

Environmental and Social Report 2016



Corporate Philosophy

Integrity

Have Integrity and Sincerity

Corporate Vision

Value Matters

Unprecedented innovation,
unprecedented value.

The Corporate Philosophy of the Dexerials Group states “Integrity Have Integrity and Sincerity.”

We aim to be a corporate group where each employee can exercise his or her skills to the utmost for our customers and for society, and where we continue to build upon these certain results.

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

Furthermore, we have clarified our position that each employee can increase their own value, with an approach of always tackling new creation to deliver benefit to our customers, as expressed in our Corporate Vision “Value Matters Unprecedented innovation, unprecedented value.”

“Integrity” and “Value Matters” We hold these two ideas close at heart as we advance onward.

■ Corporate Profile

❖ Company name	Dexerials Corporation
❖ Headquarters	Gate City Osaki, East Tower 8F, 1-11-2 Osaki, Shinagawa-ku, Tokyo, Japan
❖ Representative Director and President	Takashi Ichinose
❖ Establishment	June 20, 2012
❖ Capital stock	15,747 million yen
❖ Consolidated sales	62,654 million yen (As of March 31, 2016)
❖ Employees	2,317 (As of March 31, 2016)
❖ Principal operations	Manufacturing and sales of electronic components, bonding materials, optics materials, etc.
❖ Major products	Anisotropic Conductive Film (ACF), Optical elasticity resin (SVR), Optical film, Surface mounted type fuse, Industrial adhesive, Double coated tapes, Single coated tapes, UV curable resin for optical disks, Thermal conductive sheet, Touch panel modules, Sputtering targets, Inorganic waveplate, Inorganic polarizer, and Solar Cell Conductive Film for photovoltaic modules
❖ Major manufacturing sites (in Japan)	Kanuma Plants, Tagajo Plant, Nakada Plant, and Neagari Plant

Overseas group companies

Dexerials America Corporation
Dexerials Europe B.V.
Dexerials (Suzhou) Co., Ltd.
Dexerials Advanced Material (Suzhou) Co., Ltd.
Dexerials (Shenzhen) Corporation
Dexerials (Shanghai) Corporation
Dexerials Hong Kong Limited
Dexerials Taiwan Corporation
Dexerials Korea Corporation
Dexerials Singapore Pte. Ltd.

Members of the Board

Representative Director and President	Takashi Ichinose
Representative Director	Hisashi Ando
Director	Satoshi Nagase
Director*	Masao Hirano
Director*	Koji Fujita
Director*	Takashi Yokokura
Director*	Kazuko Takamatsu
Audit & Supervisory Board Member (Standing)*	Toshiya Satake
Audit & Supervisory Board Member*	Toshifumi Takada
Audit & Supervisory Board Member*	Rika Sato

*External Directors and auditors as provided for the Corporation Law of Japan. (as of June 23, 2016)

Editorial Policy

This report covers the environmental and social activities of Dexerials Corporation, and has been published as a communication tool for this purpose.

Applicable Scope: This report covers offices of Dexerials Corporation both within Japan and overseas.

Applicable Term: This report is based in principle upon the results of activities in fiscal year 2015 (April 1, 2015–March 31, 2016); however, some reports and data may refer to past or current information.

Reference Guidelines: Environmental Reporting Guidelines (Fiscal Year 2012 Version), published by the Ministry of the Environment

Please also refer to the CSR Activities pages on the Dexerials Corporation website.

<http://www.dexerials.jp/en/csr/>

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We will continue to be a company which creates new value and contributes to the enhancement of richness and quality in both human society and the global environment.

The Business Environment Surrounding Dexerials

Notable factors in the management environment surrounding Dexerials in fiscal year 2015 included the deceleration of the Chinese economy along with other emerging nations. In addition, growth in the consumer IT devices market was less than expected, even with shrinkage occurring in some products.

Due to these factors, overall results were severe despite sales of key products such as Anisotropic Conductive Film (ACF) and Optical elasticity resin (SVR) remaining firm.

In the long term, we will continue to develop high value-added products recognized worldwide by combining our core technologies in materials and processes. We will establish ourselves as a respected functional materials brand that provides new value to society on a global scale.

In addition to electronics, our company is focusing on new business domains which will lead growth in the future. These include Automotive, Communication & Semiconductor, Environment and Life Science. It may take time to establish these new businesses. However, we do not only develop products which are certain to contribute to our company's growth in the near future, but also those which we believe will be needed by society.

Promoting CSR Based upon Our Corporate Philosophy and Vision

The Corporate Philosophy of Dexerials, "Integrity Have Integrity and Sincerity" also links to our beliefs

regarding CSR. I believe that it is our social responsibility to continue to maintain integrity as a company.

We always think about how we can expand our business in line with this philosophy. Furthermore, in order to spread this philosophy across the entire Group, we have compiled Dexerials Code of Conduct and established environmental and quality policies based upon this code.

Meanwhile, our Corporate Vision, "Value Matters Unprecedented innovation, unprecedented value," is an expression of our corporate attitude to making a contribution to the world through the provision of new value. Specifically, we offer valuable products by maximizing the use of the technology and expertise which we have accumulated through our business to date. In this way, we will contribute to the resolution of various social issues.

Social Issues which Our Company Can Resolve

The creation of products which help to preserve the global environment is one of the pillars of business that supports our Corporate Vision. For example, our Solar control window film Albeedo mitigates the urban heat island effect by reducing the amount of heat rays which hit the ground by reflecting near infrared rays upward.

We carry out our operations not only with the aim of business expansion, but also based upon our wish to contribute to enhanced richness and quality in human society and the global environment.



Furthermore, as a functional materials manufacturer which uses petroleum-based chemical substances as raw materials, we must consider how we can most effectively use these limited chemical resources. Meanwhile, in order to reduce the volume of industrial waste created during production, we conduct various initiatives toward the creation of a sustainable society. For example, each year, we undertake a detailed review to gain an understanding of current issues, to implement measures, and to check their progress.

Building an Organization which Fulfills Social Responsibilities

There have been media reports of companies committing fraudulent activities, such as improper accounting or falsification of data. Compliance and risk management are matters which we must constantly tackle with sincerity.

In compliance, it is most important that a company has integrity, conducting business management with transparency and objectivity, acting in accordance with words. As indicated by our Corporate Philosophy “Integrity”, we take quick action to rectify any developments that could lead to misconduct.

If any incident does occur, we make certain to report it and promptly remedy the situation. I believe that the constant repetition of this point is my role as top management.

This report summarizes the Dexerials Group’s environmental and social activities for fiscal year 2015. I hope that this report will be an opportunity to further enhance communication with our stakeholders.

Representative Director and President

A handwritten signature in black ink, appearing to be 'D. Sato', written over a white background.

Shaping the Future with Dexerials' Functional Materials.

Breaking new ground with technological expertise and extraordinary ideas.

Business Activities of the Dexerials Group

Our Group has been constantly enhanced its cutting-edge materials development and ability to develop production and process technologies specializing in the field of electronics. The unique functional materials we have created continue to produce new values meeting customers' needs for manufacturing.

More business opportunities have also been born in areas such as communications and semiconductors due to the expanded use of electronics in the automotive field and the development of the IoT (Internet of Things).

Our company will accelerate the expansion of business beyond electronics, applying the technology we have accumulated to new business domains including Automotive, Communication & Semiconductor, Environment and Life Science.

Corporate Objective

Corporate Vision

Value Matters

Unprecedented innovation, unprecedented value.

Corporate Objective

A company that contributes to the enhancement of the richness and the quality of both life and our environment through providing high value-added products.

Sony Chemicals Corporation established Initially founded as a company for manufacturing copper foil Products with adhesive for printed circuit boards



Entered the double coated tape business Commenced sales of "Tuck Master"

1962

1965

Started production of magnetic heads and ferrite cores

1972

Started production of ink ribbon for thermal transfer printers.

1985

Started production of recording layer protection coating material for optical disks

1992

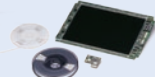
1963

Entered the liquid adhesive business Started sales of liquid adhesive Bondmaster "Tuff"



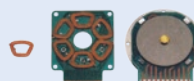
1977

Took the initiative in commercialization of a hot technology, Anisotropic Conductive Film (ACF), in the industry.



1987

Started production of "Lamicoil" for compact motors



1994

Started production of Self Control Protector (SCP) for Li-ion rechargeable batteries





In order to respond to the needs and issues of our customers, our company constantly aims to create values which exceeds the expectations of customers by developing and providing new functional materials through combining our outstanding and unique technologies. As a result, our business has grown, leading to enhanced corporate value.

<p>Started production of Resistive touch panels</p>	<p>Started production of Thermal conductive sheet</p>	<p>Changed company name to Sony Chemical & Information Device Corporation</p>	<p>Company changed name to Dexerials Corporation and commenced business</p>	
<p>2001</p>	<p>2004</p>	<p>2006</p>	<p>2012</p>	<ul style="list-style-type: none"> Listed on the First Section, Tokyo Stock Exchange Started production of Solar control window film Albedo and Water treatment agent suitable for inorganic effluent
<p>2002</p>	<p>2007</p>	<p>2010</p>	<p>2014</p>	<p>Now</p>
<p>Started production of Antireflection film and UV curable adhesives for optical pickup</p>	<ul style="list-style-type: none"> Started production of Optical elasticity resin (SVR) to improve the visibility of display panels 	<p>Entered the new energy field Started production of Solar Cell Conductive Film for photovoltaic modules</p>	<p>Started production of Eye shield material for medical use</p>	
	<ul style="list-style-type: none"> Commenced sales of inorganic polarizer 			

Main products of Dexerials Products

Realizing thinner and lighter products with higher density through cutting-edge technologies.

Bonding Materials



Anisotropic Conductive Film (ACF)

ACF is a conductive adhesive material which takes electric property to conduct two components vertically while it keeps mechanical performance by adhesion. Widely adopted into display panels and camera modules.



General-purpose double coated tapes

Our Green tape series is manufactured using UV curing production method that does not use organic solvent during the adhesive coating process. This product offers superb curvature behavior and static load characteristics and is suitable for punching processes.



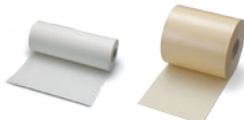
Thermal conductive sheet

Thermal conductive sheets conduct the heat generated from IC chips such as CPUs to the heat sink to protect devices' performance. We have silicone type featuring high thermal conductivity and flexibility, acrylic type, and carbon fiber type for applications that generate large amount of heat such as network servers of wireless base station.



UV curable adhesives

Adhesives that cure rapidly when irradiated by ultraviolet and are suitable for fixing and lamination of high-precision components. Low cure shrinkage makes it suitable for the fixing of parts of optical pickups and camera modules.



Double coated tapes for FPC Thermosetting tapes for FPC

Double coated tapes for FPC, FPC stiffeners materials and Thermosetting tapes for FPC, that required high temperature resistance (top 260 °C or higher), are widely used for the solder reflow process.



Impact resistant double coated tapes (Waterproof type)

The strong impact-resistant adhesive layer and elastic hollow balloon layer absorb shock if the devices dropped, effectively protecting the case from impact. These tapes are ideal for bonding of window frames on mobile devices, or fixing modules on cases that require waterproofing.

Optics Materials



Optical elasticity resin (SVR)

Highly permeable and elastic resin is embedded in air gaps in devices such as smartphones and tablet PCs to realize slim profiling and improved visibility by embedding. We have a PSA-transformable Optical elasticity resin (SVR) Hybrid type for small-to-medium-sized flat panel displays (FPD) that is transformed adhesion properties after UV curing, realizes workability equivalent to that of optical clear adhesive.



Inorganic waveplate / Inorganic polarizer

Optical devices that have high heat resistance, light resistance and durability, enabled by our unique nano-level processing technologies. Contributing to the improvement in reliability of optical units utilizing laser light source and high luminance projectors of more than 3000lm.

Our products are used in various smartphone components.



Batch bonding of conductivity, insulating, and adhesion
Anisotropic Conductive Film (ACF)



Reinforcement of FPCs connection and moisture-proofing of IC chips
UV curable adhesives



Anti-static electricity and EMC
Metal foil type single coated tapes



Thermosetting tapes suitable for fixing of backing materials for FPCs
Thermosetting tapes for FPC



Suitable for solder reflow process and bonding FPCs
Adhesive transfer tapes for FPC



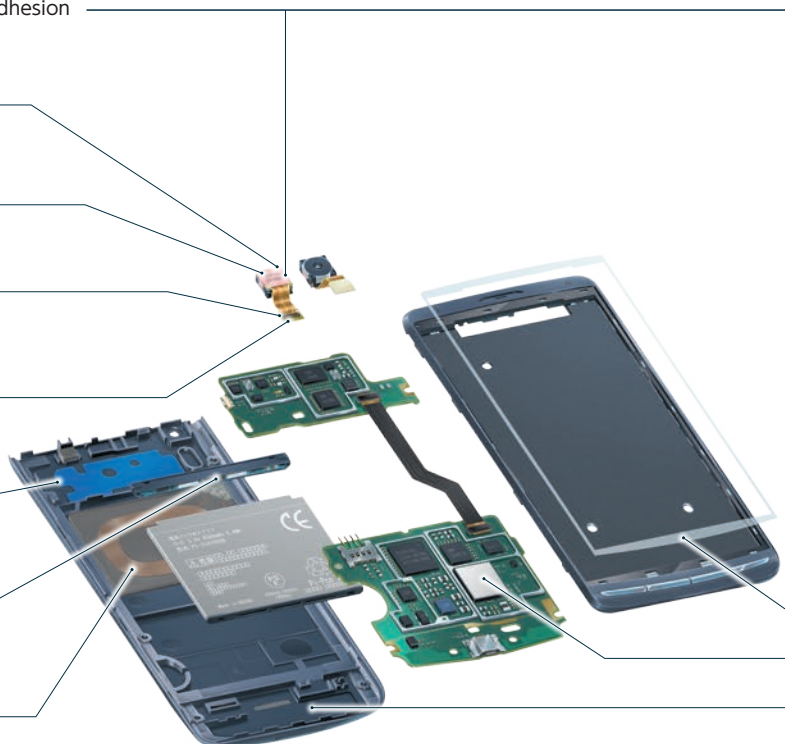
Suitable for mobile devices
Antenna for NFC



Surface mounted type fuse
Self Control Protector (SCP)



Achieving high efficiency and thinner
Receiving coil for wireless charging





Antireflection film

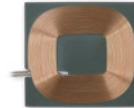
The Dry type antireflection films realize outstanding low reflection property and abrasion resistance and contributes to improved visibility of electronics products and automotive displays such as instrument panels and car navigation. We also offer a lineup of eye shielding materials for medical use featuring outstanding high visual transmittance and low reflectance.

Electronic Components and Materials



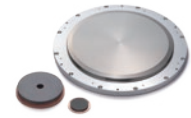
Surface mounted type fuse

Self Control Protector (SCP) that immediately interrupts overcharge or overcurrent in Li-ion rechargeable battery is a standard product of the secondary protection device. We also offer a lineup of Power Current Protector (PCP) as a fuse for high current for protecting electronic devices from overcurrent despite a thinner and smaller type.



Receiving coil for wireless charging

Receiving coil for wireless charging features high receiving efficiency using unique low-loss magnetic sheet. The thin, flexible coil makes it possible to be accommodated in curved chassis, which does not affect the design of mobile devices. The coil has a lineup of compatible with Qi transmitters and low-power charging devices with an output power of less than 3 W.



Sputtering targets

Our sputtering targets are used for variety of electric device market including semiconductor chips, recording media of various optical disk formats and more. High purity and uniform structure contribute to higher productivity, it provides an extendable lifetime by our various shape-manufacturing technologies.



UV curable resin for optical disks

UV curable resins for optical disk media, such as DVD and Blu-ray Disc. Suitable for forming a corrosion-protection coating for the recording layer and forming a base and cover layers of Blu-ray Disc media.

Environmental and New Energy Materials



Solar control window film Albedo

A new type of transparent solar control window film that reflects solar heat rays upwards. Albedo features a special internal saw-tooth-shaped reflective layer that reflects only near-infrared rays (heat rays) upwards, reducing heat rays directed at the ground, thereby contributing to improvement of the thermal environment both interior and around buildings.



Water treatment agent suitable for inorganic effluent

Water treatment agent for inorganic effluent discharged from facilities such as plating factories and semiconductor factories. As well as realizing excellent coagulation and flocculation performance through use of water-soluble polymers obtained from natural plant, the agent accelerates dewatering utilizing the structure of plants, contributing to drastic reductions in the amount of chemicals used and sludge weight.



Solar Cell Conductive Film

Film-type conductive connecting material that bonds solar cells with the metal ribbon (tab line) that acts as a transmission line for electricity generated by cells. Compared with conventional soldering, it enables low-temperature connecting, thereby contributing to improved yield during module production by reducing thermal stress on cells.



Excellent low-reflectivity
Antireflection film



Thinner display panel and improved visibility
Optical elasticity resin (SVR)



High impact resistance and waterproofing
Impact resistant double coated tapes (Waterproof type)



High thermal conductivity and flexibility
Thermal conductive sheet



Good sound transmission
Dustproof net with adhesive for speakers

Dexerials' Environment-Contributing Products

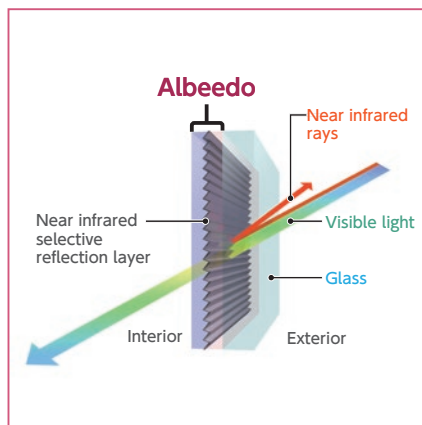
Dexerials is developing and commercializing unprecedented technologies that contribute to reducing environmental burden.

Eco Products 1 Solar Control Window Film Albedo

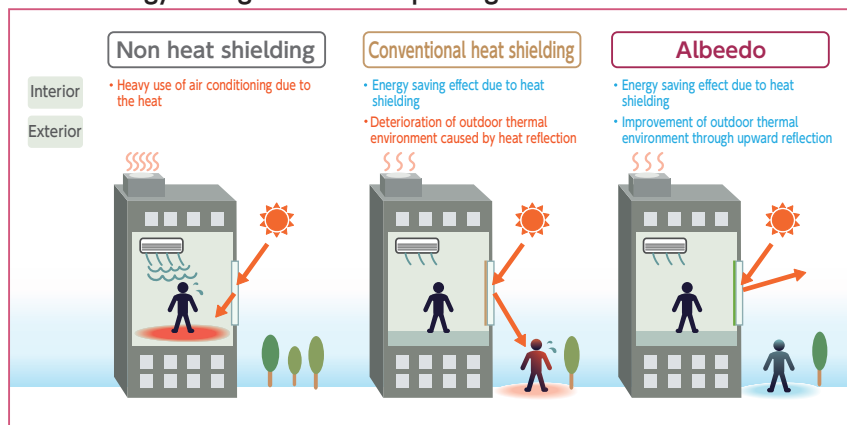
A new type of transparent solar control window film that reflects near infrared rays from the sun upward

With its saw-tooth shaped reflective layer, Albedo selectively reflects near infrared rays that come from the sun in an upward direction instead of toward the ground. Albedo assists in alleviating the urban heat island effect by reducing the heat rays which hit the ground by reflecting them upward, which improves the outdoor thermal environment. It also controls rises in room temperature, providing energy-saving benefits.

Mechanism of Albedo



Indoor energy saving effect and improving outdoor thermal environment



Environmental Business Unit
Product Section 2, Product
Development Department 5
Senior Manager
Tsutomu Nagahama

Addressing Social Issues with Proprietary Technologies

The key feature of Albedo is its function of reflecting near infrared back to the sky.

There were a number of challenges that we got over in order to realize it, one of which was to design the reflective structure that reflects near infrared upwards regardless of the sun's position that moves over time. We have succeeded in providing the most effective near infrared reflection and securing sufficient visible light transmittance for natural daylighting through repeated simulations of designing of reflective structure shape and optical design for reflective layer, and we have finally attained a successful commercialization.

By not just taking advantages of the knowledge acquired through the development of Albedo but also integrating a wide variety of technologies that we have developed, we will continue to offer unprecedented new values.

Voice

Eco Products 2 Green Tape G9000 Series

Adhesive tape manufactured through a UV curing method, without the use of environmentally-harmful organic solvents in the adhesive coating process

Green tape is adhesive tape manufactured using a solventless UV curing method for the adhesive coating process. We have developed products with functions to meet the diverse needs of our customers, including adhesion to curved surfaces, shock resistance, and recyclability. It has been used in a wide range of applications from LCD televisions, PCs, smartphones, consumer electronics to industrial devices. We have also commercialized our UV curable adhesives.



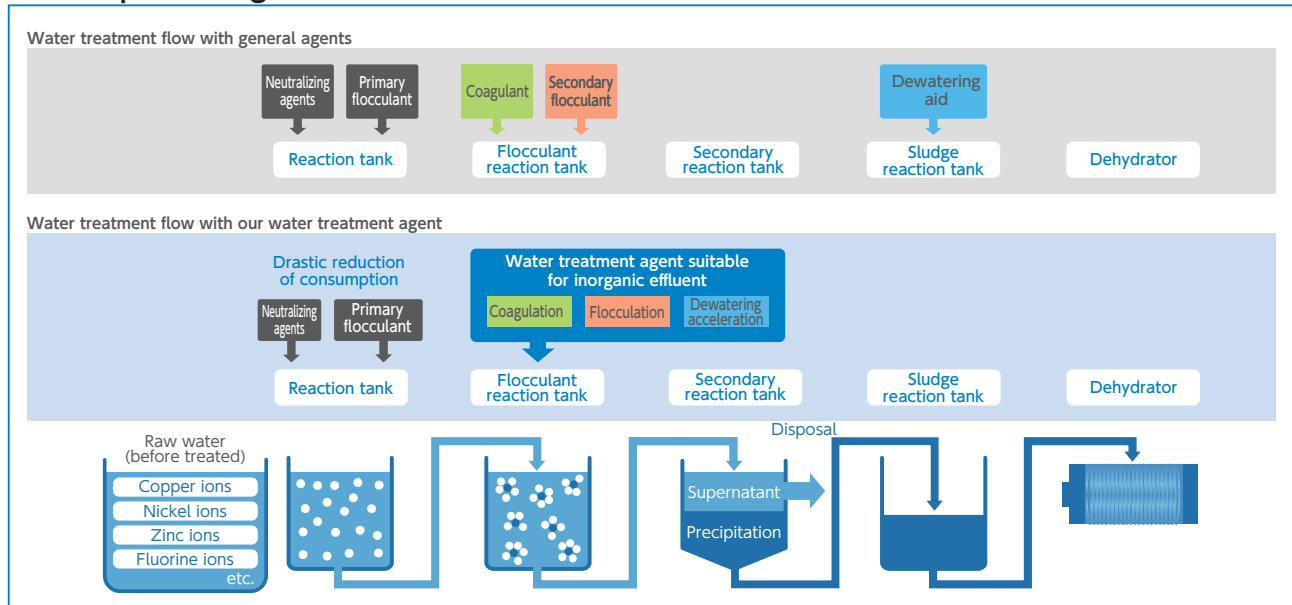
Water Treatment Agent Suitable for Inorganic Effluent

Water treatment agent which uses the strengths of plant material to improve coagulation, flocculation, and dewatering performance, while also reducing sludge emissions

This water treatment agent is suitable for treating inorganic effluent such as water from plating factories, which contains metal ions, and water from semiconductor factories, which contains fluorine ions. It offers high coagulation and flocculation performance using the properties of water-soluble polymer obtained from natural plant materials. Its third function, improved dewatering performance, is achieved through the fiber structure of the plant material. Consequently, it contributes to a reduction in the volume of chemical agents used in effluent water processing and the volume of sludge waste produced.



Effluent processing



Environmental Business Unit
Water Treatment Agent
Business Manager
Mieko Nakatsuka

Proving new concepts and values to the waste water treatment industry

“We will leap ahead in the waste water treatment industry by proving new materials which contains plant as key component”.

Using Dexerials core competencies, such as formulating technology and design skills to make variety of particle, which are the technologies that contributed in developing materials for the electronics industry, we have been able to develop unique materials for the waste water treatment industry, a new market for Dexerials Group to enter.

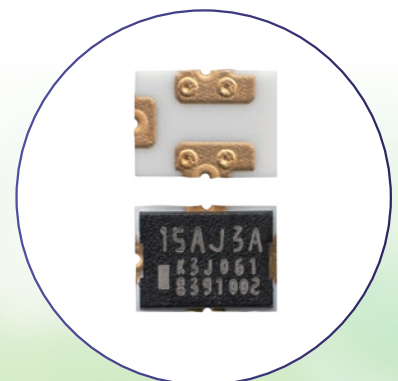
As Dexerials haven't dealt with plant materials as key component for a product, we had a lot of challenges, but through technology development based on unique approaches and ideas and its verifications, we have succeeded in commercializing products that go beyond conventional waste water treatment materials.

Voice

Self Control Protector (SCP)

Development of halogen-free products which do not produce harmful substances even when incinerated

This Self Control Protector (SCP) is a surface mounted fuse that protects products by interrupting overcharge or overcurrent in Li-ion rechargeable batteries mounted in tablet PCs and cordless electronic tools. Typically, products used halogenated compounds which emit dioxins when incinerated. Dexerials, however, has advanced ahead of the rest of the industry, and has been developing and selling halogen-free products since 2008, and is presently working to eliminate halogen from all of its products.



Corporate Governance

The Dexerials Group abides by its Code of Conduct in order to meet the expectations of all our stakeholders, and is striving to strengthen and fulfil its corporate governance in order to enhance corporate value.

Basic Policies of the Dexerials Group

Dexerials Group Code of Conduct

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

The basic policies of the Code of Conduct are implementation of our Corporate Philosophy "Integrity: Have Integrity and Sincerity," compliance with laws and regulations, and accountability and appropriate communication with stakeholders, and ensuring internal control through use of the Compliance Hotline.

In addition, based upon the basic policies, we have established specific commitments which should always be upheld both by officers and employees. These include respect for human rights, product and service safety, environmental conservation, disclosure of corporate information, prohibition of harassment, prohibition of insider trading, measures against antisocial forces, and so on.

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

Initiatives for Dissemination of the Code of Conduct

Compliance Handbook

The "Compliance Handbook: Our Commitments" takes topics from within the Dexerials Group Code of Conduct which are of particular relevance to business activities and uses specific examples to explain concepts to employees simply.

It is distributed to all employees in Japan and overseas, and is used for employee training.

Compliance Education

Each year, our company conducts training for all employees using e-learning, covering topics including compliance, prevention of insider trading, import and export compliance, information security, management of personal information, and prevention of harassment.

We also conduct stratified compliance training appropriate to role and rank, for example, targeting new employees, management, or executives. This training provides necessary knowledge regarding laws and risk awareness, and raises understanding of compliance and the Code of Conduct.

Compliance Hotline

The Dexerials Group has established internal and external (via attorneys) points of contact for the early detection of compliance risks, and to promote sound business activities based upon independent corrective measures.

Basic Approach to Corporate Governance

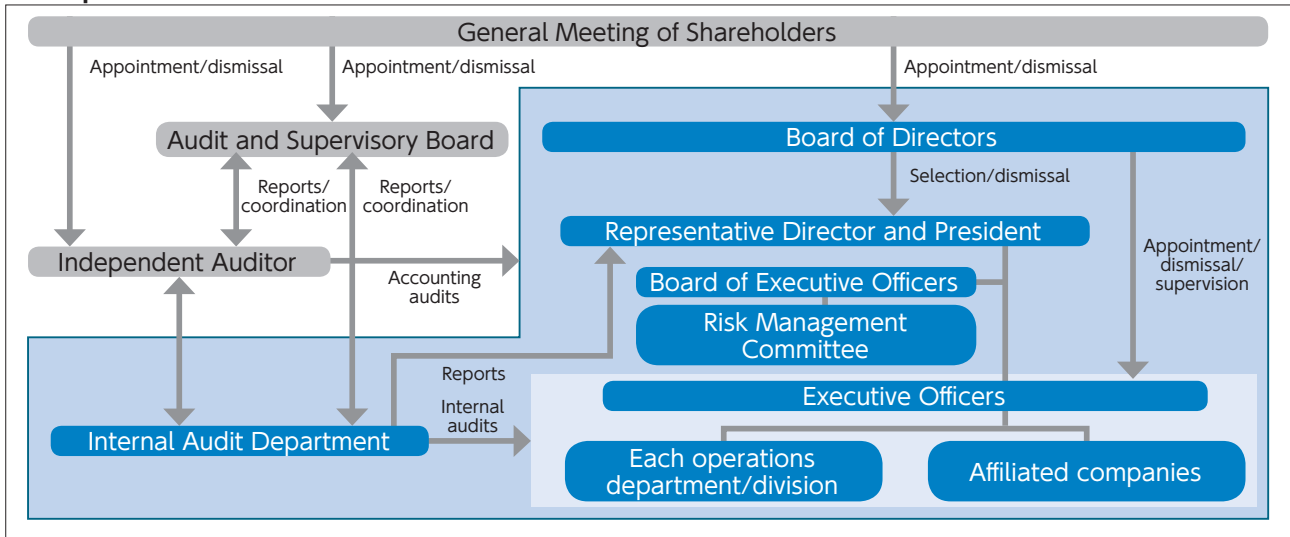
We believe that the establishment of corporate governance is extremely important to meet the trust and expectations of all stakeholders and to improve corporate value.

Based on this approach, Dexerials has developed a corporate governance structure designed to ensure transparency and objectivity in management, whereby the majority of the Board of Directors consists of independent external directors.

◆ Dexerials Group Code of Conduct

1. Basic policy	2. Conducting business with integrity and fairness	3. Sound work environment	4. Management of assets and information	5. Being a good corporate citizen
<ul style="list-style-type: none"> ● Implementation of management philosophy ● Compliance with laws and rules ● Relationship with stakeholders ● Use of Compliance Hotline 	<ul style="list-style-type: none"> ● Trust of customers and trade partners ● Product safety ● Fair competition ● Fair procurement activities ● Compliance with import and export laws and regulations ● Restrictions on gifts and entertainment ● Records and reports ● Prohibition of personal conflicts of interest 	<ul style="list-style-type: none"> ● Work environment which allows self-fulfillment ● Equal employment opportunities ● Sound labor practices ● Prohibition of harassment 	<ul style="list-style-type: none"> ● Prohibition of private use of company assets ● Intellectual property ● Management of confidential information ● Prohibition of insider trading ● Personal information ● Relationship with the media 	<ul style="list-style-type: none"> ● Environmental preservation ● Management of chemical substances ● Harmonious relationship with the community ● Safety and disaster prevention ● Measures against antisocial forces

◆ Corporate Governance Structure



Directors, Board of Directors, and Executive Officers

Dexerials' Board of Directors consists of three internal directors and four external directors; meaning that outside directors comprise the majority of board members. The outside directors each have extensive experience and knowledge as managers or experts in their field and are able to perform their supervisory functions from an independent perspective.

For business execution, nine executive officers are selected and authority is delegated to them. This system is designed to separate business execution from supervisory functions, improve management transparency, clarify management responsibilities, and lead to faster decision-making.

Audit & Supervisory Board Members and Audit Supervisory Board

The Audit and Supervisory Board is comprised of three independent outside audit and supervisory board members, ensuring transparency, and performing a supervisory function for Dexerials' management.

The audit and supervisory board members exchange ideas with the representative director and president, attend meetings, review important documents, inspect assets, participate in department hearings, and investigate subsidiary companies, while coordinating with the Internal Audit Department and accounting auditors to enhance the effectiveness and efficiency of auditing.

Internal Audits

The Internal Audit Department establishes an internal control system for Dexerials and Group companies, and audits the status of their implementation of and compliance with their respective compliance and risk management systems. The department uses the results of internal audits to

regularly confirm the status of improvements, the details of which are reported to the representative director and president, audit and supervisory board members, and relevant departments.

Accounting Audits

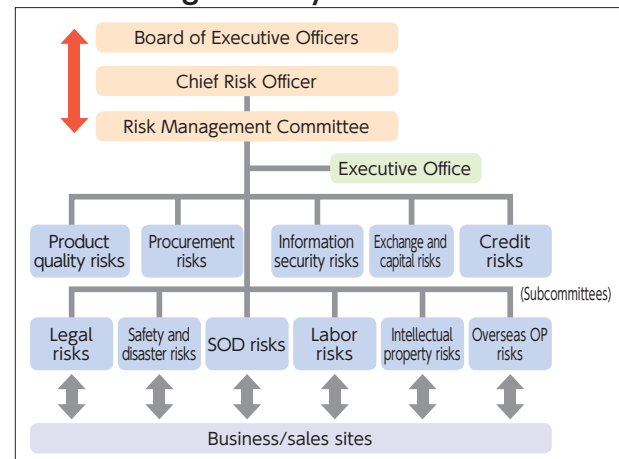
In regards to accounting audits, we have entered into an accounting audit contract with Price water house Coopers Aarata LCC, who carries out accounting audits in accordance with the Companies Act and the Financial Instruments and Exchange Act.

Risk Management

In order to achieve business goals and profit and loss targets, Dexerials works to ensure appropriate awareness of internal and external risks to the business, and to evaluate them and implement necessary measures.

It also evaluates the state of implementation of risk measures and undertakes their improvement. The situation is reported monthly to the Board of Executive Officers.

◆ Risk Management System



Environmental Philosophy and Principles

The Dexcelials Group has established its Environmental Philosophy and Principles based upon its Corporate Vision, and environmental activities are promoted in line with points and processes toward the acquisition of ISO certification.

Environmental Philosophy

Based upon our Corporate Vision, "Value Matters: Unprecedented innovation, unprecedented value," we are developing business which leads to new value and activities for environmental preservation, from the perspective of consideration toward the environment and resource recycling to ensure the sustainability of the diverse ecosystems, societies, and of the Company.

Principles

The Dexcelials Group promotes environmental management, ensuring that each and every employee makes full use of the technologies and skills at their disposal to achieve this, and strives to achieve and continuously improve upon planned targets in all realms of operation, in order to remain a company that is respected and trusted by society.

1. Dexcelials actively engages in environment-related business, developing and supplying environmentally-friendly products on an ongoing basis.
2. Dexcelials makes effective use of energy and resources by improving productivity and developing recycling-oriented operations.
3. Dexcelials steadily implements activities to reduce environmental risk and manage the flow of chemical substances, thereby striving to prevent

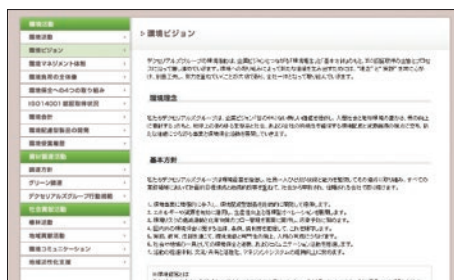
pollution.

4. Dexcelials gains an understanding of laws, ordinances, and regulations concerning environmental conservation, both within Japan and overseas, and complies with these.
5. Dexcelials uses practical experience, education, and PR activities to improve environmental consciousness and expertise, and to cultivate personnel.
6. Dexcelials promotes environmental conservation as a member of society and the community, as well as promoting collaboration and communication activities.
7. Dexcelials strives to maintain and improve its management systems and systems for promoting activities, interaction, sharing, and revitalization.

What is environmental management?

These consists of management activities undertaken (1) in order to ensure the sustainability of all ecosystems and societies on the planet, (2) based on the perspective of recycling, (3) taking into account the limited nature of resources, disposal sites, and self-purification capacity, (4) endeavoring to achieve compatibility between corporate earnings and environmental conservation, and (5) ensuring the sustainability of the company itself.

(Source: Yuji Tateyama (2009), Rieki wo umidasu "kankyou keiei" no sosume (Recommendations for Profit-Generating Environmental Management), Sogo Horei Publishing, p.3)



The information in this report regarding CSR and environmental activities, including the Environmental Philosophy and Principles, is also available on the Company website. It is also possible to download a PDF version of this report from the website. Please make use of it as required.

<http://www.dexcelials.jp/en/csr/>

Environmental Management Structure/ Environmental Audit Structure

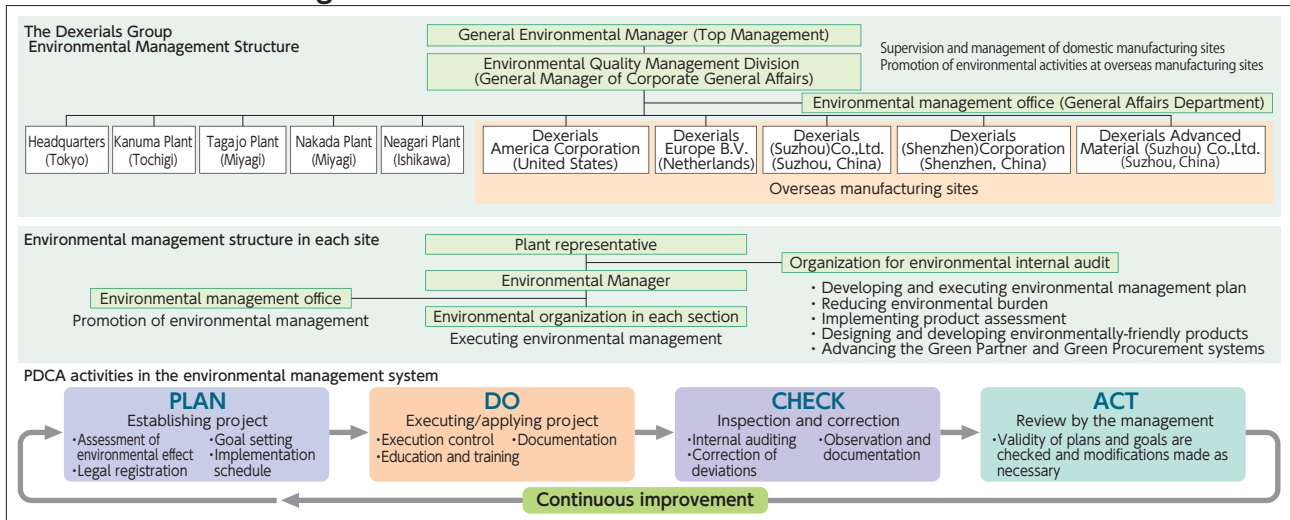
The Dexerials Group is engaged in environmental activities under a group-wide structure, based upon the Environmental Principles. These activities are checked through internal audits and external audits conducted by a third-party organization.

Environmental Management Structure

Under the Basic Environmental Policy, the Dexerials Group has built an environmental management system that encompasses all offices and manufacturing sites both within Japan and overseas. The Group was awarded certification after undergoing an inspection by BV (Bureau Veritas), an independent certification organization, regarding the status of management system

compliance. In accordance with this system, the Environmental Managers supervise and manage each plant, as well as implementing environmental activities throughout the group. Each plant has an Environmental Management Office that uses its expertise to deploy the environmental activities that will be most effective, taking into account differences in the products and equipment handled at each site, as well as promoting activities that involve multiple offices and manufacturing sites.

Environmental Management Structure



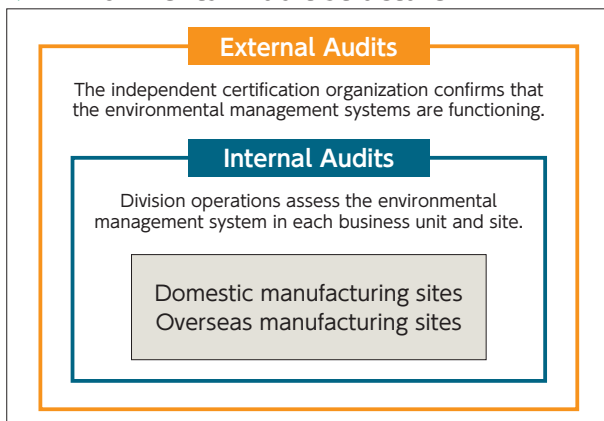
Environmental Audit Structure

External Audits

An audit conducted by an external certification organization.

A triennial renewal assessment and annual maintenance assessment are conducted from a third party perspective to check the function of the environmental management structure.

Environmental Audit Structure



Internal Audits

We conduct annual internal audits at business sites within the Group.

This audit checks the state of compliance with environmental procedures prepared at each business site, environmental performance, and legality from an on-site perspective.

ISO 14001 Certification Status

When the company was newly established, Dexerials Group had sought to attain ISO 14001 certification once more, resulting in five domestic sites and four overseas sites being awarded certification in January and May 2013.

Organization	Manufacturing site	Original certification date	Expiry date
Dexerials Corporation	Headquarters	Jan. 2013	14. Sep. 2018
	Kanuma Plant		
	Tagajo Plant		
	Nakada Plant		
	Neagari Plant		
Consolidated affiliates of Dexerials Corporation			
Dexerials Europe B.V.		Jan. 2013	14. Sep. 2018
Dexerials (Suzhou) Co.,Ltd		Jan. 2013	15. Sep. 2018
Dexerials (Shenzhen) Corporation		May 2013	1. May 2019
Dexerials Advanced Material (Suzhou) Co.,Ltd		Jan. 2016	15. Sep. 2018

Overall Picture of Our Environmental Impact

Dexerials is switching to renewable energy and undertaking energy-saving activities in order to reduce its environmental burden.

Overall Picture of Our Environmental Impact

The Dexerials Group uses large amounts of energy, water, and chemical substances in its business activities, and emits CO₂, waste materials, and water, which causes a burden on the environment.

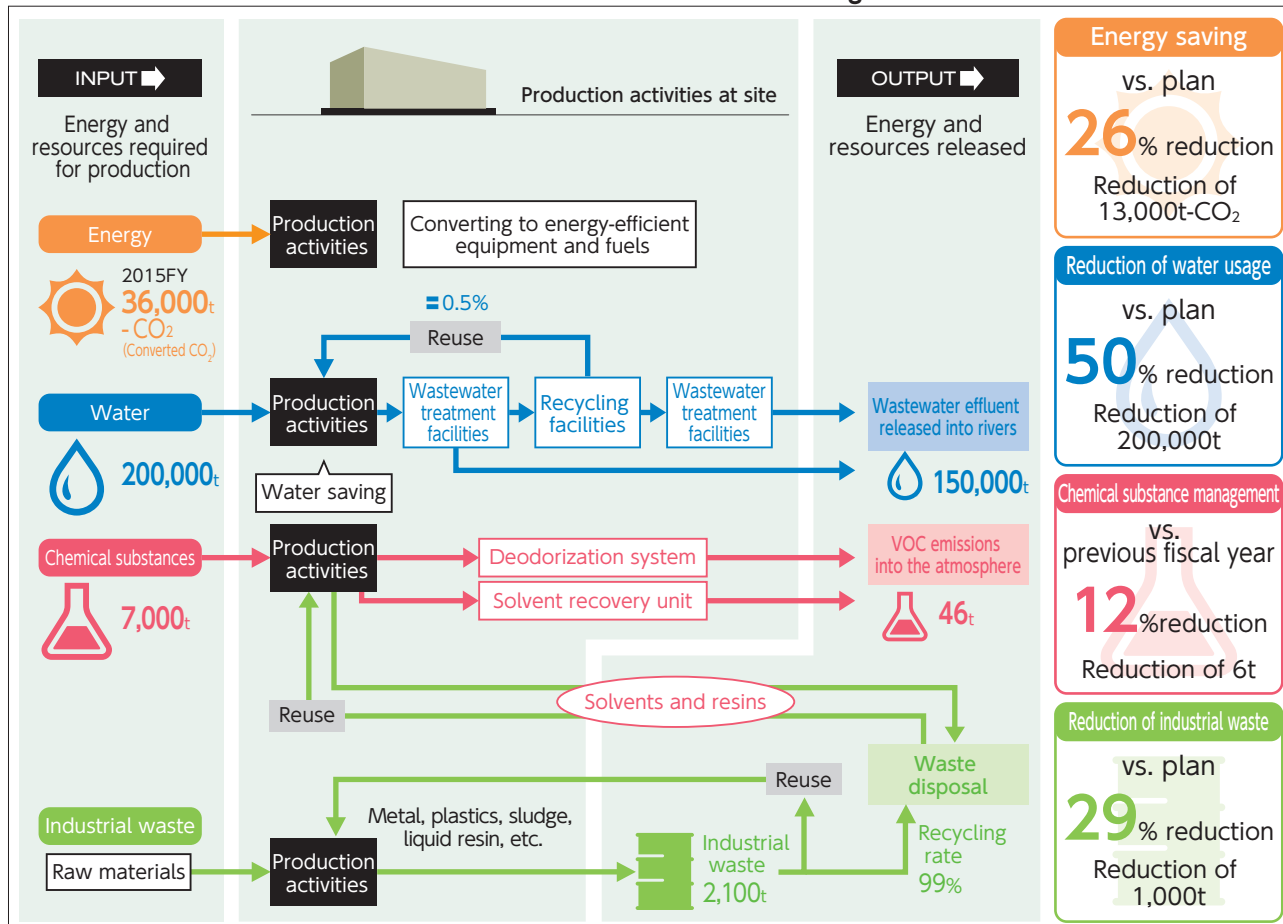
The Group is therefore switching to renewable energy and undertaking energy-saving improvement activities in order to reduce CO₂ emission volumes. It is also reducing water usage and the volume of waste materials produced, while also promoting recycling. Other initiatives aimed at environmental preservation include the reduction of volumes of chemical substances used and of gas emissions into

the atmosphere.

We are expanding activities to reduce environmental burden, working to be aware of this burden in terms of environmental aspects related to production activities overall (input/output), undertaking environmental impact assessments, and setting reduction targets.

In fiscal 2015, we reduced our burden on the environment through improvements relating to 179 topics including energy usage, water usage, the volume of waste/reusable resources, and the volumes of chemical substances.

◆ Overview of environmental burden and results of activities for reducing environmental burden in fiscal 2015



※ VOC: Volatile Organic Compounds
 ※ We implemented measures to control emissions, and managed the results in order to comply with legal emission standards.

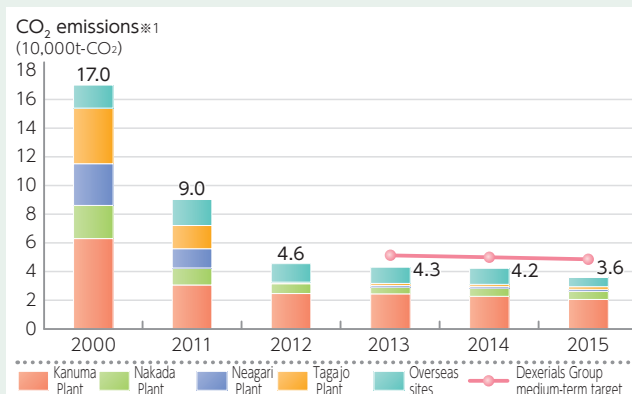
Reduction of CO₂ Emission Volumes (Energy saving)

CO₂ Emission Volumes

26% reduction Reduction of **13,000t-CO₂**
(Compared with fiscal 2015 plan)

Global warming is thought to have a severe impact upon the global environment and ecosystems. Of the greenhouse gases which cause this, it is possible to reduce CO₂ emissions through human intervention in the form of energy-saving activities. The Dexerials Group considers the implementation of energy-saving measures to be the most crucial issue in environmental preservation.

- Reducing power consumption by reconsidering use of air-conditioning equipment in the clean room on vacation days
- Introduction of motor inverters, etc.



※1 Figures for FY2011 are for Sony Chemical & Information Device Group (as it was at the time).

With regard to FY2012, figures for the first half of the year are for the chemical-related businesses of Sony Chemical & Information Device, while those for the second half of the year are for the Dexerials Group.

Main Measures

Introduction of inverters at Kanuma Plant No.1 and in deodorizing equipment in Building 3.

Building 3 is where Dexerials carries out production processes for mixing liquid adhesive agents. Because many organic solvents are used in the process of mixing of liquid adhesive agents, it is necessary to use deodorizing equipment to extract exhaust gases which contain organic solvents.

Conventional deodorizing equipment is operated on a 24-hour basis. However, in consideration of energy-saving, we introduced an inverter for the electric motor so as to operate the equipment according to the emission of organic solvents. This achieved a total energy reduction of 198,000 kwh (72 t-CO₂).



Deodorizing equipment (dust collector)

External Awards/Kanto Bureau of Economy, Trade and Industry Director-General's Prize (Energy Conservation)

On February 18, 2016, Kanuma Plant No.2 received the Kanto Bureau of Economy, Trade and Industry Director-General's Award as part of the FY2015 Kanto Region Energy Conservation Month Award Ceremony. The Kanto Bureau of Economy, Trade and Industry has designated each February as Energy Conservation Month in an effort to further promote energy-saving. During this month, the bureau awards outstanding businesses and other achievers with the Business Operators Excellent in Energy Management and Distinguished Achievers in Energy Management awards.

The predecessor of our company, Sony Chemical & Information Device, received the same award in fiscal 2011, but this was the first occasion for Dexerials to win the award under its new name.

Our company received this award based upon its continued efforts to reduce the amount of energy used, and upon assessment of the improvement measures undertaken at Kanuma Plant No.2.



Executive Officer Satoshi Ishiguro receiving the award (upper right); the certificate (lower right); and the shield (left)

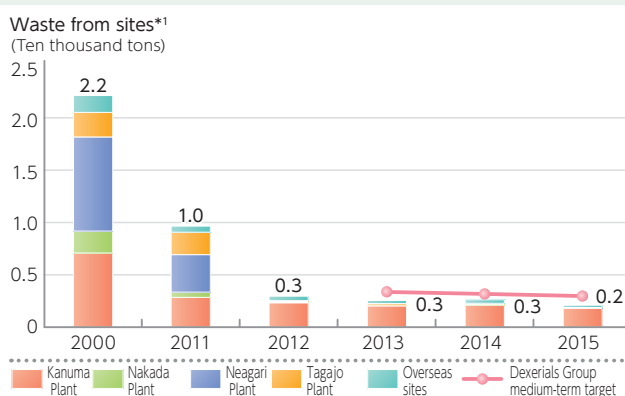
Reduction of Industrial Waste (Reducing Overall Volume and Increasing Recycling Rate)

Industrial Waste Volume

Reduction rate: **29%**
Reduction volume: **1,000** tons
(Compared with fiscal 2015 plan)

The Dexerials Group is actively engaged in the reduction of the volume of industrial waste generated and in the reuse of waste materials. The rate of recycling is 99% across the Group. We are managing to increase product yield while also controlling the volume of waste materials generated. At the same time, we conduct the appropriate separation and collection of waste materials generated at each business site, together with waste solvents, acids and alkalis, plastic scrap, scrap metal and waste wood generated during the production process. We are implementing measures to effectively reduce, reuse, and recycle our waste.

- Increasing recovery of valuable materials from waste plastic
- Reduction of used containers, etc.



*1 Figures for FY2011 are for Sony Chemical & Information Device Group (at the time). With regard to FY2012, figures for the first half of the year are for the chemical related businesses of Sony Chemical & Information Device, while those for the second half of the year are for the Dexerials Group.

Main Measures

Effective use of resources through RPF recycling (converting waste to solid fuel)

At business sites in Japan as well as at Dexerials Suzhou and Dexerials Europe, plastic film off-cuts and the like which are generated in the production process are divided according to whether or not it is contaminated with adhesive, and that with no

adhesive it recovered for value. Plastic film contaminated with adhesive is recycled as RPF after its disposal as industrial waste in an effort to effectively use it as a resource.

* RPF (Refuse Paper & Plastic Fuel) is a solid high-calorie fuel made from waste materials such as paper and plastic that are not suitable for recycling

◆ Separation of waste plastic film for recycling

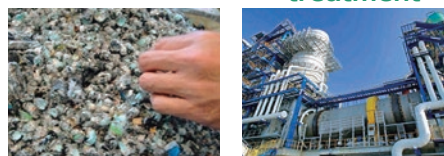
Waste plastic film not coated with adhesive
→ Reusable resources



Waste plastic film coated with adhesive
→ Industrial waste materials



Industrial waste treatment



Re-used as fuel

Reduction of water usage (water saving and recycling)

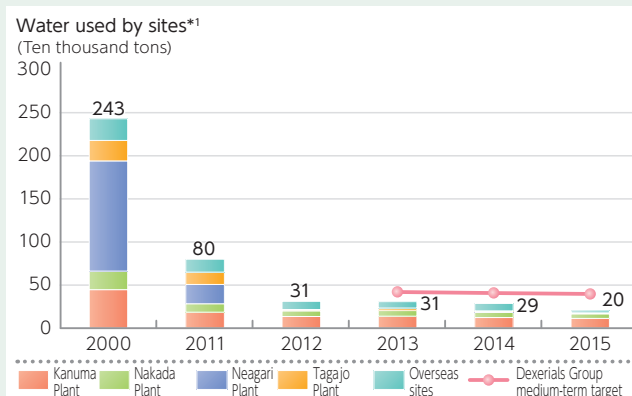
Water Usage Volume

Reduction rate: **50%**
Reduction volume: **200,000 tons**
(Compared with fiscal 2015 plan)

The Dexerials Group has made improvements to reduce the volume of water used in manufacturing processes, and is recycling the water that has been used once, while also ensuring that no water is lost in the process.

Furthermore, the company is encouraging employees to save water when using the toilet and in other daily activities in an effort to raise awareness about efficient water usage.

- Reduction of use of pure water
- Introduction of water-saving toilets, etc.



*1 Figures for FY2011 are for Sony Chemical & Information Device Group (at the time). With regard to FY2012, figures for the first half of the year are for the chemical related businesses of Sony Chemical & Information Device, while those for the second half of the year are for the Dexerials Group.

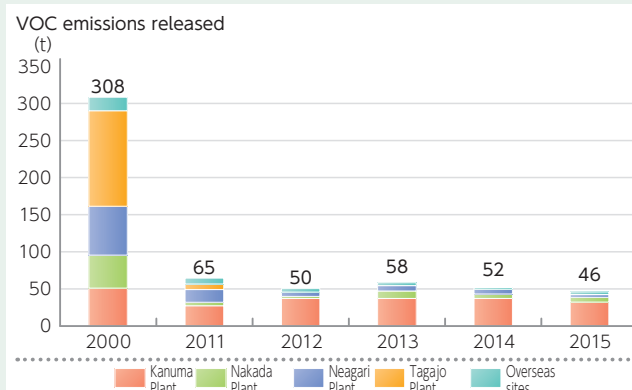
Reduction of VOC*1 Emission Volumes

VOC Emission Volumes

Reduction rate: **12%**
Reduction volume: **6 tons**
(Compared with previous fiscal year)

The Dexerials Group has introduced gas emission detoxification systems, and researches process improvements for target materials or the use of alternative materials. We also implement measures aimed at reducing the amount of organic solvents used, and abide by VOC emission standards as set out in the Air Pollution Control Act.

- Reduction of cleansing solvents
- Reuse of cleansing solvents, etc.



*1 VOC: Volatile Organic Compounds

*2 Figures for FY2011 are for Sony Chemical & Information Device Group (at the time). With regard to FY2012, figures for the first half of the year are for the chemical related businesses of Sony Chemical & Information Device, while those for the second half of the year are for the Dexerials Group.

Compliance with Laws and Regulations

The Dexerials Group abides by environmentally related laws and regulations.

Compliance with laws and regulations in fiscal 2015

The Dexerials Group has established and managed its own standards in relation to applicable items in laws, regulations, and ordinances concerning atmospheric and water pollution and so on at manufacturing sites in Japan and overseas.

We implement measures to ensure that we do not exceed regulatory standards under the Noise Regulation Act, Vibration Regulation Act, and the Offensive Odor Control Act within in our sites, and we have established and manage our own standards.

* The Tagajo and Neagari Plants are leased properties, and outside of our management.

* Foreign subsidiaries and production sites also abide by the relevant laws and regulations of each country.

Domestic manufacturing sites

Kanuma Plant

	Item	Unit	Legal standard	Our standard	Quantity
Air Pollution Control Act	Soot	g/Nm ³	<0.3	<0.15	0.005(0.005)
	Nitrogen oxides	ppm	<180	<115	44(76)
	Sulfur oxides	—	<8 (K value)	<4	0.1(0.4)
	VOC	ppmC	<1400	<700	122(430)

	Item	Unit	Kanuma Plant No.1			Kanuma Plant No.2		
			Legal standard	Our standard	Quantity	Legal standard	Our standard	Quantity
Water Pollution Control Act	Hydrogen ion concentration (pH)	—	5.8~8.6	6.6~8.1	7.3(7.7)	5.8~8.6	6.9~8.3	7.8(8.1)
	BOD* ¹	mg/l	<20	<15.3	4.3(13.0)	<8	<6.5	2.3(5.5)
	COD* ²	mg/l	<20	<10.2	3.3(9.9)	<20	<10.0	2.4(5.7)
	SS* ³	mg/l	<40	<20.0	1.7(3.8)	<40	<20.0	1.1(2.0)
	N-hexane (mineral oils)	mg/l	<5	<2.5	<1.0 (<1.0)	<5	<2.5	<1.0 (<1.0)
	Copper	mg/l	<3	<1.5	0.1(0.3)	<3	<1.5	0.1(0.1)
	Iron	mg/l	<3	<1.5	0.1(0.2)	<3	<1.5	0.1(0.2)
	Colibacillus	mg/l	<3000	<1500	0.1(1.0)	<3000	<1500	17.0 (180.0)
	Nitrogen	mg/l	<60	<30.0	7.8(22.0)	<60	<30.0	6.5(9.0)
	Phosphorus	mg/l	<8	<4.0	0.1(1.6)	<8	<4.0	0.6(2.1)

	Item	Regulatory standards (property boundaries)	Quantity
Offensive Odor Control Act	Odor index	18	<10(<10)
	Odor strength	—	—

	Time	Unit	Regulatory standards	Quantity
Noise Regulation Act	6:00~8:00	dB	70	49(61)
	8:00~18:00	dB	75	54(60)
	18:00~22:00	dB	70	48(53)
	22:00~6:00	dB	60	49(58)

	Time	Unit	Regulatory standards	Quantity
Vibration Regulation Act	8:00~20:00	dB	65	34(40)
	20:00~8:00	dB	60	31(34)

Nakada Plant

	Item	Unit	Legal standards	Our standards	Quantity
Air Pollution Control Act	Soot	g/Nm ³	<0.3	<0.03	0.004 (0.006)
	Nitrogen oxides	ppm	—	<90	67(88)
	Sulfur oxides	(K value)	<1.26	<0.126	0.04(0.07)

	Item	Unit	Regulatory standards	Our standards	Quantity
Sewerage Act	Hydrogen ion concentration (pH)	—	5.8~8.6	6.1~8.3	7.8(7.9)
	BOD	mg/l	<300	<90	9.7(26.0)
	SS	mg/l	<300	<200	8.9(13.0)
	N-hexane (mineral oils)	mg/l	<5	<1.5	<1.0(<1.0)
	N-hexane (animal and vegetable oils)	mg/l	<30	<9	<1.0(<1.0)

	Item	Agreement standards	Quantity
Offensive Odor Control Act	Odor index	—	—
	Odor strength	1.8	0.9(0.9)

	Time	Unit	Agreement standards	Quantity
Noise Regulation Act	6:00~8:00	dB	50	49(49)
	8:00~18:00	dB	55	50(52)
	18:00~22:00	dB	50	49(50)
	22:00~6:00	dB	45	45(45)

	Time	Unit	Agreement standards	Quantity
Vibration Regulation Act	8:00~20:00	dB	60	29(29)
	20:00~8:00	dB	55	30(30)

Overseas manufacturing site

Dexerials (Suzhou)

	Item	Unit	Legal standards	Our standards	Quantity
Offensive Odor Control Act	TVOC* ⁴	kg/h	<1.8	<1.8	0.002

	Item	Unit	Regulatory standards	Quantity
Environmental Noise Pollution Control Law	6:00~22:00	dB	65	56(64)
	22:00~6:00	dB	55	50(54)

Dexerials Advanced Material (Suzhou)

	Item	Unit	Legal standards	Our standards	Quantity
Air Pollution Control Act	Ethanol	kg/h	<30	<30	0.0004

	Time	Unit	Regulatory standards	Quantity
Environmental Noise Pollution Control Law	6:00~22:00	dB	65	57(60)
	22:00~6:00	dB	55	50(52)

Quantity: Result average (max. value)

*1 BOD: Biochemical Oxygen Demand

*2 COD: Chemical Oxygen Demand

*3 SS: Suspended Solids

*4 TVOC: Total Volatile Organic Compounds

Chemical Substance Managements

Response to the REACH Regulations

The Dexerials Group is endeavoring to respond to the European Community's REACH^{*1} regulation, with the aim of undertaking safety evaluations of chemical substances. If a chemical substance, mixture or article contains more than the prescribed content of a specific substance (substance of very high concern, or SVHC) stipulated in the REACH regulation, it is necessary to provide the customer with information about this and to submit a notification to the European Chemicals Agency. With regard to mixtures^{*2}, we have been working in partnership with Dexerials Europe, our European local subsidiary, and conducting surveys concerning the chemical substances that need to be registered under REACH; we have completed the preliminary registration and are now working toward full registration through the Substance Information Exchange Forum (SIEF).

Moreover, with regard to specific substances, we obtain responses from our suppliers in due course, via a survey method prescribed by Dexerials; based on the results, we will then determine whether or not our products contain those specific substances.

Minimizing Chemical Substance Risks

The Dexerials Group has established the Chemical Substance Management Committee to ensure continued product compliance concerning chemical substances, to continue providing safe and secure products to our customers into the future, and to maintain the work environment, and is strengthening its systems for the appropriate, integrated management of the chemical substances used by the company.

As well as managing the use of chemical substances in the company's business activities, the committee checks and deals 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.

In addition, due to risks posed by chemical substances to the environment and to health, we categorize all of the chemicals we use into classes in regards to their handling, and conduct risk assessments in order to enhance management of their use.

Chemical Substance Management Committee



Dexerials Chemical Classifications

Class 1: Prohibited for use

Class 2: Use is permitted subject to implementation of in-house risk assessment in addition to confirmation of the management method and circumstances in accordance with the risks of the substance

Class 3: Use is permitted subject to implementation of in-house risk assessment in addition to confirmation of the management method for the substance concerned

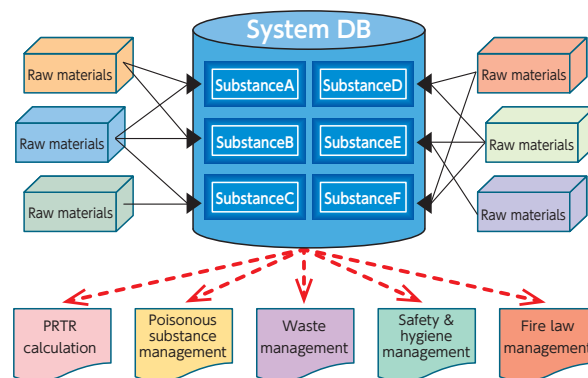
Class 4: Purchase volume is monitored

Introduction of a Comprehensive Management System for Chemical Substances

The Dexerials Group has introduced a management system whereby raw materials and chemicals purchased are recorded in a chemical substance database which can then be used to output the required data by item.

The system allows for a wide range of uses in surveying the state of chemical substance use by site or business division. Using this system, we can respond to relevant legislative amendments and strive to prevent compliance violations.

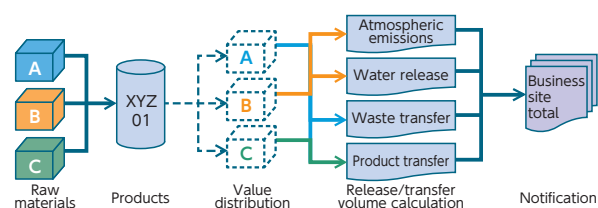
Comprehensive Management System for Chemical Substances



PRTR/Calculation Procedures

We use a method to divide data into release or transfer based upon the distribution coefficient of actual purchases.

PRTR/Calculation Procedures



*1 REACH stands for Registration, Evaluation, Authorization and Restriction of Chemicals. It entered into force on June 1, 2007.

*2 Mixture: A combination of two or more chemical substances; among our product groups, this applies to such groups as liquid adhesives and thermosetting adhesive films.

Environmental Activities

The Dexerials Group, as a citizen of the local community, is conducting initiatives for the environment in Japan and overseas.

Activities to Restore Healthy Greenery to the Local Community

Dexerials is cooperating with local governments and NPOs in afforestation efforts for future generations.

Corporate Afforestation Activities Promoted by the Forestry Agency

Under an initiative called "Innovation Forest," Dexerials has concluded five year agreements with the local authorities of three cities in Tochigi Prefecture, namely Yaita, Sakura, and Kanuma, to improve environment.

Yaita City "Innovation Forest" (agreement ended March 2016)



The forest after five years' growth



Removal of anti-deer fencing

Sakura City "Innovation Forest"



Forest thinning



Sunlight filters down into the forest following thinning

Kanuma City "Forest of Hope and Innovation"



Monthly work day



Clearing up fallen leaves

In response to these corporate afforestation activities, Dexerials received carbon offset certificates from Tochigi Prefecture for a total of 94.47 t-CO₂.



Yaita City "Innovation Forest" 4.68t-CO₂



Sakura City "Innovation Forest" 58.79t-CO₂



Kanuma City "Forest of Hope and Innovation" 31.00t-CO₂

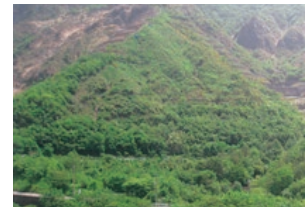
Activities to Restore Greenery in Ashio

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

- Restoration work of the Ashio forest has been ongoing for approximately 100 years. However, only a small area has yet been rejuvenated. Continuous effort by many people is needed in order to restore this forest. The Dexerials Group is supporting these activities in a variety of ways.



Ohatazawa (25 years ago)



(Recently)

- On April 25 and 26, 2015, approximately 1,700 people participated in the Spring Tree-planting Day assisting with running the event as staff for the organizers.



Serving pork stew



Forest view

- Good soil is required for planting trees on the devastated mountains. Dexerials provides fallen leaves, dead grass, and wood chips from thinning gathered from Innovation Forests and business sites to help make soil.



Fallen leaves supplied by Dexerials become soil for Ashio.



Initiatives for the Environment

The Dexerials Group implements initiatives for the environment involving all employees at business sites in Japan and overseas.

Use of Personal Mugs at Dexerials America

Dexerials America has distributed mugs to all employees and eliminated the disposable cups previously used in an effort to reduce unnecessary trash.

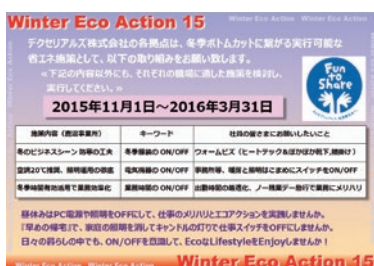


Cool Biz/Warm Biz

Dexerials implements a "Cool Biz" initiative (reduced air-conditioning and relaxation of dress codes) under the banner of "Summer Eco Action" from June to October. Similarly, it holds a "Warm Biz" initiative called "Winter Eco Action" from November to March where heating and lighting is operated on energy-saving settings there are relaxed dress codes. By optimization of work hours and the designation of "no overtime" days, we are striving to cut power usage.



Cool Biz



Warm Biz

Company photo contest

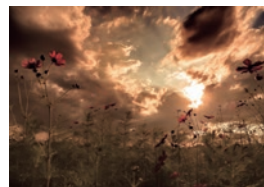
Dexerials holds company photo contests on themes such as nature or the family, aimed at boosting employee awareness of the environment, workplace diversity, conservation of biodiversity, and interaction with the community.



Most Outstanding Award



Outstanding Award



Outstanding Award



President's Award

Installation of Environmentally Friendly Vending Machines (Apex Corporation)

Using paper cups made from resources from forest thinning

The Apex brand paper cups used at Dexerials are made from 100% Japanese materials, with 10% sourced from forest thinning.

The planned use of forest thinning helps the Japanese forestry industry and also assists in nurturing healthy forests.

The used cups are then collected in separate containers and sent to local paper mills to be made into toilet paper and other recycled goods.

Use of environmentally-conscious coffee beans

The Brazil Blend coffee in vending machines installed in our offices uses 30% Ipanema Coffees plantation beans, certified by the Rainforest Alliance, which aims to preserve wildlife, conserve land, and water sources, and protect workers, their families, and communities, and to improve their livelihoods.



Occupational Health and Safety, Disaster Prevention

The Dexerials Group implements employee training, along with reinforcement and improvement work to facilities, in an effort to prevent or minimize damage from disasters and accidents which potentially could have a serious impact on business.

Occupational Health and Safety, Disaster Prevention Principle

The Dexerials Group's Occupational Health and Safety, Disaster Prevention (OHS) Principle states that "We are conscious that safety is imperative to the creation of new value and to quality enhancement, and will continue to provide safe and healthy business sites.

Occupational Health and Safety, Disaster Prevention Policy

Based upon our OHS Principle, we promote safety activities under the banner "Safety FIRST Action" emphasizing autonomous work, collaboration, and the three "gen" principles of "genba, genbutsu, genjitsu" (lit. actual place, actual product, actual facts). We aim to raise safety awareness at all work sites and to prevent major disasters.

Safety and Disaster Prevention Initiatives



Business Continuity Planning (BCP) Activities

We strive to establish procedures for restoration and recovery of each product in emergencies such as disasters, and to improve our crisis management and business continuity skills.

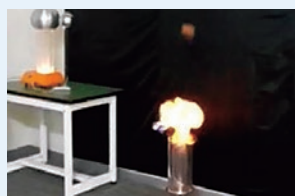
We endeavor to create systems to avoid the occurrence of unforeseen events.

Occupational Health and Safety, Disaster Prevention Activities

We are engaged in OHS activities with a focus on various preventable accidents such as those due to human error, or equipment malfunctions, health hazards from chemicals, traffic accidents, and fires.



Equipment safety check



Explosion experience

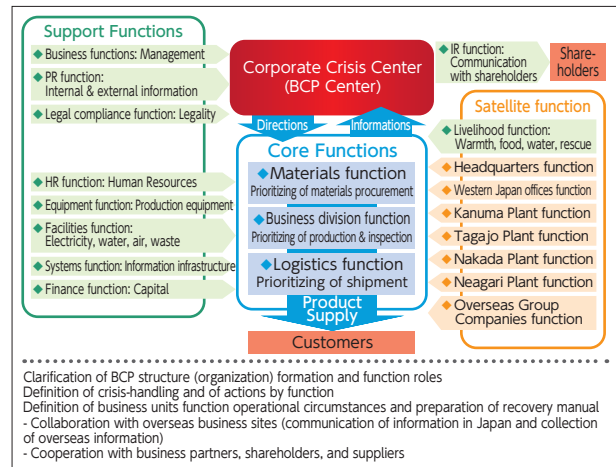


Traffic accident experience



Fire-fighting practice

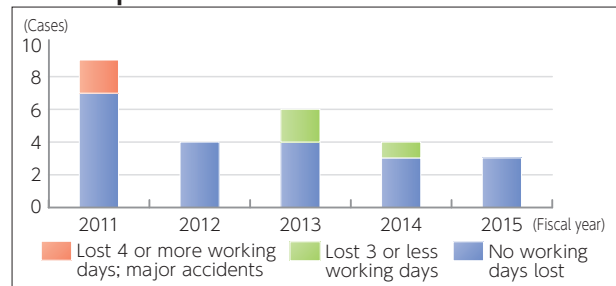
BCP Activities



Occurrence of Workplace Accidents

In fiscal 2015, there were zero workplace accidents that resulted in loss of work time, and three accidents that did not result in loss of work time. Dexerials strives to clarify the risks related to accidents which have occurred by investigating and analyzing the causes and advancing improvements, sharing the information company-wide to prevent recurrence. In fiscal 2016, we will continue to aim to prevent major disasters, while also identifying workplace and health risks and acting to reduce these, as well as working to boost safety awareness in the workplace.

Workplace Accidents



Countermeasures to Equipment Accident Risks

Installation of Observation Wells

Observation wells have been installed at Kanuma and Nakada plants to detect any leaks of petroleum, kerosene, solvent and



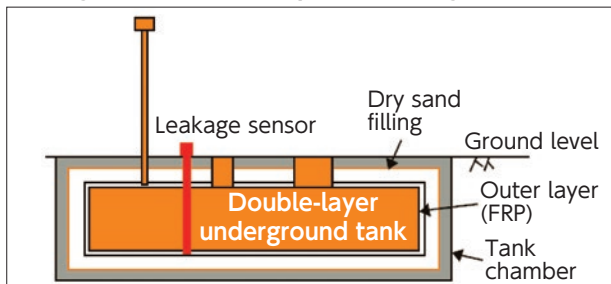
Well for automated inspection of underground water pH

so on from underground tanks, positioned at optimal points for effective measurement along the flow of underground water.

Countermeasures for Tank-Related Risks

In order to prevent leakage from aging tanks, Kanuma Plant and Nakada Plant are double-layering underground tanks and boiler wastewater neutralization tanks, or implementing countermeasures in above-ground equipment.

◆ Diagram of double-layered underground tank



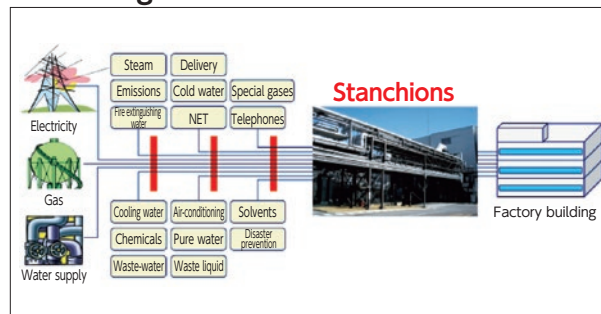
Countermeasures for Piping-Related Risks

In order to prevent chemical leakage from piping, Kanuma Plant and Nakada Plant are double-layering their pipes.

In addition, common support frames known as stanchions, which support piping and wiring in plants, pose a risk of collapsing in an earthquake, causing leakage of solvents or waste fluids.

For this reason, the structure frame, load weight and so on were assessed and analyzed closely and seismic resistance (IS value) was calculated based upon the results of an earthquake risk assessment. As a result of this, countermeasures were implemented to ensure resistance against seismic intensity of 6-upper.

◆ Ensuring seismic resistance of stanchions



Seismic-Reinforcement and Leak-Prevention Work

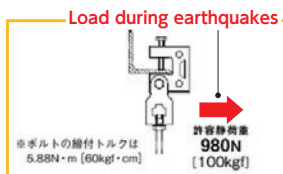
Kanuma Plant has undertaken seismic-reinforcement work on buildings and installed steel stanchions for external reinforcement. Since fiscal 2012, work is ongoing to both building exteriors and to in-ceiling piping to control movement of pipes and ducts, and to prevent leaking due to breakages.

◆ Examples of Reinforcement Work for Seismic-Resistance to Prevent Leaks

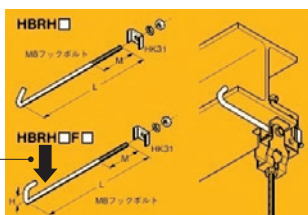
Enhanced Stabilization of Suspension Hooks

Conventionally, suspension hooks for pipes and ducts have been attached to just one side of a beam. However, this leaves the risk of the pipes or ducts coming loose in the event of an earthquake. As part of seismic reinforcement efforts, suspension hooks were fixed to both sides of the beams so that they will not fall even in strong seismic activity.

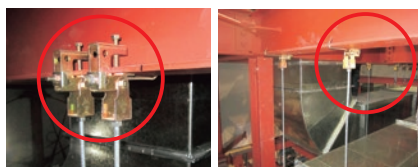
Suspension hooks



Prevention of falling by attaching reinforcement hooks to H-beams

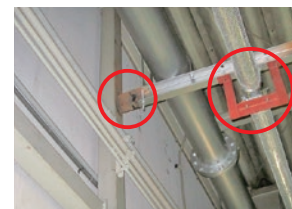


Regular load



Reinforcement using fittings to prevent falls

Fittings are used to prevent ceiling piping from falling by attaching them to strong pillars and beams. This reinforces the piping against earthquakes.



Emergency Response Drills

Inspection of utilization status of environment-related substances

At Nakada Plant, we carry out an annual inspection of the usage status of environment-related substances, check the usage status of chemical substances including VOCs, and the preventive measures against environmental accidents. This allows us to continue our record of accident-free handling of organic solvents,



(1) Easy checking of stored materials and labeling



(2) Review of procedural manuals



(3) Keeping clean and tidy work areas



(4) Thorough checking of written records

Solvent leakage response drill

At Kanuma Plant, each business unit carries out drills in line with its specific risk profile, and uses any shortcomings or issues identified as feedback to improve its response to leakage incidents. Repeated drills have worked so far to maintain the high level of responsiveness to leakage incidents.

- Emergency response drill for outdoor solvent leakage (Kanuma Plant)

Leakage from a storage drum of raw material containing organic solvents



(1) Toppled storage drums for raw material containing organic solvent are picked up (drums filled with water)



(2) Drain covers are closed



(3) Recovery starts after assistance has been called and protective gear put on



(4) Leaked liquid is recovered from the gutter area



(5) Fire extinguishers on standby for the event of a fire



(6) Reviewing the drill and checking the operation of drain seals

- Emergency response drill for indoor solvent leakage (Kanuma Plant)



(1) Recovery of organic solvents (water used as substitute)



(2) The order to start recovery operation is given after assistance has been called and protective gear put on



(3) Assistants carry out recovery operations



(4) Review meeting

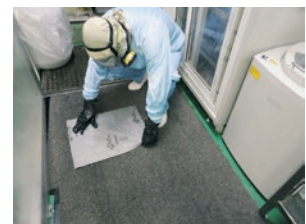
Solvent leakage response drills at overseas business sites

At the Dexerials Group's overseas plants, similar leakage drills are carried out periodically to improve employee skills.

- Emergency response drill for the event of an indoor liquid chemical leakage (Dexerials (Suzhou) Co., Ltd.)



(1) Liquid chemical leakage (water used as substitute)



(2) Clear-up of liquid chemicals



(3) Calling for assistance



(4) Clearing up with help from assistants



(5) Disposal of leaked substance



(6) The recovered substance is kept in a dedicated storage area for waste materials

Shareholders and Investors

We strive to enhance shareholder value in the medium to long term through highly transparent and reliable disclosure as well as sincere communication.

Disclosure of Corporate Information

For Dexerials, timely and appropriate disclosure to shareholders and investors serves not only to ensure transparent and fair decision making as well as effective corporate governance functions; we also believe that it contributes to increasing shareholder value by promoting public understanding and appropriate market assessment of our operations.

Since our listing in July 2015 on the First Section of the Tokyo Stock Exchange, we have therefore not only undertaken disclosure required by laws and regulations, but also published information proactively through a variety of channels, including the IR section of our website, shareholder newsletters, and the corporate Annual Report, working in this way to create a system for highly transparent and reliable disclosure.

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



IR section of website



Shareholder newsletter (fiscal year ended March 31, 2016)

Profit Return Policy

We believe that sustainable growth of business and strategic investments to achieve profitability, with our aim for enhancing corporate value, contribute to the common interests of our shareholders. We have thus established a basic policy that we should first secure the funds for the strategic investments to enhance the corporate value and then pursue the stable and consistent distribution of profit.

Along with the abovementioned policy, we intend to strive for investments to achieve growth for greater corporate value as well as return of profits to our shareholders. In order to put this policy into practice, we will first assess our earnings, investment plans and cash position in the future, and then return profits to shareholders.

Specifically, we will target a total payout ratio to consolidated profit before amortization of goodwill*1 of approximately 40% by combining stable and continuous dividends with share repurchases to be decided in light of factors such as management

circumstances and the market environment. In addition, in order to operate successfully in a competitive environment, our internal reserves will be applied towards research and development, capital expenditures and other strategic investments that contribute to the improvement of our future corporate value.

*1 Total payout ratio to consolidated profit before amortization of goodwill

$$= \frac{\text{Total payout amount (=Annual total dividends paid + Annual total share buyback)}}{\text{Consolidated profit + Amortization of goodwill}} \times 100$$

General Meeting of Shareholders

Ahead of the Annual General Meeting of Shareholders, we send out the meeting notices as early as possible, provide enhanced information, post documents on our website in both Japanese and English, and take other measures to ensure that shareholders have fair access to data, adequate information to exercise their rights, and sufficient time for reflection. Moreover, we are working to create an electronic voting environment, with a website where individual shareholders can exercise their voting rights online and an electronic voting platform for institutional investors.

IR Activities

Below is an outline of investor relations activities for the fiscal year ended March 31, 2016 (from July 2015).

Activity	Frequency	Contents
Hosting fact-finding visits from institutional investors and analysts; visits to institutional investors in Japan	155 times	<ul style="list-style-type: none"> Group meetings in addition to individual meetings, participation in investors' conferences hosted by securities firms
Briefings for institutional investors and analysts	3 times	<ul style="list-style-type: none"> Earnings briefings focused on financial results and performance outlook Note: Earnings briefing on results for fiscal year ended March 31, 2016, included an outline of Medium-term Management Plan "Change for Growth 2018"
Briefings for individual investors	9 times	<ul style="list-style-type: none"> Briefings at branch offices of securities firms and investment seminars for individual investors, as well as participation in various IR fairs
Posting IR materials on website	As appropriate	<ul style="list-style-type: none"> Posting of materials such as the consolidated financial results and supplementary materials, as well as shareholder newsletters, securities reports (quarterly), materials relating to the General Meeting of Shareholders, the IR event calendar, and so on. For information considered of particular importance, English translations of the relevant press releases and materials are also posted

Relationships with society

Customers

So that customers can use our products with complete confidence, we work for product quality ensuring high levels of reliability and satisfaction.

Basic Quality Policy

In the spirit of its corporate vision “Value Matters: Unprecedented innovation, unprecedented value,” the quality philosophy adopted by the Dexerials Group is to contribute to increased value for our customers’ products through pursuit of technology and provision of high-quality products and services. We have also adopted a basic policy for quality that sets out the basic approach of our quality activities. In this way, we engage in a wide range of quality and product safety activities.

Basic Policy

1. We deliver reliable and safe products and services.
2. To ensure strict observance of all relevant laws and regulations, we put in place and maintain a product compliance system.
3. We undertake continuous risk reduction activity and advance preventive activity.
4. Through on-the-job training and educational drills, we work to develop human resources and refine specialist skills and knowledge.
5. We operate a quality management system and work to enhance its effectiveness.

Quality Control

Through communication with customers, the Dexerials Group shares customer needs and technology issues. It offers technology-based support and solutions, working toward the creation of products that reward customer confidence and create satisfaction.

All our manufacturing plants have received certification under the ISO 9001 international standard for quality management systems and operate the Plan-Do-Check-Act cycle of management as a platform for implementing quality plans, which are reformulated each fiscal year. In this way, we work to meet quality targets and improve quality and product safety.

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

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.

Quality Training

To cultivate human resources with a strong commitment to quality, we have drawn up quality training roadmaps specific to a wide range of different staff levels, from new employees to technical specialists. The associated training imparts not only knowledge of quality ranging from the fundamental to the specialist, but also includes training on the role of compliance and corporate ethics in quality.

◆ ISO9001 Certification status

Organization	Manufacturing site	Date of first certification	Valid until
Dexerials Corporation	Headquarters	May, 1996	Apr. 30, 2017
	Kanuma Plant	May, 1996	
	Tagajo Plant	Sep., 1993	
	Nakada Plant	Feb., 2000	
	Neagari Plant	May, 1996	
Consolidated affiliates of Dexerials Corporation			
Dexerials Europe B.V.		May, 2011	May 27, 2017
Dexerials(Suzhou)Co., Ltd.		May, 2011	May 19, 2017
Dexerials Advanced Materials (Suzhou)Co., Ltd.		May, 2011	May 19, 2017
Dexerials(Shenzhen)Corporation		May, 2008	May 1, 2019
Dexerials America Corporation		Jan., 2012	Sep. 4, 2017

Suppliers

We work for ethical and environmentally sensitive procurement in line with our Basic Approach to Procurement, which seeks to realize ethical procurement of materials, and our Management Standards for Environment-Related Substances, which is designed to ensure environment-friendly procurement.

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 and cooperation 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 supplier with a level playing field.
2. Dexerials also emphasizes collaborative 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 achieve practical results.

Complying with the Dexerials Group Code of Conduct in Procurement

The Dexerials Group has adopted the Dexerials Group Code of Conduct, which sets forth the basic internal standards to be observed by all directors, officers and employees in order to emphasize and further strengthen corporate governance, business ethics and compliance systems throughout the Dexerials Group.

The code includes basic policies concerning deals with suppliers such as “Fair Procurement” and “Gifts and Entertainment,” and we are working for strict compliance with these rules.

Green Procurement

The Dexerials Group sees global environmental conservation as one of the most critical issues for humankind in the 21st century. Dexerials, as a good corporate citizen, works aggressively to conserve the environment and create a sustainable society.

Procurement of Parts and Materials Used in Dexerials Products

The Dexerials Group has established a set of

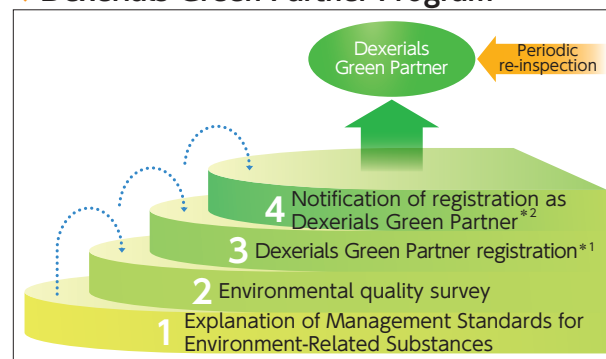
Management Standards for Environment-Related Substances in order to ensure the manufacture environmentally-sensitive products. These standards, which identify environment-related substances to be banned or reduced as well as their applications, serve as the basis for our product manufacturing.

Suppliers who cooperate with these standards are designated Dexerials Green Partners. In principle, the Dexerials Group procures raw materials and parts used for its products solely from suppliers who have qualified as Dexerials Green Partners.

About “Management Standards for Environment-Related Substances”

The Dexerials Group asks that all suppliers comply with the Management Standards for Environment-Related Substances. These standards define “controlled substances” contained in the raw materials, parts, or other element of our products that are judged by Dexerials to have a significant impact on the global environment or human health. These controlled substances are categorized as (1) substances to be banned immediately, (2) substances to be phased out, or (3) exempted substances. They are also subject to monitoring in order to prevent inclusion in our products or to confirm reduction of their use. Our aims here are to conserve the global environment and reduce our impact on the ecosystem.

◆ Dexerials Green Partner Program



*1 Suppliers who meet the criteria are registered as Dexerials Green Partners

*2 Registered suppliers are notified of their status as Dexerials Green Partners and the business relationship commences

Response to conflict minerals

The Dexerials Group promotes responsible procurement based on a policy of not using raw materials and parts that contain conflict minerals involved in human rights violations or similar issues. As a product supplier, we check for trace levels of the relevant minerals in our products and provide the appropriate information to customers.

Local Communities

As a corporate citizen, the Dexerials Group engages in various activities that contribute to local communities in Japan and overseas.

Clean-up activities in Japan and overseas

- Neagari Plant carried out a beach clean-up on June 10, 2015, and a clean-up of the plant surroundings on October 22.



- Tagajo Plant undertakes regular clean-up activities in the surrounding area.



- Nakada Plant implemented a zero-garbage campaign on May 30, 2015, and carried out clean-up activities in the area around the plant on August 28, 2015, as part of Roads Month.



- Every year in July and August, Kanuma Plant organizes clean-up activities at the nearby Chigonuma Park together with local residents.
- Dexerials (Shenzhen) Corporation carried out a beach clean-up at Xichong in Shenzhen City on December 13, 2015.



Flower-Planting Campaign to Encourage Environmental Awareness

Our employees plant colorful floral displays in and around our plants so as to encourage environmental awareness not only among employees, but also with local residents.



Participation in Tome Eco Forum

We took part in the 28th Tome Eco Forum, held at the Nakada Plant on June 5, 2015. Initiated with the support of the Miyagi Prefecture environmental coordinator, this Eco Forum aims to share information on local environmental activities and promote exchange of opinions.



At the 28th Tome Eco Forum

Utsunomiya Blitzen

Since 2015, we have had a sponsorship agreement with Cycle Sports Management Co., Ltd., the organizer of Utsunomiya Blitzen, which aims to contribute to local communities by promoting cycle sports.

On December 23, 2015, we organized an event called the Dexerials Cycling school in order to contribute to safety education protecting children from traffic accidents. Thirty-two children attended the event, which was supported by Employee volunteers.



At the cycling school



Sony Sendai FC

In order to promote amateur sports and contribute to local communities, we have had a sponsorship agreement with Sony Corporation since 2014 to support Sony Sendai Football Club.

Since the Great East Japan Earthquake of 2011, Miyagi Prefecture has been making efforts to recover. On November 28-29, 2015, we organized the Dexerials Cup: 13th Miyagi Prefecture Champions Cup U-12 Tournament. This event aims to encourage children who dream of a future as a soccer player.



Dexerials banner on display at the tournament



2015 Dexerials Cup winning team

Hosting junior high school students on work experience programs

Kanuma Plant hosts students from municipal junior high schools on work experience programs.

In fiscal 2015, we hosted 19 students from four junior high schools in Kanuma City, who observed the production process and were given an explanation of the functions of the solar control window film Albedo, among other activities.



Learning about the function of Albedo by observation



Observing the production process

Hosting a work experience visit from the junior high School for the Deaf

On June 9, 2015, Kanuma Plant hosted a work experience visit from Tochigi Prefecture School for the Deaf. The visiting party consisted of 15 students and eight teachers, who observed the production process and followed explanations in sign language by our employees, allowing them to reach a better understanding of our company. Questions from the students were answered by employees who were graduates of the same school, allowing an exchange of opinion on attitudes to work and motivation.



Employees provide explanations in sign language



Group photo with employees who graduated from the same school

Relationships with society

Employees

To make possible a diverse range of work styles, Dexerials is taking proactive initiatives in five areas: active participation by women, work-life balance, employment of overseas nationals, employment opportunities for older people, and employment for people with disabilities.

Promotion of Diversity

Activities to promote advancement and development of female employees

Our female employees account for around 19.6% of all staff, and as of March 2016, their average length of service was 18 years and 11 months, against 18 years and 2 months for males, indicating that female employees also pursue long-term careers. Since 2014, we have held lectures for managerial staff on promoting active female participation and work-life balance. Combined with in-house awareness-raising activities, strict enforcement of “no overtime days” and other initiatives, this is designed to promote workstyles that make efficient use of regular work hours and support employees combining work with childcare.

Achieving Work-Life Balance

We have introduced structures and systems designed to allow employees to successfully combine work and family life.

Childcare

We have put in place a system to support successful combination of work and family life that exceeds legal requirements in terms of childcare leave and other benefits, and have introduced systems of flexible working hours and shorter working hours for childcare so that both men and women can work flexibly. Meanwhile, we have set up a work skills improvement support system for employees on childcare leave, through which such employees can stay at home but still continue to access in-house information, improve their knowledge, and communicate with superiors. For instance, the systems enable them to follow e-learning



“Kurumin” mark, designating employers recognized as supporting childcare



“Kanuma” companies supporting childcare

courses by smartphone or other media and to view information on the company intranet.

These initiatives were recognized by Japan’s Ministry of Health, Labour and Welfare when it issued to Dexerials the “Kurumin” mark and “Kanuma” accreditation, both of which are awarded to companies that support childcare.

Nursing care

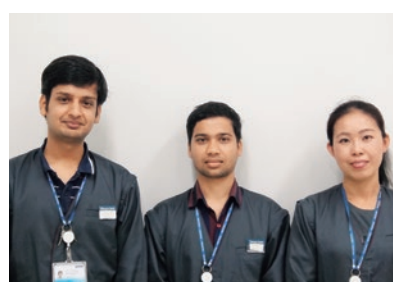
Employees with family members requiring nursing care can take advantage of a shorter working hours system and a system of one year’s leave. These measures are designed so that no employee has to give up work for nursing care duties.

Employment of overseas nationals

The Dexerials Group earns 70% of its net sales overseas. Even its Japanese business bases therefore need human resources capable of functioning in a global context. To this end, we proactively recruit overseas nationals. The table below shows the latest figures on employment of overseas nationals.

Fiscal year	No. of recruits	Nationality
2015	3	Chinese, Indian
2016	3	Chinese, Indian, Russian

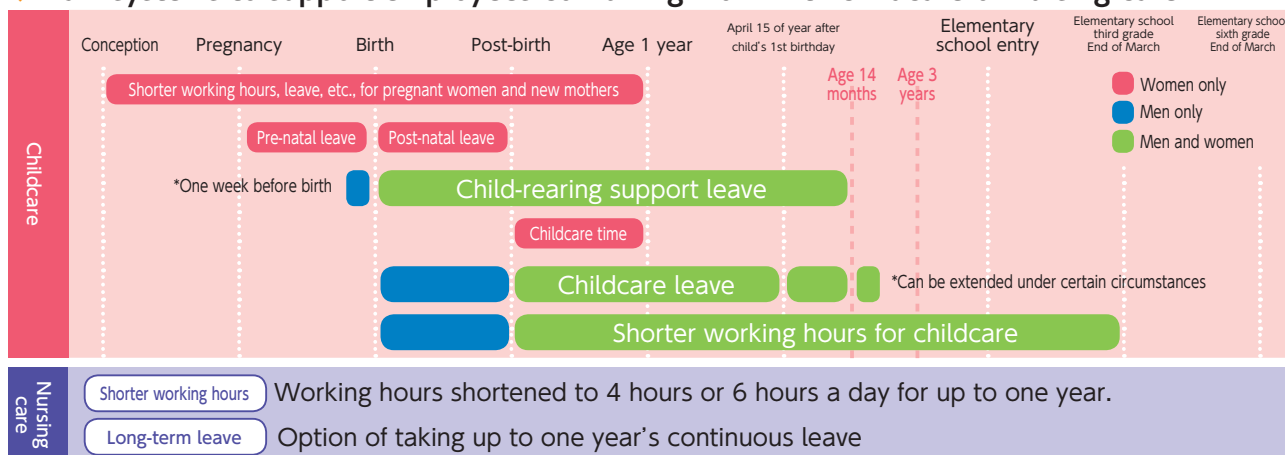
Meanwhile, we provide training through English, give intercultural training to employees at their assigned business site, offer vegetarian options in the employee canteen, and take other steps to ensure an appropriate workplace environment.



New employees of overseas nationality in fiscal year 2015

These measures mean that employees can work in a supportive atmosphere without encountering barriers of nationality,

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



Promotion of employment opportunities for older people (re-employment system)

Since the 2006 revision of the Act on Stabilization of Employment of Elderly Persons, we have operated a system of re-employment for employees reaching the retirement age of 60 in accordance with the law. Out of consideration for such employees who wish to work well beyond retirement age, and also to meet the company's labor requirements, we revised the system in April 2016 so that all employees so wishing would be employed up to age 65, thus creating a system where staff can be confident of continued employment after retirement age. In this way we are putting in place structures that allow people to find a place within the company after retirement where they can carry on contributing professionally in their senior years, whether by continuing to use their accumulated skills or taking on a new field of activity.

Promotion of employment for people with disabilities

It is now one year since April 2015, when Dexerials Kibou Corporation began operations as a certified special subsidiary promoting the employment of people with disabilities. Promoting social responsibility by creating workplace environments in which people with disabilities can feel confident. Dexerials Kibou currently has 23 employees, of whom 12 have disabilities, and carries out cleaning, landscaping, and other activities within Dexerials business bases. The rate of employment of people with disabilities in the parent company, including subsidiaries, is approximately 3.0%.



Employees of Dexerials Kibou Corporation

Training system

We devote energy to expanding the specialist abilities and skills of individual employees so as to cultivate human resources capable of creating value. Accordingly, we offer grade-specific training, self-education programs, and training specific to each of the four work orientations (manufacturing-related, technology- and development-related, sales-related, and planning- and management-related), which is designed to improve the relevant specialist knowledge and skills.

Grade-specific programs	Programs for different work orientations	Business skills program
Training for new employees	Manufacturing-related	Presentation
Mid-level staff training	Technology- and development-related	Logical thinking
Management training	Sales-related	Language training
Leader development training	Planning- and management-related	Career development

Meanwhile, preventing harassment and ensuring compliance are among the subjects of various e-learning programs that Dexerials offers year-round. Going forward, we are committed to cultivating human resources that will carry the next generation, aiming to strengthen global human resources and technology development and enhance our organizational capabilities.



New employee training for spring 2015 intake

Satchel Presentation Ceremony

Every year, to celebrate our employees' children's entry into elementary school, we present them with school satchels. The children are invited with their families to one of our business sites, where the presentation is made in person by the company president or a corporate officer. This year, a total of 84 elementary school first-graders received a satchel across all our business sites. After the ceremony, the children were taken on a tour of the work areas and plant facilities arranged so as to be a memorable experience.



At the ceremony



During the tour of the plant facilities



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Current as of July 2016