



Environmental Management

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

Environmental Initiatives

The Dexerials Group is taking initiatives in its business activities to reduce CO₂ emissions, utilize resources efficiently to reduce environmental impacts, handle wastes and emissions appropriately, and save water. With a long-term target of achieving zero CO₂ emissions established, we have engaged in various activities to reduce environmental impacts.

Environmental Management System

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

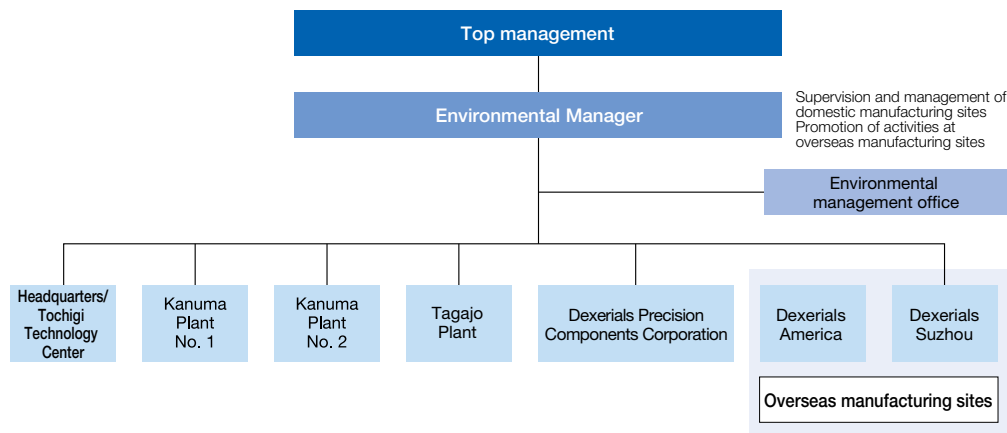
activities with consideration for the differences in various products and equipment at each office and manufacturing site. In addition, the Group’s principal sites in Japan and overseas have obtained the external certification ISO 14001 for environmental management systems.

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

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



● Environmental management structure



● ISO 14001 certification status

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

Environmental Targets

To realize a sustainable society, Dexerials has set a long-term target of achieving zero CO₂ emissions from electricity used in our business operations by 2030.

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

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

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

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



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

	Target for fiscal 2021	Achievement status of the target for fiscal 2021	Review of fiscal 2021	Targets for fiscal 2022–2023
CO ₂	<ul style="list-style-type: none"> 1% YoY reduction of CO₂ emissions from business activities 	○	<p>CO₂ emissions were reduced by approximately 2% year on year.</p> <ul style="list-style-type: none"> We renovated facilities and switched lighting to LED bulbs, which we believe are highly effective in saving electricity. We promoted energy saving by efficiently operating production facilities that consume a large amount of electricity. 	<ul style="list-style-type: none"> 1% or more YoY reduction of CO₂ emissions from business activities
Industrial waste	<ul style="list-style-type: none"> Continuation of zero emissions*1 Reduction of volume generated 	○ ×	<p>We promoted efforts to extend the life of production materials and to recycle solvent waste, but the volume of waste generated increased by approximately 16% year on year as the production of primary categories increased.</p>	<ul style="list-style-type: none"> Continuation of zero emissions*1 Reduction of generated emissions intensity
Water	<ul style="list-style-type: none"> Compliance with voluntary standards for water quality YoY reduction of usage volume 	○ ×	<p>We continued activities to internally save water, but water usage increased by approximately 15% year on year due to the need to use water for cooling caused by rises in temperature during the summer.</p>	<ul style="list-style-type: none"> Compliance with voluntary standards for water quality Reduction of water usage
VOC	<ul style="list-style-type: none"> Flat or reduction of usage volume YoY 	○	<p>VOC decreased by approximately 6% year on year backed by our continued efforts, including the upgrade of deodorization equipment and the reduction of solvent usage.</p>	—*2

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

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

Topics

Dexerials took a stake in R Plus Japan, Ltd.

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



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

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

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

Dexerials Precision Components Corporation, a consolidated subsidiary of Dexerials, purchased a part of the carbon offsetting credit (J-VER), i.e., the absorption volume of CO₂ emissions, Tome City, Miyagi Prefecture was granted from the Ministry of the Environment by tree thinning in the city-owned forest. We purchased the credit equivalent to 100 t-CO₂ with a view to offsetting our emissions in the future.

Disclosure in Accordance with the TCFD Recommendations

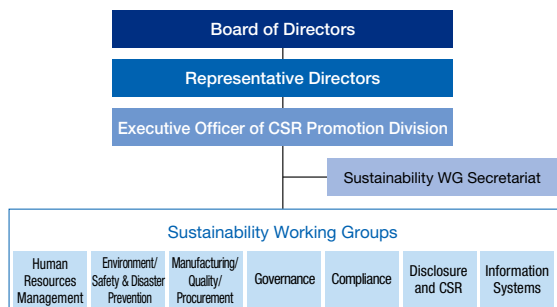
Climate change is an important issue that humanity must resolve if we are to realize a sustainable society. We consider action against climate change to be a prerequisite for business continuity for any company. Dexerials declared its support for the recommendations of the Task Force on Climate-related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



Governance

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

CSR management structure



Strategy

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

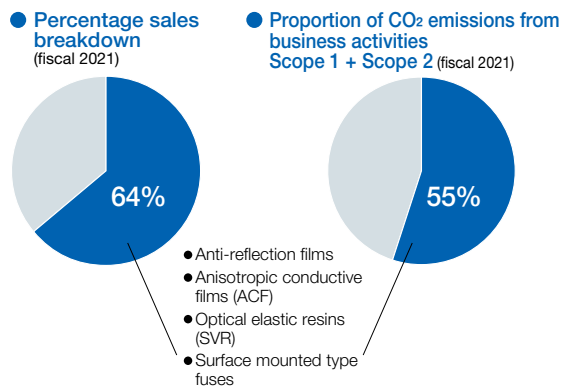
In fiscal 2022, we are expanding the scope of products subject to scenario analyses, newly defining the groups of scenarios, assessing impacts on its business, and discussing countermeasures.

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

Products subject to scenario analyses

We have applied the scenario analyses preferentially to primary products that significantly affect our financial standing and greenhouse gas (GHG), i.e., CO₂, emissions.

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



Definition of groups of scenarios

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

1.5-2°C scenario

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

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

World of the 1.5-2°C scenario

- Moves toward the creation of a decarbonized and circular society accelerate.
- The percentage of renewable energies such as solar and wind power in the electric power mix increases drastically.
- The carbon tax rate against CO₂ emissions is increased significantly.
- Because of the transition to a circular society, the shift to bio and recycled materials accelerates.
- Society is more streamlined and shifts to an ultra-smart society.
- In the automobile market, the electrification of automobiles and shift to autonomous driving make progress, which changes the space in a vehicle to a living space.

4°C scenario

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

Reference: Stated Policies Scenario (STEPS)

World of the 4°C scenario

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

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

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

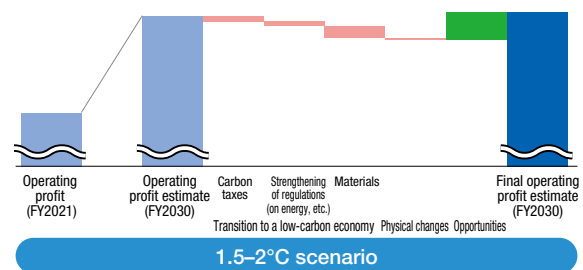
Classification	Changes in the social environment	Impact on business	Period of impact*	Risks	Opportunities	Main initiatives
Policies and legal restrictions	Rise in carbon price	<ul style="list-style-type: none"> ● Increase in production and transportation costs resulting from the introduction of a carbon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

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

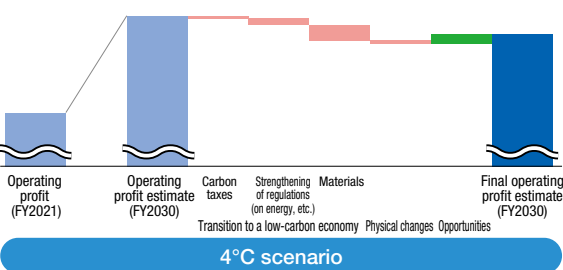
Assessment of business impact (assessment of financial impact)

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

● Expected financial impacts



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



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

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

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

Risk Management

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

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

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

Metrics and Targets

Dexerials has set CO₂ emissions as a climate-related evaluation metrics and is aiming to achieve zero CO₂ emissions from consuming electricity for business by 2030.

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



Chemical Substance Management

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

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

Chemical Substance Management System

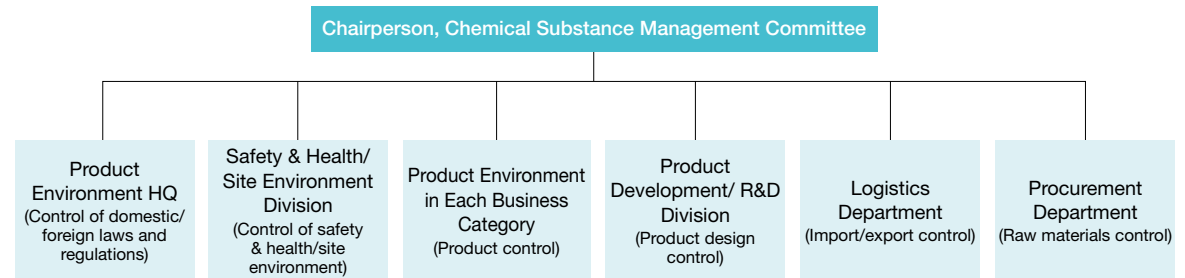
The Dexerials Group believes that thorough compliance in the management of chemical substances is indispensable to continued provision of safe and secure products to our customers into the future. To put this belief into practice, we have established the Chemical Substance Management Committee to ensure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

Responses to Laws and Regulations Relating to Chemical Substances

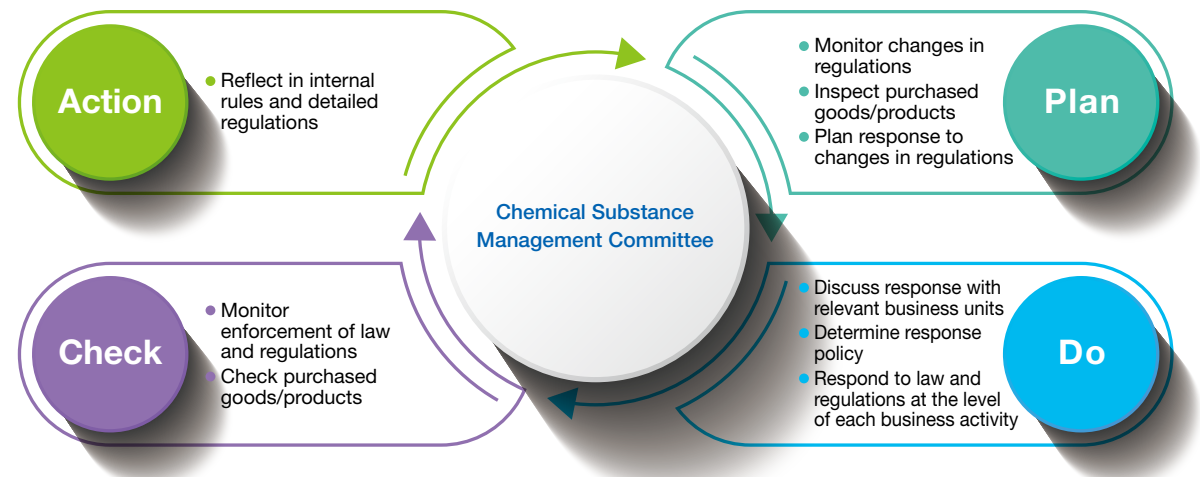
As well as managing the use of chemical substances in the Company's business activities, we check and deal with regulatory aspects of matters ranging from the purchase of raw materials to product design, manufacture, distribution, import and export, to ensure that the Company responds appropriately to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

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

Organization chart of the Chemical Substance Management Committee



PDCA cycle for responding to related laws and regulations



Appropriate Management of Chemical Substances

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

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

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

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

Internal management flow for chemical substances



Internal Web Portal to Regulatory Information on Chemical Substances



Operation of Chemical Substance Management System

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

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

Education on Chemical Substances

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

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

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

to make our education more effective.

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



Training session using VR



Human Resource Management

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

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

Developing People Who Create Value

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

● HR philosophy, HR vision, and HR strategy

HR philosophy

Developing people who create value

HR vision

Optimize the cycle for self-fulfillment

Corporate Philosophy

Integrity

Have Integrity and Sincerity

Corporate Vision

Value Matters

Unprecedented innovation, unprecedented value

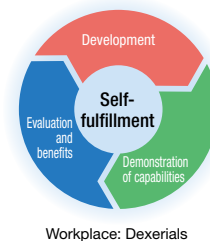
HR strategy

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

Optimize the Cycle for Self-fulfillment

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

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



Basic Policy for Human Resource Development and Education and Training System

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

● Basic policy for human resources development

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

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

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

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

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

Initiatives for Sustainable Growth

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

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

Employee Stock Ownership Plan (ESOP)

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

Initiatives for health and productivity management

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

Establishment of working groups

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

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

Initiatives to support health promotion

Exercise: Five-minute RIZAP exercise training video

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

Diet: KAGOME Veggie Check® and high-veggie meals

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

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



Mental health: Seminar for sleep improvement

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

● Health and productivity management roadmap to fiscal 2030



Education and Training System

Development-oriented Training for Promoted Employees

We provide development-oriented training for newly promoted employees.

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

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

Training for Managers

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

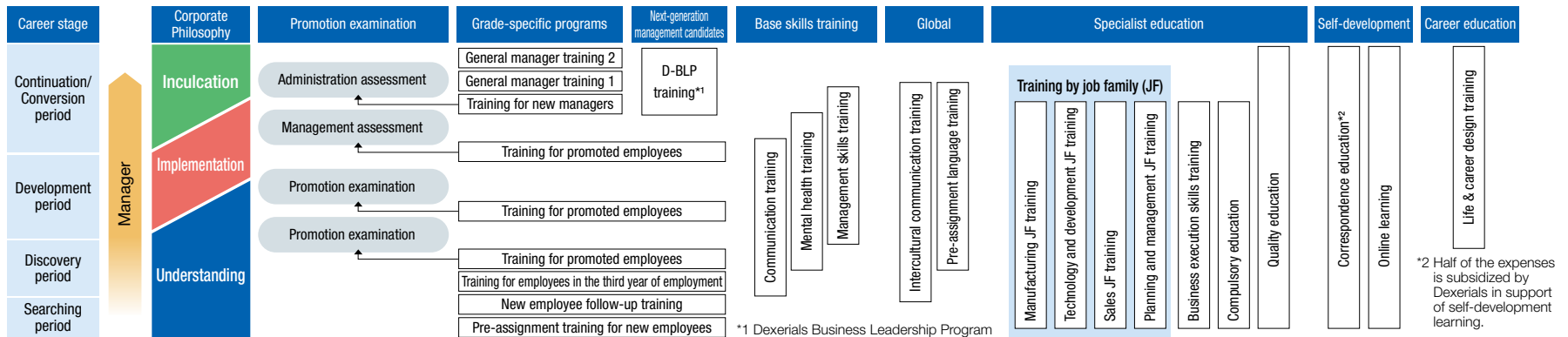
Training for New Employees in the First Three Years

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

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

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

Education and training system



*1 Dexerials Business Leadership Program

*2 Half of the expenses is subsidized by Dexerials in support of self-development learning.

Specialist Education System

Job Family System

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

Technical Training for Engineers

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

Next-generation Leader Development

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

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

* Dexerials Business Leadership Program

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

Approach to Diversity

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

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

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

Transformation of Workstyles

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

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

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

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



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

Strengthening of Diversity Communication

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

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

Training for Mid-career New Hires

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

Promotion of Female Participation and Career Advancement

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

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

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

Employment of People with Disabilities and Communication Training

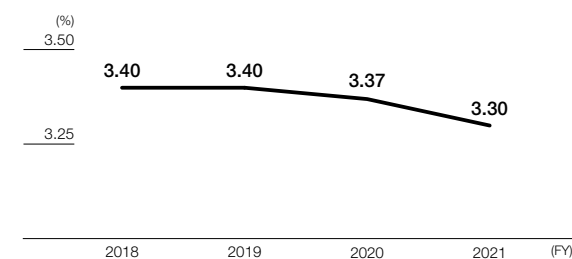
We employ people with disabilities in a wide range of areas, from office work through to manufacturing.

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

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

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

Percentage of employees with disabilities



Power behind Dexerials



Production Department, Optical Solutions Business Unit

Tsuyoshi Tanabe

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

Also, my operational efficiency has improved as the Company

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

Diverse Workstyles and Work-Life Balance

Basic Approach

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

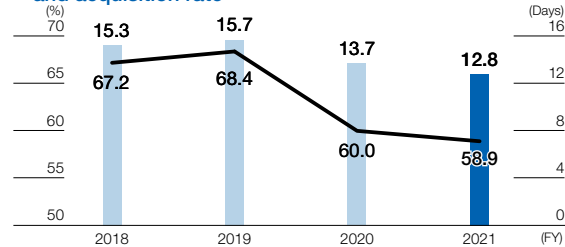
Appropriate Working Hours

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

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

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

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



— Annual paid leave acquisition rate
■ Average number of days of annual paid leave acquired

Remote Work

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

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

Supporting Childcare and Nursing Care

Childcare support

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

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

Power behind Dexerials



Product Development Department, Optical Solutions Business Unit

Hironobu Moriyama

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

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

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

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

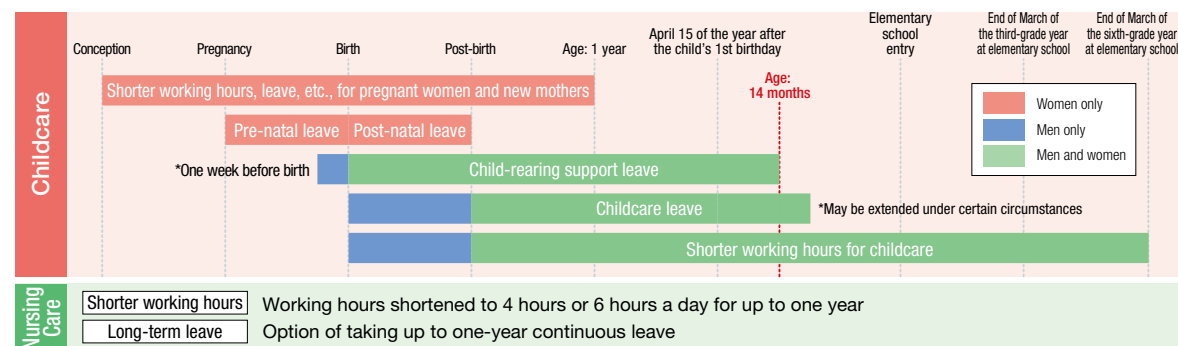
Nursing care support

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

Expansion of systems to support balance between work and home needs

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

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



Initiatives for Human Rights and Employee Communication

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

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

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

Since fiscal 2020, we have offered an e-learning

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

Employee Association’s Activities

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

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

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



Ensuring Operational Safety

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

Safety Philosophy and Basic Policies

Safety Philosophy

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

Basic Policy

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

Initiatives

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

Occurrence of Workplace Accidents

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

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

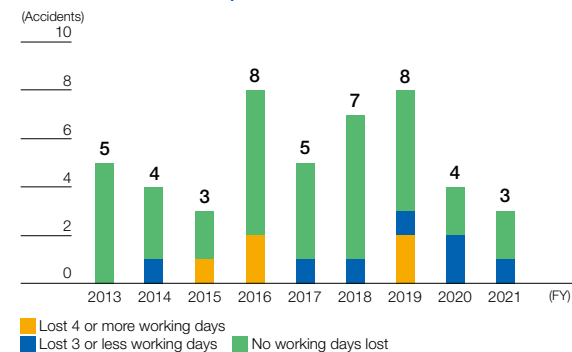
Furthermore, we have built a system to digitize and centrally manage the information. By sharing information about accidents through this system, we are working to improve the safety awareness of each and every employee.

Prevention and Continuous Improvement

Risk assessment utilization

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

● Occurrence of workplace accidents

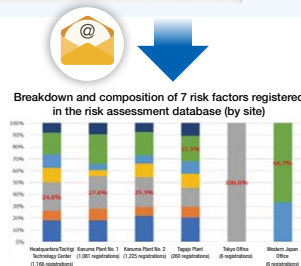
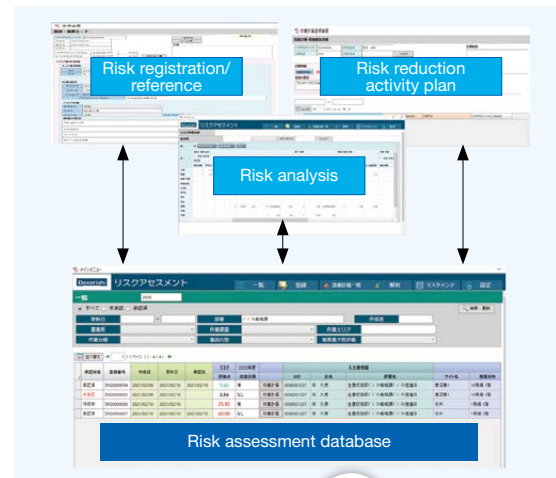


of it for safety activities. This system facilitates cross-departmental sharing of information on disaster and safety activity, so we expect recurrence prevention effects, such as noticing the possibility of similar risks.

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

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

● Risk assessment system



Equipment safety inspection

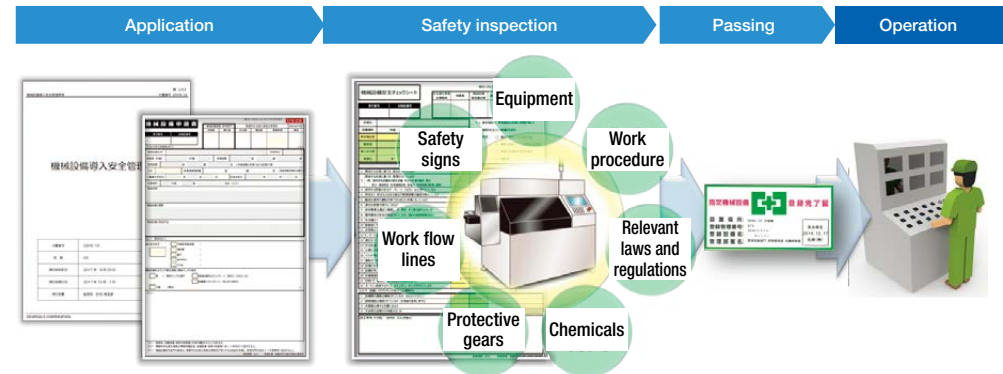
We have developed a structure for equipment safety inspection using our equipment installation system to ensure workers' safety and compliance effectively and efficiently.

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

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

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

● Equipment safety inspection process



Education and Training

Experiential learning of occupational safety and traffic safety

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

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

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

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

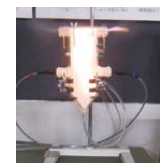
We analyzed past traffic accidents and found that drivers' complacency, overconfidence, and distraction were the most common causes of accidents.

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

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

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

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



Dust explosion simulator



VR training for hazardous situations



VR training for traffic safety



Quality Management

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

Quality Philosophy and Basic Policy

Quality Philosophy

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

Basic Policy

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

Quality Promotion System

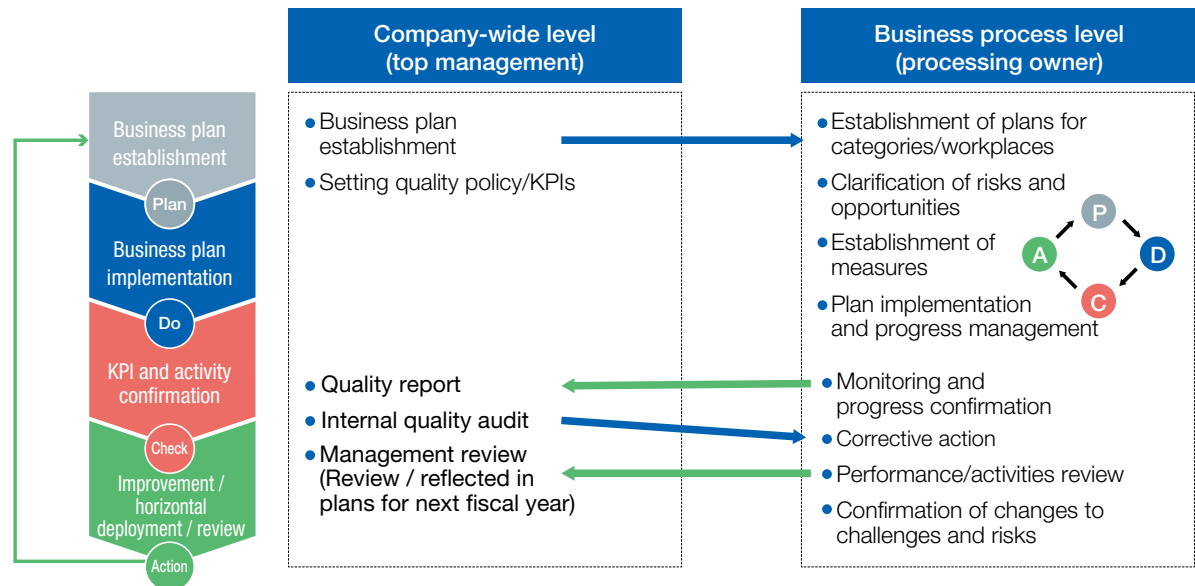
Dexerials has established a process management system led by top management in order to conduct business activities in compliance with quality management systems and ensure compliance with laws and regulations and customer requirements.

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

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

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

Process management operation chart



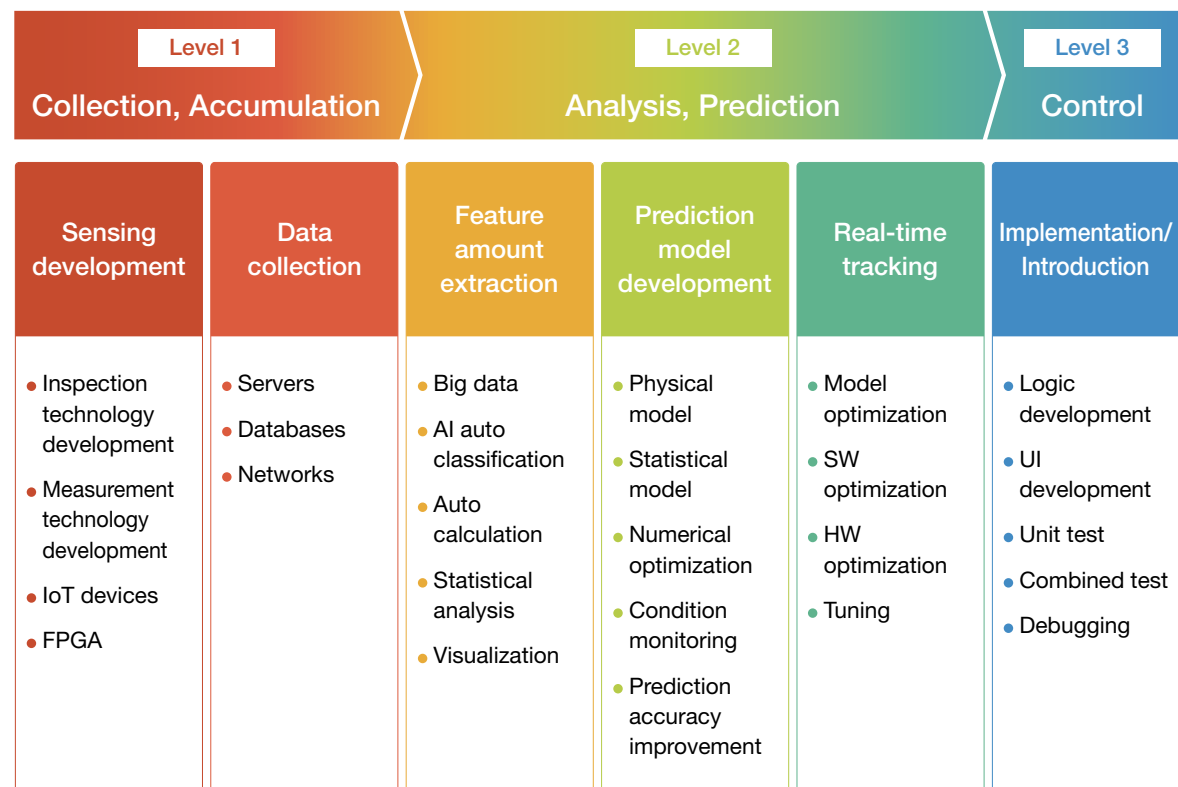
the achievement of the quality KPIs by implementing a two-fold PDCA cycle.

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

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

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

● Promotion of DX in quality control

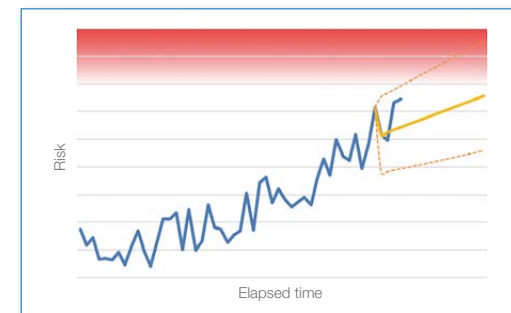


Quality Management System Certification Status

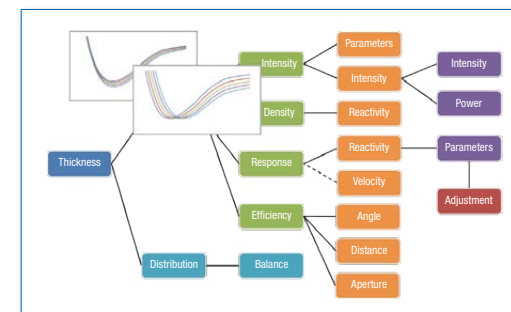
All the manufacturing sites of the Dexerials Group have obtained ISO 9001 certification for quality management systems that provide the basis for promotion of the quality philosophy and the basic policy and for business activities, such as design, development, manufacturing, and quality assurance.

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

Prediction of quality anomalies



Process control automation



Product Safety

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

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

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

Promotion of DX in Quality Control

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

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

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

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

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

(2) Establishing the quality anomaly prediction method

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

Quality Communication

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

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

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



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

Technology Education and Human Resource Development

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

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



Quality control training

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

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

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

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

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

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

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

*2 National qualification attesting to machine maintenance skills.



Strengthening Intellectual Property Portfolio

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

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

Relevance to "Integrity"

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

Relevance to "Value Matters"

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

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

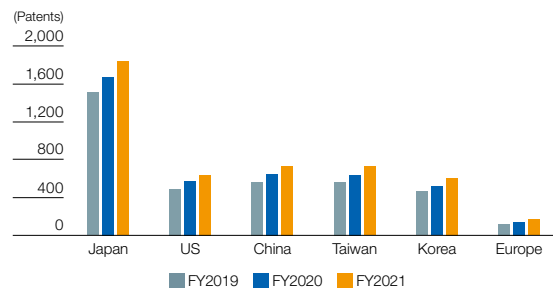
Securing Intellectual Property Rights to Enhance Business Competitiveness

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

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

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

Number of patents held or applied in major countries/regions



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

Strategic Utilization of Intellectual Property Portfolio and Open Innovation

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

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

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

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

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

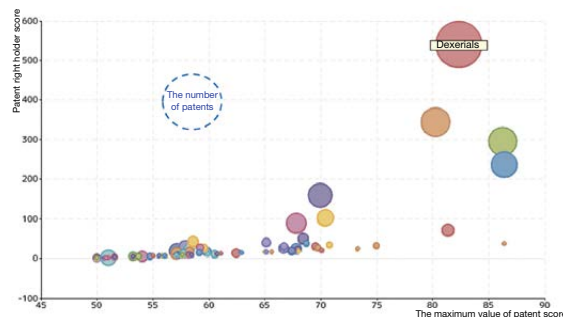
Intellectual Property Investment and Introduction of Intellectual Property DX

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

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

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

● Patent right holder score map (SCP category)



Fostering of an Intellectual Property Mindset within the Dexerials Group

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

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



Lecture on intellectual properties held in April 2022



Corporate Governance

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

Initiatives to Strengthen Corporate Governance

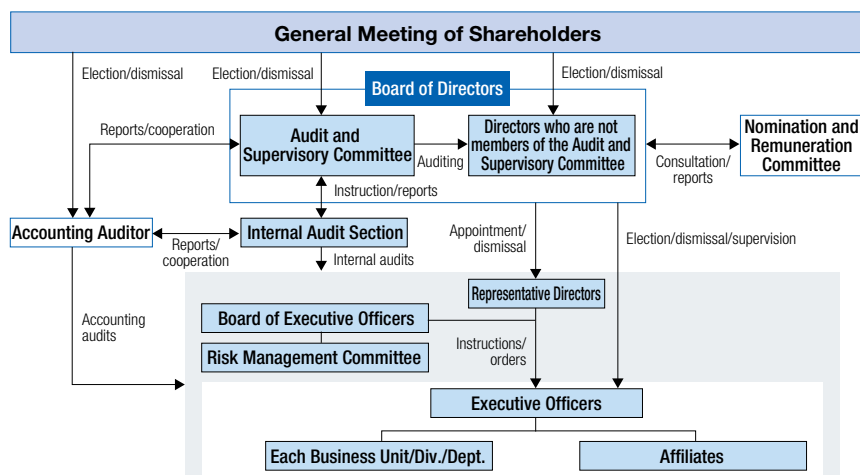
Dexerials engages continuously in initiatives to enhance corporate governance in order to build a more effective and efficient management system. Ever since we became a listed company, we have had a supervisory system in which the majority of our directors are outside directors with high independence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

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

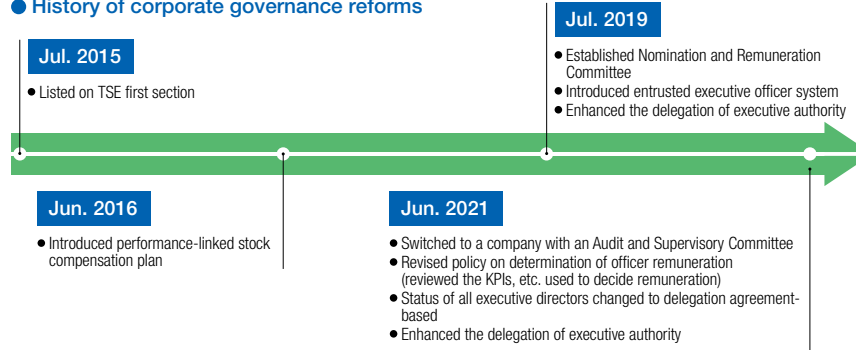
In carrying out business, we proactively delegate authority to executive officers. In 2019, we introduced

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

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



● History of corporate governance reforms



● Changes in the number of officers

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

Directors, Board of Directors, and Executive Officers

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

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

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

Audit and Supervisory Committee

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

Board of Executive Officers

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

Internal Audits and Audits by the Audit and Supervisory Committee

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

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

Accounting Audits

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

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

Nomination and Remuneration Committee

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

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

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

Nomination and Remuneration Committee Meetings in Fiscal 2021

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

Evaluation of Effectiveness of the Board of Directors

Analysis & Method of Evaluation

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

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

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

● **Details of questionnaire items**

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

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

Outline of Results of Evaluation

- (1) Summary

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

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

- (2) Action plan for fiscal 2022

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

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

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

Officers' Remuneration

Basic Approach

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

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

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

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

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

Base Remuneration

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

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

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

Performance-linked Compensation

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

● Percentages of each type of remuneration by job title

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

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

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

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

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

Decision-Making Process

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

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

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

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

● Amount of officers’ remuneration in fiscal 2021

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

Directors and Executive Officers (As of December 2022)

Directors

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

Nomination and Remuneration
Committee Member



Yoshihisa Shinya

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

Reasons for
appointment

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

Outside Director

Independent Officer

Chairperson of the Nomination
and Remuneration Committee



Takashi Yokokura

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

Reasons for
appointment

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

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

Nomination and Remuneration
Committee Member



Toshiya Satake

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

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

Outside Director

Independent Officer

Nomination and Remuneration
Committee Member



Satoshi Taguchi

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

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

Directors (Audit and Supervisory Committee Members)

Outside Director, Chairperson of the Audit and Supervisory Committee

Independent Officer

Nomination and Remuneration
Committee Member



Rika Sato

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

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

Outside Director
(Audit and Supervisory Committee Member)

Independent Officer

Nomination and Remuneration
Committee Member



Tetsuyuki Kagaya

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

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

Director and Standing Audit and Supervisory Committee Member



Masahiro Kuwayama

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

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

Highly diverse composition of officers

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

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

● Skills matrix of the Board of Directors

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

Executive Officers /
Division Heads /
Business Unit Heads

Yoshihisa Shinya

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

Toshiya Satake

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

Takashi Yoshida

Executive Officer
Corporate Planning &
Control Division Head

Kozaburo Hayashi

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

Koichi Akeyama

Executive Officer
Corporate Strategy Division Head

Kuo-Hua Sung

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

Kentaro Oshima

Executive Officer
Automotive Solutions Business Unit Head

Naoyuki Tsuda

Executive Officer
Human Resource Strategy

Kazuya Hayashibe

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

Kouji Yamagishi

Production Control Division Head

Hiroshi Uchida

Optical Solutions Business Unit Head

Kenji Kamiya

Connecting Materials Business Unit Head



Compliance

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

Formulation and Dissemination of the Dexerials Group Code of Conduct

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

The basic policies of the Code of Conduct are:

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

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

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

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



Initiatives for Reinforcing Compliance

Distribution of the Compliance Handbook

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



Compliance Month

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

Compliance Education

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

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

Global Survey on Compliance Awareness

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

Compliance Hotline

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

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



Risk Management

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

● Main risks of the Dexerials Group and appropriate countermeasures

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



Strengthening Business Continuity Plan (BCP)

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

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

BCP Initiatives

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

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

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

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

Organizational Structure and Functional Roles within BCP

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

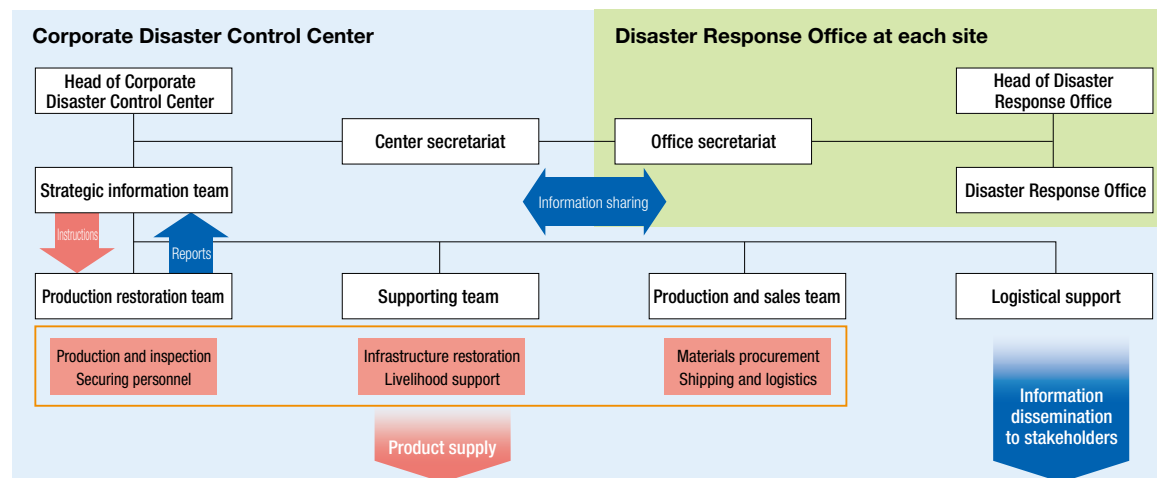
The Corporate Disaster Control Center has a well-organized function-based team structure. Under the Head of Corporate Disaster Control Center, who is

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

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

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

BCP structure



BCP Structure Improvement, Education, and Training

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

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

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

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

Remote BCP training

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

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

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

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



BCP training

Emergency drills

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

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

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

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



An emergency drill



Supply Chain Management

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

Basic Philosophy of Supply Chain Management

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

● Main contents of Dexerials CSR Procurement Guidelines

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

Promotion of Sustainable Procurement

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

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

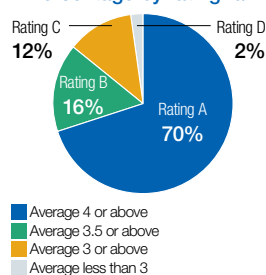
CSR Procurement Survey

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

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

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

● Percentage by rating rank



● Average of all companies



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

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

Supply Chain Risk Management

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

Green Procurement

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

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

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

Response to Conflict Minerals

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

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

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