

# Reinforcement of Corporate Governance and Compliance



## 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 of corporate governance is an extremely important issue.



### Initiatives to Strengthen Corporate Governance

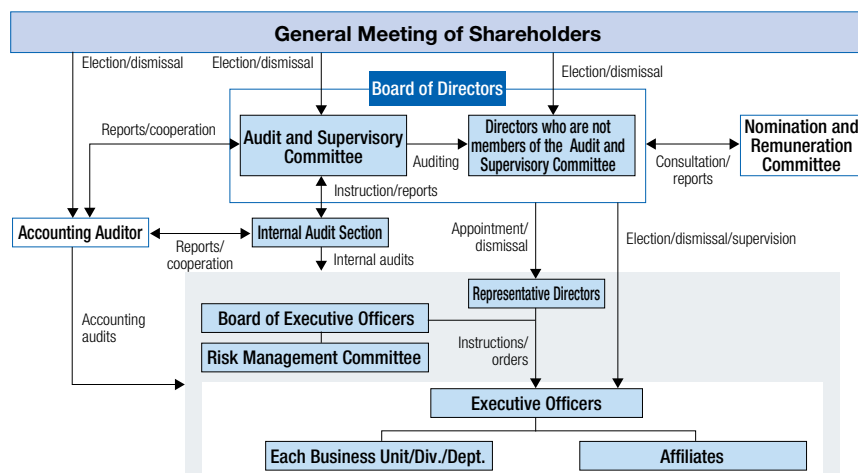
Dexerials engages continuously in initiatives to enhance corporate governance in order to build a more effective and efficient management system. Ever since we became a listed company, we have had a supervisory system in which the majority of our directors are outside directors with high independence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

We proactively delegate executive authority by introducing an executive officer system. In 2019, we

introduced an Entrusted Executive Officer System to further spread the delegation of authority. Then in 2021, we switched to a company with an Audit and Supervisory Committee, which has accelerated decision-making and efforts to drive forward the monitoring model.

#### Dexerials' corporate governance system (as of December 2021)



#### History of governance reforms

##### Jul. 2015

- Listed on TSE first section

##### Jun. 2016

- Introduced performance-linked stock compensation plan

##### Jun. 2021

- Switched to a company with an Audit and Supervisory Committee
- Revised policy on determination of officer remuneration (reviewed the KPIs, etc. used to decide remuneration)
- Status of all executive directors changed to delegation agreement-based
- Enhanced the delegation of executive authority

##### Jul. 2019

- Established Nomination and Remuneration Committee
- Introduced entrusted executive officer system
- Enhanced the delegation of executive authority

#### Changes in the number of officers

	2015	2016	2017	2018	2019	2020	2021
Directors (of which, outside)	7 (4)	7 (4)	7 (4)	7 (4)	7 (4)	6 (4)	7 (4)
Audit & Supervisory Board Members (of which, outside)	3 (3)	3 (3)	3 (3)	3 (3)	3 (2)	3 (2)	—
Executive officers	9	11	11	12	11	7	6

## Directors, Board of Directors, and Executive Officers

Dexerials' Board of Directors consists of seven members (including four outside directors), of which a majority of the members are outside directors. 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 six 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 four executive officers who do not serve as internal directors have executed 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 six 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 2020, where it discussed matters such as selection of officer candidates, confirmation of the training process for officer successors, evaluation of performance in determining remuneration for officers, and the appropriateness of evaluation indicators in determining the composition of remuneration and performance-linked compensation.

### Nomination and Remuneration Committee Meetings in Fiscal 2020

Date	Matters deliberated on
May 2020	<ul style="list-style-type: none"> <li>● Execution of the succession of president and management team</li> <li>● Deliberation on the amounts of officers' remuneration (performance bonus, stock-based compensation)</li> <li>● Review of fiscal 2019</li> </ul>
July	<ul style="list-style-type: none"> <li>● Discussion on succession planning</li> <li>● Discussion on the revision of officers' remuneration (basic policy)</li> <li>● Report on fiscal 2000 commitments</li> </ul>
September	<ul style="list-style-type: none"> <li>● Discussion on the revision of officers' remuneration (KPIs for performance-linked compensation)</li> </ul>
October	<ul style="list-style-type: none"> <li>● Discussion on succession planning</li> <li>● Discussion on the revision of officers' remuneration (KPIs for performance-linked compensation)</li> </ul>
January 2021	<ul style="list-style-type: none"> <li>● Discussion on the management system for the next fiscal year</li> </ul>

## Evaluation of Effectiveness of the Board of Directors

### Analysis & Method of Evaluation

The Board of Directors conducts self-evaluations of its effectiveness with the aim of achieving sustainable corporate growth and a medium- to long-term increase in corporate value.

For the evaluation in fiscal 2020, we contracted a third party to conduct interviews and analyze the results in order to ensure objectivity and transparency in the evaluation. Specifically, each director and Audit & Supervisory Board Member evaluated the effectiveness of the Board of Directors in fiscal 2020 based on a questionnaire created by the Board of Directors Secretariat, then the third party interviewed all directors and Audit & Supervisory Board Members about their responses and analyzed the results.

Finally, the Board of Directors held discussions based on the results of the analysis, and formulated an action plan detailing the key issues that need to be addressed in the next fiscal year.

#### Details of questionnaire items

Category	Details
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 2020 action plan	<p>Evaluation of effectiveness of fiscal 2020 action plan (Details of fiscal 2020 action plan)</p> <ul style="list-style-type: none"> <li>• Hold more in-depth discussions on the medium- to long-term management strategy, etc.</li> <li>• Deliberate on the composition and organizational design of the Board of Directors and method for deciding nomination and remuneration</li> <li>• Improve communications and share information</li> </ul>

### 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 followings were pointed out as matters of particular concern overall:

- Hold more in-depth discussions on the medium- to long-term management strategy, etc.
- Improve communications and share information
- Progress on agenda items in board meetings
- Share information related to risks

In addition to the above, the followings were pointed out as matters that require deliberation to further improve effectiveness:

- Clarify the roles and functions of the Board of Directors and each of its members
- Build consensus on the agenda of board meetings and scheduling of deliberation (clarify the roles and functions of the Board of Directors)
- Clarify the roles and functions expected of outside directors
- Consider ways of information sharing and communication needed to allow the Board of Directors to fulfill its roles and functions
- Evaluation of each member and succession

#### (2) Action plan for fiscal 2021

In light of the details specified in (1) above, the company made the following decisions with regard to its action plan for fiscal 2021:

- Build consensus between the management and outside directors on the roles and functions expected of outside directors, their evaluation, and succession
- Build consensus on the agenda of board meetings and scheduling of deliberation
- Consider ways of information sharing and communication needed to allow the Board of Directors to fulfill its roles and functions

## Officers' Remuneration

### Basic Approach

Remuneration of the Company's directors is determined based on a comparative examination of the company's current compensation 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 highly 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.

Performance-linked pay is set based on consolidated net sales, which correspond to the capability to earn revenue through implementation of the strategy, and EBITDA, which corresponds to the capability to earn substantial profit, as evaluation indicators. In addition to these, individual evaluation determined by the Nomination and Remuneration Committee is also reflected in performance remuneration. 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.

### 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 directors	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.

### Amount of officers’ remuneration in fiscal 2020

Officer classification	Total amount of remuneration, etc. (Yen in millions)	Total amount of remuneration, etc. by type (Yen in millions)			Number of eligible officers (people)
		Base remuneration	Performance-linked pay	Stock-based compensation	
Directors	132	85	25	21	7
Audit & Supervisory Board Members	25	25	—	—	3
<b>Total</b>	<b>157</b>	<b>110</b>	<b>25</b>	<b>21</b>	<b>10</b>
(of which outside officers)	42	42	—	—	6

## Reinforcement of Corporate Governance and Compliance

### Directors and Executive Officers (As of December 2021)

#### 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 the company)
- 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, the company
- Apr. 2014 Executive Officer, Optical Solutions Products Business Unit Head, the company
- Apr. 2016 Executive Officer, Product Development Division Head, Business Unit Group Deputy-Head, Corporate R&D Division Deputy-Head, the company
- Apr. 2017 Senior Executive Officer, Product Development Division Head, Automotive Devices Business Group Head, the company
- Jan. 2019 Senior Executive Officer, Automotive Solutions Business Unit Head, the company
- Mar. 2019 President and Executive Officer (to present), Automotive Solutions Business Unit Head, the company
- Jun. 2019 Representative Director and President, the company (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 insight about technology and a wealth of experience in business operations. 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 Chairman

#### 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, the Company (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 of its technology development and business development.

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, the company
- Jun. 2014 Standing Audit & Supervisory Board Member, the company
- Jun. 2019 Representative Director and Senior Managing Executive Officer, the company (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)
- Nov. 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.)
- Apr. 2018 Director and Senior Vice President, JXTG Holdings, Inc. (current ENEOS Holdings, Inc.)
- Jun. 2018 Statutory Outside Corporate Auditor, Nippon Shokubai Co., Ltd.
- Apr. 2019 Director and Senior Vice President, JXTG Holdings, Inc. (current ENEOS Holdings, Inc.)
- Jun. 2019 Director and Senior Vice President, JXTG Holdings, Inc. (current ENEOS Holdings, Inc.)
- Apr. 2020 Director and Senior Vice President, JXTG Holdings, Inc. (current ENEOS Holdings, Inc.)
- Jun. 2020 Senior Vice President, ENEOS Holdings, Inc. and ENEOS Corporation
- Apr. 2021 Advisor, ENEOS Corporation (to present)
- Jun. 2021 Outside Director, the company (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
- Jan. 2007 Joined Jones Day, Partner
- May 2015 Outside Audit & Supervisory Board Member, the company
- Jan. 2016 Partner, Ota & Sato
- Jun. 2018 Outside Director, CMK CORPORATION (to present)
- Jun. 2019 Outside Director, the company
- 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), the company (to present)

Ms. Rika Sato has deep insight about 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

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), the company (to present)

Mr. Tetsuyuki Kagaya has deep insight about finance and accounting, evaluation of corporate value, risk analysis etc. as a university professor. The company expects him to contribute to strengthening of 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 the company)
- 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, the company
- Jun. 2019 Audit & Supervisory Board Member (Standing), the company
- Jun. 2021 Director (Audit and Supervisory Committee Member), the company (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 about 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.

## Executive Officers / Division Heads / Business Unit Heads

### Yoshihisa Shinya

President and Executive Officer  
Officer in charge of management and business operations

### Toshiya Satake

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

### Takashi Yoshida

Executive Officer  
Corporate Planning & Control Division Head

### Kozaburo Hayashi

Executive Officer  
Connecting Materials Business Unit Head

### Yuji Kakiuchi

Executive Officer  
Global Sales & Marketing Division Head

### Koichi Akeyama

Executive Officer  
Corporate Strategy Division Head

### Kuo-Hua Sung

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

### Kentaro Oshima

Automotive Solutions Business Unit Head

### Kazuya Hayashibe

Corporate R&D Division Head

### Kouji Yamagishi

Production Control Division Head

### Hiroshi Uchida

Optical Solutions Business Unit Head

## Messages from Newly Appointed Outside Directors



As a manufacturer of functional materials, we possess a range of differentiated products, such as anisotropic conductive films (ACF) and anti-reflection films, based on our superior technological capabilities, and we are developing our business by capturing a large share of global niche markets based on our unique business model in which sales and engineers work together to approach not only direct customers but also end-product manufacturers directly. In response to the challenge of high dependence on products for specific fields, we are also branching out into new domains, such as the automotive field.

On the other hand, looking at the business environment surrounding our company from a long-term perspective, I believe that, to achieve sustainable growth and the enhancement of corporate value, our urgent challenge will be to create a long-term vision on which to base all manner of business decisions. Our most important tasks will be to draw up a vision for what we want Dexerials to be as a company in the future, incorporate long-term growth scenarios for realizing that vision specifically into its main strategies, that is, our future mid-term management plans, and execute those strategies promptly. This very moment in time, when business is performing well, is the perfect opportunity for us to create the organizational foundations and corporate culture to support our steady performance.

In my involvement as one of the outside directors in the first stage of formulating the long-term vision that will form the foundation for future growth, I hope I will be able to make some contribution by offering values that are not a mere extension of the past and ways of thinking that are not bound by the Company's history, culture, and traditions.

The aims of the transition from a company with an Audit and Supervisory board to a company with an Audit and Supervisory Committee are to expand the scope of the delegation of authority to the executive directors and to increase the speed of management. To link these aims to the sustainable creation of corporate value will require strengthening the independence and authority of the Audit and Supervisory Committee, which is in charge of monitoring.

The effectiveness of such efforts is determined by how sincerely the directors in charge of business execution share information about the current status of the company with the outside directors and how sincerely they listen to their opinions. At Dexerials, the internal directors charged with business execution and the executive officers provide the outside directors with various opportunities besides the Board of Directors meetings to hear careful explanations about important matters, even regarding events for which those directors and executive officers have been given authority. In explaining matters to the outside directors to our satisfaction, the Company places emphasis on reflecting diverse perspectives in its management decisions. Where necessary, I make requests for information I need to fulfill my monitoring role as a director and Audit and Supervisory Committee Member, and the Company responds to my requests promptly.

Nevertheless, the economy, society, and the environment are changing at a dizzying pace, and to respond flexibly to those changes, we need to listen sincerely than ever to our diverse stakeholders, and take a stance to transform the Company. To this end, we need to evolve our corporate governance itself. I hope to adroitly identify the changes in the economy, society, and the environment and work hard to link them to our management innovation.



## Compliance

For an enterprise to remain trusted by stakeholders, the promotion of compliance is indispensable.

The Dexerials Group is promoting initiatives to be a good corporate citizen and ensure compliance with laws and regulations and 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 implementation of our corporate philosophy “Integrity—Have Integrity and Sincerity,” understanding of and compliance with laws and regulations, and accountability and appropriate communication with stakeholders, and ensuring internal control through use of the Compliance Hotline. In addition, based upon the basic policies, we have established specific commitments that should always be upheld both by officers and employees. These include respect for human rights, product and service safety, environmental conservation, disclosure of corporate information, 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

The “Compliance Handbook: Our Commitments” picks topics from within the Group Code of Conduct that are of particular relevance to business activities and uses specific examples to explain concepts simply. The handbook is revised as appropriate in consideration of the recent changes in social conditions, and redistributed to all Group officers and employees worldwide.



#### 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 employees using e-learning and other means, covering 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 are also working to familiarize all employees with these issues, such as through periodical email newsletters explaining laws and regulations using manga.

#### Compliance Hotline

The Dexerials Group has established internal and external (via attorneys) points of contact (Hotline) for whistleblowing by employees of the Group. Anonymous reporting is permitted and disadvantageous treatment of whistleblowers is prohibited.

When the Compliance Hotline receives a report from an employee, the Compliance Hotline investigates the facts, and if the report is judged to be credible as a result of the investigation, the president and the relevant officers are notified, and the Board of Executive Officers will deliberate on measures necessary for correction and for prevention of recurrence.





## 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.



### Minimizing Chemical Substance Risks

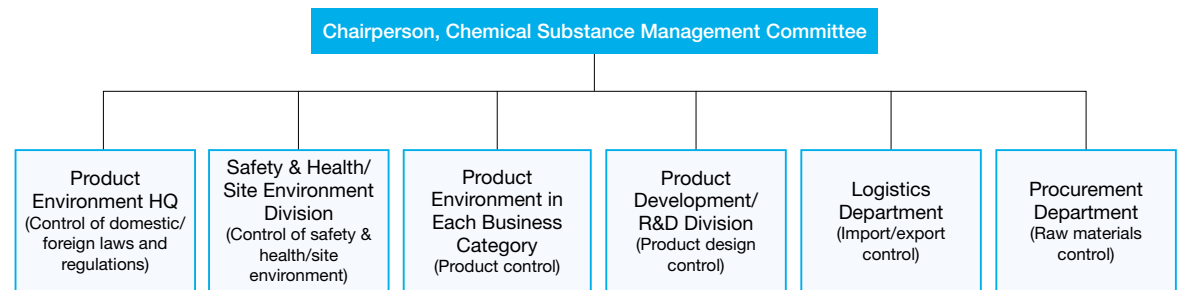
The Dexerials Group believes that thorough compliance with chemical substances is indispensable to continue providing safe and secure products to our customers into the future. To put this belief into practice, we have built the Chemical Substance Management Committee to ensure proper and integrated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

### Staying in Compliance with Ever-changing Domestic and Foreign Laws and Regulations

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.

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



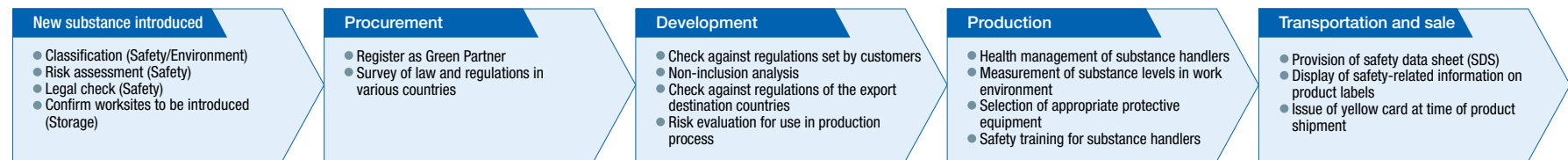
## Appropriate Management of Chemical Substances

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 GHS classification results\*1.

\*1 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



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

The Company engages 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.

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



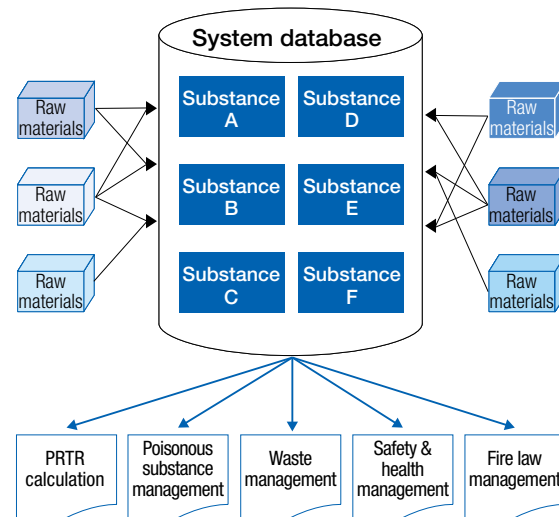
## Formulation and Dissemination of the Dexerials Group Code of Conduct

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 in a chemical substance database 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.

### Concept of management system for chemical substances



## Chemical Substance Management Education

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 join the Company, through OJT provided at their assigned positions, e-learning, or instructions by internal experts. The subjects of education range from those legally required to those aimed at making improvements at the workplace.

This year, we introduced a new sensory training method using VR equipment to learn about an explosion and other topics.

In addition to these, we are also continuing the chemical substances training that had previously been conducted while taking COVID-19 infection prevention measures such as limiting the number of participants at each group training session or holding remote training.