charge of, and activities to expand product markets are two sides of the same coin.

Previously, the Company lacked experience with management system standards for products in the automotive domain, and many people were saying how confused they were. However, we faced up to this problem sincerely and continued to make improvements toward the goal of achieving conformance with automotive management system standards, which led us to acquire certification and expand our sales channels. I will never forget the words of one of our customers who told me, “I really felt your strong desire to do business together with us”.

Through this experience, I came to believe that I wanted to establish Dexerials quality, rather than just in-vehicle quality. I will contribute to business expansion from the quality aspect by promoting the DX of systems and making our manufacturing operations even safer and more secure.



Connecting Materials Business Unit Head

## Kenji Kamiya

### Profile

Joined Sony Chemicals Corporation, the predecessor of Dexerials, in 1999. Worked in product development for liquid optical resin materials. Appointed Deputy Head of Connecting Materials Business Unit in 2020. In the current position since April 2022.

## Basic strategy and policy

The Connecting Materials Business Unit has expanded its business by always analyzing things from the customers' perspective and continuously providing solutions that exceed their expectations and satisfy their needs. While continuously reviewing our business portfolio, we will strengthen our existing businesses by expanding our range of high-value-added products based on differentiated technologies and aggressively developing new products. And by further refining our core technologies and developing products that anticipate technological trends, we will ramp up our efforts to achieve growth in new domains. Through these business strategies, we will contribute to the digitalization of society and the proliferation of IoT, trends that are set to further accelerate in the future, and thereby realize sustainable growth.

## Risks and opportunities

The spread of COVID-19, which has had a huge impact on people's values, has brought about supply chain

# Connecting Materials Business Unit

The Connecting Materials Business Unit provides many products, for various applications, such as thermal conductive sheets, anisotropic conductive films (ACF), and self control protectors (SCP).

disruptions, semiconductor shortages, and a spike in raw materials prices, and this business unit has also been greatly affected. In addition, the economic environment is expected to remain erratic and unstable going forward due to worldwide inflation and price hikes stemming from the Russia/Ukraine situation, and worries about worsening market conditions.

The challenge is to raise our level of sensitivity to risk, and put in place a mechanism for maintaining stable supply and quality of products and enabling support to be provided to customers.

Meanwhile, the digitalization of society and the proliferation of IoT are steadily picking up pace, and the arrival of a world that creates new value is imminent. Our particle-arrayed ACF is supporting the development of cutting-edge displays as its high level of product functionality has made it indispensable in display evolution. We will steadily seize such business opportunities and pursue sustainable growth by aggressively developing our business to make our products de facto standards. In addition, demand for Li-ion batteries is increasing ever more as their applications expand, driven in part by heightened environmental awareness. By enhancing our line-up of products compatible with high current and high voltage to suit a variety of applications, and seizing business opportunities for the future shift to EVs, we will achieve medium- to long-term growth.

## Product overview

Changes in lifestyles due to the COVID-19 pandemic have led to an increase in demand for consumer IT products, and with this business environment as the backdrop, sales of our differentiated technology products, such as anisotropic conductive films (ACF) and self control protectors (SCPs), have grown significantly, and sales for this business unit increased 25% year on year. In the ACF category, sales of particle-arrayed ACF have climbed to 40% of total ACF sales, and we expect to see further growth in the future. In addition, pre-cut ACF, which was originally developed for non-display applications, contributed to increased sales in the fields of camera modules and sensors. In the surface mounted type fuse category, sales of SCPs that can handle high currents grew in line with the expansion of the market for power tools, and the number of electric bicycle and electric motorcycle models employing them is also increasing. In addition, we are anticipating further growth in demand for SCPs amid moves to tighten safety regulations for Li-ion batteries, particularly in the EU. In the area of adhesive materials, demand for functional films is increasing in line with rising demand for laptop PCs, and sales of sensor protection films for automotive applications are also climbing on the back of buoyant demand. Meanwhile, in the thermal conductive sheet category, last year saw us begin selling a new type of thermal conductive sheet that employs proprietary alignment

technology and combines high heat conductivity with flexibility. With the volume of data being processed expected to increase dramatically with the full-fledged adoption of 5G, we will expand sales of this product, alongside carbon fiber heat dissipation sheets with high thermal conductivity, for telecommunications base stations and data centers, where measures to tackle heat will be important in line with the adoption of high-performance IC chips.

## Key measures in line with the basic policies of the current Mid-term Management Plan

As a measure for qualitatively changing businesses in the existing domains, we have added a new line that delivers 1.5 times higher productivity in the main category of surface mounted type fuses, and this new production line started operation in fiscal 2022. Also in

fiscal 2022, we will complete the addition of a new line for the production of high current products to improve production efficiency and meet demand in the future. In addition, with a view to building solutions for EVs, we will establish a foundation for expanding into new domains that is based on solid principle validation and intellectual property (IP) strategies. Meanwhile, in the ACF category, we will be deploying improved equipment in phases to make processes more efficient, with a focus on particle-arrayed ACF. We will also expand production capacity while stabilizing QCD-S\*. In addition, we will strengthen and build inter-process digital management systems based on the smart factory concept to further improve efficiency. We will also further refine our core technologies for narrow mounting and design new devices such as AR/VR.

In the film category, which accounts for the majority of our adhesive materials, we will initiate a restructuring centered on the outsourcing of current in-house coaters

and move forward with efforts to establish a lean structure. With an awareness of the characteristics of each product category, we will work to strengthen our business foundation based on a select-and-concentration approach.

\* An acronym for Quality, Cost, Delivery, and Safety. Used as an indicator for assessing products.

## Future tasks and aspirations

With our operating environment becoming increasingly uncertain, we will be neither euphoric about the success nor despondent about the failure of our initiatives. Instead, we will refine the technologies that differentiate us, aim to strengthen our business in existing domains and expand our business in new domains, and advance our business toward sustainable growth without fearing change. We will work earnestly to build relationships of trust with everyone involved in that process and to grow together with them.

### Connecting materials product

#### Particle-arrayed anisotropic conductive film (ACF)

Anisotropic conductive films (ACF), which we developed in 1977, contain conductive particles dispersed in a thermosetting resin film, and have established a position in the industry as an adhesive material that allows numerous electrodes to be connected at once through the application of heat and pressure. We have continued to improve them since then, and in 2016 we launched a particle-arrayed ACF, which is suitable for even finer pitch connections than conventional ACF. Its applications are no longer limited to flat-panel displays for consumer IT products and in-vehicle equipment, as it is being increasingly adopted in non-display applications as an adhesive material for connecting finer circuits in various sensor modules such as camera modules.



#### Self control protectors (SCP)

SCPs are fuse elements for secondary protection circuits that immediately interrupt overcharge or overcurrent in Li-ion batteries. In addition to being used in laptop PCs and smartphones, they are in increasing demand for use in high current products for power tools, electric motorcycles, cordless electric cleaners, and so on. These products for high currents are our differentiated technology products, and enabling us to maintain superiority in the market.

In 2018, we also developed a lead-free\* SCP to help reduce environmental impact, and we now offer a broad line-up of products.

\* The European RoHS Directive that restricts usage of hazardous substances defines lead-free as a lead content of 1,000ppm or less.



### Power behind

### Dexerials



Connecting Materials  
Business Unit  
Product Development  
Department

#### Chisato Komori

I am involved in the development of self control protector (SCP) products, and also work on expanding sales of the products I have developed, serving our customers around the world.

I believe that our strength lies in the fact that we possess unique materials technology capabilities, as well as manufacturing capabilities that allow us to combine our materials technologies to create products.

There's also an atmosphere of supporting challenge within the Company, and I feel a sense of fulfillment when we are able to solve, with Dexerials products and technologies, problems that customers have shared with us through our deep communication with them, and when we overcome obstacles in product development with our ingenuity to bring a product to completion.

Looking ahead, we would like to resolve social issues by enhancing the safety of Li-ion batteries, for which demand will continue to grow, through protective devices such as SCP. By doing so, we would like to contribute to the realization of a sustainable society.





## Expanding technology fields to resolve social issues based on an outside-in approach

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

**Kuo-Hua Sung**

### Profile

Joined Dexerials in December 2019. Technology Strategy Head and in charge of the DIG Promotion Department since October 2020, formulating technology strategies for new fields. Appointed Executive Officer in April 2022, while continuing to serve as Technology Strategy Head and being in charge of the DIG Promotion Department.

**Q** Please give us an overview of the new Dexerials Innovation Group (hereinafter referred to as DIG) Promotion Department, which was established in October 2020, and tell us about its mission.

The role of DIG is to formulate and execute company-wide technological strategies that link everything from R&D to Marketing. As we continue to transform our business portfolio, the mission of DIG is precisely to identify business opportunities from among social issues, and to come up with new innovations and new businesses by expanding and restructuring the technological domain within our company.

DIG comprises a cross-function of personnel from marketing, sales, R&D, engineering, strategic planning, intellectual property (IP) and other organizations across the Company. Operating from each specialized

expertise, they utilize their combined diverse knowledge and insights to gather information on and analyze technologies which industry and society need and issues faced. Moreover, information and data are consolidated and analyzed to formulate the next and future mid-term strategies. DIG also functions as an internal communications hub where information obtained by DIG is immediately conveyed to the respective organizations to which they belong. DIG has a unique organizational structure. It is more than just a horizontal extension of the Company, as managers from each organization have also been brought vertically. It therefore brings together a broad and diverse range of personnel. The expertise and knowledge of each individual can thus be utilized to the fullest to drive day-to-day activities. The structure also facilitates smooth internal collaboration globally, allowing essential alliance strategies to be advanced.

Until today, the Company has conducted business based on an inside-out approach, which involves asking ourselves where we can leverage our strengths. With the establishment of the DIG, we are now taking an outside-in approach, which means identifying the technological innovations that can contribute to solving social issues. Based on this approach, we are now working to create business opportunities and new businesses.

**Q** Could you tell us about the initiatives that the DIG has pursued since it was established?

Since our launch, we have focused on building a systematic framework, following a process that starts with us performing comprehensive research, after which we employ the results of that analysis to

formulate strategies based on that in-depth analytics, and incorporate them into tactical technology planning. We have already completed the first round of this process. After studying and analyzing global trends in key industries and examining how they relate to the SDGs, we identified five key industries for the Company to focus on: automotive, healthcare, social infrastructure, energy, and semiconductors. We set a direction for technological innovation by clarifying the technology fields in which we would likely be able to enjoy a competitive advantage in these industries, and narrowed down the technology fields that we should focus on first to semiconductors and photonics. Going forward, we will continue to consider our next moves for the future.



### What issues have you come up against during the implementation of DIG initiatives, and what measures have you taken to address them?

Using the “outside-in” method to guide our strategies and incorporate them into our planning process was a totally new approach for the Company. Initially, we had to spend a fair amount of time explaining this approach to internal stakeholders to gain their understanding and get them fully on board, but over the past year, I feel that everyone, including senior management, has been able to adapt to the DIG methodology. In addition, during our vast research, we came across a number of missing links between general theory and specific theories. To put together clear strategies that we would be satisfied with, it was important for us to comprehend the interconnections between general and specific theories, but we had some difficulties in that respect.

An issue with creating new businesses is human resources. And to close the knowledge gap between the Company’s skill sets and what is required, a major challenge is to work out how to acquire talents with knowledge that we do not have.



### How will you be collaborating with Kyoto Semiconductor, which joined the Group in March 2022?

I view the acquisition of Kyoto Semiconductor Co., Ltd., (hereinafter referred to as “Kyosemi”), a company with strength in optical semiconductor device technology, as an important milestone in the evolution of the Company as the Group for the future. From the standpoint of the outside-in approach to research, I see a great affinity between Kyosemi’s unique technology portfolio and our own, and I believe that deepening our collaboration with Kyosemi will lead to technological innovation and synergies in terms of

development in the fields of semiconductors and photonics. In particular, considering that the transmission, extraction, processing, and implementation of “information” using systems are indispensable and will continue to be a critical part for various industries in the future, I feel that the arrival of Kyosemi’s “information” detection technology is an incredibly exciting step for the Group as it charts its future strategy.



### Please tell us about the DIG’s vision for the future growth of the Company?

We have already identified our direction for technological innovation, so going forward, we will be narrowing our choices down to specific technologies and business targets. In addition, since the core value of the DIG is to bring about innovation through the development of new technologies, we will continue to nurture the seeds of innovation through our ongoing collaborations with a variety of partners.

Also, the world will become more connected than ever before, so as we drive innovation, I want to do more to incorporate into overall strategy the Company’s strengths and expertise that are being demonstrated locally in the main geographies such as North America, Europe, and Asia.



### Finally, do you have any message for the readers?

While maintaining our inherited strength and legacy of being a company that is trusted by society, we intend to expand the position we have established in the field of electronic devices into new business domains. We will value curiosity, and share our excitement about new technologies and innovations with our customers and society.

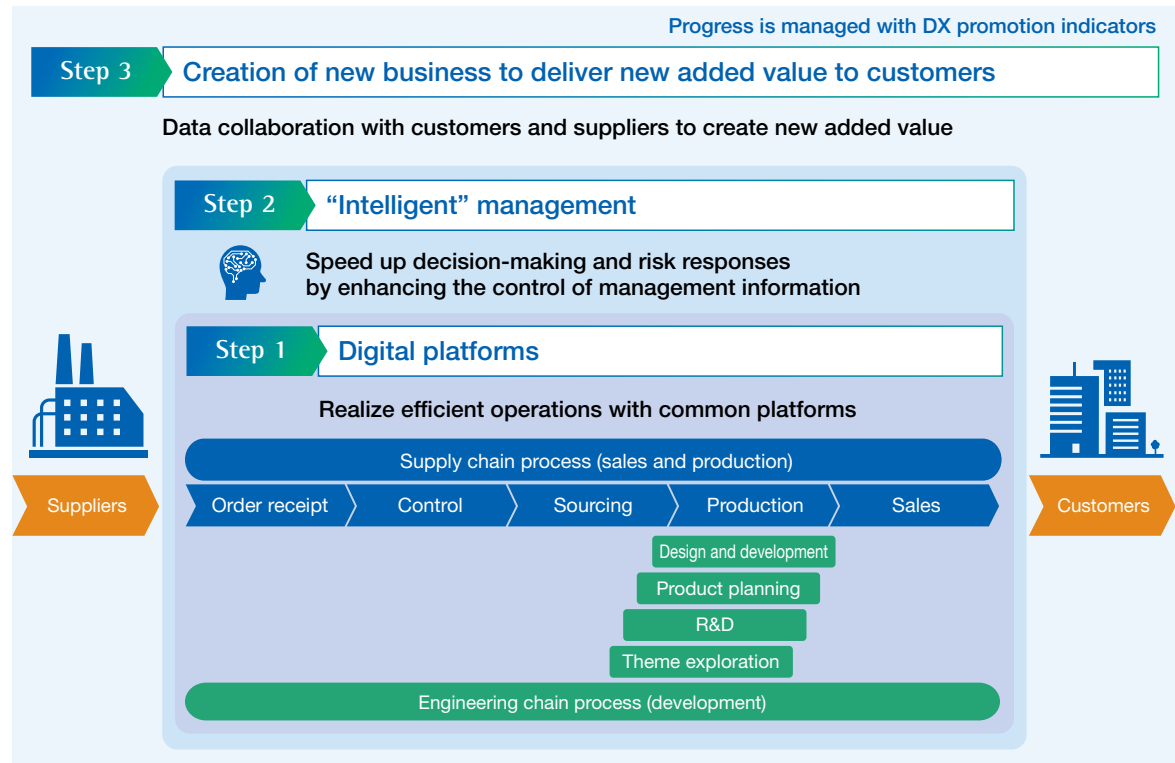
# Accelerating Change Through Digital Transformation (DX)

Dexerials will accelerate change through DX across its organization, aiming to realize “intelligent” management and create new value.

## Promoting DX and Accelerating Change

Dexerials has defined the promotion of DX into three inter-linked steps: **Step 1** Digital platforms, **Step 2** “Intelligent” management, and **Step 3** Creation of new business to deliver new added value to customers. The dedicated DX Department accelerates change through DX while setting company-wide directions and strengthening digital governance and intra-company cooperation.

● Steps to realizing DX



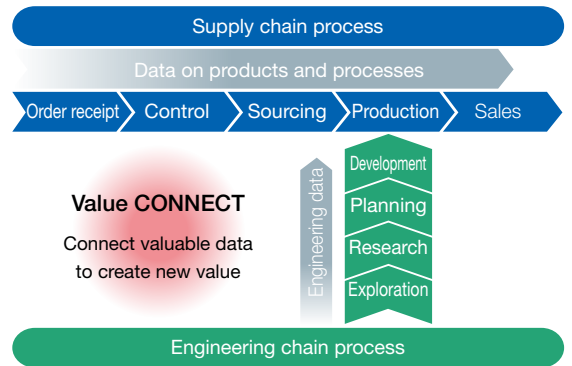
**Step 1**

### Digital platforms

The future we imagine is the world where we seamlessly connect data with customers and suppliers, thereby sharing value with each other and growing sustainably. In other words, we aim to establish best-practice platforms that enable the three parties to cooperate on a global scale.

To this end, as part of change in our business processes, we have first established company-wide platforms for the supply chain and engineering chain. Performing business on these platforms enables us to improve efficiency and quality and standardize the processes.

Each division takes the initiative to visualize its tasks and drive digitalization while cooperating with the DX Department. This enables seamless data collaboration between the divisions, leading to shorter product development and production lead times.



As we have created best practices, our business operations have become more digital. We already have over 200 examples of DX and efficiency improvements of several tens of thousands of hours. We plan to further develop our DX initiatives and to reflect them in new business transformation by delivering value to external organizations.

## Step 2

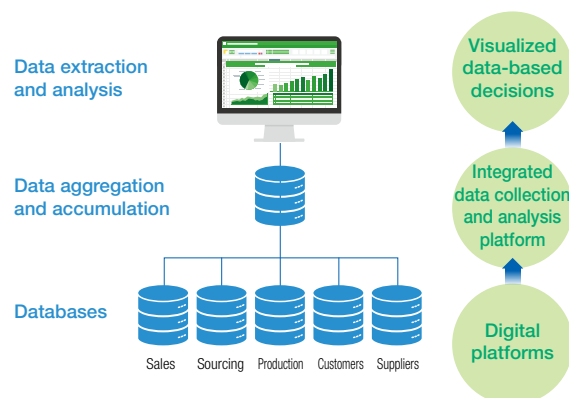
### “Intelligent” management

Linking the databases created through the initiatives for digital platforms enabled us to build an integrated data collection and analysis platform.

By analyzing and using data collected and accumulated internally and externally, we aim to realize data-driven management, in which various KPIs are visualized to achieve speedier evidence-based management decision-making and risk responses.

We already have an environment in which we can check our business conditions in real time. We will further expand the scope of the system and develop it as an intelligent platform that can be shared and used across our organization.

As the world becomes more uncertain, we will develop dynamic capabilities by promoting DX and accelerating the use of data.



## Step 3

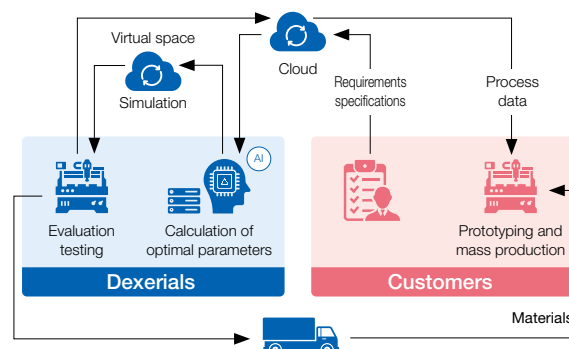
### Creation of new business to deliver new added value to customers

We aim to further improve value to be delivered by using digital solutions, in addition to discovering customers' issues and providing products that will solve those issues, which is one of our strengths. As part of such efforts, we are currently considering new value-added propositions, for example, proposing processes and processing equipment along with our products.

Based on the technical know-how and experimental data that we have accumulated, AI quickly identifies optimal product features and processing conditions according to customers' specifications. Based on the AI's calculation, we test products in a virtual environment, fine-tune them, and move on to the next process of testing them in a physical environment. This so-called digital twin could significantly shorten the prototyping period. We believe that offering products and processes conditions as a package will help customers shorten the period of time to launch production.

In addition, connecting with customers via a network will enable us to offer many more services to them. For example, they can automatically place orders for our materials, monitor equipment conditions, and virtually visit our sites and observe our processes.

By delivering value to customers, we will help resolve social issues and aim to realize Society 5.0.



### Fostering a Mindset for Change

Improving employees' DX literacy is important to strengthen DX promotion. Since last year, we have held DX literacy seminars for top management, managers, and leaders, and put more effort into human resources development. The DX Department has received many proposals and consultations, which made us feel that a mindset for change has surely been fostered among employees.

This year, we are providing the DX literacy seminars to all employees and making a concerted effort to improve the mindset for change through DX and to accelerate the change.

As we aim for data-driven management, we will need personnel with data analysis know-how and business perspective. We will therefore provide data science education that covers statistical analysis and AI to have more employees with data analysis skills.

We will encourage employees to acquire such skills so that they can proactively obtain new insights from data and develop and implement action plans and policies. This year, we already provided leadership education to 20 employees. We will provide more education programs to help them gain deeper expertise. We will accelerate DX promotion by developing more employees who are capable of proactively identifying issues, solving them with digital solutions, and driving change.

#### Topic: Dexerials selected as a DX-certified operator implementing initiatives based on METI's guidelines

Dexerials was certified as a DX-ready operator (a business operator ready to promote DX) by the Ministry of Economy, Trade and Industry, being recognized as a company that has set a vision and developed a strategy and structure in accordance with the basic requirements set out in the Digital Governance Code established by the ministry.

Going forward, we will continue to use digital technology to promote the strengthening of our management base and the creation of customer value, thereby helping resolve social issues and develop a digitalized society.





<b>chapter 1</b>	<b>chapter 2</b>	<b>chapter 3</b>	<b>chapter 4</b>	<b>chapter 5</b>	<b>chapter 6</b>
Introduction	Message from Top Management	<b>Value Creation Strategy</b>	Foundation for Value Creation	IR / Social Contribution	Financial Section

# CSR Management

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



## CSR Promotion System

At Dexerials, CSR management is promoted based on the direction of the executive officer of the CSR promotion division (Corporate Strategy Division Head) with the representative director and president as the final authority.

For the expansion of specific CSR activities, on the basis of the corporate philosophy, corporate vision and CSR Policy, etc., the Company unitedly promotes activities and “Sustainability Working Groups” have been established comprising the Division responsible for each CSR theme. On the basis of important challenges (materialities) specified by the Board of Directors, Sustainability Working Groups set issues by theme, set goals and activities, and confirm their progress. They also enhance activities and promote in-company awareness by taking into consideration an inter-divisional perspective.

Individual important themes related to the promotion of sustainability are discussed at the Board of Directors meeting when appropriate, which are fed back to formulate and execute management strategies.

### ● Dexerials Group CSR Policy

The Dexerials Group will contribute to the realization of a sustainable society and aims to enhance corporate value by means of open and highly-transparent business management and the tireless development and provision of technology and products toward the realization of the corporate philosophy “Integrity” and the corporate vision “Value Matters”.

#### 1 Creating value through business

We are promoting the development of new products and new technology development that respond to various social issues by means of the ultimate demonstration and improvement of the technology and know-how acquired by Dexerials through its business.

Also, with pride in our great technological strength, we are striving to create value that goes beyond what is required of us from society and our customers.

#### 2 Thorough compliance

We are complying with social norms including laws, and we are sincerely and honestly promoting fair business.

Also, we are protecting the Company’s assets and value by thoroughly managing the information required for business and corporate management.

#### 3 Respect for human rights

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

#### 4 Creating a lively workplace

We are creating a fair workplace with meaningful work, promoting dialogs with employees, and preparing and supporting environments required for all employees to independently demonstrate their abilities and grow.

Also, we are promoting initiatives for active female participation and expanding opportunities for the active participation of people with disabilities.

#### 5 Environmental conservation

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

#### 6 Creating safe and healthy workplaces

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

#### 7 Contribution to local communities

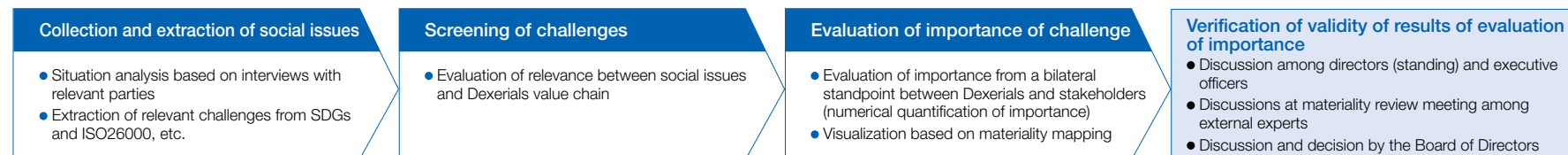
We contribute to local communities as a good corporate citizen. We encourage communication with local communities, promoting activities and supporting initiatives related to the environment, sports, cultural activities and so on, mainly in the areas where plants are located.

#### 8 Expanding together with suppliers

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

## Specifying Materialities

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

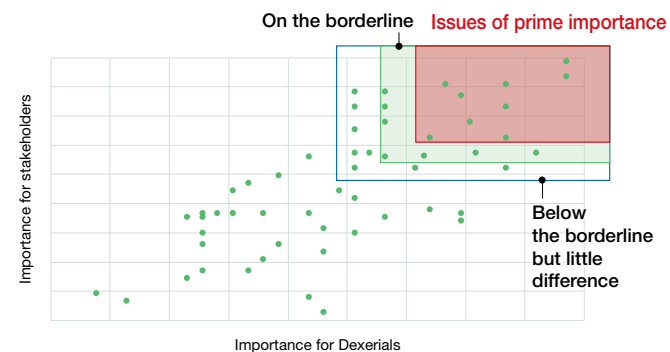


### Materiality evaluation (materiality mapping)

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

### Materiality review meeting

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



## Challenges Specified as Materialities and SDGs

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

CSR Targets

Dexerials has set medium-term CSR action targets in order to surely and effectively promote materiality initiatives. We set new targets in fiscal 2022 as we completed a three-year plan during the fiscal year. We will make a concerted effort to promote CSR activities to achieve KPIs specified for each materiality theme.

CSR targets for fiscal 2019–2021

Materiality theme	KPI	Target for fiscal 2019	Achievement status	Target for fiscal 2020	Achievement status	Target for fiscal 2021	Achievement status
Creating new value/resolving social issues	Response to change in information and communication equipment in a high-speed, large-capacity communication society (miniaturization, thinning, higher speed, higher reliability)	Formulation of a design concept for thermal conductive materials and devices for automotive and mobile terminal applications	○	Completion of design of materials and devices for high-frequency applications	○	Verification of social impact	×
	Promotion of diffusion of products for automotive applications	Shipments of products for automotive applications ● Anti-reflection films: 247,000 m <sup>2</sup> ● Thermal conductive sheets: 5,469 m <sup>2</sup>	×	Shipments of products for automotive applications ● Anti-reflection films: 336,000 m <sup>2</sup> ● Thermal conductive sheets: 17,099 m <sup>2</sup>	×	Shipments of products for automotive applications ● Anti-reflection films: 290,000 m <sup>2</sup> ● Thermal conductive sheets: 4,400 m <sup>2</sup>	○
	Promotion of diffusion of ACF capable of bonding at low temperatures	Shipments: 15,600 km/year	○	Shipments: 16,600 km/year	○	Shipments: 17,300 km/year	○
	Continuation of launch of new lead-free SCP	Launch of new products: 1 model or more	○	Launch of new products: 1 model or more	×	Launch of new products: 1 model or more	○
	Contribution to reduction of CO <sub>2</sub> emissions by launching water treatment agents in Japan and overseas	Reduction in CO <sub>2</sub> emissions: 3,000 t-CO <sub>2</sub> /year	○	Reduction in CO <sub>2</sub> emissions: 6,000 t-CO <sub>2</sub> / (cumulative total over fiscal 2019–2020)	○	Reduction in CO <sub>2</sub> emissions: 10,000 t-CO <sub>2</sub> / (cumulative total over fiscal 2019–2021)	○
	Number of major quality issues	Zero	○	Zero	×	Zero	○
	Number of product quality incidents	Zero	○	Zero	○	Zero	○
	Reduction in CO <sub>2</sub> emissions	1% YoY reduction of CO <sub>2</sub> emissions from business activities	○	1% YoY reduction of CO <sub>2</sub> emissions from business activities	○	1% YoY reduction of CO <sub>2</sub> emissions from business activities	○
	Reduction of waste emissions	Continuation of zero emissions	○	Continuation of zero emissions	○	Continuation of zero emissions	○
	Reduction of waste emissions	Reduction in emissions	○	Reduction in emissions	○	Reduction in emissions	×
Reduction of water usage, prevention of water pollution	Compliance with voluntary standards for water quality	○	Compliance with voluntary standards for water quality	○	Compliance with voluntary standards for water quality	○	
Reduction of VOC emissions	YoY reduction in usage volume	×	YoY reduction in usage volume	○	YoY reduction in usage volume	×	
Reduction of VOC emissions	Flat or reduction in usage volume YoY	○	Flat or reduction in usage volume YoY	○	Flat or reduction in usage volume YoY	○	
Supply chain management	Survey of certain suppliers on status of their CSR management	○	Survey of certain suppliers on status of their CSR management and request for improvements (guidance)	○	Survey of certain suppliers on status of their CSR management and request for improvements (guidance)	×	
Reinforcement of corporate governance and compliance	Maintenance and enhancement of the management system	● Further clarification of the nomination and compensation determination process ● Promotion of the officer succession plan (including fostering of successors)	○	● Further clarification of the nomination and compensation determination process ● Promotion of the officer succession plan (including fostering of successors)	○	● Further clarification of the nomination and compensation determination process ● Promotion of the officer succession plan (including fostering of successors)	○
	Prevention of information security incidents	Execution of information security training (new employee training, company-wide training through e-learning)	○	Execution of information security training (new employee training, company-wide training through e-learning)	○	Execution of information security training (new employee training, company-wide training through e-learning)	○
	Compliance with laws and regulations and penetration of the code of conduct	Ongoing execution of internal training on Dexerials Group Code of Conduct	○	Ongoing execution of internal training on Dexerials Group Code of Conduct	○	Ongoing execution of internal training on Dexerials Group Code of Conduct	○
Cultivation of diverse human resources and engagement	Cultivation of engagement (1) Strengthening of HR development by instilling and operating the revised personnel system	Execution of grade-specific training in order to instill the revised personnel system and facilitate the understanding of roles	○	● Instilling of the management by objective system to facilitate employees' growth ● Implementation of measures for managers	○	● Instilling of evaluation and development to facilitate employees' growth ● Implementation of measures for managers	×
	Cultivation of engagement (2) Promotion of Dexerials-style work style reform measures	● Increase in the paid-holiday utilization rate compared with the previous year ● Identification and organization of issues for 2020 onward	○	Introduction of new measures for Dexerials-style work style reform to respond to the needs of diverse work styles	○	Introduction of new measures for Dexerials-style work style reform to respond to the needs of diverse work styles	○
	Cultivation of engagement (3) Promotion of health-enhancing measures to create the ideal working environment conducive to health	Planning and implementation of lifestyle disease countermeasures, mental health initiatives and other health-enhancing measures so that employees can work in good health	○	Planning and implementation of lifestyle disease countermeasures, mental health initiatives and other health-enhancing measures so that employees can work in good health	○	Planning and implementation of lifestyle disease countermeasures, mental health initiatives and other health-enhancing measures so that employees can work in good health	○
	Diverse human resources Ratio of management's participation in diversity communication training: 100%	Participation ratio of general managers* to be 30% * Managers engaged in management of departments	×	Participation ratio of general managers to be 65%	×	Participation ratio of general managers to be 100%	○
Ensuring operational safety and business continuity	Number of workplace accidents with lost working days	Zero	×	Zero	×	Zero	○
	Enrichment of BCP training	● Execution of company-wide BCP training at least once a year ● Ongoing review of BCP plans through training (promotion of initiatives, considering BCM)	○	● Execution of company-wide BCP training at least once a year ● Ongoing review of BCP plans through training (promotion of initiatives, considering BCM)	×	● Execution of company-wide BCP training at least once a year ● Ongoing review of BCP plans through training (promotion of initiatives, considering BCM)	○
	Strengthening of disaster-prevention measures	● Execution of company-wide disaster-prevention training at least once a year ● Ongoing review of disaster-prevention measures, considering linkage with BCP	○	● Execution of company-wide disaster-prevention training at least once a year ● Ongoing review of disaster-prevention measures, considering linkage with BCP	○	● Execution of company-wide disaster-prevention training at least once a year ● Ongoing review of disaster-prevention measures, considering linkage with BCP	○

### ● New CSR targets for fiscal 2022–2023

Materiality theme	KPI	Target for fiscal 2022	Target for fiscal 2023
Creating new value/resolving social issues	Response to change in information and communication equipment in a high-speed, large-capacity communication society (miniaturization, thinning, higher speed, higher reliability)	Verification of social impact through user evaluation of prototypes	Launch of products
	Promotion of diffusion of products for automotive applications	Shipments of products for automotive applications ● Anti-reflection films: 470,000 m <sup>2</sup> ● Thermal conductive sheets: 5,400 m <sup>2</sup>	Shipments of products for automotive applications ● Anti-reflection films: 540,000 m <sup>2</sup> ● Thermal conductive sheets: 6,000 m <sup>2</sup>
	Promotion of diffusion of ACF capable of bonding at low temperatures	Shipments: 18,200 km/year	Shipments: 19,100 km/year
	Continuation of launch of new lead-free SCP	Launch of new products: 1 model or more	Launch of new products: 1 model or more
	Contribution to reduction of CO <sub>2</sub> emissions by launching water treatment agents in Japan and overseas	Reduction in CO <sub>2</sub> emissions: 3,400 t-CO <sub>2</sub> /year	Reduction in CO <sub>2</sub> emissions: 3,400 t-CO <sub>2</sub> /year
	Number of major quality issues	Zero	Zero
	Number of product quality incidents	Zero	Zero
	Reduction in CO <sub>2</sub> emissions	1% YoY reduction (5% reduction compared with fiscal 2013 level)	1% YoY reduction (6% reduction compared with fiscal 2013 level)
	Reduction of waste emissions	● Continuation of zero emissions ● YoY reduction in emissions intensity	● Continuation of zero emissions ● YoY reduction in emissions intensity
	Reduction of water usage, prevention of water pollution	● Compliance with voluntary standards for water quality ● Promotion of water-saving	● Compliance with voluntary standards for water quality ● Promotion of water-saving
Reinforcement of corporate governance and compliance	Action against climate change over the medium- to long-term	Formulation of long-term goals for/measures against climate change based on the analysis of TCFD scenarios	Formulation of long-term goals for/measures against climate change based on the analysis of TCFD scenarios
	Supply chain management	● Revision of CSR guidelines ● Distribution to all our suppliers ● Conduct a questionnaire survey of suppliers that account for 90% or more of company-wide purchases	Conduct a questionnaire survey of major suppliers and request for improvement (guidance)
	Maintenance and enhancement of the management system	● Maintenance of the transparency of the decision-making process for officers' remuneration and more effective operation of the officer remuneration system ● Promotion of the officer succession plan (including fostering of successors)	● Maintenance of the transparency of the decision-making process for officers' remuneration and more effective operation of the officer remuneration system ● Promotion of the officer succession plan (including fostering of successors)
	Prevention of information security incidents	Execution of information security training (new employee training, company-wide training through e-learning)	Execution of information security training (new employee training, company-wide training through e-learning)
Cultivation of diverse human resources and engagement	Compliance with laws and regulations and penetration of the code of conduct	● Ongoing execution of internal training on Dexerials Group Code of Conduct ● Dissemination of the results of the first survey on compliance awareness throughout the Company and provision of support for improvement ● Review of the points of contact for whistleblowing	● Ongoing execution of internal training on Dexerials Group Code of Conduct ● Conduct a second survey on compliance awareness
	Effective utilization of diverse human resources	Establishment of a system to foster next leaders/managers out of diverse human resources within the framework of the new personnel system (- March 2023)	Commencement of use of next leader/manager candidate pool (April 2023 -)
	Effective use of remote work	Expansion of the scope of remote work to help employees fulfill their family responsibilities, including childcare and nursing care	Expansion of new recruits by allowing them to work remotely
Ensuring operational safety and business continuity	Initiatives to reduce smokers	100% implementation of company-wide no-tobacco day	Prohibition of smoking during working hours
	Number of workplace accidents with lost working days	Zero	Zero
	Enrichment of BCP training	● Execution of company-wide BCP training at least once a year ● Update of BCP Manual	● Execution of company-wide BCP training at least once a year ● Update of BCP Manual
Strengthening of disaster-prevention measures		● Execution of disaster-prevention training at least once a year ● Assessment of disaster risks caused by climate change over the short to medium term and consideration of countermeasures against such risks	● Execution of disaster-prevention training at least once a year ● Assessment of disaster risks caused by climate change over the short to medium term and consideration of countermeasures against such risks





## Environmental Management

The Dexerials Group has established its Environmental Philosophy and Principles based upon its corporate vision “Value Matters—Unprecedented innovation, unprecedented value” and CSR Policy, and is promoting initiatives with due consideration to the environment in all business processes.

### Environmental Initiatives

The Dexerials Group is taking initiatives in its business activities to reduce CO<sub>2</sub> emissions, utilize resources efficiently to reduce environmental impacts, handle wastes and emissions appropriately, and save water. With a long-term target of achieving zero CO<sub>2</sub> emissions established, we have engaged in various activities to reduce environmental impacts.

### Environmental Management System

Based on the Environmental Philosophy and Principles, the Group has built an environmental management system that encompasses both domestic and overseas operations. Based on this system, Environmental Managers supervise and manage each business unit, and environmental activities are implemented throughout the group across all plants. At each office and manufacturing site, an environment office works on environmental

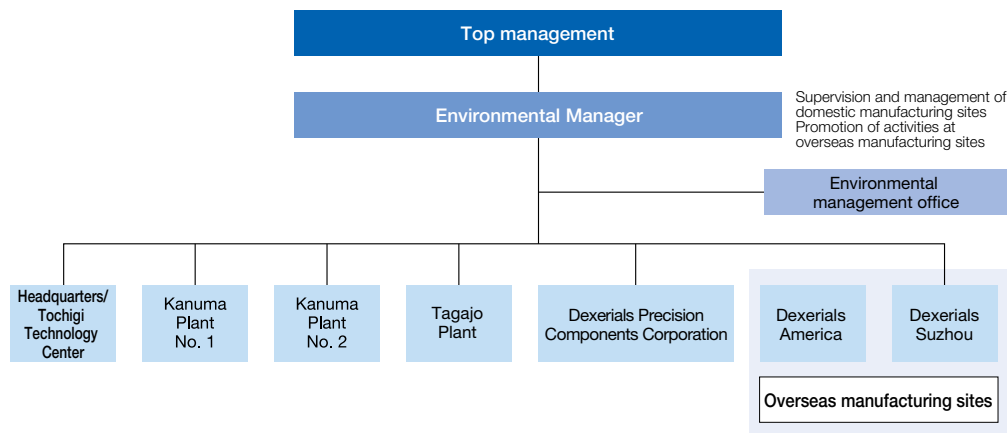
activities with consideration for the differences in various products and equipment at each office and manufacturing site. In addition, the Group’s principal sites in Japan and overseas have obtained the external certification ISO 14001 for environmental management systems.

\* For details of the Environmental Philosophy and Principles, please refer to Dexerials website.

<https://www.dexerials.jp/en/csr/envi/vision.html>



#### ● Environmental management structure



#### ● ISO 14001 certification status

Environmental management system	Organization	Site	Certification registration
ISO 14001	Dexerials Corporation	<ul style="list-style-type: none"> <li>● Headquarters/ Tochigi Technology Center</li> <li>● Kanuma Plant No. 1</li> <li>● Kanuma Plant No. 2</li> <li>● Tagajo Plant</li> <li>● Dexerials Precision Components Corporation</li> </ul>	JP021990
	Dexerials (Suzhou) Co., Ltd.		CN037600

## Environmental Targets

To realize a sustainable society, Dexerials has set a long-term target of achieving zero CO<sub>2</sub> emissions from electricity used in our business operations by 2030.

In addition, as single-year activity goals, we are committed to continue zero environmental incidents and zero violations of laws and regulations, have set targets for each of these goals, and are seeking to achieve these targets.

Further, we will analyze our potential management risks and opportunities associated with climate change, and will assess possible countermeasures we can implement in business activities to establish an environment necessary for achieving our goals.

\* For details of how we have complied with laws and regulations, please refer to Dexerials website.

<https://www.dexerials.jp/en/csr/envi/chemical.html> →



### ● Review of fiscal 2021/Targets for fiscal 2022–2023

	Target for fiscal 2021	Achievement status of the target for fiscal 2021	Review of fiscal 2021	Targets for fiscal 2022–2023
CO <sub>2</sub>	<ul style="list-style-type: none"> <li>1% YoY reduction of CO<sub>2</sub> emissions from business activities</li> </ul>	○	<p>CO<sub>2</sub> emissions were reduced by approximately 2% year on year.</p> <ul style="list-style-type: none"> <li>We renovated facilities and switched lighting to LED bulbs, which we believe are highly effective in saving electricity.</li> <li>We promoted energy saving by efficiently operating production facilities that consume a large amount of electricity.</li> </ul>	<ul style="list-style-type: none"> <li>1% or more YoY reduction of CO<sub>2</sub> emissions from business activities</li> </ul>
Industrial waste	<ul style="list-style-type: none"> <li>Continuation of zero emissions*1</li> <li>Reduction of volume generated</li> </ul>	○ ×	<p>We promoted efforts to extend the life of production materials and to recycle solvent waste, but the volume of waste generated increased by approximately 16% year on year as the production of primary categories increased.</p>	<ul style="list-style-type: none"> <li>Continuation of zero emissions*1</li> <li>Reduction of generated emissions intensity</li> </ul>
Water	<ul style="list-style-type: none"> <li>Compliance with voluntary standards for water quality</li> <li>YoY reduction of usage volume</li> </ul>	○ ×	<p>We continued activities to internally save water, but water usage increased by approximately 15% year on year due to the need to use water for cooling caused by rises in temperature during the summer.</p>	<ul style="list-style-type: none"> <li>Compliance with voluntary standards for water quality</li> <li>Reduction of water usage</li> </ul>
VOC	<ul style="list-style-type: none"> <li>Flat or reduction of usage volume YoY</li> </ul>	○	<p>VOC decreased by approximately 6% year on year backed by our continued efforts, including the upgrade of deodorization equipment and the reduction of solvent usage.</p>	—*2

\*1 "Zero waste emissions" is defined as a reuse/recycling ratio of 99.5% or more.

\*2 Deleted from environmental indicators following the revision of target items.

### Topics

#### Dexerials took a stake in R Plus Japan, Ltd.

Dexerials took a stake in R Plus Japan, Ltd. in support of its corporate spirit. R Plus Japan operates a business to recycle used plastics. Going forward, we will contribute to reducing environmental burden and realizing a sustainable society through resources recycling using R Plus Japan's chemical recycling technique.



#### Dexerials continuously selected as S Class in the system of classifying businesses

In the system of classifying businesses conducted by the Agency for Natural Resources and Energy, part of the Ministry of Economy, Trade and Industry, Dexerials has been continuously selected as a superior energy conservation business (S Class).

#### Dexerials Precision Components purchased carbon offsetting forest absorption credit (J-VER) for forests owned by Tome City

Dexerials Precision Components Corporation, a consolidated subsidiary of Dexerials, purchased a part of the carbon offsetting credit (J-VER), i.e., the absorption volume of CO<sub>2</sub> emissions, Tome City, Miyagi Prefecture was granted from the Ministry of the Environment by tree thinning in the city-owned forest. We purchased the credit equivalent to 100 t-CO<sub>2</sub> with a view to offsetting our emissions in the future.

## Disclosure in Accordance with the TCFD Recommendations

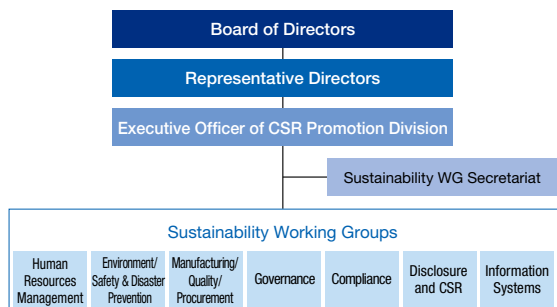
Climate change is an important issue that humanity must resolve if we are to realize a sustainable society. We consider action against climate change to be a prerequisite for business continuity for any company. Dexerials declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in September 2021 and will contribute to the realization of a sustainable society through the appropriate and timely disclosure of information about management risks and opportunities associated with climate change. In addition, by providing new value through our own products and technologies, we will promote initiatives to leave a rich environment to future generations, with the aim of harmonious co-existence with our stakeholders.



## Governance

Dexerials has positioned climate change as an important management issue and is pursuing activities aimed at realizing a sustainable society. We periodically convene the Sustainability Working Groups, led by the executive officer of the CSR promotion division, to hold cross-functional discussions about the progress being made toward the targets set under its important challenges. The Working Groups report on material issues to the Board of Executive Officers and the Board of Directors and receive instructions from them.

### CSR management structure



## Strategy

Dexerials has identified risks and opportunities associated with climate change on a long-term time axis up to 2050. It has also performed scenario analyses taking the 1.5-2°C and 4°C scenarios into account, referring to the sixth evaluation report of the Intergovernmental Panel on Climate Change (IPCC) and the World Energy Outlook (WEO) of the International Energy Agency (IEA), etc.

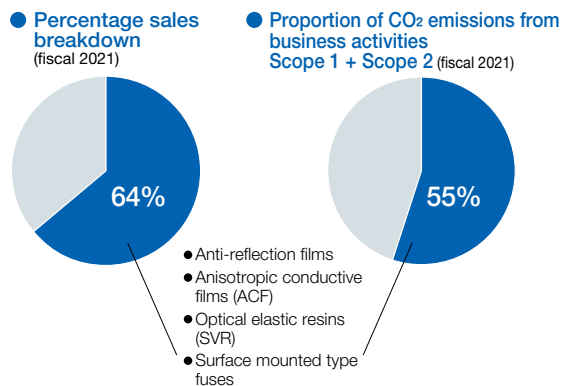
In fiscal 2022, we are expanding the scope of products subject to scenario analyses, newly defining the groups of scenarios, assessing impacts on its business, and discussing countermeasures.

Dexerials will continue to further enhance its company-wide strategies by expanding the scope of products for scenario analyses to other products.

### Products subject to scenario analyses

We have applied the scenario analyses preferentially to primary products that significantly affect our financial standing and greenhouse gas (GHG), i.e., CO<sub>2</sub>, emissions.

This time, we added anisotropic conductive films (ACF), optical elastic resin (SVR), and surface mounted type fuses, as well as anti-reflection films to the scope of products subject to scenario analyses.



## Definition of groups of scenarios

We looked into the impacts on Dexerials based on objective future information on risks and opportunities and discussed what the world surrounding the Company would look like in each scenario.

### 1.5-2°C scenario

As a result of our carbon-neutral efforts, the average temperature rises by less than 2°C by the end of this century compared to the temperature before the Industrial Revolution.

Reference: Sustainable Development Scenario (SDS)  
Net Zero Emissions by 2050 (NZE2050)

#### World of the 1.5-2°C scenario

- Moves toward the creation of a decarbonized and circular society accelerate.
- The percentage of renewable energies such as solar and wind power in the electric power mix increases drastically.
- The carbon tax rate against CO<sub>2</sub> emissions is increased significantly.
- Because of the transition to a circular society, the shift to bio and recycled materials accelerates.
- Society is more streamlined and shifts to an ultra-smart society.
- In the automobile market, the electrification of automobiles and shift to autonomous driving make progress, which changes the space in a vehicle to a living space.

### 4°C scenario

With only limited progress in carbon-neutral efforts, the average temperature rises by 4°C or more by the end of this century compared to the temperature before the Industrial Revolution.

Reference: Stated Policies Scenario (STEPS)

#### World of the 4°C scenario

- Risks of a rise in sea level, high tide water, floods, heavy rains, etc. emerge, which affects our and our suppliers' operations and increases the costs of responding to them.
- Demands for fossil fuels increase, which increases the costs of fossil fuels.
- Along with the rise in temperature, an increase in the frequency of disasters, and spread of infectious diseases, etc., lifestyles change; e.g., Stay-home time is extended.

### Climate-related risks and opportunities, and major initiatives for them

We identified climate-related risks and opportunities regarding anti-reflection films, anisotropic conductive films (ACF), optical elastic resins (SVR), and surface mounted type fuses. Among them, we extracted significant risks and opportunities that potentially have material impact on our business, and then assessed possible initiatives to address them. Through these initiatives, Dexerials will strengthen its resilience against climate change and contribute to realizing a decarbonized society through its business.

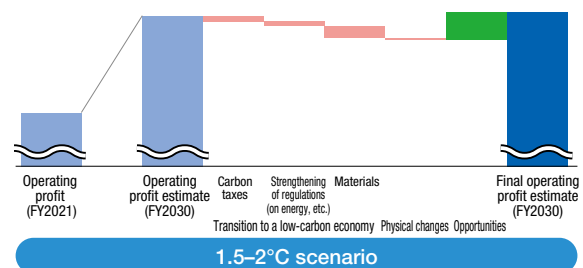
Classification	Changes in the social environment	Impact on business	Period of impact*	Risks	Opportunities	Main initiatives
Policies and legal restrictions	Rise in carbon price	<ul style="list-style-type: none"> <li>● Increase in production and transportation costs resulting from the introduction of a carbon tax</li> </ul>	Medium to long term	○		<ul style="list-style-type: none"> <li>● Use of renewable energy and shift to low-carbon fuel</li> <li>● Advancing energy conservation</li> </ul>
	Tightening of regulations on reduction of greenhouse gas emissions	<ul style="list-style-type: none"> <li>● Increase in costs for energy conservation and shift to renewable energy</li> <li>● Increase in demands for products and services that reduce environmental impacts</li> </ul>	Short to long term	○	○	<ul style="list-style-type: none"> <li>● Development and promotion of environmentally friendly products</li> <li>● Collection of information about policy trends</li> </ul>
Transition to a low-carbon economy	Development of technologies related to a decarbonized and circular society	<ul style="list-style-type: none"> <li>● Loss of opportunities due to delayed actions for low-carbon/decarbonization technologies and resource circulation</li> </ul>	Medium to long term	○		<ul style="list-style-type: none"> <li>● Consider Reduce, Reuse, and Recycle</li> <li>● Information collection about low carbon/decarbonization-related technologies</li> </ul>
	Shift to bio and recycled materials	<ul style="list-style-type: none"> <li>● Difficulty procuring fossil-based materials</li> <li>● Increase in fossil-based material costs</li> <li>● Along with the practical realization of various bio and recycled materials, it will be easier to use bio and recycled materials.</li> </ul>	Medium to long term	○	○	<ul style="list-style-type: none"> <li>● Consider the introduction of bio and recycled materials</li> <li>● Collection of information about bio and recycling-related markets and technologies</li> </ul>
Market	Promotion of energy and resources conservation	<ul style="list-style-type: none"> <li>● Increase in demand for energy and resource conservation supporting products</li> </ul>	Short to long term		○	<ul style="list-style-type: none"> <li>● Provision of solutions for energy and resource conservation</li> </ul>
	Realization of a smart society	<ul style="list-style-type: none"> <li>● Increase in demand for devices used for displays, sensors, communication equipment, and batteries</li> </ul>	Medium to long term		○	<ul style="list-style-type: none"> <li>● Development promotion and market expansion of products for devices such as displays, sensors, communication equipment, and batteries</li> </ul>
	Popularization and expansion of next generation mobility	<ul style="list-style-type: none"> <li>● Increase in demand for devices used for in-vehicle displays, sensors, communication equipment, and batteries</li> </ul>	Medium to long term		○	
Acute	Increasing severity of climate disasters	<ul style="list-style-type: none"> <li>● Increase in repair costs</li> <li>● Increase in closedowns due to disrupted supply chain</li> </ul>	Short to long term	○		<ul style="list-style-type: none"> <li>● Strengthen business continuity planning (BCP)</li> <li>● Consider inventory management of materials and products</li> </ul>
	Rise in average temperature	<ul style="list-style-type: none"> <li>● Increase in costs of response to rising temperatures</li> </ul>	Short to long term	○		<ul style="list-style-type: none"> <li>● Consider measures for reducing the costs of air-conditioning</li> <li>● Advancing energy conservation</li> </ul>
Physical changes	Chronic	<ul style="list-style-type: none"> <li>● Expansion of display-related demand due to spread of work-from-home and staying at home</li> </ul>	Medium to long term		○	<ul style="list-style-type: none"> <li>● Enhancement of product lineup</li> </ul>

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

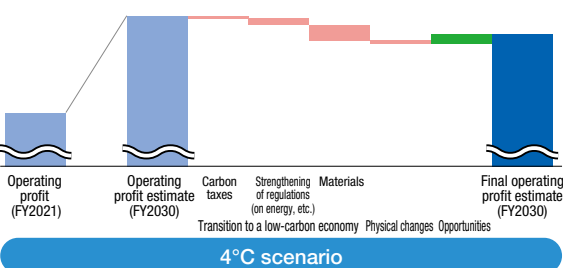
### Assessment of business impact (assessment of financial impact)

Expected financial impacts of climate change on our anti-reflection films and anisotropic conductive films (ACF) in 2030 are shown below for illustrative purposes.

#### ● Expected financial impacts



In the 1.5-2°C scenario, we anticipate a sustainable sales growth of anti-reflection films and anisotropic conductive films (ACF) used for digital devices. This is because, while costs such as carbon taxes, energy costs and procurement costs of raw materials for these



products will increase with the implementation of more rigorous GHG emissions regulations and the introduction of carbon taxes, sales opportunities are expected to increase backed by the expansion of digitalization with a transition to a smart society.

Meanwhile, in the 4°C scenario, we expect sales growth to decelerate as the continued dependence on fuel fossils, increased costs due to growing demand for fossil fuels, and physical risks associated with rises in the average temperature and climate disasters such as heavy rains and floods may lead to a loss of sales opportunities.

Going forward, we will also assess impacts on optical elastic resins (SVR) and surface mounted type fuses.

## Risk Management

The Group has established the Risk Management Committee and has worked to manage risks of the entire Group in accordance with the rules and regulations on risk management.

In addition, positioning climate change as one of risks for our management base, we are working to address these risks.

The Risk Management Committee is chaired by the Risk Manager, who is the Executive Officer in charge of the Corporate Planning & Control Division, and consists of subcommittees for each specialized field. The Committee meets periodically or as needed. Identified key risk items are periodically reported to the Board of Executive Officers. In particular, substantial management and business risks are reported to the Board of Directors.

## Metrics and Targets

Dexerials has set CO<sub>2</sub> emissions as a climate-related evaluation metrics and is aiming to achieve zero CO<sub>2</sub> emissions from consuming electricity for business by 2030.

Additionally, based on the scenario analyses, we will consider long-term climate change metrics and targets such as the reduction of GHG emissions in business activities.





## Chemical Substance Management

The Dexerials Group uses chemical substances not only in its raw materials but also in its research materials and products.

We abide by related laws and regulations and manage chemical substances to minimize risks and impacts related to the environment and our products themselves.

### Chemical Substance Management System

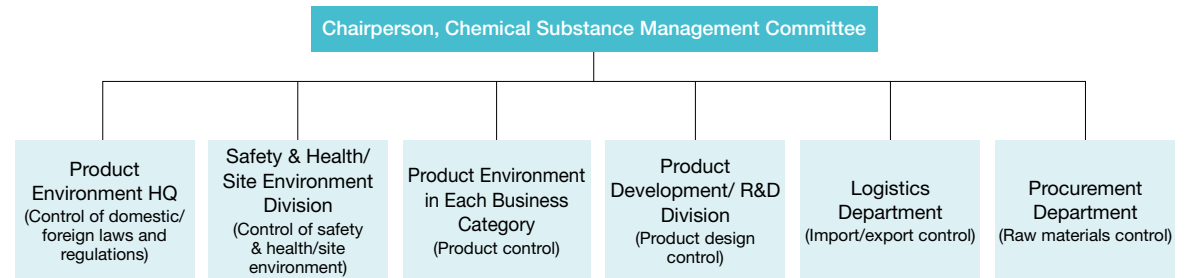
The Dexerials Group believes that thorough compliance in the management of chemical substances is indispensable to continued provision of safe and secure products to our customers into the future. To put this belief into practice, we have established the Chemical Substance Management Committee to ensure proper and integrated management of chemical substances used in the Company.

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

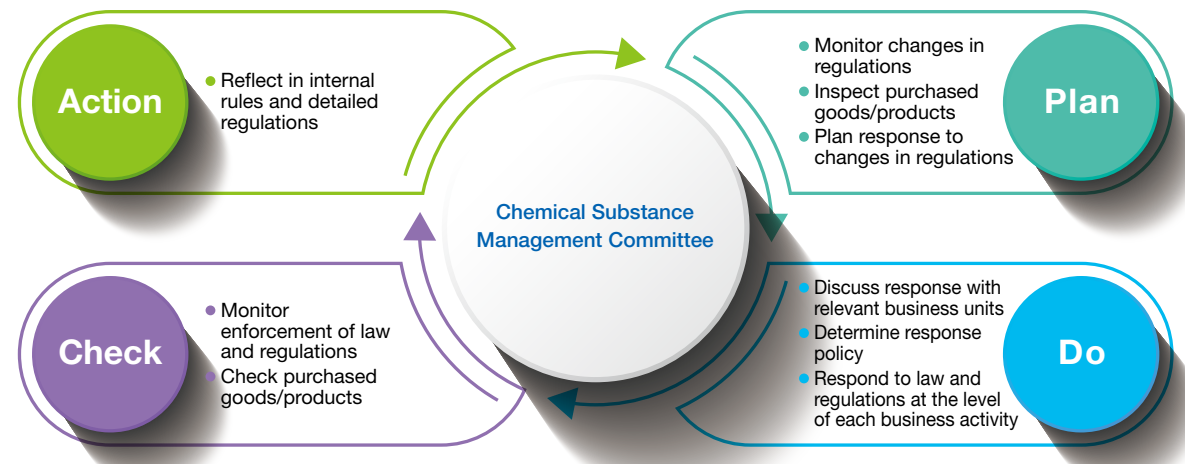
As well as managing the use of chemical substances in the Company's business activities, we check and deal with regulatory aspects of matters ranging from the purchase of raw materials to product design, manufacture, distribution, import and export, to ensure that the Company responds appropriately to recent legislative amendments relating to chemical substances both within Japan and overseas (e.g. Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. and EU REACH Regulation).

Imports and exports of chemical substances may require procedures such as notifications and registrations. The Dexerials Group responds to such regulatory requirements through local sales or manufacturing subsidiaries or consulting companies.

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



#### PDCA cycle for responding to related laws and regulations



## Appropriate Management of Chemical Substances

Because chemical substances have a risk of adverse effects on the environment and health, for all chemical substances introduced, we conduct risk evaluations and apply Dexerials' proprietary classifications based on risk assessment methods and are strengthening use management.

Regarding classification standards, the risk impact is correctly determined using criteria such as laws and regulations and GHS classification results\*.

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

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

### Internal management flow for chemical substances



### Internal Web Portal to Regulatory Information on Chemical Substances



## Operation of Chemical Substance Management System

The Dexerials Group uses a system to manage raw materials that are purchased and chemicals/reagents that are widely used by development divisions. Under the system that we operate, chemicals are recorded by the type of chemical substance so that the data can then be output by item for PRTR totals and other objectives.

This is useful for preventing compliance violations, as it can be widely used for investigations into the use of chemical substances by individual manufacturing divisions, R&D divisions, regulations or substance at sites in Japan and overseas, and to respond to revisions in applicable laws.

## Education on Chemical Substances

The Dexerials Group frequently uses chemical substances in R&D and product manufacturing.

For that reason, thorough education regarding chemical substances is given to employees from the time they newly join the Company, through OJT provided at their assigned positions, e-learning, or internal training programs. The subjects of education range from those legally required to those aimed at making improvements at workplaces.

We have also added new sensory software to our virtual reality (VR) system allowing participants to experience simulated hazards in our sensory training program, which has been in place since fiscal 2021,

to make our education more effective.

Further, as a measure against COVID-19, we have continued to hold group training sessions with a limited number of participants as well as online training sessions in 2022.



Training session using VR



## Human Resource Management

In order to realize the Dexerials Group’s corporate vision “Value Matters”, based on the belief “Technologies and human resources are the most important non-financial assets” and the HR philosophy “Developing people who create value”, Dexerials has proactively worked to create a working environment in which individual employees can bring their capabilities into full play and create sustainable value.

We have also aimed to remain an attractive company in which both its employees and organization grow together by strengthening the development of human resources across the Group through education and training based on their specializations, career development, and other supports.

### Developing People Who Create Value

At Dexerials, based on the conviction that human resources, along with technologies, are the most important assets for the realization of the corporate philosophy and the corporate vision, we have set the HR philosophy, HR vision, and HR strategy.

#### ● HR philosophy, HR vision, and HR strategy

##### HR philosophy

**Developing people who create value**

##### HR vision

**Optimize the cycle for self-fulfillment**

##### Corporate Philosophy

### Integrity

Have Integrity and Sincerity

##### Corporate Vision

### Value Matters

Unprecedented innovation, unprecedented value

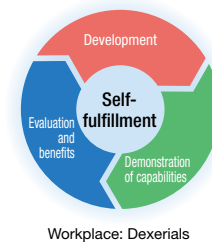
##### HR strategy

- 1. Develop individuals who create value based on their specializations**
- 2. Create a working environment in which employees can bring their capabilities and skills into full play**

### Optimize the Cycle for Self-fulfillment

At Dexerials, our employees are united in their pursuit of personal development. We operate a personnel system in which our individual employees

spontaneously feel the need to grow, hone their knowledge and skills for themselves to grow, and are motivated to get ready for the next round of personal development, to optimize the cycle of self-fulfillment. To this end, our personnel system is designed so that the demonstration of their capabilities at work is fairly evaluated and reflected in their benefits.



### Basic Policy for Human Resource Development and Education and Training System

Dexerials has established the basic policy for human resources development toward realizing its corporate vision “Value Matters”.

#### ● Basic policy for human resources development

**In order to achieve the “Value Matters” corporate vision, Dexerials has set the following policy:**

- We believe that the development of each and every employee is the most important task.
- We want employees to continue developing by learning for themselves, thinking for themselves, and acting for themselves.
- We conduct activities to support employee career development.

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

both Dexerials and its employees in the future. To achieve a cycle of self-fulfillment—the aim of our personnel system operation—since the revision of our personnel system in fiscal 2018, we have enhanced our education and training system, including doubling training expenditure per employee, so that we can support our employees in acquiring knowledge and skills they need in their work and developing their career on their own.

In addition, to encourage our employees to learn for themselves, we have enhanced our support for their self-development. By supporting them in acquiring new knowledge and experience, we have aimed to not only bring diversity and new added value to the Company but also enhance the feeling of fulfillment of highly motivated employees. In fact, we have established a self-learning platform and enhanced related support through a range of initiatives, including subsidizing fees for correspondence education and upgrading e-learning content.

### Initiatives for Sustainable Growth

We will introduce a “job-type” personnel system in phases beginning in 2023, aiming to become a company that grows continuously while solving social issues. By doing so, we will build a system in which our diverse talents are evaluated and treated fairly according to their duty, role, and performance, regardless of their career background and age. In a dramatically changing business environment, we will raise the maneuverability and flexibility of our personnel system and align the system with our corporate vision and management strategies to promote the revitalization of our entire organization.

## Topic (1): Employee Stock Ownership Plan and Enhancement of Initiatives for Health and Productivity Management

### Employee Stock Ownership Plan (ESOP)

To raise employees' interest in the stock price of the Company and foster their willingness to improve the corporate value, Dexerials has introduced the ESOP since April 2016. The ESOP is a system that helps enhance employee engagement. Specifically, the program has a benefit-like element whereby the Company's growth helps employees build assets over the medium to long term, and an incentive-like element whereby both the Company's sustainable growth and medium to long term improvement in its corporate value are reflected in its stock price, and as a result, all employees are incentivized to aspire for new highs. Through the program, we aim for a virtuous cycle in which each of our employees, as a shareholder of the Company, contributes to improving its asset value by fulfilling their duties, and in turn, profits delivered through its sustainable growth and improved corporate value are returned to all stakeholders.

### Initiatives for health and productivity management

Dexerials has been striving to create a vibrant working environment in which each of its employees willingly tackle challenges with a smile. In addition, the Company has forged ahead with health and productivity management across the organization so as to make each and every employee happy, achieve its sustainable growth, and then realize the welfare of society.

#### Establishment of working groups

Since fiscal 2021, the working groups have started cross-organizational activities focused on health and productivity management. Specifically, we have allocated members to promote health and productivity management at each workplace to spread

and disseminate related activities and have reflected voices and opinions of employees at each workplace in our initiatives for health and productivity management. As part of such activities in fiscal 2021, we defined a vision for what we want Dexerials to be like in fiscal 2030. To achieve the vision, we formulated and have pushed forward with concrete measures (as a roadmap).

### Initiatives to support health promotion

#### Exercise: Five-minute RIZAP exercise training video

We distribute exercise videos to encourage employees who work in a variety of styles, including remote and shift work, to make exercise a daily habit at their own pace and without strain. These videos were viewed 952 times over a period of approximately three months and served as a driver for establishing an exercise routine among our employees.

#### Diet: KAGOME Veggie Check® and high-veggie meals

In collaboration with the Company's cafeteria, we offer high-veggie lunch meals and held "KAGOME Veggie Check® (an event to measure the estimated intake of vegetables)". In fiscal 2021, a total

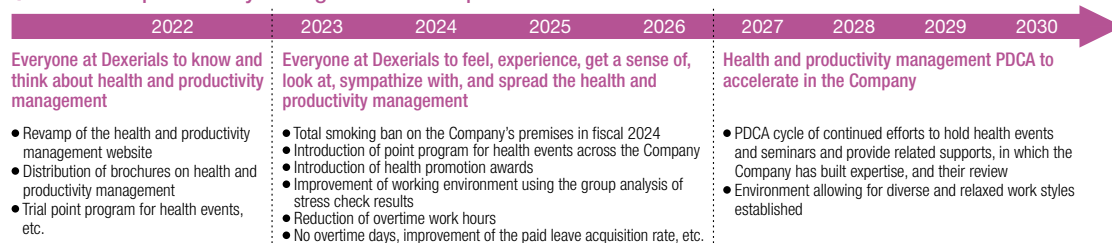
of 390 employees participated in the event. The event helped each employee understand how much vegetables they eat every day and incentivize them to voluntarily and consciously take vegetables that the body needs.



#### Mental health: Seminar for sleep improvement

We have implemented measures to address employees' mental health issues, including self-care, daily care by line managers, and counseling by industrial healthcare staff. In fiscal 2021, we held the following two seminars themed on sleeping, which is closely related to stress, based on the results of a sleep survey conducted last fiscal year: "Sleeping hours as time for dieting and beauty care" targeting women and "Seminar on sleep improvement for shift workers" targeting shift workers. For both seminars, 90% or more of the participants were highly satisfied, saying "the seminar was quite worthwhile as it gave us instant tips on how to improve the quality of sleep". We will continue implementing measures themed on topics that are closely related to stress.

### ● Health and productivity management roadmap to fiscal 2030



## Education and Training System

### Development-oriented Training for Promoted Employees

We provide development-oriented training for newly promoted employees.

The distinctive feature of this type of training programs is that their main objective is not to help promoted employees acquire the abilities and skills required of them for their new positions but to encourage their self-motivated growth by

communicating the abilities required of and roles expected of them, with an eye to the next stage of development, to foster personnel who will take up leading positions in the foreseeable future. We are also nurturing an awareness among our employees that we need to make organization-wide efforts to develop excellent human resources and contribute to the sustainable development of the company, with a view to also fostering employees who will play key roles in the future.

### Training for Managers

The management, who support the growth of employees, play a huge role in the realization of our HR philosophy, which is to develop people who create value, along with the self-motivation of each employee. To help them understand and actually play the role of management, which is essential to the growth of employees through their daily work, we are enriching manager training programs including training for new managers and evaluators, and thereby strengthening support for the growth of our employees.



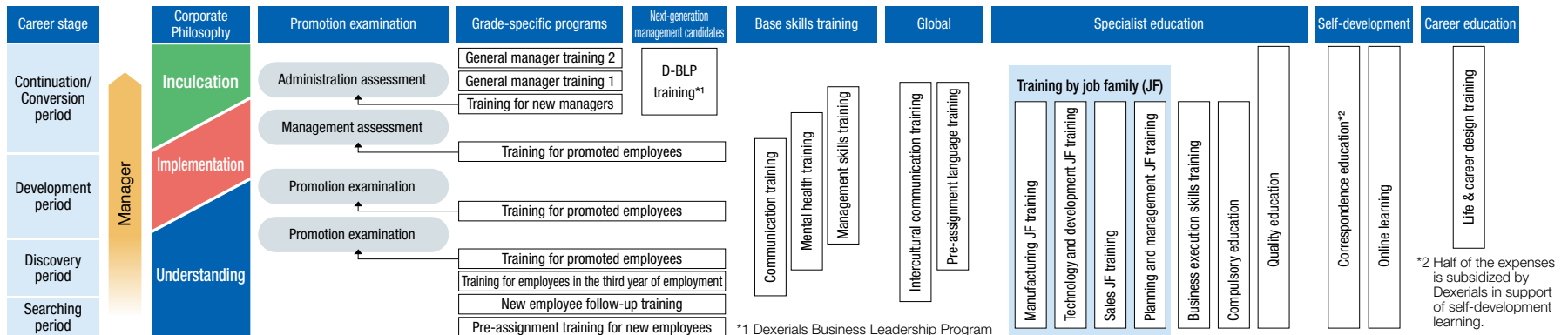
## Training for New Employees in the First Three Years

We provide integrated training bearing in mind that the first three years with the company is an important period for constructing the foundation of “continuing developing by learning for themselves, thinking for themselves, and acting for themselves” which is our policy for human resources development.

In the first year, we raise their awareness as a member of the Dexerials Group by providing a diverse range of training programs, covering business manner, compliance, and product knowledge. Further, senior employees are assigned as tutors to support their growth and retention. For employees in their third year, we urge them to look back on their growth in the course of training and to have a stronger awareness that they need to build career for themselves by setting clear targets toward the next step. By doing so, we develop employees capable of “learning for themselves, thinking for themselves, and acting for themselves”.

In addition, we view our recruiting activities as a means to find partners who will help us realize our corporate vision of “Value Matters”. To this end, we are working to strengthen our new graduate recruiting activities, with employees who have been with the company for three years or less playing a leading role. By participating in recruitment activities, our young employees not only learn practical business skills, such as communication and presentation skills, but also acquire capabilities to engage and inspire others.

### Education and training system



## Specialist Education System

### Job Family System

Dexerials classifies the jobs into four categories (job families)—manufacturing, technology and development, sales, and planning and management—and provides specialized training corresponding to each job family.

### Technical Training for Engineers

We provide training to young engineers and mid-career engineers. Leading engineers in Dexerials’ technology and development field serve as instructors to transfer the principles of Dexerials product technology, the latest knowledge, and expertise. The training aims to develop young engineers into professionals who play key roles in developing new products and creating new businesses for the future by providing them with opportunities to deepen their understanding of products and element technologies and apply those to their work, as well as to broaden the scope of their knowledge beyond areas in which they are currently engaged.

## Next-generation Leader Development

As a personnel development measure to strengthen our management base, we have been conducting the D-BLP\* next-generation management candidate development program. This program provides selected members, comprising mainly managers, with the knowledge and training necessary for management and aims to equip participants with a leadership mindset.

To achieve sustainable business growth amidst a rapidly changing environment, we have extended this program to a younger group of leaders and use it to strengthen the pipeline that systematically produces next-generation management and leadership personnel. In cooperation with the management, we will continue working to enrich our human resource development programs in tune with the business environment and related Company strategies, and to develop management personnel that will underpin the Company’s sustainable growth and corporate value improvement.

\* Dexerials Business Leadership Program

## Diversity: Creation of an Organization That Makes Good Use of Diverse Human Resources

### Approach to Diversity

For the Company to continue to create value for the future, we think it is indispensable to create a working environment where individuals respect each other's values and can demonstrate their capabilities to the full, while valuing their personalities mutually.

Our basic approach to diversity is based on our HR strategy to “develop individuals who can create value based on their specializations” and to “create a working environment in which employees can bring their capabilities and skills into full play” and we aim to become a company that will be selected by diverse human resources.

With the aim of building a working environment in which diverse human resources can play active roles, we have worked to flexibly operate the system through efforts such as implementing and making effective use of a remote work system, to realize flexible workstyles not restricted by location or time.

### Transformation of Workstyles

In order to realize the maximum value of our employees, we believe it is essential to create an environment that allows each individual to work in the style that suits them best. To meet the expectations of our stakeholders while keeping our employees safe from infectious diseases such as COVID-19 and

#### Topic (2): Selected Among MIC's “Top Hundred Telework Pioneers”

As a leading firm in the introduction and utilization of teleworking, Dixerials was chosen by the Ministry of Internal Affairs and Communications (MIC) in November 2021 among the “Top Hundred Telework Pioneers” for fiscal 2021.

The “Top Hundred Telework Pioneers” is a teleworking promotion scheme that MIC has implemented since fiscal 2015. MIC selects and announces the names of firms that excel in the promotion of teleworking and also have sufficient achievements in that respect.



natural disasters, we are working to develop an environment that allows for flexible workstyles. One such measure we are promoting is remote work, which is available for all employees except those engaged in manufacturing. We are offering remote work management training to all managers.

### Strengthening of Diversity Communication

The Group believes that corporate value is created in a working environment in which diverse human resources not only play active roles in their own way but also frankly communicate their thoughts and values each other and develop discussions.

For those in managerial positions, we provide diversity promotion training (e-learning) programs to help managers bring diverse human resources together and spur communications among them. We provide intercultural communication training to employees working in departments with frequent communication with the employees of foreign nationals and people overseas. This training is designed to help people recognize and appreciate the differences not only in language but also in communication styles, including differences in values and cultural habits. Going forward, to encourage active communication across the organization, we will enrich these programs and continue efforts to bring the uniqueness of each individual into full play.

### Training for Mid-career New Hires

Dixerials is putting emphasis on the hiring of mid-career staff who can immediately contribute to the Company from day one to accelerate business transformation or to start a new business. We have a system in place to help mid-career new hires quickly become and remain a vital part of the workforce by offering them training aimed at supporting them in making a smooth start to their work.

### Promotion of Female Participation and Career Advancement

As part of its diversity management initiatives, Dixerials is working to promote female participation and career advancement in the workplace.

In the three-year action plan beginning in fiscal 2021, we have set two targets themed on offering females more opportunities in their career, which are:

1) raising the proportion of females in new graduate hires to at least 20%; and 2) raising the number of female managers to 20 by fiscal 2023. In fiscal 2021, four women were promoted to management positions, and as a result, a total of 15 female employees are serving as managers.

### Employment of People with Disabilities and Communication Training

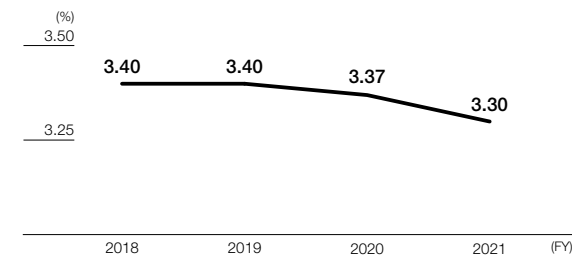
We employ people with disabilities in a wide range of areas, from office work through to manufacturing.

In workplaces where employees with hearing impairments work, their bosses and colleagues learn sign language and fingerspelling to enhance communication. Consideration is given to the working environment too, such as installation of indicator lights for safety and accident prevention purposes. At divisions and sites that will welcome employees with disabilities, we conduct training designed to enhance mutual understanding and communication, including learning about what need to be considered and signs in the event of an emergency. We are also working to improve our diversity mindset through initiatives such as providing sign language interpreters at events in which employees with disabilities participate.

In view of the importance of increasing diversity within the Company and proactively fulfilling social responsibilities, Dixerials Kibou Corporation began operating in 2015 as a certified special subsidiary to promote the employment of people with disabilities.

Work environments are being prepared so that people with disabilities can work with peace of mind. Dixerials Kibou currently has 22 employees (of whom 13 have disabilities) working at Dixerials business sites in cleaning, garden management and other business activities. The percentage of employees with disabilities in the Group is 3.30%.

#### Percentage of employees with disabilities



**Power behind** **Dexerials**



Production Department, Optical Solutions Business Unit

**Tsuyoshi Tanabe**

Because I have a problem with listening, I had communicated with colleagues in writing at work, but it was time consuming. However, as my colleagues have mastered sign language and fingerspelling, I can now communicate with them much more efficiently. I think, as a result, the teamwork has also improved. Also, my operational efficiency has improved as the Company

has helped visualize the safety of buildings and equipment and the status of operations, rather than judging them solely by sound. In the increasingly diverse society, with this workplace as a model case and myself as a pioneer, I would like to contribute to building a better company and a working environment in which everyone can work comfortably, and return a favor to colleagues and others who have supported me. I would like to continue working with the word "gratitude" in my mind.

**Diverse Workstyles and Work-Life Balance**

**Basic Approach**

In order to achieve sustainable growth far into the future, it is becoming increasingly important to realize workstyles according to the values and circumstances of each of our employees. We aim to create an environment where individuals can realize the workstyles most suitable for them, feel a sense of reward in their work, and achieve growth together with the Company.

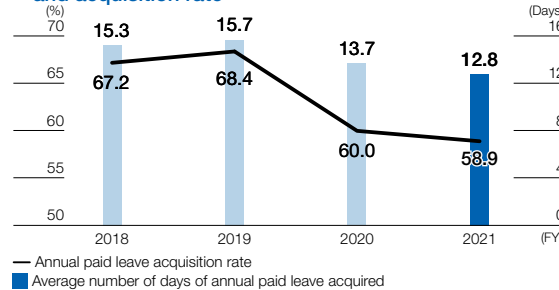
**Appropriate Working Hours**

Mindful of the need for work-life balance, in addition to efforts to achieve appropriate working hours, we have created a system for the planned acquisition of annual paid leave with the objective of ensuring our employees have sufficient opportunity to refresh and

revitalize. In addition, we have established an accrual system that allows employees to accumulate annual paid leave not taken during the fiscal year up to 20 days. This accumulated leave can be taken in case of injury, illness, nursing care, volunteer activities, care for sick child, fertility treatment, etc.

With a growing sense of tightness across the Company, the average number of days of annual paid leave acquired continued to decline for two consecutive years. We, however, have set dates on which employees are encouraged to take annual leave four times a year since January 2022. On these dates, 82% of all our employees have taken annual leave, which we believe demonstrates that we have succeeded in building a working environment that makes easier for employees to take annual leave. We, as a company, will continue efforts to create an environment that facilitates employees to take annual paid leave in the years ahead.

**Average number of days of annual paid leave acquired and acquisition rate**



**Remote Work**

Believing that remote work is a workstyle that helps employees shorten commuting time, secure more time to focus on work, and improve productivity, we have introduced remote work as a permanent system since April 2021, and also has expanded the applicable scope of the system to dispatched employees where applicable since February 2022.

As such, we have built an environment in which we can continue operating business as usual even in cases where employees are unable to commute to business sites due to the spread of infectious diseases and emergency situations.

**Supporting Childcare and Nursing Care**

**Childcare support**

We have put in place a system to support a successful combination of work and family life that exceeds legal requirements in terms of childcare leave and other benefits. We have introduced systems of flexible working hours and shorter working hours for childcare so that both men and women can work flexibly. In fiscal 2021, there were 32 users of child-rearing support leave (0 women, 32 men), 20 users of childcare leave (19 women, 1 man), and 29 users of shorter working hours for childcare (29 women, 0 men).

Among the above-mentioned systems, in regard to child-rearing support leave, employees can take up to 20 days of paid leave when their spouse gives birth or for childcare, and thus this system encourages active participation of male employees in childcare.

**Power behind** **Dexerials**



Product Development Department, Optical Solutions Business Unit

**Hironobu Moriyama**

I'm engaged in the development of anti-reflection films. Before taking the childcare leave, I felt a bit anxious because no male employees had taken the leave for one year. So I took the plunge to consult my team members and received encouraging comments. I felt that the understanding and support at workplace were essential to acquisition of childcare leave. Life with families is an essential part of people's

lives. I believe rich family life has a positive effect on work. I believe one-year childcare leave I took this time helped deepen the bond with my child and positively affected the growth of the child's mind, and also the trust of my family in the Company. Dexerials has put in place benefit programs useful for its employees and their families. I believe it can grow into a company in which all employees can work with enthusiasm by creating an environment that facilitates employees to use these programs.

The Company encourages active participation of its employees in childcare by calling for the submission of a notice on expected delivery at least five months prior to a due date, and briefing on related systems including the pre-natal, post-natal, and childcare leave systems to employees who have submitted the notice regardless of their gender.

We have also implemented a system whereby employees on leave can share and look at internal information online to minimize the gap they might feel after returning to work. We will continue working to create a workplace environment that allows each and every employee to demonstrate their capabilities to the fullest and feel rewarded, and ultimately to balance and harmonize their family and work life.

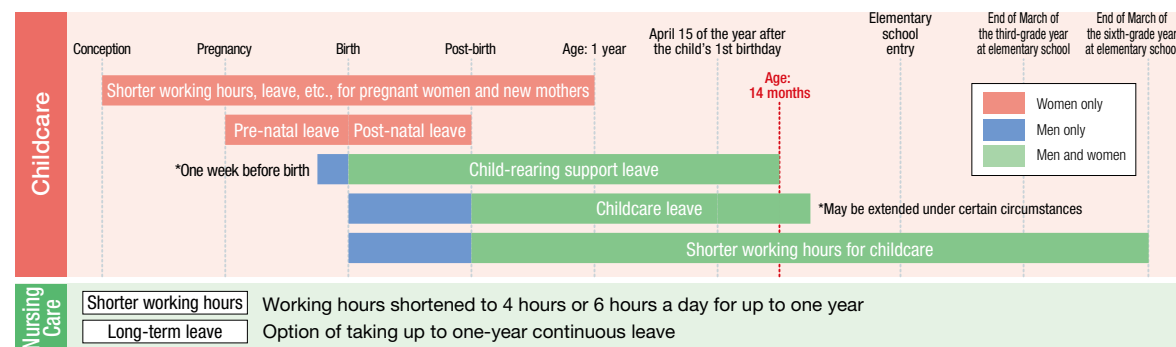
#### Nursing care support

In view of the fact that the number of people who will require nursing care will increase in society in the future, we are supporting our employees in balancing work and nursing care. We are also creating a workplace that enables proactive career continuation of employees who have nursing care responsibility by providing nursing care support systems that go beyond what is legally required, such as a shorter working hours system and a system of one-year leave.

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

We are improving our schemes and programs to support employees who value their families and work. Flexible work style choices are available, including the childcare and nursing care support systems and hourly paid leave system, allowing each employee to work in a way that suits his/her lifestyle.

#### ● Main systems to support employees combining work with childcare or nursing care



## Initiatives for Human Rights and Employee Communication

### Dexerials Group CSR Policy, Code of Conduct, and Human Rights Initiatives

As befits an enterprise operating globally, the Dexerials Group sets “respect for human rights” in its CSR Policy and declares that it respects all human rights and does not discriminate or carry out forced labor or child labor. We have also created a CSR handbook to communicate our CSR Policy throughout the Company. This publication is distributed throughout the Company as well as used for training. Moreover, the Dexerials Group Code of Conduct expressly prohibits any discrimination in employment or promotion based on factors without justifiable reasons with respect to business, such as ethnicity, religion, skin color, nationality, age, gender, and disabilities, and expressly prohibits behavior that offends individuals’ dignity based on gender, authority, position, etc. All employees of Dexerials act with an awareness of the Code of Conduct in the course of their daily work.

The Code of Conduct also defines the basic policies for matters concerning the Group’s corporate ethics and business activities, such as product and service safety, environmental conservation, and disclosure of corporate information, in addition to compliance with laws and regulations and respect for human rights. We strive to inculcate the Code of Conduct through training of employees upon joining the Company.

Since fiscal 2020, we have offered an e-learning

program focused on human rights issues surrounding enterprises once a year. In fiscal 2021, we learned about risks associated with human rights abuses. Seeing the resolution of all kinds of human rights issues as social responsibility for enterprises, we are engaged in educational activities to ensure respect for human rights among our employees.

### Employee Association’s Activities

The Dexerials Employee Association was established in August 2013 to achieve growth of the Company on the basis of communication and mutual trust between the Company and its employees.

The Dexerials Employee Association consists of employee representatives of each site and holds a steering council meeting with the Company every quarter. At the meetings, the Company and employees not only share management information and discuss labor-management matters, such as inspection of the implementation of various systems, but also exchange information on wide-ranging themes and emphasize frank communication.

While part of its activities was restricted in the wake of the COVID-19 crisis, we pushed forward with digitalization in the activities of the Employee Association to encourage interaction among employees. For instance, we put in place an online meeting system to facilitate discussions and exchange of opinions, and built IT tools that make easier for employees to participate in socializing events including a photo contest. The Employee Association is implementing initiatives to involve many employees and cultivate a sense of unity, including with the management team.





## Ensuring Operational Safety

The Dexerials Group conducts various activities so that employees can work in a healthy and reassuring environment where all workplaces are safe and hygienic. The Group implements employee training, along with systematic reinforcement and improvement work to facilities, in an effort to prevent or minimize damage from disasters and accidents that potentially could have a serious impact on business.

### Safety Philosophy and Basic Policies

#### Safety Philosophy

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

#### Basic Policy

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

### Initiatives

The Dexerials Group, based on its safety philosophy and basic policies, improves the climate of safety in work sites in all areas of business operations and makes various efforts to prevent serious accidents, aiming to reduce accidents and risks and ensure stable business continuity.

### Occurrence of Workplace Accidents

In fiscal 2021, although less than in fiscal 2019, Dexerials had three workplace accidents, one involving three or less lost working days.

We analyzed the causes of each accident, including minor ones, assessed the risks in order to implement and share specific recurrence prevention measures, and implemented risk reduction activities.

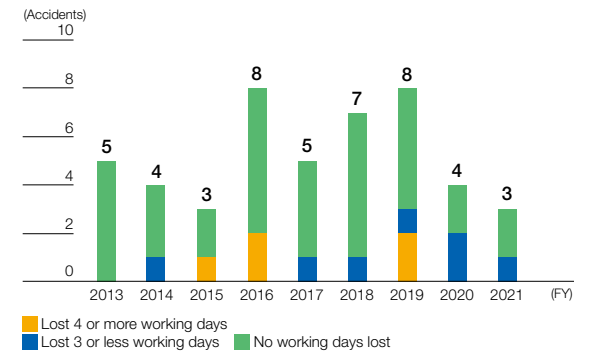
Furthermore, we have built a system to digitize and centrally manage the information. By sharing information about accidents through this system, we are working to improve the safety awareness of each and every employee.

### Prevention and Continuous Improvement

#### Risk assessment utilization

We have built a system to digitize and centrally manage the risk assessment data to make better use

#### Occurrence of workplace accidents

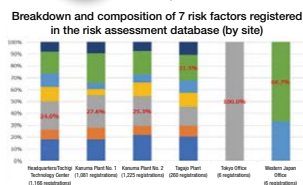
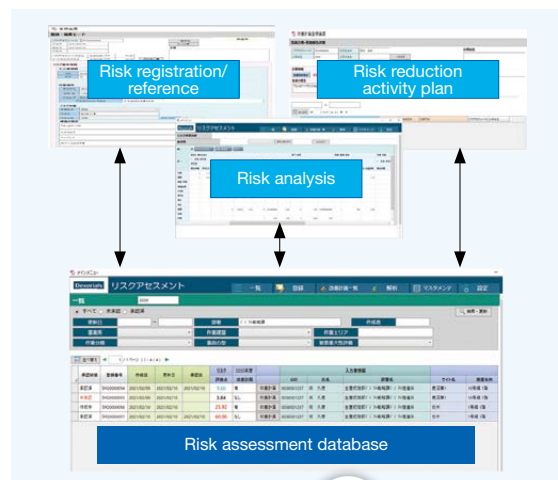


of it for safety activities. This system facilitates cross-departmental sharing of information on disaster and safety activity, so we expect recurrence prevention effects, such as noticing the possibility of similar risks.

In addition, we identified potential risks in a more sophisticated manner by re-evaluating the risk assessment process by safety patrol members, including safety and health experts. Furthermore, we quickly responded to risks by discussing how to resolve issues on the spot using the risk assessment results.

We continue working to prevent serious accidents, identify workplace safety risks, and promote activities to reduce them, whereby further fostering a safe workplace culture.

● Risk assessment system



Equipment safety inspection

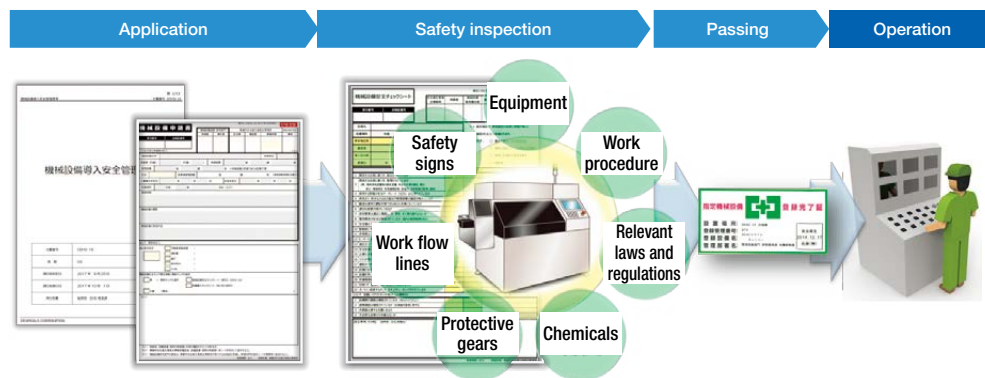
We have developed a structure for equipment safety inspection using our equipment installation system to ensure workers' safety and compliance effectively and efficiently.

With this equipment safety inspection system in place, we are trying to prevent workplace accidents and incidents that may occur with the equipment planned to be introduced for production and development. Before using the equipment, the head of the department introducing the equipment and legally appointed personnel in charge of safety and health develop management standards for three types of industrial health (worksite environment control, work practice management, and health care) based on the equipment safety inspection, evaluate incidents that

may occur from the operation of the equipment, and implement countermeasures.

We promote DX under the systems we have built to date to consistently operate our equipment safely

● Equipment safety inspection process



Education and Training

Experiential learning of occupational safety and traffic safety

We provide safety education to each employee through a permanent safety workshop where employees can learn about occupational safety in a comprehensive manner.

At the safety workshop, employees can pseudo-experience workplace accidents that occurred in the past with the simulation equipment.

In fiscal 2021, we introduced a virtual reality (VR) system that allows users to virtually experience hazards in serious workplace accidents.

Furthermore, since many of our employees commute to work by private car, we are striving to reduce traffic accidents by designating traffic accident prevention as one of our key activities.

We analyzed past traffic accidents and found that drivers' complacency, overconfidence, and distraction were the most common causes of accidents.

We have therefore introduced a VR system that allows drivers to virtually experience traffic accidents caused by these factors.

across the entire company by centrally managing data of inspection results, equipment information, risk reduction, and applicable laws and regulations.

Both of the VR systems allow observing the users' point of view and their behavior on the monitor in addition to providing their virtual experience. We use them to provide education on accident cause verification and accident prevention and prediction during or after the VR experience. Currently, we prioritize providing manufacturing site workers with safety education using these VR systems, and approximately 50% of them have taken the training.

We will continue enhancing educational content on occupational health and safety and disaster prevention to improve the quality of education and the environment.



Dust explosion simulator



VR training for hazardous situations



VR training for traffic safety



## Quality Management

The Dexerials Group is working to ensure product quality with high levels of reliability and satisfaction so that customers can use Dexerials products with confidence. The Group has obtained certification for quality management systems corresponding to applications of Dexerials products. We are striving to maintain quality and enhance customer satisfaction by satisfying customers' requirements and ensuring compliance concerning products.

### Quality Philosophy and Basic Policy

#### Quality Philosophy

We, the Dexerials Group, under our corporate vision of "Value Matters Unprecedented innovation, unprecedented value" contribute to our customer's product value, through explore technologies, and provide high quality products and services.

#### Basic Policy

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

### Quality Promotion System

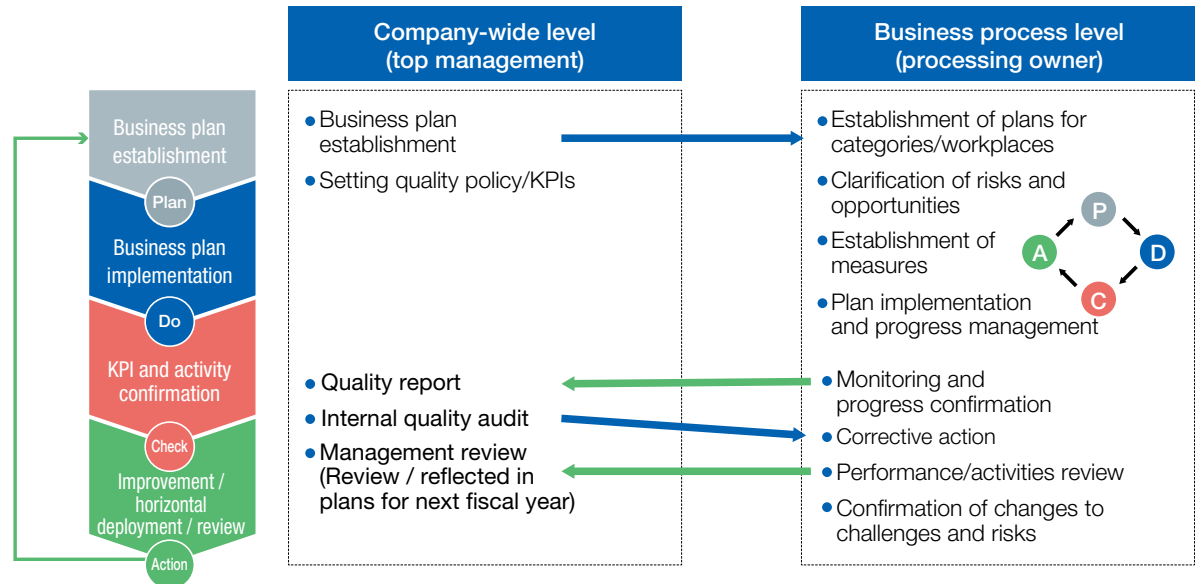
Dexerials has established a process management system led by top management in order to conduct business activities in compliance with quality management systems and ensure compliance with laws and regulations and customer requirements.

Cross-organizational activities and cooperation are indispensable for achievement of the quality business

plan and for realization of products. Each unit of activities that requires cooperation is designated as a business process, which is the unit for management responsibility.

In order to monitor and improve Dexerials' quality initiatives, including preventing and responding to serious quality issues, quality KPIs are set at two levels: the company-wide level and the business process level. We are conducting activities that lead to

#### ● Process management operation chart



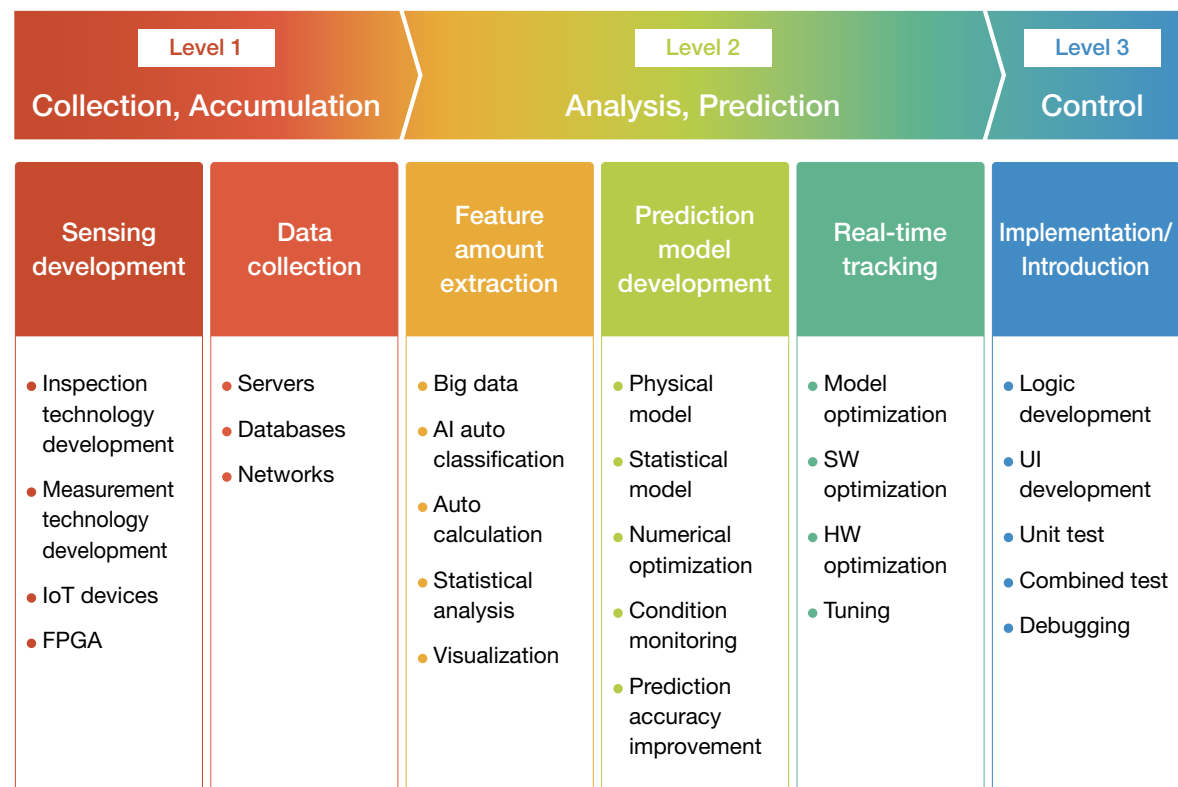
the achievement of the quality KPIs by implementing a two-fold PDCA cycle.

The achievement status of the quality KPIs set respectively and the progress of initiatives for improving them are confirmed through quality reports issued monthly and internal quality audits conducted on a regular basis. In addition, in the internal quality audit, it is confirmed whether business and field operations are conducted in accordance with legal regulations and rules, and whether manufacturing is performed in accordance with process and quality

specifications. Then, problems are identified and reported to top management.

We also focus on training auditors of internal quality audit from a wide range of departments to improve our quality promotion system. In addition, we are promoting digital transformation (DX) in our audit management operations to help analyze results and improve audit efficiency. Matters pointed out by internal audits are immediately remedied and reported to top management and other relevant parties.

#### ● Promotion of DX in quality control

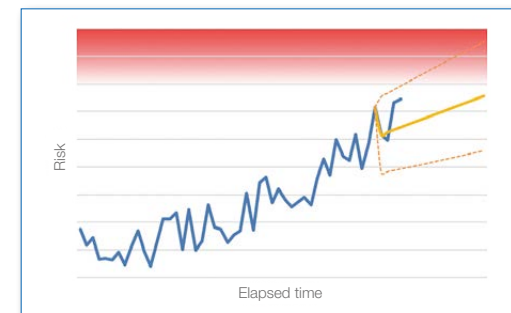


## Quality Management System Certification Status

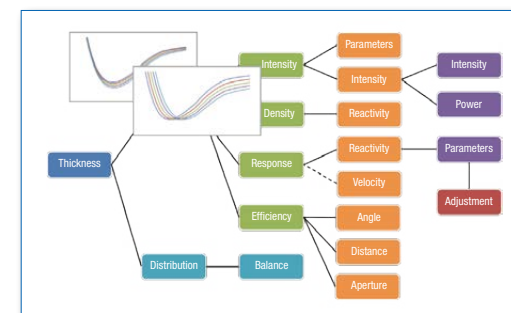
All the manufacturing sites of the Dexerials Group have obtained ISO 9001 certification for quality management systems that provide the basis for promotion of the quality philosophy and the basic policy and for business activities, such as design, development, manufacturing, and quality assurance.

Regarding products for automotive applications, we have obtained certification for IATF 16949, a standard for the automotive industry for the maintenance of the high quality and reliability required for automobile parts. We also comply with the VDA standard, which is the quality standard of the German Association of the Automotive Industry.

### Prediction of quality anomalies



### Process control automation





## Product Safety

In line with our basic policy of making product safety the top priority, we test our products for compliance with a range of product safety standards and acquire the relevant certifications to ensure that products are safe for customers to use with complete confidence. Regarding the essential international standard, the UL standards\*, not only did we respond to the demand from customers for certification registration, but also from the viewpoint of ensuring product safety, we have proactively received the certification for various products of the Dexerials Group as we continue to supply safe products at the parts level.

As many of our products are in a liquid form, in order to accurately communicate product safety information to customers, Dexerials has introduced a dedicated system for preparation of safety data sheets (SDSs) and provides SDSs compliant with laws and regulations in Japan and abroad.

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

## Promotion of DX in Quality Control

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

The Dexerials Group produces a lot of roll-shaped film products. As they are continuously produced over a long time, it has been a critical issue for quality control to prevent failures from occurring in series due to unexpected causes. In order to solve this problem, we are working on the following activities and updates to build a more sophisticated quality control system

that can quickly detect quality anomalies and achieve a smart factory.

### (1) Enhancing each quality system in line with the production system reinforcement

We are enhancing the system that enables us to provide high-quality products. Specifically, we use a series of systems and devices such as a real-time quality control system and other automated visual inspection devices, an AI-based image classification system, a multi-dimensional automated aggregation system, and automatic measuring devices.

### (2) Establishing the quality anomaly prediction method

We analyze massive data with tens of thousands of items, predicting quality anomalies during continuous production. We are working to further reduce quality risks by establishing risk visualizing methods.

## Quality Communication

Through communicating with customers, the Dexerials Group shares customer needs and technology issues. We offer technology-based support and solutions, working toward the creation of products that satisfy customers and earn their confidence.

In the event of quality issues that could impact stakeholders, including where there is the threat of serious quality issues and product incidents occurring, a system is in place whereby the relevant corporate department promptly reports the situation to top management so that appropriate response measures can be taken.

Regarding returns and recoveries due to complaints made by customers, an analysis is performed by specialist technical staff with advanced analytical skills,



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

## Technology Education and Human Resource Development

At Dexerials, based on the human resource strategy with the objective of developing specialists, we are developing human resources who have excellent quality management capabilities.

We have produced a road map for quality training that clarifies the quality management knowledge required in each post in a wide range of levels, from new employees to specialist technicians, and training that covers the basics through to expert knowledge and tools is provided for all divisions. In the basic quality control training, which is positioned as the most important quality control training at Dexerials, participants learn the basic concepts of quality assurance and quality control, the fundamentals of standardization, data utilization and statistics, and an overview of the seven QC tools, and it leads to a better understanding of the basic concept of quality. Participants learn a broader quality perspective that quality control is not only about the quality of the product but also about the quality of the operation, as well as the importance of company-wide quality management efforts to ensure a stable supply of high-quality and cost-effective products from the customer's point of view. We thus are working to foster a culture of quality.



Quality control training

In response to changes in the educational environment due to the proliferation of remote work and the controlling of the spread of infectious diseases, we are striving to improve the convenience and efficiency of training and enhance educational opportunities by utilizing e-learning as the core training format and expanding the use of online training methods shifting from conventional group training methods. In fiscal 2021, 38 training sessions were held, including those based on the company-wide annual training plan and those based on workplace demand.

We are also working on expanding training to promote compliance with IATF 16949 and VDA standards, as well as with ISO 9001, and to enhance system operation.

On the other hand, since large part of the knowledge and tools required for quality control are universally used in a variety of work, not just in manufacturing, it has long been our agenda to ensure that these tools can be implemented immediately. We therefore provide follow-up support from confirmation of implementation status to instructions while encouraging training participants, line managers and instructors to communicate with each other. For communication between the three parties, a follow-up sheet that clarifies PDCA cycle is used to further ensure learning.

To further improve employees' quality management capabilities, Dexerials encourages them to take the Quality Management and Quality Control Examination\*1. Wide range of employees including managers engaged in quality management, workplace leaders and development engineers are actively taking the test.

Training programs at manufacturing sites include "manufacturing basic training" centering on the necessary approaches to engage in manufacturing, "manufacturing technical training" to learn improvement techniques, and "manufacturing management training" to learn daily management at work locations. In addition, to enhance skills for maintenance and preventative maintenance of production facilities, we conduct on-the-job training (OJT) for self-maintenance. Employees are also encouraged to acquire the machine maintenance technician qualification\*2.

In order to prevent corporate scandals related to quality that have been an issue recently, Dexerials annually provides all employees training on compliance regarding quality and corporate ethics, which is the basis of correct decisions and actions.

\*1 Examination regarding knowledge of quality control held by the Japanese Standards Association.

\*2 National qualification attesting to machine maintenance skills.



## Strengthening Intellectual Property Portfolio

The purpose of the Dexerials Group's intellectual property activities is to sustainably create corporate value by circulating creation, protection, and utilization of intellectual properties as essential management assets. To this end, we are engaged in company-wide intellectual property activities

### Relevance of intellectual property activities to our Corporate Philosophy and Corporate Vision

#### Relevance to "Integrity"

We respect intellectual property rights of others and appropriately exercise, utilize, and assert our own intellectual property rights.

#### Relevance to "Value Matters"

We file patent applications intensively in future growth fields using the IP Landscape\*. We strengthen our patent portfolio and create new businesses primarily through the acquisition of patents and licenses or M&A in the fields to be reinforced.

\* IP Landscape: In the planning of management or business strategies, the analysis is implemented, with incorporating intellectual property information into management/business information, and results thereof (present panoramic view, future perspective, etc.) are shared with top managements and business managers.

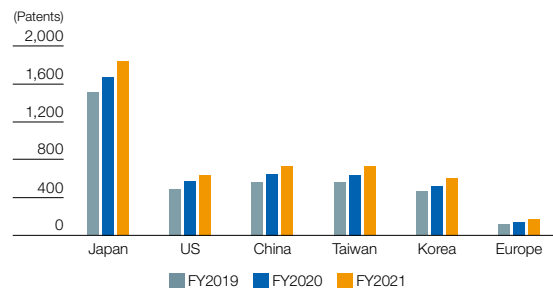
### Securing Intellectual Property Rights to Enhance Business Competitiveness

To enhance our business competitiveness, we are creating global entry barriers established by intellectual properties and securing intellectual property rights to realize our business model. Every year, we file about 100 new patent applications, more than 70% of which are filed in foreign countries/regions. This percentage

is higher than that of the average of the major chemical companies we benchmark. In addition, our patents registered overseas after being examined by each patent office is 65% of total registered patents. This percentage is almost the same as the overseas sales ratio of our business.

At the same time, in order to realize our business models of "Design-in" and "Spec-in", we globally protect inventions and know-hows concerning functional materials and devices we develop, manufacture and sell, and manufacturing methods, etc. By comprehensively protecting various categories of inventions concerning goods and processes as intellectual property rights, we can propose a wide range of solutions not only to direct customers but also to end customers.

#### Number of patents held or applied in major countries/regions



\*Total of patents applied at the end of each fiscal year (as of March 31)  
\*Except for PCT International Applications

### Strategic Utilization of Intellectual Property Portfolio and Open Innovation

We utilize intellectual properties mainly in engaging in activities to ensure business competitiveness and open innovation. Dexerials has established a global intellectual property portfolio for our differentiating technologies.

We use our network of manufacturing and sales subsidiaries in Japan and overseas to gather information on counterfeit products. Against competitors who infringe on our intellectual properties, we actively assert our intellectual property rights by means such as warnings, negotiations, and legal actions. These measures enable us to check competitors and ensure the competitive advantage of our business. We also take the approach of increasing the intellectual property competitiveness not only by enhancing patent applications on our own but also by acquiring third parties' intellectual properties or licenses thereof as necessary, and strive to establish a lean portfolio by effectively managing our unused patents. We have also included the profitability of stand-alone intellectual property transactions as a KPI. We actively conduct patent portfolio inventory-taking and transaction activities to ensure that cash inflows from the utilization of intellectual properties (through sale and license-out) continuously exceed cash outflows from the reinforcement of intellectual properties.

In terms of open innovation, we have started activities to utilize the IP Landscape to create new

businesses and search for business partners. In the past two years, in particular, we have effectively worked with departments related to new business creation, such as the Corporate Strategy Division, the DIG Promotion Department, and the Global Sales & Marketing Division, let alone with technology-related business units and the Corporate R&D Division. Through such collaborations, we stimulated discussions based on the IP Landscape. As an example of these efforts, we have started open innovation activities for environment-related patents by participating in the WIPO GREEN (matching platform for environmental technologies and intellectual properties promoted by the World Intellectual Property Organization) with an eye to utilizing our own patents as a company contributing to solving environmental issues.

On March 24, 2022, Dexerials acquired the shares of Kyoto Semiconductor Co., Ltd. and made it a subsidiary. The acquisition represents an important decision to complement our photonics, sensing, and optical communication technologies for the Group's sustainable growth and seek to achieve growth together in terms of both business and intellectual properties. In our IP due diligence of M&A, we utilized the IP Landscape to visualize the company's intellectual property capabilities and support the managements' decision-making. After the company joined the Group, intellectual property and development members of both companies worked together to create inventions, which have begun to produce results. We will effectively utilize the intellectual properties of the entire Group, including Kyoto Semiconductor, and create various synergies to solve social issues, such as developing new products and expanding applications through combinations of technologies.

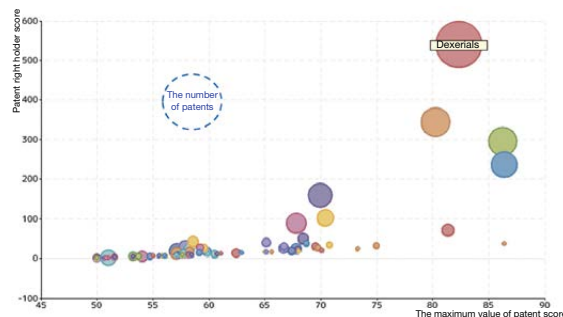
### Intellectual Property Investment and Introduction of Intellectual Property DX

Dexerials appropriates an amount equal to 27% of the annual R&D expenditure for intellectual property

investments. Such investments have been actively made mainly into the enhancement of patent portfolios, IP Mix Strategy (design, trademark, know-how, etc.), and DX for intellectual properties. The IP Mix Strategy includes the protection of design rights for protective covers for eyeglasses that use Moth-eye type anti-reflection films and reels used to ship tape-shaped adhesive films such as anisotropic conductive films (ACF). We also trademark our main products' names as much as possible to prevent counterfeits of our product names and dilution of our brand. In addition, we strive to prevent technology leakage and maintain business competitiveness by choosing not to file patent applications but concealing technologies that are difficult to prove infringement of, for example, manufacturing know-hows.

Meanwhile, from the perspective of intellectual property DX, we analyze the intellectual property competitiveness of the Dexerials Group and other companies by business category using the IP Landscape method. The analysis results are adopted as an indicator for the Group-wide business evaluation that is conducted on a regular basis. We also work with the outside research companies to evaluate and visualize our patents' and other intangible assets' values using AI.

#### ● Patent right holder score map (SCP category)



Surveyed by Dexerials, using "Biz Cruncher" of Patent Result Co., Ltd.

### Fostering of an Intellectual Property Mindset within the Dexerials Group

Since 2021, we have designated April every year as "Intellectual Property Month" to remind all employees of the importance of intellectual properties as management assets and encourage inventions by employees. First, we distribute a message from our top management to all employees to deepen their understanding of the relationship between our corporate philosophy, corporate vision, and intellectual property activities. In addition, we aim to foster an intellectual property mindset of the entire Group through ongoing activities such as holding intellectual property lectures by well-known intellectual property experts.

Our Intellectual Property Department consists of approximately 20 employees, including specialists such as one US attorney-at-law, four Japanese patent attorneys, three Intellectual property analysts, nine Certified specialist of intellectual property management, and one Gold-certified patent searcher (electrical and chemical regions). We also encourage training and self-improvement for our members and provide necessary support. We will continue to execute strategic intellectual property activities under the motto "Changing and Evolving Organization" in order to sustainably create our corporate value by utilizing our intellectual properties.



Lecture on intellectual properties held in April 2022





## Corporate Governance

Dexerials' corporate philosophy is "Integrity—Have Integrity and Sincerity", and in accordance with this we recognize that in order to try and improve the corporate value, and to live up to the expectations and trust placed in us by all the stakeholders who support the corporate activities, the establishment and enhancement of corporate governance is an extremely important issue.

### Initiatives to Strengthen Corporate Governance

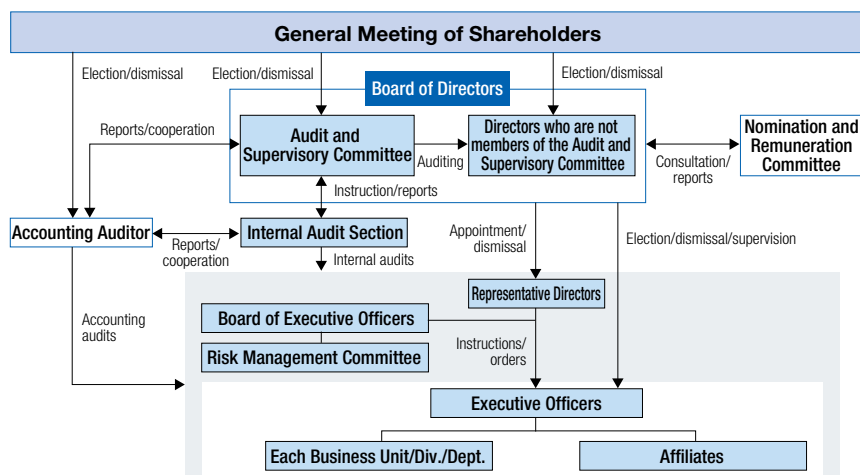
Dexerials engages continuously in initiatives to enhance corporate governance in order to build a more effective and efficient management system. Ever since we became a listed company, we have had a supervisory system in which the majority of our directors are outside directors with high independence and expertise, thereby ensuring transparency and objectivity of management. The decision-making process for officers' nomination and remuneration is

handled by the Nomination and Remuneration Committee, an optional committee, which was established in 2019. The majority of the members and the committee chairperson are outside directors. It holds discussions on matters such as evaluation of executive directors, succession planning for officers, and the officer remuneration system.

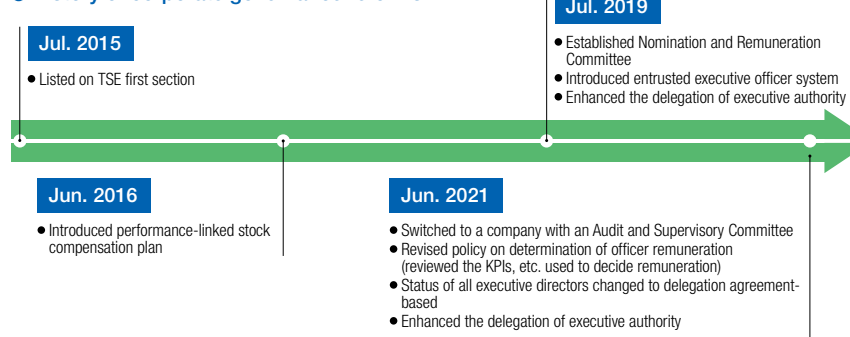
In carrying out business, we proactively delegate authority to executive officers. In 2019, we introduced

an entrusted executive officer system to further spread the delegation of authority. In 2021, we transitioned to a company with an Audit and Supervisory Committee, which has allowed a more precise separation of management oversight and execution and accelerated the promotion of a monitoring model.

#### ● Dexerials' corporate governance system (as of December 2022)



#### ● History of corporate governance reforms



#### ● Changes in the number of officers

	2016	2017	2018	2019	2020	2021	2022
Directors (of which, outside)	7(4)	7(4)	7(4)	7(4)	6(4)	7(4)	7(4)
Audit & Supervisory Board Members (of which, outside)	3(3)	3(3)	3(3)	3(2)	3(2)	—	—
Executive Officers	11	11	12	11	7	6	8

## Directors, Board of Directors, and Executive Officers

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

In the execution of business, authority is delegated to the eight appointed executive officers. In this way, we are working to build a system that makes quick decision-making and clarity of executive responsibility possible.

Of the executive officers, two also serve as internal directors. The six executive officers who do not serve as internal directors have concluded a delegation agreement with the company regarding the execution of business.

## Audit and Supervisory Committee

Dexerials is a company with an Audit and Supervisory Committee. The company's Audit and Supervisory Committee comprises three members (of which two are outside directors) and is chaired by an outside director, which ensures the transparency and independence in audits. In addition, a position for one standing Audit and Supervisory Committee Member has been created to secure the effectiveness of audits.

## Board of Executive Officers

Dexerials conducts meetings of the Board of Executive Officers twice per month in principle. The board comprises the eight executive officers as regular members. It examines the status of, and issues regarding, executive operations, in addition to conducting discussions of major proposals in advance.

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

The Internal Audit Section strives to implement effective and efficient audits, establishes an internal control system for the company and its Group companies, and audits the status of their implementation of, and compliance with, their respective compliance and risk management systems. In regards to the results of internal audits, the Internal Audit Section periodically reviews the status of enhancements, and reports those details to the Audit and Supervisory Committee, the representative directors, and any related departments. Specifically, the section carries out internal audits based on the audit plan formulated at the beginning of the fiscal year, notifies the audited divisions of the results, while also informing the Audit and Supervisory Committee and the representative directors of the results. If there are any issues that require improvement, the section checks on the progress and results of their implementation.

The section holds monthly meetings with the Standing Audit and Supervisory Committee Member to confirm the details of audits and exchange opinions. It also exchanges opinions with the Accounting Auditor every quarter, informing them on any material events concerning internal control that were found in internal audits and seeking their guidance and advice as needed.

## Accounting Audits

For accounting audits, the company has an audit agreement with PricewaterhouseCoopers Aarata LLC, which conducts accounting audits in accordance with the companies Act and the Financial Instruments and Exchange Act.

Neither this audit corporation nor its engagement partners engaged in audits of the company have any special interest relationships with the company. In addition, this audit corporation has implemented measures to ensure that the same engagement partner will not be involved in accounting audits of the company for more than a certain period of time.

## Nomination and Remuneration Committee

Dexerials has established the optional Nomination and Remuneration Committee. Selection of candidates for officers and determination of the remuneration are based on the discussions carried out by the committee.

The Nomination and Remuneration Committee consists of six directors. The majority of the members, including the chairperson, are independent outside directors, thereby ensuring objectivity and transparency.

The Nomination and Remuneration Committee met five times in fiscal 2021, where it discussed matters such as selection of officer candidates, confirmation of the training process for officer successors, discussion about skills required for the Board of Directors, evaluation of performance in determining remuneration for officers, the remuneration structure, and appropriate remuneration levels.

### Nomination and Remuneration Committee Meetings in Fiscal 2021

Date	Matters deliberated on
April 2021	<ul style="list-style-type: none"> <li>● Deliberation on the board composition and candidates</li> <li>● Deliberation on the policy to determine officers' remuneration</li> <li>● Discussion on officers' remuneration levels</li> <li>● Transition to an entrusted executive officer system</li> </ul>
May	<ul style="list-style-type: none"> <li>● Deliberation on the amounts of officers' remuneration</li> <li>● Review of fiscal 2020 and evaluation of the Remuneration Committee</li> </ul>
July	<ul style="list-style-type: none"> <li>● Discussion on succession planning and skills matrix</li> <li>● Report on fiscal 2021 commitments</li> </ul>
October	<ul style="list-style-type: none"> <li>● Deliberation on skills matrix of directors</li> <li>● Report on the succession of the management team</li> </ul>
January 2022	<ul style="list-style-type: none"> <li>● Discussion on the executive management structure for fiscal 2022</li> <li>● Report on benchmark comparisons of remuneration levels and systems</li> </ul>

## Evaluation of Effectiveness of the Board of Directors

### Analysis & Method of Evaluation

Dexerials evaluates the effectiveness of the Board of Directors based on objective third-party evaluations with the aim of achieving sustainable corporate growth and a medium- to long-term increase in corporate value.

In evaluating the effectiveness in fiscal 2021, each director evaluated the board effectiveness in fiscal 2021 based on questionnaire items prepared by the Board of Directors Secretariat for the purpose of ensuring objectivity and transparency of the evaluation. In addition, a third party conducted interviews with all the directors based on the answers it received, and then analyzed the details.

The Board of Directors then held discussions based on the results of the analysis, and formulated an action

#### ● Details of questionnaire items

Category	Details
Composition of the Board of Directors	<ul style="list-style-type: none"> <li>Number of directors, composition of members, and balance of expertise of each officer</li> <li>Necessity to review the board composition</li> <li>Status of directors' knowledge and understanding of our business fields</li> </ul>
Operation of the Board of Directors	<ul style="list-style-type: none"> <li>Contents and number of agenda items in board meetings</li> <li>Progress on agenda items in board meetings</li> <li>Frequency and duration of board meetings</li> <li>State of open exchange of opinions and discussions in board meetings</li> </ul>
Corporate governance-related	<ul style="list-style-type: none"> <li>Deciding direction of management strategy</li> <li>Understanding stakeholders' perspectives</li> <li>Creating an environment that supports risk-taking</li> <li>Sharing risk information</li> <li>Effectiveness of supervisory function</li> </ul>
Evaluation of fiscal 2021 action plan	<ul style="list-style-type: none"> <li>Build consensus on the roles and functions expected of outside directors, their evaluation, and succession</li> <li>Build consensus on the agendas of board meetings and their schedule</li> <li>Consider ways of information sharing and communication needed to allow the Board of Directors to fulfill its roles and functions</li> </ul>

plan detailing the key issues that need to be addressed in the next fiscal year.

### Outline of Results of Evaluation

#### (1) Summary

While the results of the third-party evaluation showed a high standard of effectiveness of the Board of Directors, the following items were pointed out as matters of particular concern overall:

- (i) Confirm how to define the functions and roles of the Board of Directors that contribute to enhancing corporate value (including social value) over the medium to long term (what is required of the Board of Directors)
- (ii) Consider the necessity of reviewing the criteria for proposals to the Board of Directors based on (i)
- (iii) Consider how the Board of Directors acts (including the appropriateness of materials for the Board of Directors meetings and the necessity of expanding the time frame) based on (i)
- (iv) Consider ways of communication (including those among outside directors) based on (i)
- (v) Discussion on the board composition over the medium to long term

#### (2) Action plan for fiscal 2022

In light of the details specified in (1) above, the company made the following decisions with regard to its action plan for fiscal 2022:

1. Continually discuss the functions and roles of the Board of Directors that contribute to enhancing corporate value (including social value) over the medium to long term
2. Implement the following initiatives based on the discussion in 1. described above
  - (1) Consider further delegation of authority to executive directors
  - (2) Improve the operation of the Board of Directors (including sharing of management information, time allocation, and meeting methods)
  - (3) Establish diverse opportunities for communication among directors

3. Discussion on the board composition over the medium to long term
4. Review the action plan of the Board of Directors and flexibly review discussion topics based on the business environment

## Officers' Remuneration

### Basic Approach

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

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

Remuneration of Audit and Supervisory Committee Members is determined through consultation among directors serving as Audit and Supervisory Committee Members.

#### ● Basic approach for determining officers' remuneration

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

## Base Remuneration

Amounts are determined according to the job title in accordance with internal rules (weighted allocation according to job responsibilities), and a fixed monthly amount of remuneration is paid.

Only base remuneration is provided to outside directors and directors serving as Audit and Supervisory Committee Members.

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

## Performance-linked Compensation

Performance-linked compensation comprises “performance-linked pay”, which is paid according to performance during the fiscal year, and “stock-based compensation (BBT trust)”, which is intended to foster the awareness that directors share interests with shareholders and to provide motivation for achieving objectives over the medium to long term. Performance-linked compensation is designed to motivate the company’s executive directors to manage with an awareness of performance and share prices not just in a single fiscal year, but also over the medium to long term.

### ● Percentages of each type of remuneration by job title

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

(Note) The composition of each type of remuneration is the percentage when each evaluation indicator selected as performance target is achieved.

Performance-linked pay is set based on consolidated net sales, which correspond to the capability to earn revenue through the implementation of the strategy, and EBITDA, which corresponds to the capability to earn substantial profit, as evaluation indicators. In addition, the Nomination and Remuneration Committee evaluates and reflects the medium-term strategic initiatives, outstanding performance on ESG, and performance on initiatives for safety and human resource development. Regarding the above performance indicators, performance-linked pay is calculated at the ratio of 50% consolidated net sales and 50% EBITDA, and the amount determined is divided by 12 and the divided amount is paid monthly from the month following the conclusion of the Annual General Meeting of Shareholders.

“Stock-based compensation” is set separately from base remuneration for the purpose of increasing awareness of contributions to medium- to long-term continuous improvements in financial results and increases in corporate value. Specifically, money is contributed to a trust every three years for acquisition of the shares necessary for provision to directors, and thereafter, eligible directors are awarded points according to TSR (total shareholder return) and ROE, which are evaluation indicators specified in order to ensure directors share interests with shareholders and to ensure that not only the benefit of the increase in the share price, but also the risk of the decrease in the share price is shared among the directors and the shareholders, thereby strengthening the directors’ awareness of their contribution to the medium- to long-term improvement in financial results and corporate value.

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

## Decision-Making Process

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

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

The remuneration of individual directors shall be determined by a resolution of the Board of Directors following discussion by the Nomination and Remuneration Committee and within the range of remuneration determined by a resolution of the General Meeting of Shareholders in advance.

The remuneration of individual directors serving as Audit and Supervisory Committee Members shall be determined through consultation among directors serving as Audit and Supervisory Committee Members within the range of remuneration determined by a resolution of the General Meeting of Shareholders in advance.

### ● Amount of officers’ remuneration in fiscal 2021

Officer classification	Total amount of remuneration, etc. (Yen in millions)	Total amount of remuneration, etc. by type (Yen in millions)			Number of eligible officers (Persons)
		Base remuneration	Performance-linked compensation	Stock-based compensation	
Directors (excluding directors serving as Audit and Supervisory Committee Members)	173	85	66	22	7
Directors (Audit and Supervisory Committee Members)	28	28	—	—	3
Audit & Supervisory Board Members	6	6	—	—	3
<b>Total</b>	<b>208</b>	<b>120</b>	<b>66</b>	<b>22</b>	<b>13</b>
(of which outside officers)	42	42	—	—	9



## Directors and Executive Officers (As of December 2022)

### Directors

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

Nomination and Remuneration  
Committee Member



#### Yoshihisa Shinya

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

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

Reasons for  
appointment

Outside Director

Independent Officer  
Chairperson of the Nomination  
and Remuneration Committee



#### Takashi Yokokura

- Apr. 1971 Joined Tokyo Optical Co., Ltd. (current TOPCON Corporation)
- Oct. 1993 General Manager of Electronic Beam Engineering Department, Electronic Beam Division, TOPCON Corporation
- Apr. 1997 Technology Executive, Industrial Equipment Division, TOPCON Corporation
- Jun. 2002 Executive Officer, TOPCON Corporation
- Jun. 2003 Director, TOPCON Corporation
- Jun. 2006 President and Representative Director, TOPCON Corporation
- Jun. 2011 Advisor, TOPCON Corporation
- Dec. 2012 Governor, Tokyo University of Science
- May 2015 Outside Director, Dexerials Corporation (to present)
- Oct. 2015 Director, Tokyo University of Science
- Jul. 2020 External Director, KIKUCHI SEISAKUSHO CO., LTD. (to present)

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

Reasons for  
appointment

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

Nomination and Remuneration  
Committee Member



#### Toshiya Satake

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

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

Outside Director

Independent Officer  
Nomination and Remuneration  
Committee Member



#### Satoshi Taguchi

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

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

## Directors (Audit and Supervisory Committee Members)

Outside Director, Chairperson of the Audit and Supervisory Committee

Independent Officer

Nomination and Remuneration  
Committee Member



## Rika Sato

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

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

Outside Director  
(Audit and Supervisory Committee Member)

Independent Officer

Nomination and Remuneration  
Committee Member



## Tetsuyuki Kagaya

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

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

Director and Standing Audit and Supervisory Committee Member



## Masahiro Kuwayama

- Apr. 1981 Joined Sony Corporation
- Jan. 2003 General Manager, MSNC RM Business Strategy Division, Sony Corporation
- Apr. 2007 General Manager, Corporate Planning Department, Sony Chemical & Information Device Corporation (current Dexerials Corporation)
- Aug. 2008 Corporate Executive, responsible for corporate planning, chemical products business management, general affairs, human resources, chemical materials, Sony Chemical & Information Device Corporation
- Aug. 2012 General Manager, Legal Affairs, Environment & Compliance Division, Sony Chemical & Information Device Corporation
- Mar. 2017 General Manager, Internal Audit Department, Dexerials Corporation
- Jun. 2019 Audit & Supervisory Board Member (Standing), Dexerials Corporation
- Jun. 2021 Director (Audit and Supervisory Committee Member), Dexerials Corporation (to present)

Having served in the Legal Affairs Department and as the General Manager of the Internal Audit Department of the company, Mr. Masahiro Kuwayama has a wealth of experience and insight into legal affairs and audit practices. The company judges that he is capable of performing appropriate auditing from an objective and professional perspective and therefore appointed him Director serving as Audit and Supervisory Committee Member.

## Highly diverse composition of officers

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

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

## ● Skills matrix of the Board of Directors

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

Executive Officers /  
Division Heads /  
Business Unit Heads

## Yoshihisa Shinya

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

## Toshiya Satake

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

## Takashi Yoshida

Executive Officer  
Corporate Planning &  
Control Division Head

## Kozaburo Hayashi

Executive Officer  
Global Sales & Marketing Division Head  
Engineering Solution and Marketing

## Koichi Akeyama

Executive Officer  
Corporate Strategy Division Head

## Kuo-Hua Sung

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

## Kentaro Oshima

Executive Officer  
Automotive Solutions Business Unit Head

## Naoyuki Tsuda

Executive Officer  
Human Resource Strategy

## Kazuya Hayashibe

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

## Kouji Yamagishi

Production Control Division Head

## Hiroshi Uchida

Optical Solutions Business Unit Head

## Kenji Kamiya

Connecting Materials Business Unit Head



## Compliance

Dexerials' corporate philosophy is "Integrity—Have Integrity and Sincerity". Thorough compliance is a social responsibility and essential for sustainable growth and development as a company trusted by society and stakeholders. We promote initiatives to comply with laws and regulations and other social norms.

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

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

The basic policies of the Code of Conduct are:

- (i) implementation of our corporate philosophy "Integrity—Have Integrity and Sincerity;"
  - (ii) understanding of and compliance with laws and regulations;
  - (iii) accountability and appropriate communication with stakeholders; and
  - (iv) ensuring internal control through the use of the Compliance Hotline.
- In addition, based on the basic policies, we have established specific commitments that officers and employees should always uphold. These include respect for human rights, product safety, environmental conservation, information management, prohibition of harassment, prohibition of insider trading, measures against antisocial forces, and so on.

The Code of Conduct has been translated into English, Chinese and Korean, and is applied to all Group companies in Japan and overseas.

For details on the Dexerials Group Code of Conduct, please refer to our website.

<https://www.dexerials.jp/en/csr/management/group.html>



### Initiatives for Reinforcing Compliance

#### Distribution of the Compliance Handbook

We have produced the Compliance Handbook. It has been distributed to all officers and employees of Group companies in Japan and overseas to thoroughly disseminate the Dexerials Group Code of Conduct. The Compliance Handbook provides easy-to-understand explanations, focusing on themes closely related to our business activities from the Code of Conduct.



#### Compliance Month

The Dexerials Group has designated October as "Compliance Month". Educational activities are carried out every October on complying with laws and social norms as well as practicing corporate philosophy and the Group Code of Conduct with the aim of improving compliance awareness within the Company.

#### Compliance Education

The Dexerials Group conducts training for all officers and employees of all Group companies in Japan and overseas using e-learning and other means. This training covers topics such as compliance, prevention of insider trading, prevention of bribery to public officials, product quality, elimination of antisocial forces, information security, and prevention of harassment.

We also distribute periodical email newsletters that explain compliance violation cases, using "manga" to help all officers and employees feel compliance more familiar.

#### Global Survey on Compliance Awareness

In January 2022, we conducted the compliance awareness survey of all Group companies in Japan and overseas to ascertain the level of awareness of compliance and their workplace environment. 95.2% of all employees responded to the survey, and we are working to strengthen compliance by considering and implementing measures to address issues identified from the survey results.

#### Compliance Hotline

The Dexerials Group has established internal and external (via attorneys) points of contact (Hotline) for whistleblowing by employees, etc. of the Group. The Hotline protects the safety of whistleblowers by allowing anonymous reporting and prohibiting disadvantageous treatment of whistleblowers. The Hotline is available in Japanese, English, Korean, and Chinese. We are working to strengthen compliance globally.

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



## Risk Management

The Group has established the Risk Management Committee, with the Representative Director and Senior Managing Executive Officer as the Chief Risk Management Officer, to manage risks for the entire Group in accordance with the rules and regulations on risk management. The Committee, which is convened periodically (twice a year), is chaired by the Risk Manager, who is the Executive Officer in charge of the Corporate Planning & Control Division. The Committee has subcommittees for each specialized field, formulating company-wide and comprehensive risks and countermeasures, evaluating their effectiveness, and monitoring progress throughout the year. The details of discussions and identified key risk items are reported to the Board of Executive Officers. In particular, substantial management and business risks are reported to the Board of Directors.

### ● Main risks of the Dexerials Group and appropriate countermeasures

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





## Strengthening Business Continuity Plan (BCP)

The Dexerials Group has established a business continuity plan (BCP) to minimize damage during emergencies and to enable us to promptly recover and resume production activities in order to prevent the interruption of business activities.

The Group implements employee training, along with systematic reinforcement and improvement work to facilities, in an effort to prevent or minimize damage from disasters and accidents, aiming for stable business continuity.

### BCP Initiatives

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

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

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

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

### Organizational Structure and Functional Roles within BCP

In fiscal 2021, to control information and instructions in the event of a disaster or emergency, we reorganized the structure of the Corporate Disaster Control Center, which oversees the entire Group, and the Disaster Response Office, which is responsible for initial response and recovery at each site and Group companies.

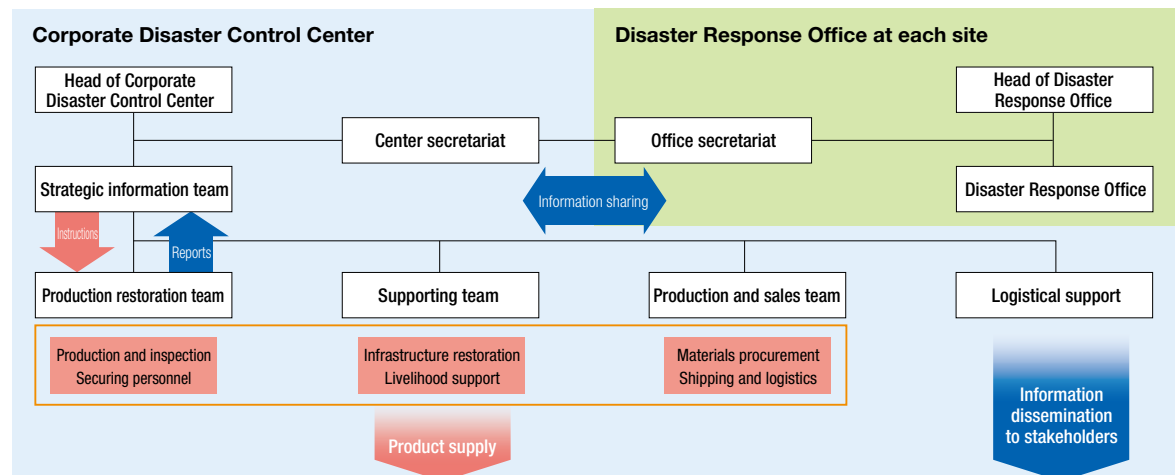
The Corporate Disaster Control Center has a well-organized function-based team structure. Under the Head of Corporate Disaster Control Center, who is

in charge of overall supervision, it consists of a strategic information team consisting of a commander and team leaders, and functional teams.

The Disaster Response Office has improved mobility by reorganizing the structure based on the roles required for it, under the supervision of the Head of Disaster Response Office, who is responsible for each business site.

In an emergency, we set up the Corporate Disaster Control Center and Disaster Response Office upon an alarm signal from the safety confirmation system and quickly summon the members.

#### BCP structure



## BCP Structure Improvement, Education, and Training

We reviewed the organizational structure and the roles of each function to improve administrative control and coordination among sites; we introduced tools for information collection and sharing, response planning and recovery planning, established remote environment and introduced a remote tool, thereby conducting e-learning education on BCP. In fiscal 2021, two earthquake drills were conducted, with assumed damage occurring at the Headquarters/Tochigi Technology Center and the Kanuma Plants, respectively.

Management also participates in BCP training, creating scenarios aiming to improve the system and increase responsiveness and mobility, as well as responding to assumed emergency situations.

The training is shared online with all relevant members of the Company as it progresses, including the status of information organization, discussions, response status, and response details.

Issues that emerge during the training, including activities during normal times, are addressed and improved through the PDCA cycle.

### Remote BCP training

In addition to gathering at the Corporate Disaster Control Center, we conduct BCP training assuming remote responses, such as when damage occurs across several location sites or when the team members are at home.

Through the training, including information organization and sharing, response status, and discussions, we improved the tools we used in BCP and developed other tools and environments necessary for remote responses.

Tools and equipment for BCP are stored at the Corporate Disaster Control Center and the Disaster Response Offices of the sites and Group companies to ensure prompt response in an emergency.

In anticipation of voice and data communications disruptions, satellite phones and MCA (Multi-Channel Access) radios are installed at each site. We conduct regular call drills and equipment inspections, preparing for unforeseen circumstances.



BCP training

### Emergency drills

In a disaster or emergency, it is necessary to respond quickly and appropriately to prevent or mitigate human casualties and secondary disasters.

We conduct drills for all employees every year, even amid the COVID-19 pandemic, to improve our disaster prevention system and enhance our response capabilities. Those drills include fire extinguishing and evacuation drills, comprehensive disaster drills for earthquake simulation, and safety confirmation drills using the safety confirmation system.

Stockpiles and disaster supplies are stored and managed at each site in anticipation of people having difficulty returning home in a disaster. The storage information is centrally managed and shared to enable mutual support between sites.

A system is in place to quickly dispatch emergency instructions and communications to employees, such as to stay at home or come to work, through the safety confirmation system.



An emergency drill



## Supply Chain Management

Dexerials is endeavoring to establish sound partnerships with its suppliers and is conducting activities for co-prosperity through the supply chain.

### Basic Philosophy of Supply Chain Management

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

#### ● Main contents of Dexerials CSR Procurement Guidelines

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

## Promotion of Sustainable Procurement

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

In fiscal 2021, we revised the Guidelines to respond to further changes in social conditions and social demands. In addition to the CSR policy survey that we have conducted for our suppliers in the past, we have conducted a survey for our suppliers who have high dependence on us, on a total of 46 questions, including 42 about the status of initiatives of the matters described in the Guidelines and others about the CSR policies in practice at each company, to understand their initiatives in human rights, labor, health and safety, the environment, and the likes. The survey results are scored and evaluated on a four-point scale, and feedbacks are provided to promote cooperative activities to create a sustainable society.

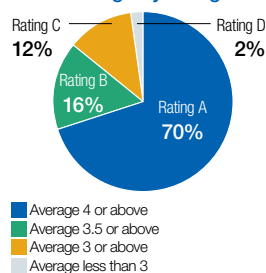
## CSR Procurement Survey

Based on our analysis of the questionnaire, 98% of our suppliers have achieved the level of commitment we require (rating of C or above) in our overall evaluation.

In the analysis by item, “human rights / labor” was the highest, followed by “information security” and

Survey period	August 2022
Number of companies surveyed	100
Number of questions	46
Average score of all questions	4.34 points (on a 5-point scale)

### Percentage by rating rank



### Average of all companies



“health and safety” with very close scores. On the other hand, issues remained in the “supply chain”.

We will continue conducting the CSR Procurement Survey and address the issues identified to build a sustainable supply chain.

## Supply Chain Risk Management

With the globalization of procurement and logistics, natural disasters and geopolitical risks have come to significantly affect the supply chain and transportation. Furthermore, weather disasters such as torrential rains and typhoons are expected to become more severe because of global warming. This will increase the risk of production stoppages due to supply chain disruptions. Therefore, reducing these risks to procurement and logistics is a material issue. In line with our commitment to the TCFD recommendations, we are identifying risks faced by our domestic and overseas suppliers and building a system to prepare for and respond to various risks and disasters through digital transformation of monitoring systems and risk assessment systems.

## Green Procurement

For the purposes of global environmental conservation and the realization of a sustainable society, Dexerials has established a set of Management Standards for Environment-Related Substances, and manufactures

products following the Standards. The Standards define controlled substances, which are categorized as substances to be banned immediately, substances to be phased out, or exempted substances. They are also subject to monitoring in order to prevent inclusion in our products or to confirm reduction of their use.

Dexerials designates suppliers who cooperate with these standards as Dexerials Green Partners. In principle, the Dexerials Group procures all raw materials and parts used for its products from suppliers who have been qualified as such partners.

## Response to Conflict Minerals

It is said that minerals (gold, tin, tantalum, and tungsten) produced in the Democratic Republic of Congo or neighboring countries may finance and benefit armed groups that engage in inhumane acts, causing tribal conflicts, human rights abuses, and environmental destruction. Concerns have also emerged regarding the safety of the working environment and child labor in human-powered cobalt mining.

The Dexerials Group promotes responsible procurement of mineral-based materials, which are much smaller in quantity than other raw materials, based on a policy of not using raw materials and parts that contain conflict minerals from countries with human rights violations or similar issues; We conduct surveys on conflict minerals (3TG) and cobalt contained in raw materials and parts of our products to avoid materials and parts that pose risks, using the RMI Conflict Minerals Reporting Template (CMRT) or the Cobalt Reporting Template (CRT) developed by the Responsible Minerals Initiative (RMI).

We also trace the origin of the relevant minerals in our products and appropriately provide the information to customers, thus fulfilling our responsibility as a manufacturer.





## Dialogues with Shareholders and Investors

Dexerials strives to achieve sustainable growth and enhance corporate value in the medium to long term through highly transparent and reliable disclosure as well as sincere communication.

### Disclosure of Corporate Information

For the Company, timely and appropriate disclosure to shareholders and investors serves to ensure transparent and fair decision making as well as effective corporate governance functions. We also believe that it contributes to increasing corporate value by promoting public understanding and an appropriate market assessment of the Company.

Therefore, we not only undertake disclosure required by laws and regulations, but also publish information proactively mainly through our website, working in this way to create a system for highly transparent and reliable disclosure.

To ensure that our disclosed information can be easily understood and serves as a useful basis for investment decisions, we adopt reader-friendly language and formats in our materials, and we are improving both financial and non-financial information. We also provide an English language version where the information is considered likely to be of particular importance to non-Japanese shareholders and investors.



Dexerials Investor Relations website

Notice of Annual General Meeting of Shareholders

\* For the disclosure of publish information to shareholders and investors, please refer to our website.

<https://www.dexerials.jp/en/ir/>



### General Meeting of Shareholders

In June 2022, we held the 10th Annual General Meeting of Shareholders. In order to prevent the spread of COVID-19, in addition to voting in writing, we asked individual shareholders to exercise their voting rights via the voting rights exercise website on the internet and asked institutional investors to do so through an electronic voting platform beforehand. We also made an effort to ensure there was ample time to deliberate and sufficient information for exercising voting rights by providing information impartially and broadly to all shareholders. For example, we sent out meeting notice early, improved the information on notice, posted relevant material on our website in advance, and introduced a web-based meeting notice which could be easily and conveniently viewed on smartphone and computer.

At the venue of the General Meeting of Shareholders, we made sure there was plenty of space between people, placed alcohol sanitizer inside and outside the venue, and asked shareholders attending the meeting to allow their temperature to be taken before entering the reception area. We also took a variety of measures to prevent the spread of infection and ensure the proceedings ran smoothly, efficiently, and safely, such as requiring officers and shareholder meeting staff to wear masks.

We live streamed the meeting on the day and later posted the video that covers the Q&A session on our website.

### Investor Relations Activities

The status of fiscal 2021 investor relations activities is as follows. Due to the prolonged duration of the COVID-19

pandemic, as of November 2022, we are holding all interviews with analysts and institutional investors as well as briefings in physical venues online (i.e., web conferences and telephone conferences) as a general rule, to maintain the level of communication while prioritizing the health and safety of all shareholders, investors, and employees. We will continue to use opinions and requests from shareholders and investors as references to improve our investor relations activities, and will aim to enhance our corporate value in the medium to long term.

Activity	Content
Interviews with analysts, and institutional investors in Japan and overseas	<ul style="list-style-type: none"> <li>Held individual interviews with analysts and institutional investors in Japan and overseas, and attended conferences hosted by securities companies.</li> </ul>
Briefings for institutional investors and analysts	<ul style="list-style-type: none"> <li>Held various types of briefings about topics such as our business and ESG, which are considered to be of great interest for investors, in addition to the quarterly earnings briefings.</li> </ul>
Briefings for individual investors	<ul style="list-style-type: none"> <li>Held online corporate briefings. For those who were unable to attend the briefings on the day, video record of the briefings and their transcripts were made available online.</li> <li>Posted on our website the videos and transcripts of earnings briefings, ESG briefings, and other types of briefings, including Q&amp;A sessions.</li> </ul>
Posting Investor Relations materials on our website	<ul style="list-style-type: none"> <li>Posted materials such as the consolidated financial results and earnings briefings materials, as well as securities reports (quarterly), materials relating to the General Meeting of Shareholders, the investor relations event calendar, and so on.</li> <li>Streamed videos of earnings briefings and posted briefings materials with transcript and Q&amp;A.</li> <li>Introduced a chart generator in fiscal 2021 that customizes and shows key financial data of prior fiscal years in various types of graphs.</li> </ul>



## Social Contribution Activities

The Dexerials Group has designated “Contribution to local communities” as one of the initiatives in its CSR Policy. Based on this policy, we are striving to contribute to local communities both in Japan and overseas to vitalize those communities and hand over a better environment to future generations.

### Community Contribution Activities

Topic: Dexerials sponsors the National Sports Festival, as a partner for the largest sports event in Japan, and many of our employees assist with the event operations as volunteers.

#### Dexerials sponsored and volunteered at the Ichigo Ichie Tochigi National Sports Festival and Ichigo Ichie Tochigi Prefectural Sports Festival

In October 2022, we sponsored the Ichigo Ichie Tochigi National Sports Festival (the 77th National Sports Festival), Japan's largest sports festival, and the Ichigo Ichie Tochigi Prefectural Sports Festival (the 22nd National Sports Festival for People with an Impairment), Japan's largest sports festival for people with disabilities, as a partner for national sports festivals. The events were held in Tochigi Prefecture for the first time in 42 years.



To pump up the events, we internally recruited volunteers, provided them with training in advance, and let them take part in volunteer work for the events. A total of 40 volunteers including the Dexerials Group's employees and their family members assisted with the event operations, acting as a guide, helping organize and clean up the event venues.



### Power behind Dexerials



General Affairs & Facility  
Department  
Production Strategy Division

#### Teruaki Izumo

In the year that marked the 10th milestone anniversary of the founding of Dexerials, it sponsored the Ichigo Ichie Tochigi National Sports Festival and Ichigo Ichie Tochigi Prefectural Sports Festival as a partner for national sports festivals.

As the events were held in Tochigi Prefecture for the first time in 42 years, I was very happy to join an in-house project for national sports festivals as a member of the project management office.

In the closing ceremonies of the events, I joined the volunteer work with hospitality in mind which I learned in training prior to the events. When I greeted participants and spectators, many of them greeted me back pleasantly and gave me thankful words, which made me feel great. Going forward, I would like to continue to plan and carry out CSR activities with other employees so we can contribute to our neighboring communities.





## Environmental Protection

### Restoring greenery to the mountains of Ashio

Since 2009, we have supported NPO Grow Green in Ashio in its initiative to plant one million trees in the mountains of Ashio. As a corporate member of the NPO, we have assisted afforestation through nurturing saplings, planting, weeding, thinning, and so on.

Every year in spring, we host a tree planting event attended by our employees and their families, and in fall, a tree planting activity as part of the training for new employees.

### Protecting the environment of Watarase Reservoir

Since 2017, Dexerials has been a registered corporate member of Watarase Knights Club, which is organized by Tochigi City for nature conservation. We have been participating in and extending cooperation for activities to protect biodiversity and natural environments while maintaining bountiful ecosystems of Watarase Reservoir, which is registered as a Ramsar Convention wetland.

## Clean-up Activities in Local Communities

The Tochigi Technology Center, the Nakada Plant, the Tagajo Plant, and other sites of the Dexerials Group conduct clean-up activities in local communities.



## Promoting Sports

### Supporting Utsunomiya Blitzen

Since 2015, we have been sponsoring Utsunomiya Blitzen, a community-based professional cycling road race team from Tochigi Prefecture. This sponsorship aims to vitalize the local community and promote cycling sports. We have also been assisting with a Dream Project, the team's activity aimed to contribute to the local community.



### Supporting

#### Utsunomiya Brex

Since 2017, we have been sponsoring Utsunomiya Brex, a professional basketball team, with the objective of contributing to regional vitalization through sports promotion.



Utsunomiya Brex won the 2021–2022 season B.League.  
©TOCHIGI BREX INC.

### 19th Dexerials Cup Miyagi Prefecture Champions Cup U-12 Tournament

Dexerials has supported this tournament since 2013, with the aim of promoting amateur sports and contributing to the local community.

In 2021, we hosted the event in partnership with the Miyagi Football Association. Selected teams, comprising children in the sixth grade of elementary school or younger in the ten districts of Miyagi Prefecture, competed in a league-style competition over two days.



## Donations and Contributions

### TABLE FOR TWO

We take part in the TABLE FOR TWO program in the company cafeterias of the Tochigi Technology Center, the Kanuma Plants, and the Nakada Plant. When employees choose healthy TABLE FOR TWO menus in the company cafeterias, 20 Japanese yen, which is equivalent to the cost of one school meal in a developing country, is donated for every meal purchased to support school meals for children in need. In fiscal 2021, we donated 98,020 Japanese yen in total, enabling us to provide 4,901 school meals for children in need in Asia and Africa.

### Recycling activities

Each year, Dexerials Hong Kong Limited collects clothing, shoes, bags, etc. that are no longer used by its employees and donates them to The Salvation Army Hong Kong and Macau, a non-governmental organization in Hong Kong engaged in social services.



### Donations

Dexerials Hong Kong Limited participates in “Skip Lunch Day”, an initiative to donate the cost of a lunch to support communities with poor living conditions.

Dexerials Hong Kong also participates in “Love Teeth Day”, an initiative organized by the Community Chest Hong Kong, in order to raise employees’ health awareness while collecting donations to support dental care for those in poverty.

## Power behind Dexerials



In charge of General Affairs and Human Resources, Control Department  
Dexerials Hong Kong Limited

**Claire Wong Sze Long**

The COVID-19 pandemic greatly affected our CSR activities in 2021. While the government imposed certain COVID-19 prevention policy to restrict people’s living and work, especially outdoor activities, we successfully carried out all the planned CSR activities. It was a year of rapid progress that we also achieved the highest participation rate.

We started holding in-house workshops in addition to the regular recycling activities and donations. In this first year, environmental protection is the main theme of workshops. We invited an external instructor to teach us how to recycle items available at home and make natural cleaner and sanitizer gel. I totally felt rewarded to hear from employees who participated in the workshop commented “That’s easy to make! I can make them by myself in the future”.

Cooperation from participating employees was essential for CSR activities under the situation in which we still had many constraints. Going forward, we will continue to carry out unified CSR activities in cooperation with employees at Dexerials Hong Kong.

## Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and deposits	20,531	<b>29,363</b>
Notes and accounts receivable - trade	12,639	<b>19,140</b>
Electronically recorded monetary claims - operating	157	<b>289</b>
Merchandise and finished goods	2,670	<b>3,794</b>
Work in process	2,468	<b>3,565</b>
Raw materials and supplies	2,392	<b>4,465</b>
Other	2,400	<b>4,468</b>
Allowance for doubtful accounts	(2)	<b>(2)</b>
<b>Total current assets</b>	<b>43,259</b>	<b>65,086</b>
<b>Non-current assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures	30,163	<b>32,288</b>
Accumulated depreciation	(20,425)	<b>(21,693)</b>
Buildings and structures, net	9,738	<b>10,595</b>
Machinery, equipment and vehicles	36,219	<b>38,755</b>
Accumulated depreciation	(29,719)	<b>(31,651)</b>
Machinery, equipment and vehicles, net	6,500	<b>7,103</b>
Land	3,357	<b>3,572</b>
Construction in progress	1,646	<b>3,620</b>
Other	6,483	<b>7,664</b>
Accumulated depreciation	(5,089)	<b>(5,915)</b>
Other, net	1,393	<b>1,749</b>
<b>Total property, plant and equipment</b>	<b>22,635</b>	<b>26,642</b>
<b>Intangible assets:</b>		
Goodwill	20,683	<b>25,592</b>
Patent rights	1,120	<b>831</b>
Other	1,251	<b>1,541</b>
<b>Total intangible assets</b>	<b>23,055</b>	<b>27,966</b>
<b>Investments and other assets:</b>		
Shares of subsidiaries and associates	591	<b>160</b>
Retirement benefit asset	2,868	<b>3,250</b>
Deferred tax assets	1,867	<b>2,730</b>
Other	935	<b>1,586</b>
Allowance for doubtful accounts	(11)	<b>(12)</b>
<b>Total investments and other assets</b>	<b>6,252</b>	<b>7,716</b>
<b>Total non-current assets</b>	<b>51,942</b>	<b>62,324</b>
<b>Total assets</b>	<b>95,201</b>	<b>127,410</b>

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Notes and accounts payable - trade	8,433	<b>13,087</b>
Electronically recorded obligations - operating	1,948	<b>2,928</b>
Short-term borrowings	—	<b>6,500</b>
Current portion of long-term borrowings	4,677	<b>4,465</b>
Accounts payable - other	3,595	<b>5,935</b>
Accrued expenses	711	<b>877</b>
Income taxes payable	1,813	<b>6,822</b>
Provision for bonuses	2,440	<b>3,084</b>
Other	1,932	<b>6,102</b>
<b>Total current liabilities</b>	<b>25,552</b>	<b>49,803</b>
<b>Non-current liabilities:</b>		
Long-term borrowings	10,808	<b>8,467</b>
Retirement benefit liability	4,375	<b>4,385</b>
Deferred tax liabilities	222	<b>297</b>
Other	937	<b>316</b>
<b>Total non-current liabilities</b>	<b>16,344</b>	<b>13,466</b>
<b>Total liabilities</b>	<b>41,896</b>	<b>63,270</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Share capital	16,106	<b>16,170</b>
Capital surplus	16,106	<b>16,170</b>
Retained earnings	22,717	<b>35,733</b>
Treasury stock	(3,491)	<b>(7,444)</b>
<b>Total shareholders' equity</b>	<b>51,439</b>	<b>60,629</b>
<b>Accumulated other comprehensive income:</b>		
Deferred gains or losses on hedges	(587)	<b>(359)</b>
Foreign currency translation adjustment	1,807	<b>2,691</b>
Remeasurements of defined benefit plans	645	<b>774</b>
<b>Total accumulated other comprehensive income</b>	<b>1,866</b>	<b>3,105</b>
<b>Non-controlling interests</b>	—	<b>404</b>
<b>Total net assets</b>	<b>53,305</b>	<b>64,140</b>
<b>Total liabilities and net assets</b>	<b>95,201</b>	<b>127,410</b>



## Consolidated Statements of Income

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
<b>Net sales</b>	65,830	95,712
<b>Cost of sales</b>	37,475	50,525
<b>Gross profit</b>	28,354	45,186
<b>Selling, general and administrative expenses</b>	17,015	18,543
<b>Operating profit</b>	11,339	26,642
<b>Non-operating income:</b>		
Interest income	9	8
Rental income	90	67
Compensation income	—	36
Other	96	172
Total non-operating income	196	285
<b>Non-operating expenses:</b>		
Interest expenses	62	49
Foreign exchange losses	83	1,130
Share of loss of entities accounted for using equity method	207	431
Depreciation	221	160
Loss on investments in investment partnerships	83	43
Other	31	90
Total non-operating expenses	691	1,904
<b>Ordinary profit</b>	10,844	25,023
<b>Extraordinary income:</b>		
Gain on sale of non-current assets	0	51
Gain on change in equity	26	—
Gain on liquidation of subsidiaries	—	242
Insurance income	57	—
Total extraordinary income	85	293
<b>Extraordinary losses:</b>		
Loss on sale of property, plant and equipment	223	5
Loss on retirement of property, plant and equipment	89	825
Impairment loss	956	202
Restructuring expenses	1,809	—
Head office relocation expenses	—	155
Compensation for damage	154	349
Total extraordinary losses	3,232	1,539
<b>Profit before income taxes</b>	7,696	23,777
<b>Income taxes - current</b>	2,519	7,918
<b>Income taxes - deferred</b>	(152)	(809)
<b>Total income taxes</b>	2,367	7,108
<b>Profit</b>	5,329	16,669
<b>Profit attributable to owners of parent</b>	5,329	16,669

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
<b>Profit</b>	5,329	16,669
<b>Other comprehensive income:</b>		
Deferred gains or losses on hedges	(742)	227
Foreign currency translation adjustment	648	883
Remeasurements of defined benefit plans	741	128
Total other comprehensive income	647	1,239
<b>Comprehensive income</b>	5,977	17,909
Comprehensive income attributable to:		
Owners of parent	5,977	17,909
Non-controlling interests	—	—

## Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
<b>Cash flows from operating activities:</b>		
Profit before income taxes	7,696	23,777
Depreciation	4,674	4,207
Amortization of goodwill	1,798	1,788
Interest and dividend income	(9)	(8)
Interest expenses	62	49
Foreign exchange (gains) losses	282	(35)
(Gain) loss on sale of non-current assets	222	(45)
Loss on retirement of property, plant and equipment	89	825
Impairment loss	956	202
Restructuring expenses	1,809	—
(Gain) loss on investments in investment partnerships	83	43
Loss (gain) on liquidation of subsidiaries	—	(242)
(Gain) loss on change in equity	(26)	—
Insurance income	(57)	—
Compensation income	—	(36)
Loss on compensation for damage	154	349
Head office relocation expenses	—	155
Increase (decrease) in provision for bonuses	928	551
Changes in retirement benefit asset/liability	(1,080)	(188)
Share of loss (profit) of entities accounted for using equity method	207	431
(Increase) decrease in notes and accounts receivable - trade	(2,637)	(4,583)
(Increase) decrease in inventories	(1,771)	(3,318)
Increase (decrease) in notes and accounts payable - trade	2,984	3,440
(Increase) decrease in other receivables	(51)	17
Increase (decrease) in other payables	(1,516)	859
Increase (decrease) in income taxes payable (size-based business tax)	43	143
Other, net	478	1,005
Subtotal	15,320	29,390
Interest and dividend income received	10	8
Interest paid	(62)	(48)
Proceeds from insurance income	57	—
Compensation for damage paid	(154)	(348)
Proceeds from compensation	159	—
Income taxes paid	(2,144)	(3,197)
Net cash provided by (used in) operating activities	13,187	25,804
<b>Cash flows from investing activities:</b>		
Purchase of investment securities	(200)	(158)
Purchase of property, plant and equipment	(2,383)	(4,742)
Purchase of intangible assets	(353)	(509)
Proceeds from sale of property, plant and equipment	497	53
Purchase of shares of subsidiaries and associates	(34)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(7,074)
Other, net	2	(3)
Net cash provided by (used in) investing activities	(2,471)	(12,434)
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in short-term borrowings	—	6,500
Proceeds from long-term borrowings	6,000	—
Repayments of long-term borrowings	(7,847)	(4,677)
Purchase of treasury shares	(331)	(4,000)
Cash dividends paid	(2,174)	(3,650)
Repayments of lease obligations	(76)	(84)
Proceeds from exercise of stock options	170	128
Net cash provided by (used in) financing activities	(4,259)	(5,783)
Effect of exchange rate change on cash and cash equivalents	295	1,246
Net increase (decrease) in cash and cash equivalents	6,751	8,832
Cash and cash equivalents at beginning of period	13,779	20,531
Cash and cash equivalents at end of period	20,531	29,363



Professor at Rikkyo University Graduate School of Business Administration

### Kentaro Noda

#### Career summary

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

reflected in the Conversation Between Executive Management and Outside Directors.

In regard to human resource management, the health and productivity management section includes a roadmap to 2030 that clarifies targets.

There is also content that will build confidence within stakeholders, such as details of specific training aimed at strengthening the business continuity plan (BCP) and the actual results of a supply chain management survey.

Overall, there are a variety of creative touches, such as the use of comments from employees to illuminate the value creation story, and the structure has a flow that will encourage readers to keep reading.

As for points I would like you to work on in the future, the first is the targets in the environmental management section that were not achieved in fiscal 2021. While I understand that business expansion means that it is not easy to solve every issue, I want these items raised as issues to be addressed in the future.

The second is about the building of an advanced management structure that includes supply chains. Amid tightening global regulation and growing discussion regarding economic security, you need to be proactive in explaining your efforts.

Finally, I can confirm that your human resources development program is making steady progress, so I would like you to organize initiatives in this area with an integrated perspective, so that rather than just advancing individual initiatives, we can expect efforts to lead to the achievement of the ambitious goal of building an advanced human capital portfolio.

As the importance of integrated reports continues to grow, Dexerials is making steady progress year on year, and I am already looking forward to seeing how you will continue to evolve going forward.

2022 was a year that tested the sincerity of companies' engagement with society as the impact of the COVID-19 pandemic continued and the situation in Ukraine had a huge effect on the global economy. Therefore, I think the interest and expectations of various stakeholders regarding integrated reports are higher than ever before.

Within this environment, your Integrated Report confirmed progress on the achievement of the Medium-term Management Plan while also showing real enthusiasm to advance to the next step of development through the new addition of sustainability management, which will link contribution to realizing a sustainable society to the company's growth and enhancement of corporate value.

The Message from Top Management reviews the 10 years since the Company's establishment and describes the response to its efforts to date, including achieving the targets for all KPIs in the updated Medium-term Management Plan two years ahead of schedule.

Following this, the part explaining the importance of aligning each employee's purpose with the company's

purpose for the future amid these uncertain times was extremely striking.

The next point of focus was the incorporation of optical semiconductor device manufacturer Kyoto Semiconductor Co., Ltd. into the Group. I can understand the intent behind this move. It will strengthen the Company's main products and create a stepping stone for the future, thereby making growth strategies more achievable.

I also feel that huge progress has been made since last year regarding the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). Information disclosure based on the recommendations has been enhanced, such as the description of the business impact assessment.

One year has passed since the Company transitioned into a company with an Audit and Supervisory Committee, which has strengthened its corporate governance structure, but it is still carrying out earnest discussions, including with outside directors, about how to make it even more effective. These efforts are fully



## Response to the Third-party Opinion



Executive Officer and Corporate Strategy Division Head

### Koichi Akeyama

We are grateful to Professor Noda for his valuable opinions and advice about our Integrated Report from a third-party perspective. We will utilize them the most to keep on making our Integrated Report even better.

Because one of our important goals of this year's report was to provide more people with a deeper understanding of the Company, we revised the overall structure, and enhanced it with content such as conversations and interviews.

In moving forward to our next Mid-term Management Plan, the members of the Board of Directors have been discussing what sustainability management unique to Dexerials should be. Through this discussion, it became a common understanding among board directors that strengthening technologies and developing human resources, which are fundamental elements of Dexerials' "Design-in" and "Spec-in" business model, will be the most important issues to

address for the sustainable growth of Dexerials and continuous contribution to the evolution of society.

This is the direction of Dexerials' sustainability which fully appreciates Professor Noda's advice given last year that ESG, DX, and BCP should be managed in a more integrated manner rather than treated individually.

Going forward, we will work to further improve our sustainability management which reflects Dexerials' uniqueness through tight communication with stakeholders

While the changes in the business environment around the Company continue to accelerate, we will work to maintain trust and fulfill the expectations placed in us by stakeholders by solving social issues and contributing to the realization of a sustainable society through evolution of digital technology.

# Corporate Profile / Stock Information

## Corporate Information

(As of March 31, 2022)

<b>Company name</b>	Dexerials Corporation
<b>Establishment</b>	June 20, 2012
<b>Capital stock</b>	16,170 million yen
<b>Headquarters</b>	1724 Shimotsuboyama, Shimotsuke-shi, Tochigi, Japan
<b>Number of employees</b>	1,915 (on a consolidated basis)

## Stock Overview

(As of March 31, 2022)

<b>Total number of authorized shares</b>	100,000,000 shares
<b>Number of shares issued</b>	64,493,400 shares (including 1,556,509 treasury shares)
<b>Number of shareholders</b>	18,949

## External Evaluation and Inclusion in Indexes



**FTSE Blossom  
Japan Sector  
Relative Index**

**2022 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX**



**2022 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)**



\* The inclusion of Dexerials Corporation in any MSCI Index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Dexerials Corporation by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

## Stock Information

(As of March 31, 2022)

<b>Number of shares in one unit</b>	100 shares
<b>Fiscal year end</b>	March 31 of each year
<b>Listing</b>	Tokyo Stock Exchange, First Section (Prime Market from April 4, 2022 onward)
<b>Ticker symbol</b>	4980
<b>Shareholder registry administrator</b>	Stock Transfer Agency Department 1-4-5 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation

## Largest Shareholders

(As of March 31, 2022)

Shareholders	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,074,000	16.01
SSBTC CLIENT OMNIBUS ACCOUNT	4,668,744	7.42
Custody Bank of Japan (Trust Account)	4,093,600	6.50
Dai Nippon Printing Co., Ltd.	3,125,000	4.97
Custody Bank of Japan (Trust E Account)	2,992,200	4.75
SEKISUI CHEMICAL CO., LTD.	2,520,000	4.00
The Nomura Trust and Banking Co., Ltd. (Trust Account)	2,116,500	3.36
MLI FOR SEGREGATED PB CLIENT	1,437,600	2.28
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	1,145,200	1.82
STATE STREET BANK AND TRUST COMPANY 505103	1,054,192	1.67

Note 1: 1,556,509 treasury shares owned by Dexerials Corporation are not included in the list above.

Note 2: Our treasury stock of 1,556,509 shares is excluded from the above list and distribution

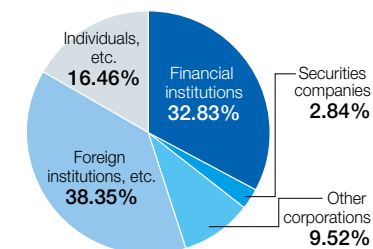
Note 3: Custody Bank of Japan (Trust account E) manages trust assets for the Employee Stock Ownership Plan (J-ESOP), which is an employee incentive program using common stock of the company as compensation, and for the Board Benefit Trust (BBT), which is a performance-linked stock compensation plan for directors (excluding outside directors).

## Stock Price (From April 1, 2021 to March 31, 2022)



## Breakdown by Type of Shareholder

(As of March 31, 2022)



## Return on Stock Price for the Year

(From April 1, 2021 to March 31, 2022)



\*1 Stock price on March 31, 2021 was used in the calculation.

**Reference: Return on stock price for the past three years**  
(From April 1, 2019 to March 31, 2022: Mid-term Management Plan period)



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

## Domestic Bases

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### Tokyo Office

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

### Western Japan Office

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

### Kanuma Plant No. 1

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

### Kanuma Plant No. 2

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

### Tagajo Plant

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

## Overseas

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### North America

#### Dexerials America Corporation

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

#### Dexerials America Corporation - San Jose Office

2001 Gateway Place, Suite 455E, San Jose, CA 95110, US

### Europe

#### Dexerials Europe B.V.

Spicalaan 27, 2132 JG Hoofddorp, The Netherlands

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

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

### Asia

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

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

#### Dexerials (Shanghai) Corporation

RM2401-2404, 2412, Ruijin Building, No. 205 South Maoming Road, Huangpu District, Shanghai, 200020, China

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

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

## Group Companies (In Japan)

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### Dexerials Precision Components Corporation

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

### Kyoto Semiconductor Co., Ltd.

307-21 Nishiote-cho, Fushimi-ku, Kyoto-shi, Kyoto 612-8362, Japan (Headquarters)

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

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

### Dexerials Hong Kong Limited

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

### Dexerials Taiwan Corporation

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

### Dexerials Korea Corporation

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

### Dexerials Korea Corporation - Engineering Solution Center

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

### Dexerials Korea Corporation - Gumi Office

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

### Dexerials Singapore Pte. Ltd.

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





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This report uses universal design  
fonts that are easy to read and  
distinguish.