

“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.

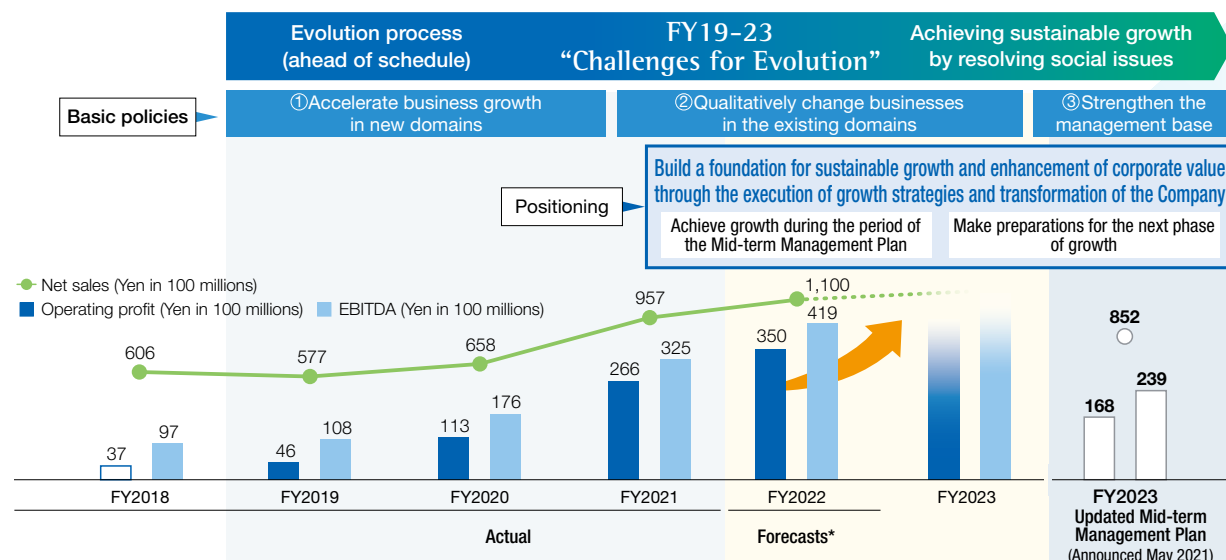
Initiatives and outcomes up to fiscal 2021 (first three years of the plan)

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



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.

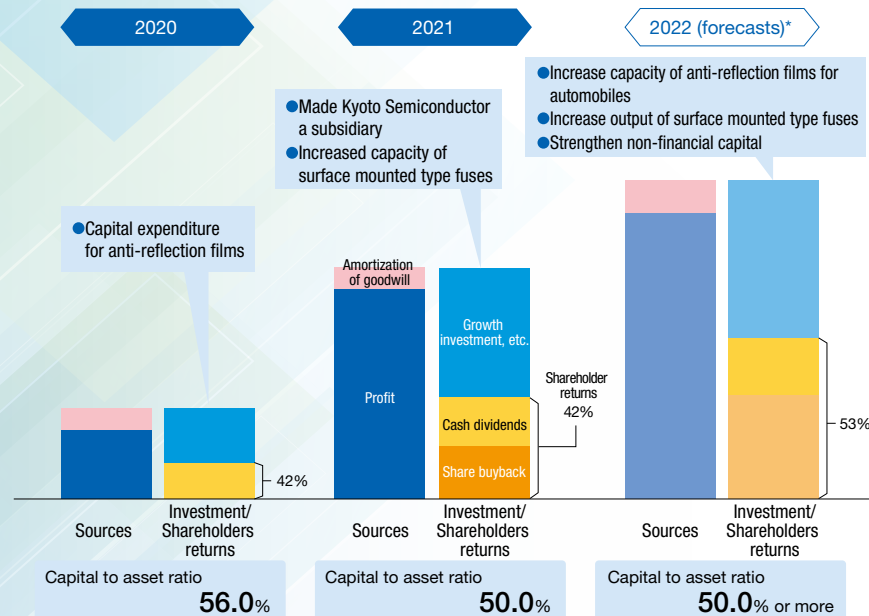
Given that environment, we have positioned the next two years until the end of the period of the plan as one for “building a foundation for sustainable growth and enhancement of corporate value through the execution of growth strategies and

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

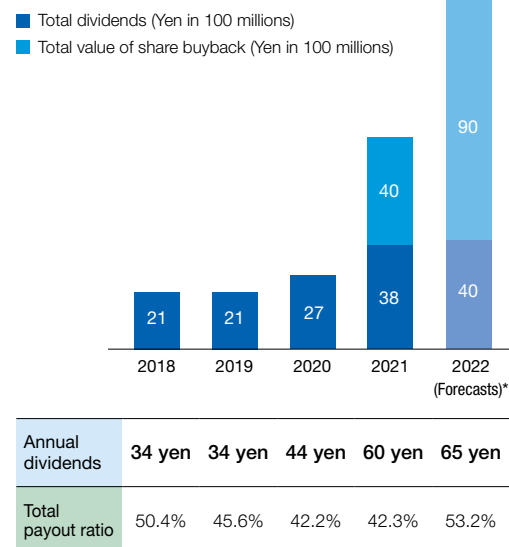


transformation of the Company”, and will be taking various measures based on the three basic policies so as to steadily expand our performance. [Refer to the following page for more details.](#)

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
Total	9.0 billion yen (maximum)

Cash dividends

(Forecasts for fiscal 2022)

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

*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

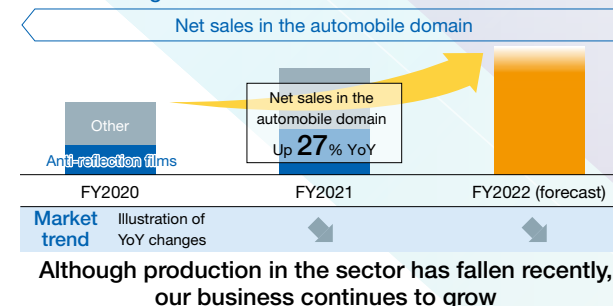
We have positioned the automotive business as a growth domain, and are focusing on it with a view to freeing ourselves from dependence on the mobile IT product market and specific customers. In addition, the trend toward increased number of and larger displays mounted in cars led to increased adoption 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

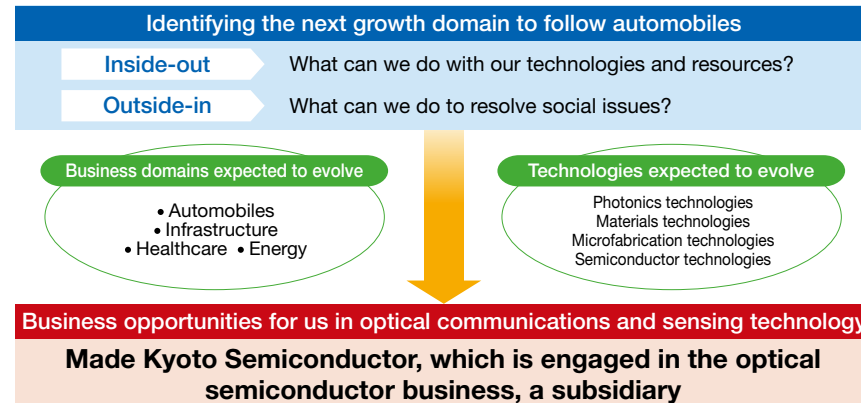
Regarding new domains, the automotive business is growing steadily, but we have continued to search for the next pillar of our business following the automobile business by asking ourselves, “What can we do with our technologies and resources?” and “How can we contribute to resolving social issues?” 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, Dexcelials 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

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



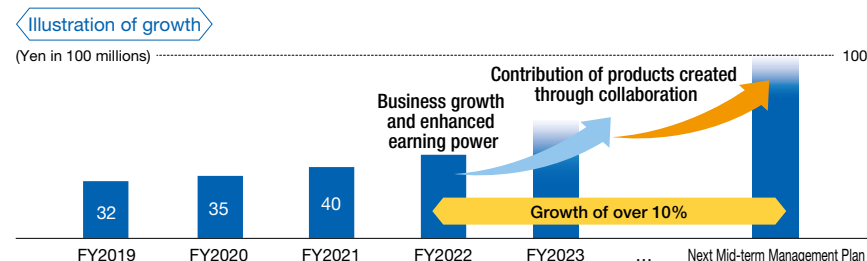
Potential for business growth through collaboration with Kyoto Semiconductor

Dexcelials 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.

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 "Jetttable 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

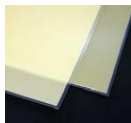
It is not easy to expand and grow our business amid a diverse business environment that is changing in ways we have never experienced before. However, we are not afraid of change and will tackle everything with a spirit of challenge. We will continue to provide not only materials but also optical solutions 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 "Jetttable 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 Dexcelers 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.

SemsoTec

Power behind

Dexcelers



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 Dexcelers 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.

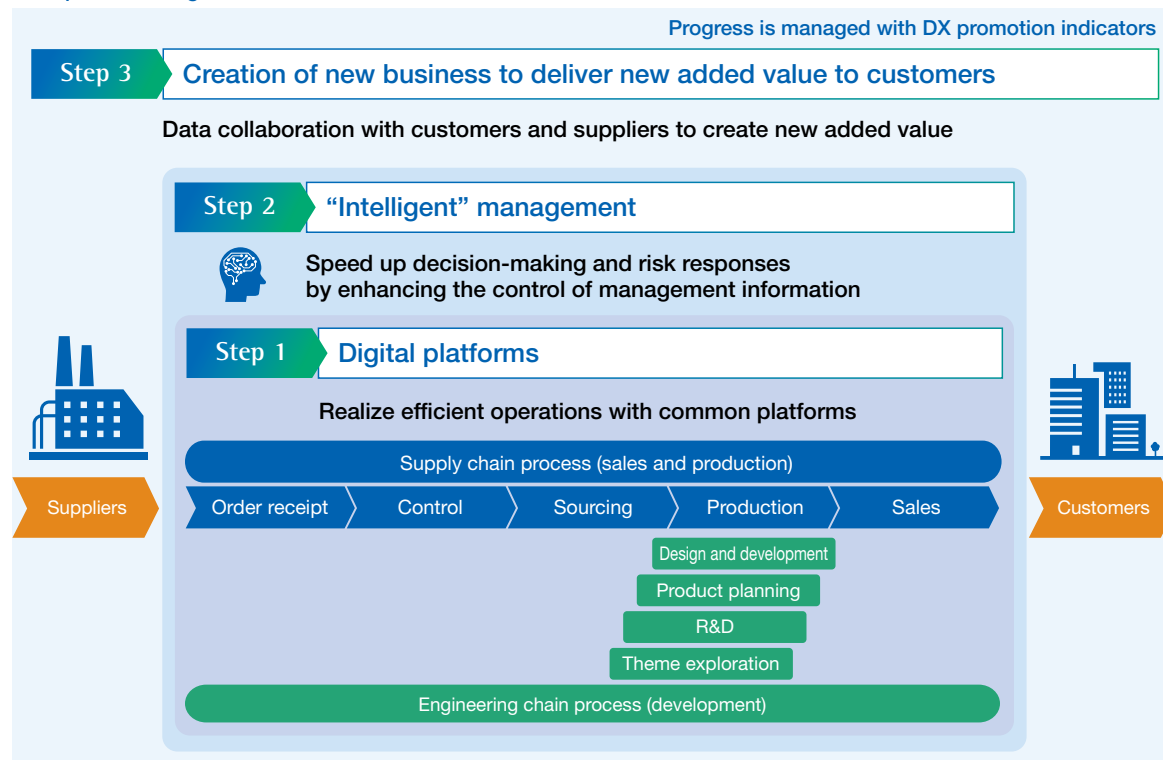
Accelerating Change Through Digital Transformation (DX)

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



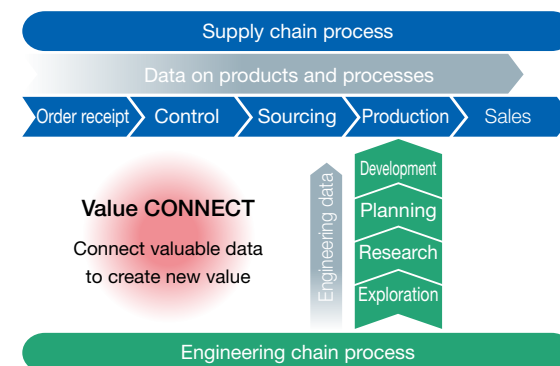
Step 1

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

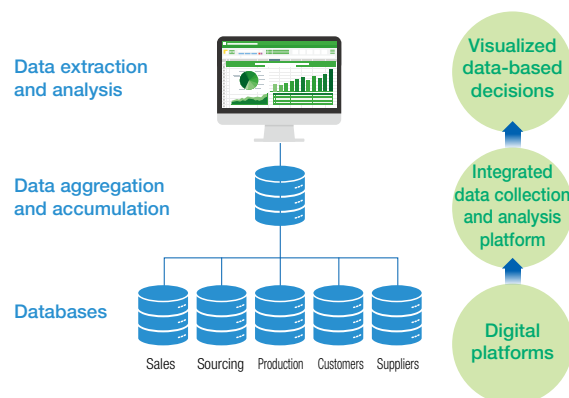
“Intelligent” management

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

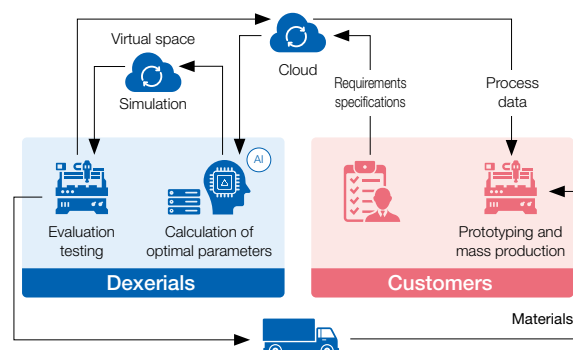
Creation of new business to deliver new added value to customers

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.



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

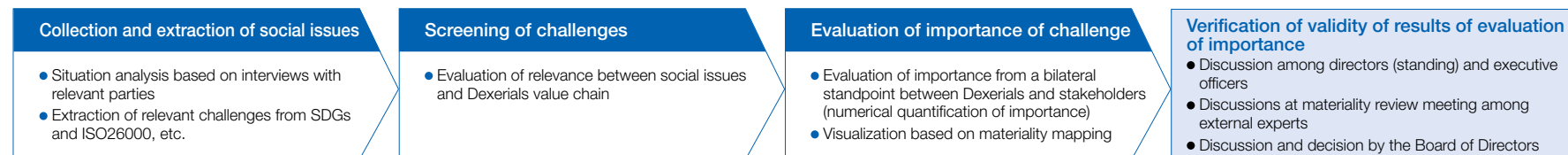
We contribute to local communities as a good corporate citizen. We encourage communication with local communities, promoting activities and supporting initiatives related to the environment, sports, cultural activities and so on, mainly in the areas where plants are located.

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.

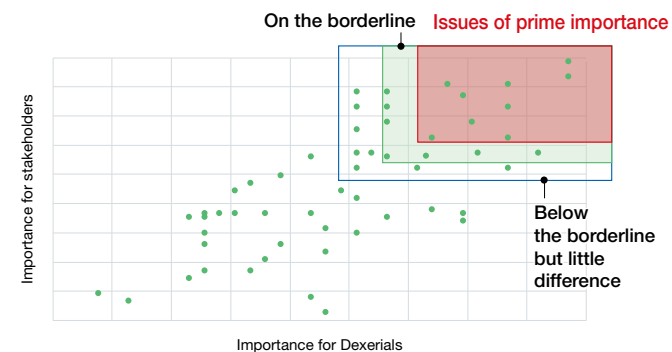


Materiality evaluation (materiality mapping)

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	3 Good health and well-being Ensure healthy lives and promote well-being for all at all ages.	6 Clean water and sanitation Ensure availability and sustainable management of water and sanitation for all.
	7 Affordable and clean energy Ensure access to affordable, reliable, sustainable and modern energy for all.	13 Climate action Take urgent action to combat climate change and its impacts.
Reinforcement of corporate governance and compliance	12 Responsible consumption, production Ensure sustainable consumption and production patterns.	16 Peace, justice and strong institutions 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	4 Quality education Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	5 Gender equality Achieve gender equality and empower all women and girls.
	8 Decent work and economic growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	
Ensuring operational safety and business continuity	3 Good health and well-being Ensure healthy lives and promote well-being for all at all ages.	8 Decent work and economic growth 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 ² ● Thermal conductive sheets: 5,469 m ²	×	Shipments of products for automotive applications ● Anti-reflection films: 336,000 m ² ● Thermal conductive sheets: 17,099 m ²	×	Shipments of products for automotive applications ● Anti-reflection films: 290,000 m ² ● Thermal conductive sheets: 4,400 m ²	○
	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 ₂ emissions by launching water treatment agents in Japan and overseas	Reduction in CO ₂ emissions: 3,000 t-CO ₂ /year	○	Reduction in CO ₂ emissions: 6,000 t-CO ₂ / (cumulative total over fiscal 2019–2020)	○	Reduction in CO ₂ emissions: 10,000 t-CO ₂ / (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 ₂ emissions	1% YoY reduction of CO ₂ emissions from business activities	○	1% YoY reduction of CO ₂ emissions from business activities	○	1% YoY reduction of CO ₂ emissions from business activities	○
	Reduction of waste emissions	Continuation of zero emissions	○	Continuation of zero emissions	○	Continuation of zero 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	○
		YoY reduction in usage volume	×	YoY reduction in usage volume	○	YoY reduction in usage volume	×
Reinforcement of corporate governance and compliance	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)	×
	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)	○
Cultivation of diverse human resources and engagement	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 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	○	● Instilment of the management by objective system to facilitate employees' growth ● Implementation of measures for managers	○	● Instilment 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	○
Ensuring operational safety and business continuity	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%	○
	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 ² ● Thermal conductive sheets: 5,400 m ²	Shipments of products for automotive applications ● Anti-reflection films: 540,000 m ² ● Thermal conductive sheets: 6,000 m ²
	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 ₂ emissions by launching water treatment agents in Japan and overseas	Reduction in CO ₂ emissions: 3,400 t-CO ₂ /year	Reduction in CO ₂ emissions: 3,400 t-CO ₂ /year
	Number of major quality issues	Zero	Zero
	Number of product quality incidents	Zero	Zero
	Reduction in CO ₂ 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
	Initiatives to reduce smokers	100% implementation of company-wide no-tobacco day	Prohibition of smoking during working hours
Ensuring operational safety and business continuity	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