

Dexerials

# Dexerials Sustainability Report 2018





## 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.

### ◆ 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 companies overseas.

### Applicable Term

This report is based in principle upon the results of activities in fiscal year 2017 (April 1, 2017–March

31, 2018); however, some reports and data may refer to past or current information.

### Reference Guidelines

Environmental Reporting Guidelines (Fiscal Year 2018 Version), published by the Ministry of the Environment  
GRI Standards  
ISO 26000

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

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

## Corporate Profile (As of March 31, 2018)

Company name	Dexerials Corporation
Headquarters	Gate City Osaki, East Tower 8F, 1-11-2 Osaki, Shinagawa-ku, Tokyo 141-0032, Japan
Representative Director and President	Takashi Ichinose
Establishment	June 20, 2012
Capital stock	15,934 million yen
Consolidated sales	70,079 million yen
Employees	Consolidated, 1,981 people Nonconsolidated, 1,585 people
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)	Tochigi Technology Center, Kanuma Factory No. 1, Kanuma Factory No. 2, Kanuma Factory No. 3, Nakada Plant, Tagajo Branch

## Overseas group companies

Dexerials America Corporation  
Dexerials Europe B.V.  
Dexerials (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

(as of June 22, 2018)

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.

## Dexerials

## Sustainability Report

# 2018

## C O N T E N T S

A Message from Top Management	02
FY 2017 Highlights from results	04
Main products of Dexerials	08

## Feature Article

① Setting the CSR Policy	10
② New values provided by Dexerials	
1 Contributing to automotive safety with proprietary technology	12
2 Contributing to the realization of a sustainable society with the power of technology	14
③ R&D that creates new values	16

## Governance/CSR Management

Corporate Governance	18
CSR Management	20

## Environmental Measures

Environment Management	22
Dealing with climate change	24
Initiatives to reduce environmental impact	26
Compliance with Laws and Regulations/Chemical Substance Management	28

## Relationships with society

Customers	30
Initiatives toward improving customers satisfaction	32
Suppliers	34
With our employees	36
Occupational Health and Safety, Disaster Prevention	40
Initiatives toward local communities	42
Shareholders and Investors	46

Third party opinions	47
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# A Message from Top Management



*We will continue to be a group that endeavors to resolve social issues by implementing the Corporate Vision and Corporate Philosophy.*

## Aiming to be a company that contributes to the realization of a sustainable society

Since its establishment, Dexerials has taken responsibility as a Company that handles chemical substances that affect the environment by conducting business while always bearing in mind the sustainability of the business by not causing a major impact on the environment.

In recent years, going beyond just environmental considerations in business operations, the Company as a whole has been promoting business activities based on the objective of contributing to society by providing society with new value.

In the Sustainable Development Goals (SDGs) adopted by the UN in 2015, the proactive participation of companies toward the realization of a sustainable society was demanded. Dexerials is contributing to the realization of a sustainable society in the entire value chain by constantly providing the world with products and technologies that lead to resolving social issues.

## Resolving social issues by expanding business to new areas

Dexerials is currently expanding to new business domains by applying the technology and expertise acquired in the core business field of electronics to the Automotive, Environment, and Life Science domains.

With the advancement into new domains, we have sometimes created highly-original products and technologies that exceed what was imagined through the application of existing technology and collaboration with many other technologies. These initiatives have now started to produce tangible results.

For example, in the environmental field, there is a water treatment agent that contains natural materials. The strong points of this product include the fact that less chemicals are used compared to common water treatment agents, and it can greatly reduce sludge emissions volumes. It will contribute to a reduction in the environmental impact through wider use in factories where wastewater is drained.

In the automotive domain, we are promoting the manufacturing and sales of antireflection film. Dexerials' antireflection film enables the reflection of light to be controlled to the maximum possible extent, so this product contributes to increased driver visibility and safety improvement through use in on-board displays, for example.

In the Life Science domain, we have developed and are providing solutions to improve dirt removal and anti-fogging by processing the top surface of mirrors. We are investigating expanding this product to application on washstands and other home facilities, as well as the Medical domain.

These products and technologies are all new values brought about by the application and combination of Dexerials' elemental technologies. From now on, by providing new values, we will continue to be a company that contributes to resolving social issues in a wide range of fields.

## CSR implementation based on the Corporate Vision and Corporate Philosophy

The Corporate Vision, "Value Matters Unprecedented innovation, unprecedented value." is an expression of our corporate attitude of making a contribution to the world through the provision of new value, and for Dexerials, CSR is the realization of this vision.

Meanwhile, the Corporate Philosophy, "Integrity Have Integrity and Sincerity," shows that we demand high morals from ourselves, and it is our social responsibility to conduct management in line with this Philosophy.

In order to more clearly define these ideas, Dexerials has now established a "CSR Policy." Also, we have specified the important social issues (materialities) for priority engagement as key management indicators. Based on these indicators, from now on, in addition to further promoting management that is rooted in CSR, we will further improve corporate value through initiatives toward resolving specific challenges defined as materialities.

## Growth initiatives based on diversity

As a result of proactively expanding business overseas, Dexerials has grown to become a global company with an overseas sales ratio that comprises more than 50%. From now on, in order to achieve further growth, it will be necessary to expand business in line with regional characteristics. In order to do that, it is urgent that we create an organization

## A Message from Top Management

for the active participation of diverse personnel, and create an environment to utilize individual strengths. Forming a lively corporate climate in which members with diverse backgrounds can work independently toward common targets will lead to future growth.

As AI will be more widely used in business locations in the future, we believe that it will be necessary to have more diversity in the way that people work. Looking ahead, it will be necessary to introduce systems with greater flexibility and to have a plan to be an organization that draws out the strengths of companies and individuals. In order to maximize a wide range of personnel, Dexerials is proactively involved active participation by women, work-life balance, employment of overseas nationals, employment opportunities for older people, and employment for people with disabilities. It is not a conventional one-way street where employees must adapt to the values of the Company but rather we recognize that creating an organization that can flexibly respond to employee lifestyles is a field that will be given even more attention in the future.

## Along with all stakeholders

By having the same shared values with all stakeholders, including employees, customers, shareholders, investors and local communities, we can build a relationship of coexistence and symbiosis. In order to do so, it is necessary to disclose information in a timely and appropriate manner, and to engage in substantial dialogs. The requests of stakeholders obtained through such dialogs are the challenges that we must engage in and the resolution of such challenges will make our presence in society more sure.

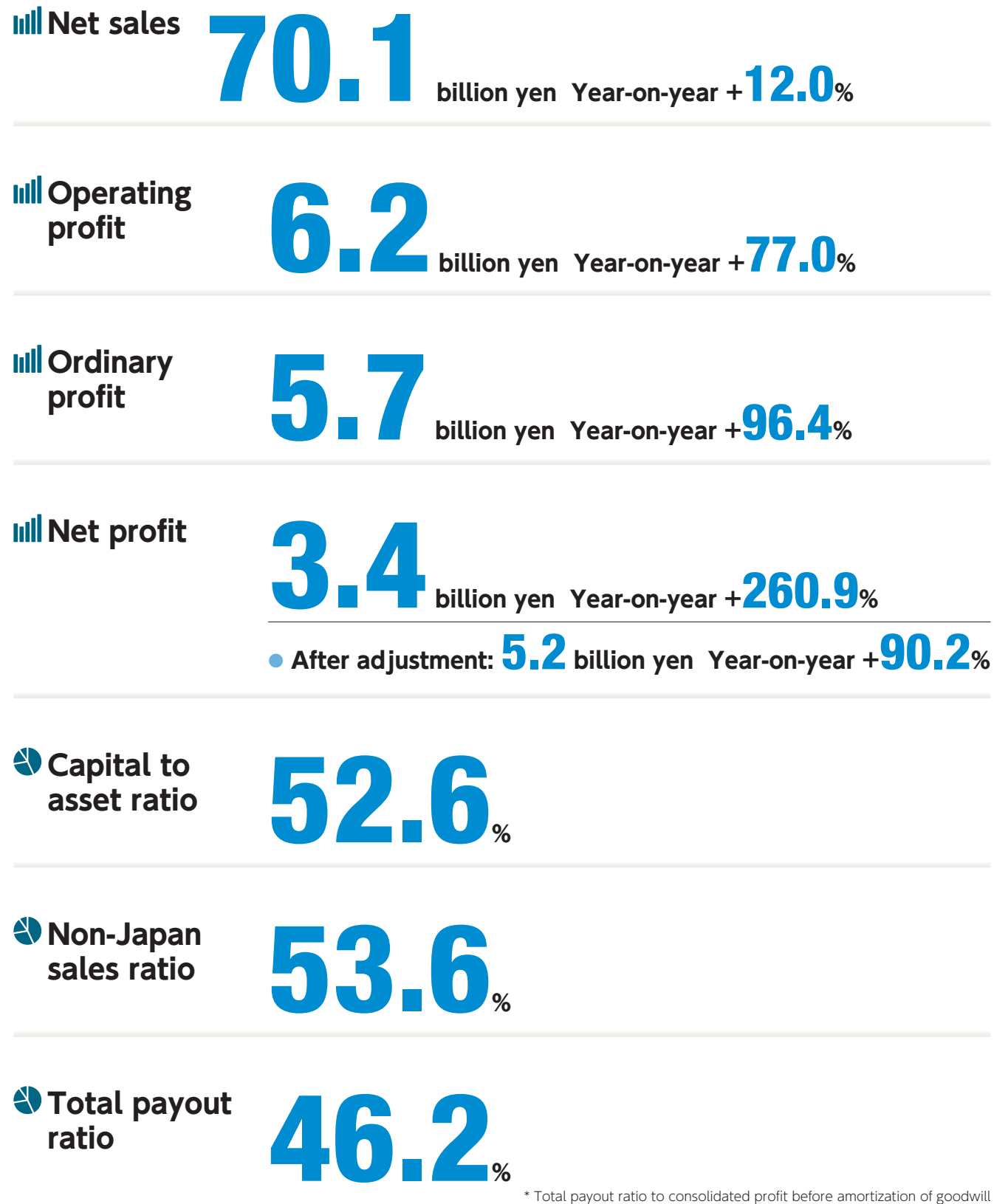
Requests from customers are our development targets. Our shareholders and investors will understand and anticipate these targets. Employees will earnestly fulfill their roles and achieve these targets, which will give them a sense of value in their work. Our aim is to be a Company where there is such a virtuous circle.

Representative Director and President  
Dexerials Corporation



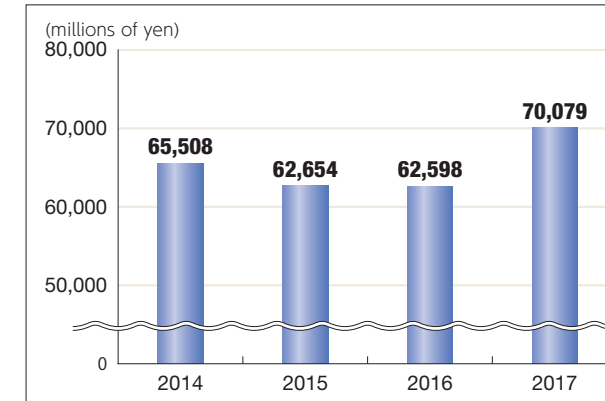
# FY 2017 Highlights from results

## Main management indicators, etc.

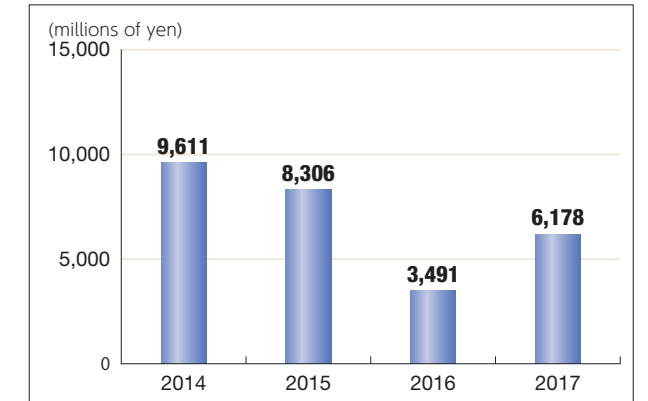


The difference of approximately 36 billion yen between the purchase amount paid to the former parent Company when Dexerials became independent in 2012 and the Dexerials book value (value according to the accounts) is included on the balance sheet as "goodwill," which will be amortized by straight line method over 20 years. Therefore, although operating profit is reduced by approximately 1.8 billion yen each term, in order to calculate the true management results, the value of net profit topped up with an amount equal to the amortization of goodwill is disclosed as the adjusted profit.

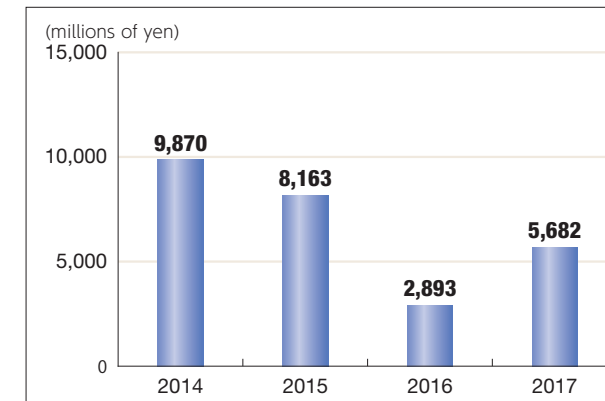
Net sales



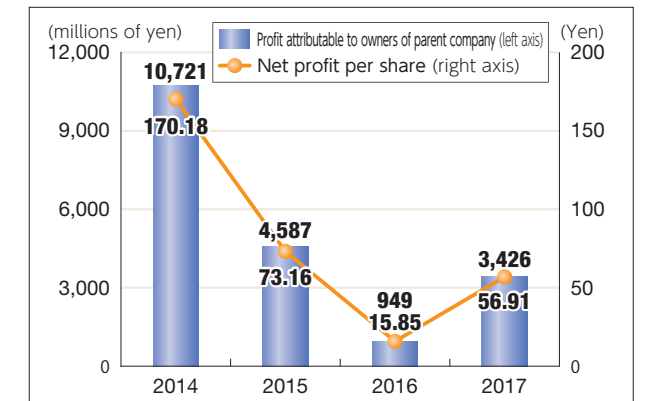
Operating profit



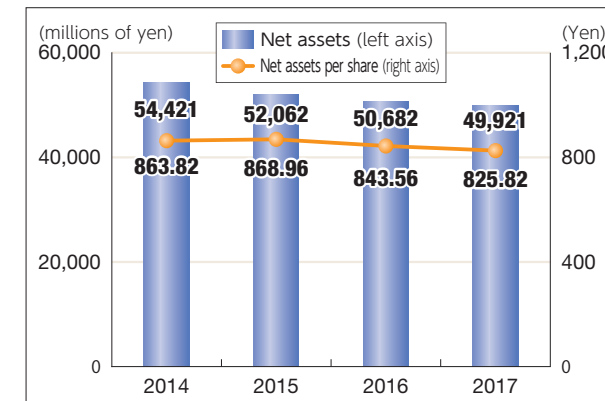
Ordinary profit



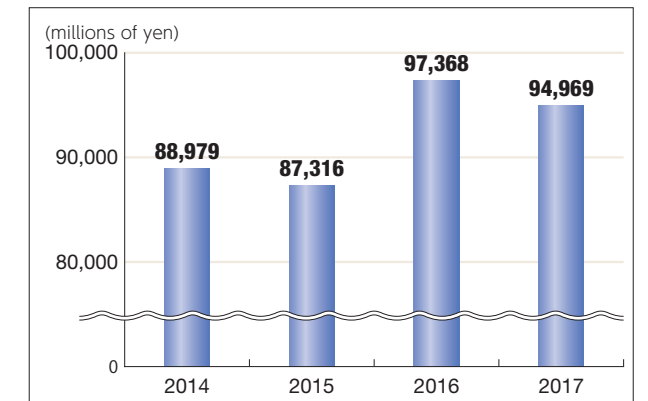
Profit attributable to owners of parent company



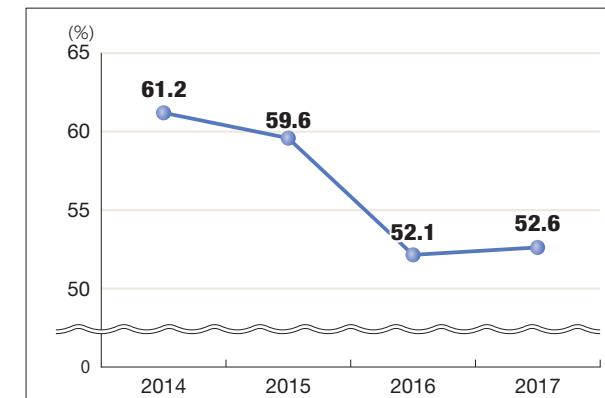
Net assets/Net assets per share



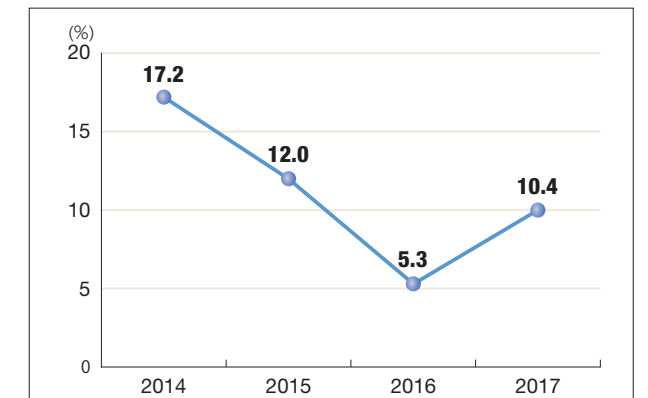
Total assets



Capital to asset ratio



ROE after adjustment (calculated to include return of profit from amortization of goodwill)

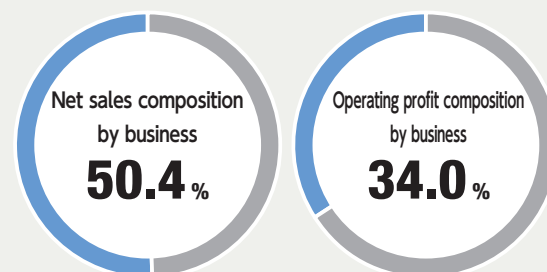




## Sales and operating profit by segment

### Optical Materials and Components Business

This business can be divided into the three categories of optical film, optical resin materials and optical solutions. These three categories include UV curable resin for optical disks, optical elasticity resin and antireflection film, etc., and we have a large share of the global OCR (optical resin) market because of the advanced technology and high quality of our optical elasticity resin (SVR, hybrid SVR), which is one of our core products.



The business segment reported net sales of ¥35,427 million yen (up 13.8% year-on-year) and operating profit of ¥2,708 million yen (up 29.0% year-on-year).

Sales of Optical films saw a year-on-year increase thanks to a growth in sales of products for display panels used for laptop PCs and in-vehicle applications. Even without the impact of the modification of transaction terms described above, the product category would still have resulted in year-on-year increases in both sales and profits.

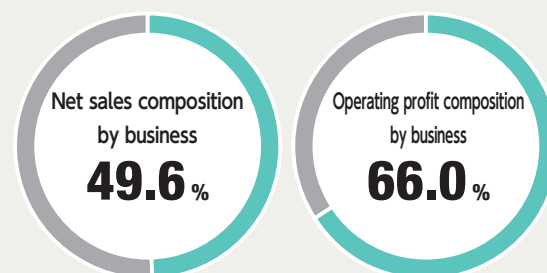
While Optical resin materials saw increased sales of smart precision adhesives, sales and profits of the product category fell short of those for the previous fiscal year due to decreased sales of optical elasticity resins used mainly for smartphones.

Optical solutions achieved improved earnings position as a result of efforts to improve its profitability primarily by lowering fixed costs, despite a decrease in sales because of the withdrawal from the existing business for the consumer IT products.



### Electronic Materials and Components Business

This business can be divided into the four categories of bonding materials, anisotropic conductive film, surface mounted type fuses and microdevices. Due to the advanced technology and high quality, we have a large share of the global market for one of our core products, Anisotropic Conductive Film (ACF), which we were the first to develop and put into mass production in 1977.



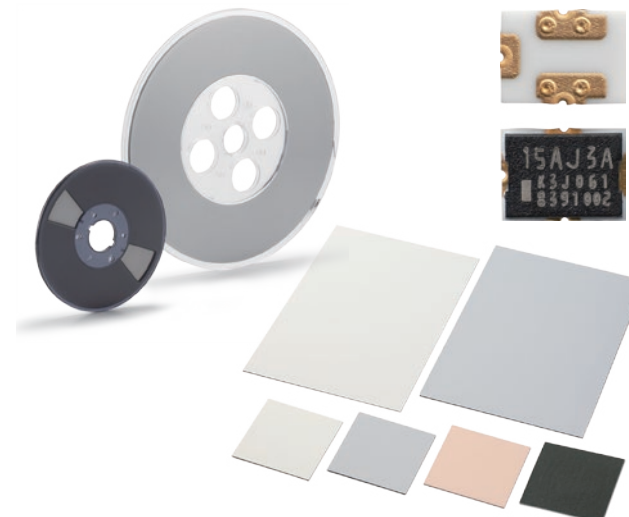
The business segment reported net sales of ¥34,900 million (up 10.2% year-on-year) and operating profit of ¥5,267 million (up 65.2% year-on-year).

Sales of bonding materials increased year-on-year thanks to continued strong sales of functional products such as thermal conductive sheets driven by their adoption to smartphones.

Sales of Anisotropic Conductive Films (ACF) increased year-on-year thanks to solid demand for the products used for smartphones.

Sales of Surface mounted type fuses increased year-on-year thanks to strong sales of products used for electric power tools.

Sales of microdevices also increased year-on-year thanks to continued strong sales of inorganic materials including inorganic polarizers used for projectors.



## Challenges to be addressed

To achieve our corporate vision, the Group is making an across-the-board effort to implement the strategy along with the Medium-term Management Plan, and also will implement measures required to achieve sustainable growth for the fiscal year ended March 31, 2020 and thereafter. In particular for the next fiscal year ending March 31, 2019, we will focus on addressing the issues and taking the initiatives that are described as follows.

### (1) Initiative for Optical films to expand contribution to the Group's earnings and achieve further growth

The Optical films product category has grown rapidly as a new key driver of earnings, with the additional investment to increase the production capacity in the fiscal year ended March 31, 2018. For the fiscal year ending March 31, 2019, we aim to greatly expand contribution to the Group's earnings by capitalizing on significantly increasing demand for our products used for display panels for laptop PCs and in-vehicle applications with the newly introduced production equipment. Moreover, to ensure sustainable growth of the business in the fiscal year ending March 31, 2020 and thereafter, we will work hard to expand the use of our antireflection films among laptop PC manufacturers that have not yet used our products and in new applications as well as develop and release products that have features other than antireflection utilizing the said production facilities.

### (2) Initiative to focus on key areas in the Automotive domain

In the fiscal year ended March 31, 2018, we reviewed the allocation of our resources for new business domains and decided to concentrate them into the Automotive domain. Given the increasing use of electrics in automobiles and evolution in advanced driver-assistance systems (ADAS), the Group that has achieved growth in the electronics field sees expanding opportunities to demonstrate its strength. In fact, our sales of Anisotropic Conductive Films (ACF) and antireflection films have been increasing steadily. In the fiscal year ending March 31, 2019, in addition to the above, we will prioritize development and marketing of materials for head-up displays, various sensors and heat solutions to expand our product lineup and business scale.

## R&D Activities

By combining and improving the core technologies of Dexerials Group including materials technology, processing technology, design technology, analysis technology and evaluation technology, and with a basic R&D policy that includes strengthening the technology base and contributing to expanding business, the Corporate R&D Division and Product Development Division are cooperating on the implementation of development activities. Dexerials Group is multilaterally expanding the high added-value product group represented by the core products of anisotropic conductive film (ACF), optical elasticity resin (SVR) and antireflection film, and we planning business creation by introducing high added-value products in the Automotive, Environment and Life Science domains based on our core technologies.

In the Automotive domain, we are developing antireflection film for on-board displays and functional materials for miniature sensors, and in the Environment and Life Science domain, we are developing a solar control window film, a water treat-

### (3) Initiatives in the Life Science and Environment domains

As we have positioned the Life Science and Environment domains as a next growth driver following the Automotive domain, we are going to focus on the following key measures in the fiscal year ending March 31, 2019:

#### • Expand sales of high visibility films in markets outside Japan

Our high visibility films have been already used in Japan as a protection sheet material for a medical eye shield that is used by a doctor to prevent infections. We will take steps in the fiscal year ending March 31, 2019 to expand sales outside Japan in addition to the domestic market.

#### • Make a capital contribution to ORTHOREBIRTH Co., Ltd.

We made an equity investment in the biotech firm ORTHOREBIRTH Co., Ltd. (hereinafter "ORTHOREBIRTH") in March 2018. ORTHOREBIRTH specialized in a cotton-shaped, artificial bone filling material whose main ingredients are ceramics and polymers. The technical affinity between the Company and ORTHOREBIRTH is found so high that we can support their business primarily through development activities. It is also expected that we can acquire their wealth of marketing expertise to help grow our business in the Life Science domain.

#### • Offer new anti-fogging and anti-fouling technical solutions

We have developed a new material with fogging prevention as well as strong resistance to scratches and peeling by wiping, by taking advantage of our unique material compounding technology and coating process. We plan to launch this product in the market during the fiscal year ending March 31, 2019.

#### • Build a mass production system for water treatment agent and prepare for business development outside Japan

We produce industrial water treatment agent that is derived from plants and thus have less environmental impact. The product features three functions: coagulation, flocculation and improved dewatering performance. In the fiscal year ending March 31, 2019, with expanding customer base in mind, we will build a mass production system and prepare for business development outside Japan.

ment agent containing organic materials and antireflection film for medical-user eye shields.

Also, in some fields of research, we are promoting joint development with universities and public research institutions and intra-company open innovation.

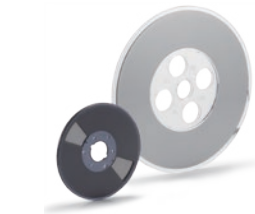
R&D expenditure for this fiscal year was 3.7 billion yen.



# Main products of Dexerials

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 stations.



### UV curable adhesives

Smart Precision Adhesive, which cures rapidly under ultraviolet irradiation, is the ideal solution for high-precision securing and pasting of components. It undergoes little shrinkage during curing, making it suitable for securing camera modules and optical pickup components.



### 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)

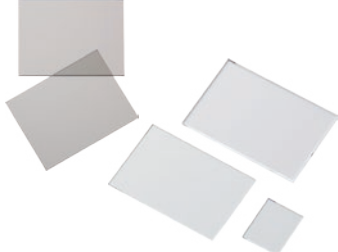
The strong impact-resistant adhesive layer and elastic hollow balloon layer absorb shock if the devices dropped, effectively protecting the case from impact. These tapes are ideal for bonding of window frames on mobile devices, or fixing modules on cases that require waterproofing.

## 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

These optical devices achieve high transmittance and low reflectance thanks to nano-level processing technology and an exclusive thin-film microstructure. They are durable enough to withstand long-term use in high-temperature, high-luminance environments. They boost the brightness and contrast of projectors and optical units that use laser light sources.



### Antireflection film

The Dry type antireflection film realize outstanding low reflection properties and abrasion resistance and contributes to improved visibility of electronics products and automotive displays such as instrument panels and car navigation. We also offer medical face shield featuring outstanding high visual transmittance and low reflectance.



### UV curable resin for optical disks

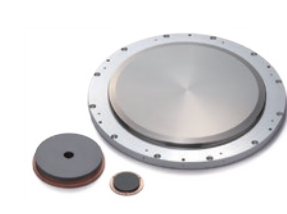
UV curable resins for optical disk media, such as DVD and Blu-ray Disc. Suitable for forming a corrosion-protection coating for the recording layer and forming a base and cover layers of Blu-ray Disc media.

## 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.



### 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 shapemanufacturing technologies.



### Ferrite core

Achieved by calcination process control, less hole ferrite core with a high density structure of microcrystal particle diameter allows smaller and higher performance SMAPS transformer toroidal core, RFID core, etc.

## Environmental and New Energy Materials



### Solar control film Albeedo

A new type of transparent solar control film. The internal special reflective film reflects only solar heat rays (near-infrared rays) upwards, which reduces heat rays directed at the ground. This product is considerate to the external environment while also preventing an increase in the indoor temperature.



### 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 for photovoltaic modules

This film-type bonding material is used to bond solar cells with the metal ribbon that collects electricity generated by the cells. The material is capable of bonding at a lower temperature than conventional soldering. Thus, cells undergo less thermal strain from heating, which helps improve yield during module production.



1962 Sony Chemicals Corporation established. It was founded as a company for manufacturing and sales of copper foil products with adhesive for printed circuit boards.

1965 Moved into the double coated tapes industry. The launch of sales of Tuck Master adhesive tapes for home-use.

1972 Started production of magnetic heads and ferrite cores.

1972 Started production of ink ribbon for thermal transfer printers.

1985 Started production of recording layer protective coating material for optical disks.

1985 Started production of Resistive touch panel.

1985 Started production of Thermal conductive sheet.

1985 Changed company name to Sony Chemical & Information Device Corporation.

1985 Changed company name to "Dexerials", business was launched.

1985 Listed on the First Section of the Tokyo Stock Exchange.

1985 Started production of Solar control window film Albeedo and Water treatment agent suitable for inorganic effluent.

1963 Broke into the liquid adhesive. The launch of sales of Bondmaster : Tough for a general purpose adhesive.

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 protection fuse Self Control Protector (SCP) for Li-ion rechargeable batteries.

2002 Started production of Antireflection film and UV curable adhesives for optical pickup.

2007 Started production of Optical elasticity resin (SVR) to improve the visibility of display panels.

2010 Moved into the new energy field. Started production of Solar Cell Conductive Film for photovoltaic modules.

2014 Started production of Medical face shield.

2016 Started operation at Tochigi Technology Center.

2016 Launched particle-arrayed Anisotropic Conductive Film (ACF) ArrayFIX.



# 1 Setting the CSR Policy

Until now, Dexerials has been engaging in CSR activities based on the realization of our social responsibility in terms of the implementation of the Corporate Philosophy of “Integrity” and the Corporate Vision of “Value Matters.” To embody this, and to make our stance toward fulfilling our social responsibility more clear, Dexerials has now established a CSR Policy.

## Dexerials Group CSR Policy

Dexerials Group will contribute to the realization of a sustainable society and aiming to improving corporate value by means of open and highly-transparent business management and the tireless development and provision of technology and products toward the realization of the Corporate Philosophy “Integrity” and the Corporate Vision “Value Matters.”

### 1. Creating value through business

We are promoting the development of new products and new technology development that responds to various social issues by means of the ultimate demonstration and improvement of the technology and know-how acquired by Dexerials through our business. Also, with pride in our great technological strength, we are striving to create value that goes beyond what is required of us from society and our customers.

### 2. Thorough compliance

We are complying with social norms including laws, and we are sincerely and honestly promoting fair business. Also, we are protecting the Company’s assets and values by thoroughly managing the information required for business and corporate management.

### 3. Respect for human rights

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

### 4. Creating a lively workplace

We are creating a fair workplace with meaningful work, promoting dialogs with employees, and preparing and supporting environments required for all employees to independently demonstrate their abilities and grow. Also, we are promoting initiatives for active female participation and expanding opportunities for the active participation of people with disabilities.

### 5. Environmental conservation

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

### 6. Creating safe and healthy workplaces

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

### 7. Contribution to local communities

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

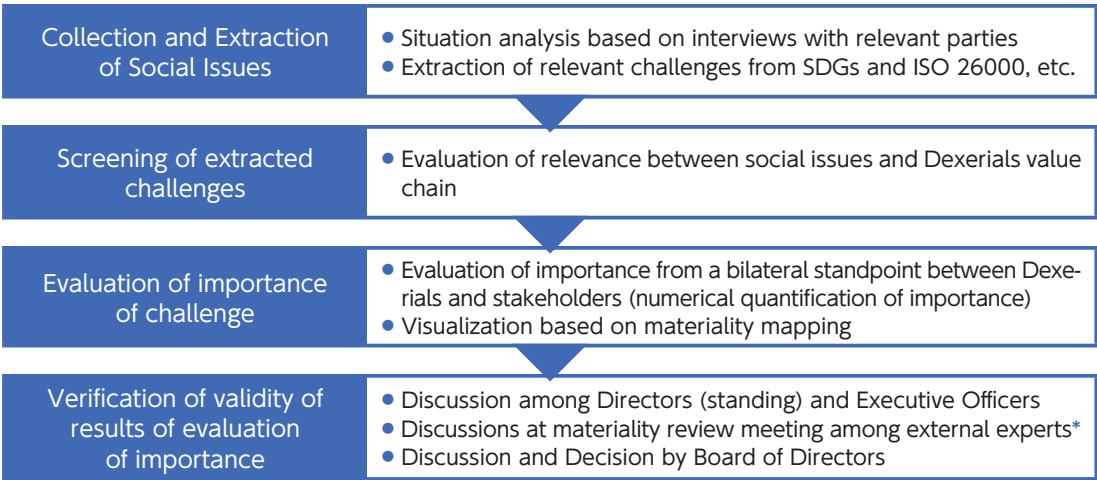
### 8. Expanding together with suppliers

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

## Specifying materialities

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

rialities as below. Dexerials will contribute to the further improvement of corporate values and the realization of a sustainable society by means of initiatives toward the issues specified as materialities.



### \*Materiality review meeting












In the process of setting materialities, it is important that we evaluate and verify the social issues to be tackled as we objectively consider not only the importance to our Company but also the importance to stakeholders. Dexerials held a materiality review meeting to which were invited the three in-company standing officers, the external Director of Dexerials, Kazuko Takamatsu (Managing Director of Japan Institute for Women’s Empowerment & Diversity Management) and external expert Kentaro Noda (Professor of Business Design at Rikkyo University Graduate School). At the materiality review meeting,

there was an exchange of opinions from specialist and objective perspectives alongside analyses of the social situation around Dexerials in connection to the social issues in which Dexerials should be engaged in the medium-to-long terms from among the selected social issues.



Materiality review meeting (July 30, 2018)

## Challenges specified as materialities

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



# 2 New values provided by Dexerials 1 Contributing to automotive safety with proprietary technology

## Supporting the future of automobiles with Dexerials technology

Today, as automobile automatic operation technology continues to improve, the latest electronics technology to guarantee safe driving is essential as the electrification of automobiles rapidly progresses.

Dexerials is contributing to automobile safety with products using proprietary technology acquired over many years in the field of electronics, such as optical materials that contribute to the visibility of information displays such as instrument clusters and center information displays, and high-precision bonding materials that fix various sensor camera lenses that are essential for sensing technology.



### Useful for improving the visibility of information displays Optical elasticity resin (SVR) and antireflection film (AR film)

While driving, drivers look not only ahead but also at on-board information displays when necessary. SVR and AR film contribute to improving safe driving by improving visibility at that time.

**SVR:** An optical resin that controls the reflection of light. It is loaded internally to improve the visibility of the display.

**AR film:** This film controls reflected light using light interference by means internal reflection preventative films with different refractive indexes. Also, it has superior anti-smudge /anti-abrasion properties and it can be used on touch panel displays, making it superior in terms of usability.



### Used in the construction and fixing of sensors and cameras equipped in automobiles Adhesives

#### UV curable/thermosetting adhesives:

We are responding to the diverse needs of customers, such as "rapid curing" and "low-shrinkage curing." For small cameras, in particular, it is necessary to fix the lens with high precision, and the lens is fixed while checking the image in what is known as active alignment. Dexerials adhesives demonstrate prowess in this field of precision fixing.



### Isolation for overcharging/excess current in lithium-ion batteries Self Control Protector (SCP)

In contrast to general fuses, this battery protection element is equipped with a function that isolates the circuit not only when there is an excess current but also when it is overcharged, which is particular to lithium-ion batteries. It allows for reliable protection as it physically isolates the circuit.



### Thermal solution for electronic parts Thermal conductive sheet

Various electronic parts are used in automobiles. If these parts heat up and malfunction, safe operation will be hindered. Thermal conductive sheets maintain normal operation by effectively releasing heat from the parts.

**Thermal conductive sheet:** In addition to the silicone type, which has both high thermal conductivity and flexibility, and the acrylic type, which does not cause low-molecular siloxane (the cause of contact faults in electronic machinery), there is a carbon fiber type for usage that generates a large amount of heat.



## Dexerials and automobiles

### ◆History and motivation behind participation in Automotive domain

In recent years, the electrification of automobiles has progressed even further, and electronic technology is being used in every area, including automatic brakes, rear monitors, and CID. In line with the automobile industry, in order to contribute with technology and functional materials accumulated by Dexerials, we have established an "Automotive Devices Business Group" comprising in-company experts who are familiar with in-vehicle products. Currently, multiple development teams are cooperating on automobile product R&D to contribute to preventive safety and safe driving.

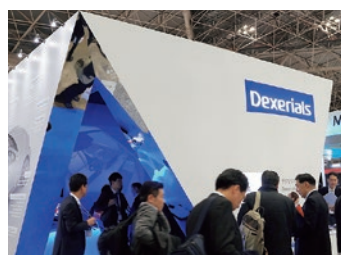
### ◆Products specifically for automobiles

Currently, many display-related products are in use, including center information displays and instrument clusters. In this field, a contribution can be made to improved visibility by

means of the use of an antireflection film on the top surface of the display and the use of internal optical elasticity resin. Also, there are inorganic waveplates that enable the polarized conversion of the light from LCD panels without changing the brightness, etc., and inorganic diffusers that magnify the light from positional light sources such as lasers.

### ◆Trends in products for automobiles

Automobile design is a major factor in the selection of an automobile among most customers. We are promoting development of products that can support design while also providing reliable functions.



Automobile industry exhibition

### ◆Looking ahead to automobile industry 10 years from now

In addition to promoting the application of existing products in the Automotive domain, Dexerials is performing R&D looking ahead to the automobile industry 10 years from now when automatic drive technology will be even more advanced.

Automatic driving is based on the real-time transmission of huge quantities of data between vehicles or between the vehicle and control center, and we are putting great effort into product development that lead to safety and peace of mind; in the development of new thermal conductive sheets as a thermal solution—which is increasingly important for the high functionality of in-vehicle computers, and products for a head-up display that enables the safe confirmation of information without changing the driver's view, for example.

In addition, the Automotive Devices Business Group has raised themes including potential problems and risk, and is tackling these

continuously in order to offer solutions from various perspectives for the automobile industry, which is undergoing great change.

Furthermore, we have organized a sales team specializing in automobiles in a new site in Frankfurt, Germany, where the automobile industry is flourishing. By placing a location near customers, customers who have never before contacted Dexerials will get to know us, and communication will be strengthened, which will bring up new themes and expand our activities as we aim to provide new values.



Frankfurt main branch



# 2 New values provided by Dexerials 2 Contributing to the realization of a sustainable society with the power of technology

## Contributing to solving social issues with proprietary technology developed in the electronics industry

Dexerials has set up an "Environment and Life Sciences Business Unit" with the vision of "we provide solutions to environmental challenges the world faces and high quality of life with our proprietary technologies developed in electronics industry, creating new business that achieves long, stable and sustainable growth."

We are striving to develop products for long term and continuous use with low impact on natural and social environments.

Leveraging our core technologies, process engineering and quality control technique, we aim to grow our business for 50 or 100 years, offering unprecedented value to customers.

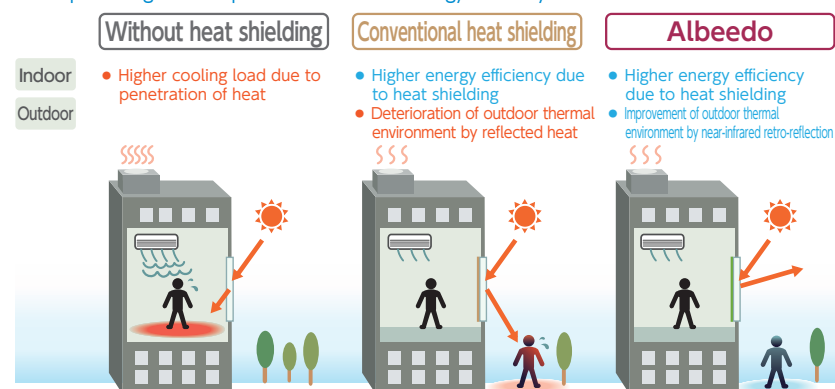
## Albeedo, reducing heat by reflecting near-infrared upwards to the sky

Transparent solar control window film that improves indoor comfort and outdoor thermal environment by retroreflection of near-infrared from the sun in an upward direction.



Yokohama Red Brick Warehouse ▲ Projects that Albeedo is employed ▲ Tokyo Senju Campus, Tokyo Denki University

### Conceptual diagram of improvement of indoor energy efficiency and outdoor thermal environment



Our proprietary technology of upwardly reflecting only near-infrared, which is the part of the sunlight pouring down on the earth that turns into heat when absorbed, is applied to architectural window films. Specifically, the reflective direction of near-infrared is controlled by the special pyramid-shaped reflective layer formed inside Albeedo. Unprecedented technology of reflecting only near-infrared from the sun backwards and not directing heat to the ground has

### Verification and certification by third parties

• FY 2016 Good Design Award Winner



• FY 2017 Heat Island Institute International Technology Prize Winner

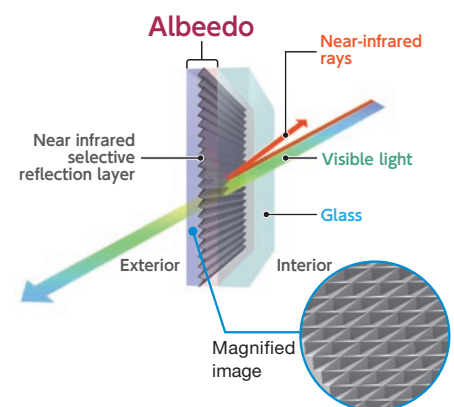


• Ministry of the Environment Environment technology verification program Heat-island mitigation technology  
環境技術実証事業  
ヒートアイランド対策技術実証事業  
認定番号: 051-1506  
認定期間: 平成28年度(2016年度)～平成30年度(2018年度)  
認定期間満了後も認定番号を継続して使用する場合は、毎年認定更新申請が必要となります。  
認定期間満了後は認定番号を失います。  
\*IRA2J700 only



• CASBEE: Comprehensive Assessment System for Built Environment Efficiency - Product eligible to earn a point  
• Product conforming to the Green Procurement Act, Ministry of Environment

### Mechanism of solar control window film Albeedo



been realized by fully capitalizing on our technological capabilities covering advanced optical design, microfabrication and film forming, which Dexerials has developed over the years in the electronics industry. Albeedo has become eligible to earn a point in CASBEE: a building environmental performance rating system, since it is recognized as an effective measure against the urban heat island effect.

See website for details → <http://www.dexerials.jp/en/products/a6/albeedo.html>

## Fostering a corporate culture where employees can dare to tackle creating new value, and refining the necessary framework

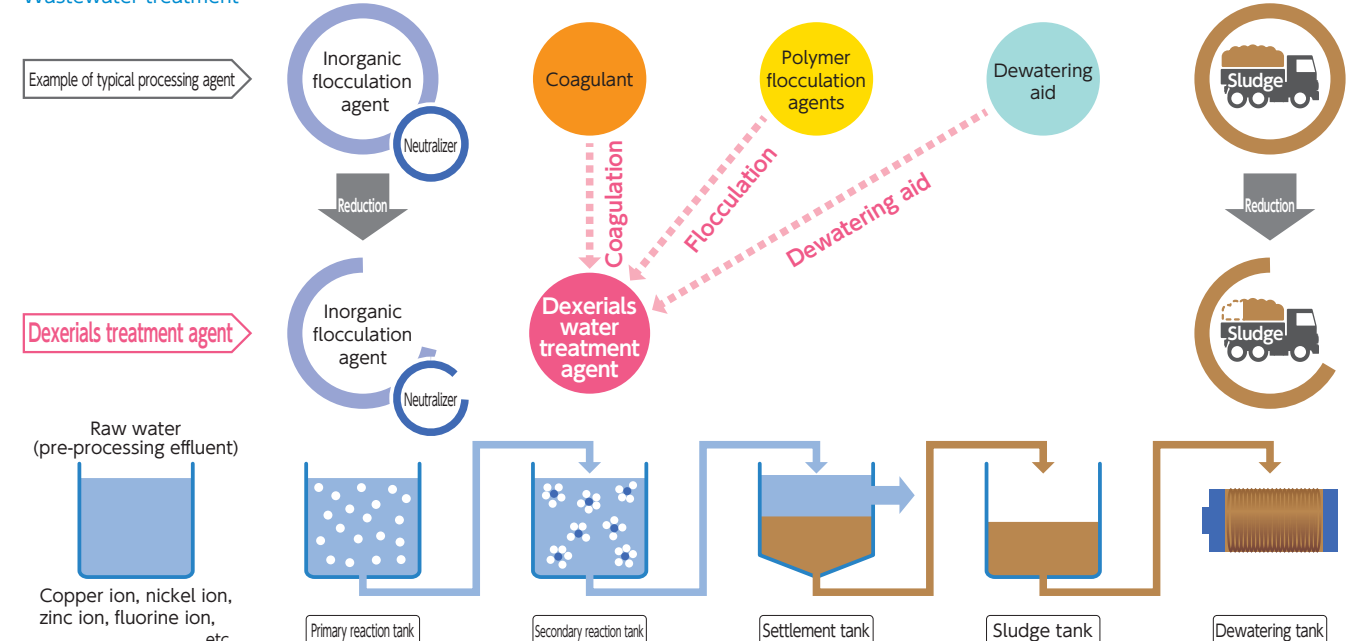
In order to create products that are highly regarded by society, fostering a corporate culture is indispensable, where every one of the employees has a mindset of being curious about problems our society faces and of trying to look at how one's research can solve them. Albeedo and the wastewater treatment agent mentioned earlier are the products brought into the marketplace by Dexerials, and placing emphasis on engineers' ideas lies in the background of how they were commercialized. Dexerials has set up "Virtual Startup,"

an intrapreneurship system within the company, encouraging employees to try to promote new ideas and create their own projects. We continue to aim to achieve successful development and commercialization of new products, making use of the systems including intrapreneurship under the environment of growing awareness of social issues as global frameworks leading the issues to resolution have developed including the SDGs (Sustainable Development Goals) set by the UN.

## Wastewater treatment agent (for inorganic effluent) that improves water quality discharged from factories taking advantage of the power of natural plant materials

Power of natural plant materials enables the acceleration of coagulation, flocculation and dewatering, which contributes to reduction of chemicals usage and sludge production in wastewater treatment process.

### Wastewater treatment

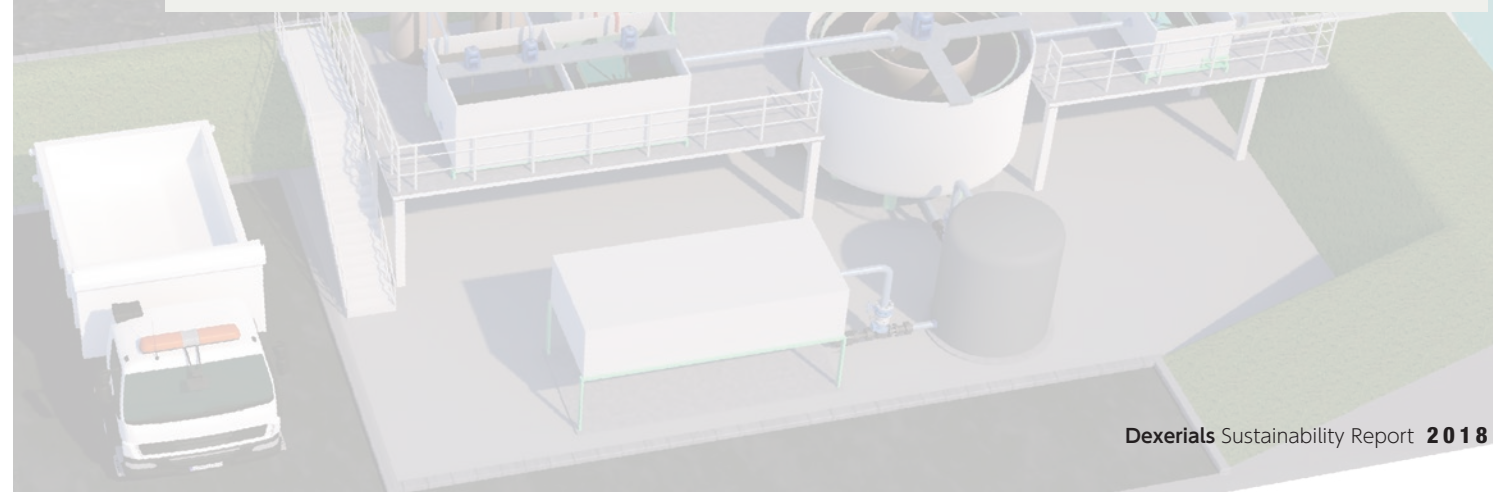


Dexerials wastewater treatment agent was born from integration of our core technologies—organic materials technology and formulation technology. This product is a wastewater treatment agent that utilizes the characteristics of natural plants in which water-soluble polymer components exhibit coagulating and flocculating function whereby achieving desirable flocculation. Furthermore, it can reduce the usage of chemicals including inorganic flocculant, lowering sludge production.

It also contributes to overall cost reduction of wastewater treatment as fibrous structure of plants contributes a better drainage, resulting in saving dewatering time and lower moisture content.

Generally, different kinds of chemicals are used in each process of treatment: coagulation, flocculation and dewatering. This product consolidates three functions in one, while it can be used in existing wastewater treatment equipment.

See website for details → [http://www.dexerials.jp/en/products/c9/pl\\_a510.html](http://www.dexerials.jp/en/products/c9/pl_a510.html)





# 3 R&D that creates new values

In the field of wireless communication, such as mobile phones, we are imminently approaching the use of 5G (the fifth generation of mobile communication systems), and also in the automotive industry, numerous innovations have become a reality as companies enter the stage of competing to commercialize the development of autonomous driving technology. At Dexerials, where our Corporate Vision is "Value Matters Unprecedented innovation, unprecedented value," we continue to engage in R&D that looks one step ahead in order to respond to ever-changing social needs and to contribute to continuous development.



## R&D Strengths

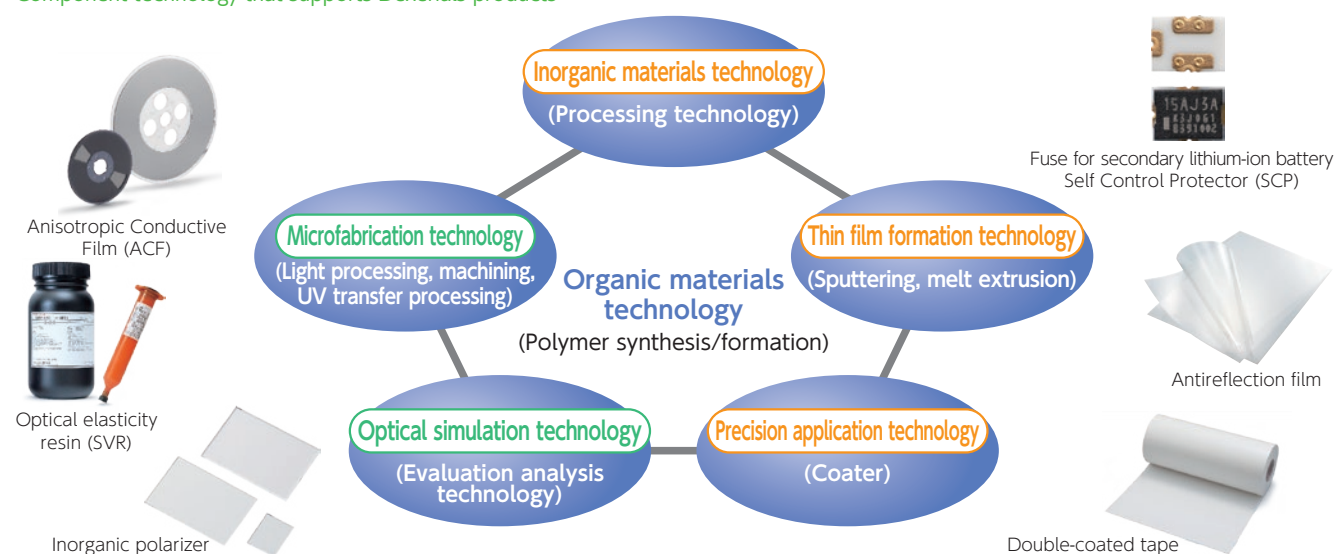
Since the era of our predecessor, Sony Chemicals, Dexerials has proactively engaged in contemporary cutting-edge technology such as adhesive and laminate layers for printed circuit boards, and we have built up leading technology in electronics fields over many years.

Each and every one of us has the strong desire to "produce something that has never existed before" as we promptly create products that are valuable to society. That is the strong point of Dexerials R&D.

## Component technology

Dexerials develops and manufactures unique and cutting-edge functional materials and electronic parts as a functional materials manufacturer that has expanded its sales worldwide, and we put great efforts into R&D in order to realize the Corporate Vision, "Value Matters Unprecedented innovation, unprecedented value."

Component technology that supports Dexerials products



## R&D System

The creation of novel functional materials using superior materials technology and processing technology is the very value that Dexerials provides society through regular R&D.

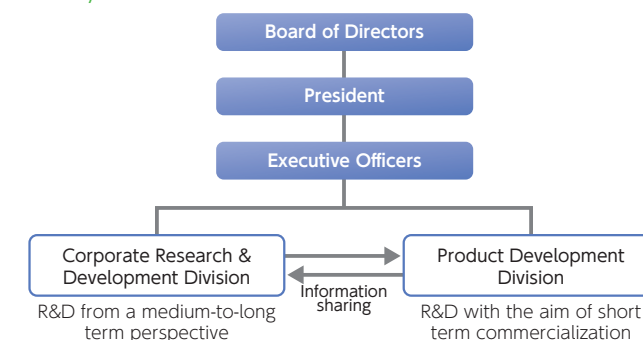
To achieve that value, at Dexerials, there is a Product

Development Division responsible for development in each business unit and a Corporate Research & Development Division that performs R&D for the entire Group, and while R&D is promoted with the aim of short-term commercialization at

each business unit, at the Corporate Research & Development Division, R&D is promoted with a medium-to-long term perspective in anticipation of social needs in the near future. We are speedily promoting R&D and commercialization by means of synergy between these two R&D functions.

From now on, with the ability for 5G communication and the automatic operation of automobiles, it is predicted that the load on CPUs and GPUs that perform processing will increase, which will cause higher temperatures. Dexerials is engaged in R&D toward solving these technical challenges of the near future.

## R&D System



## Solving heat problems and electromagnetic wave noise issues in electronics products

Among products that surround us such as mobile phones, personal computers, and more, there is the hidden risk of causing damage or malfunction due to incorrect use. Today, as the IoT (Internet of Things) increases, there is rapid increase in the miniaturization and advanced functionality of machinery, and the integration and complexity of functions, and the accompanying heat and electromagnetic wave noise issues within such machinery increases this risk.

Dexerials believes that resolving these issues of heat and noise are the driving force behind new value creation that support customer value creation activities, and "heat and noise control" has been stated as an important theme for R&D.

We have constructed a system to enable the proposal of total solutions for customers by setting up in-house specialist teams comprising researchers with specialist knowledge and experience.

## Thermal countermeasures

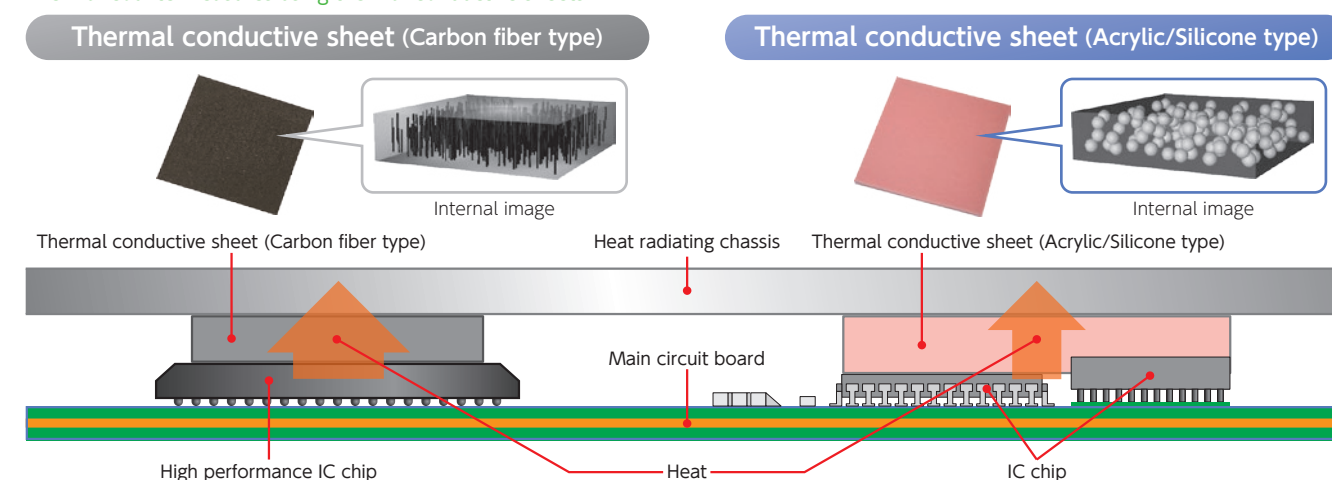
At Dexerials, we are meeting various customer needs with a line-up of three types of thermal conductive sheets (silicone, acrylic, and carbon fiber) as heat countermeasure products.

Among these, the carbon fiber type has particularly high thermal conductivity, and it quickly conveys a large amount of heat to the radiation chassis (heat sink). This sheet is ideal as a thermal countermeasure for high performance IC chips

such as CPUs used in central part of machinery.

Also, with the silicone type and acrylic type, which are widely used as thermal countermeasures, R&D is focussing not only on the heat transfer performance but also on sheet softness (pressure flattening) as we propose effective thermal countermeasures such as providing a single sheet that can be used in multiple devices with different sizes and heights.

## Thermal countermeasures using thermal conductive sheets



## Electromagnetic wave noise countermeasures

In the field of wireless communication, as 5G will become widely used in the future, electronic machinery of all sized will communicate at high frequencies. When transmitting large volumes of data in real-time, another issue in addition to heat is the occurrence of electromagnetic wave noise from devices.

At Dexerials, rather than separately solving these two issues that occur in the same place, we are developing a new product base on thermal conductive sheet technology with consideration for the noise problem as a single solution.





It is essential to reinforce corporate governance in order to gain the trust of all stakeholders. Dexerials ensures that management is objective and transparent by using a management system comprising a majority of external parties.

## Basic Approach

On the basis of the Corporate Philosophy, "Integrity Have Integrity and Sincerity," Dexerials believes that the establishment of corporate governance is extremely important to meet the trust and expectations of all stakeholders that support business activities and to improve corporate value.

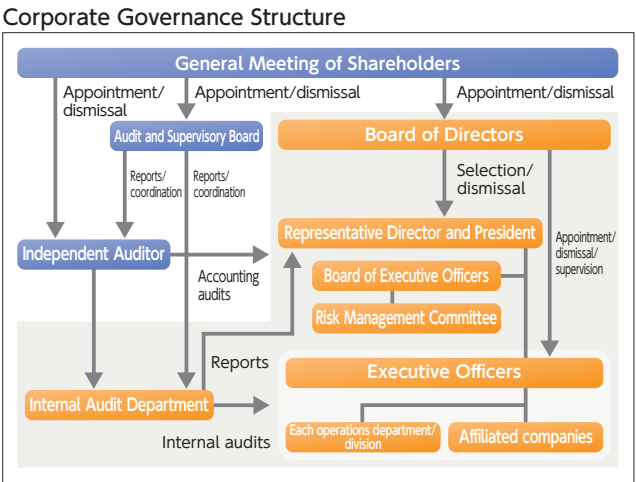
In accordance with this basic approach, Dexerials has developed a corporate governance structure designed to ensure transparency and objectivity in management, whereby the majority of the Board of Directors consists of independent outside directors.

## Reason for use of current system

Dexerials strives to ensure transparent management by means of a system in which the majority of the Board of Directors consists of independent outside directors who have no conflict of interest with general shareholders. Additionally, to invigorate board discussions, the independent outside directors meet regularly in order to exchange information and share recognition of issues among independent directors.

Monitoring of management is strengthened by means of auditors, all of whom are independent external auditors, which enables them to state their opinions regarding managers from an independent and objective viewpoint.

Furthermore, by introducing the Executive Officer system, we are separating business execution from supervisory functions, improving management transparency, clarifying management responsibilities, and increasing the speed of decision-making.



## Directors, Board of Directors, and Executive Officers

The Dexerials Board of Directors, the majority of whom are outside directors, comprises a total of seven directors, with four outside directors and three internal directors.

The Board of Directors, in principle, meets monthly and carries out a number of duties including making legally mandatory decisions, formulating important management policies and strategies, selecting candidates for executive positions, determining each individual remuneration amount, and supervising the management of corporate affairs.

The outside directors, all of whom have a wealth of experience and knowledge as managers and experts, fulfill their supervisory functions from an independent perspective.

For business execution, 11 executive officers are selected and authority is delegated to them, which enables rapid decision-making and clarifies the responsibility for business execution. The Executive Officers are comprised of three internal directors and eight employees.

### Evaluating the effectiveness of the Board of Directors

Dexerials conducted an evaluation of the effectiveness of the Board of Directors based on the following items for the period ending March 2018 in order to ensure the continuous growth and mid-to-long term improvement of corporate values at the Company.

• **Evaluation method:** A survey was conducted for all directors and auditors who are present on the Board of Directors, the results were deliberated and evaluated at a meeting of independent outside directors, after which an action plan was established for the next term (ending March 2019) at the Board of Directors.

• **Summary of evaluation results:** The Dexerials Board of Directors is generally functioning appropriately. Although improvements have been made on the basis of the previous fiscal year's action plan, it was decided that, in order to make further improvements, in addition to continuing discussions regarding nomination and compensation and making further activities toward strengthening the effectiveness of exchanges of ideas between independent outside directors and independent external auditors and the effectiveness of Board of Directors deliberations, it is necessary to hold continuous discussions toward constructing a management system that contributes to strengthened governance.

## Audit & Supervisory Board Members and Audit Supervisory Board

Dexerials using an auditing system. The Dexerials Audit and Supervisory Board is comprised of three independent outside audit and supervisory board members, which ensures transparency and independence, and performs a supervisory function for Dexerials management.

## Board of Executive Officers

In principle, the Dexerials Board of Executive Officers meet twice a month, of which the 11 executive officers are standing members. At the meeting, members examine the status and issues of business execution, and conduct preliminary deliberations concerning important projects prior to the meeting of the Board of Directors.

## Business execution, supervision, and internal control structures

Based on the idea of ensuring efficiency and transparency by subdividing management and business execution, while the Board of Directors, which comprises a majority of outside directors, makes decisions about management policy and management strategy, etc., the authority for business execution is given to the Executive Officers, which creates a system for management supervision by monitoring the status

of business execution.

The Audit and Supervisory Board, consisting entirely of outside audit and supervisory board members, coordinates with the outside directors for a structure that enables audits from a neutral standpoint and opinions expressed from that perspective to be offered on management. In this way, Dexerials is taking steps to reinforce its internal control.

### Audit and Supervisory Board Implementation Status

The Audit and Supervisory Board members exchange ideas with the representative director and president, attend important meetings, review important documents, inspect important assets, participate in department interviews, and investigate subsidiary companies, while also coordinating with the Internal Audit Department and independent auditors to enhance the effectiveness and efficiency of audits.

The Internal Audit Department meets with the Audit and Supervisory Board monthly to confirm the details of audits and to exchange opinions. Also, in addition to receiving an explanation of audit plans from independent auditors, a quarterly meeting is held to exchange opinions and for cooperation.

### Internal Audit Implementation Status

The Internal Audit Department strives to implement effective and efficient audits, establishes an internal control system for the Company and Group companies, and audits compliance and risk management systems compliance and implementation. In addition, regarding the results of internal audits, improvements are periodically checked, and the details are reported to the representative director and president, the audit and supervisory board members and any related departments.

Specifically, internal audits are performed on the basis of audit plans prepared at the beginning of the fiscal year. The department then notifies audited departments and divisions of audit results, while also notifying

the representative director and president and audit and supervisory board members of the results, after which a confirmation is made of the improvement status and results in areas where improvements are required.

The audit and supervisory board members meet with the Internal Audit Department for monthly discussions, where they confirm audit details and exchange opinions. Also, quarterly meetings are held with independent auditors to exchange opinions, and for important matters identified in internal audits regarding the internal control system, such information is provided to the independent auditor, with subsequent guidance and advice received as needed.

## Items related to compensation for officers

Compensation for the Company's directors and audit and supervisory board members is determined based on a comparative examination of the Company's current compensation systems and levels with those of companies of similar size, type, and industry. This information is derived from executive compensation survey data provided by external research organizations.

Compensation for directors (excluding outside directors) is determined by a resolution of the Board of Directors, following evaluation by the independent outside directors, with the specific amount calculated based on rank, degree of achieve-

ment regarding fiscal year performance, and other factors.

In addition to the regular compensation amount, we have also introduced a performance-linked stock compensation plan for directors (excluding outside directors) with the objective of continually improving results in the medium-to-long term and increasing awareness toward expanding corporate value.

Outside directors receive basic compensation only.

Compensation for audit and supervisory board members is determined through deliberation of the audit and supervisory board members, and consists of basic compensation only.

### Officers' compensation in FY 2017

Officers	Amount of compensation, etc. (millions of yen)	Total amount by type, incl. compensation (millions of yen)				Basic compensation by number of relevant officers (people)
		Basic compensation	Stock options	Bonus	Performance-linked stock compensation	
Directors (excluding outside directors)	117	97	—	—	19	3
Auditors (excluding outside auditors)	—	—	—	—	—	—
Outside officers	63	63	—	—	—	7

CSR Management

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

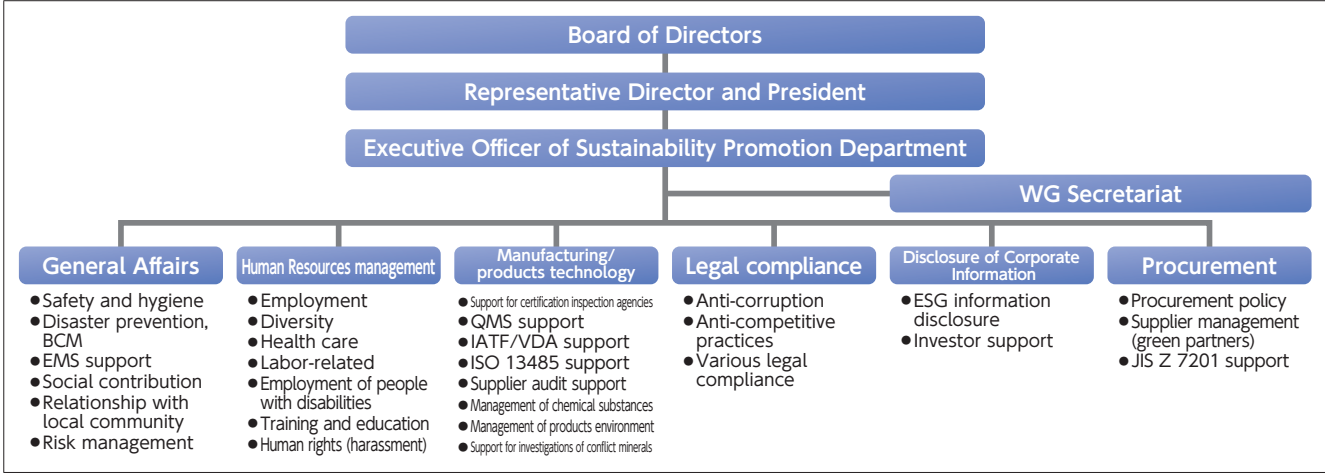
CSR promotion system

At Dexerials, CSR management is promoted based on the direction of the Executive Officer of the sustainability promotion department with the Representative Director and President as the final authority.

For the expansion of specific CSR activities, on the basis of the Corporate Philosophy, Corporate Vision and CSR Policy, etc., the Company unitedly promotes activities and “Sustainability Working Groups” (referred to hereafter as “Sustain-

ability WG”) are held regularly comprising the Division responsible for each CSR challenge. On the basis of important challenges (materialities) specified by the Board of Directors, Sustainability WG plan to ensure the fullness of activities and to promote in-company awareness by holding investigations into problems within activities, etc., from an inter-division perspective, including compiling up-to-date CSR activity status reports.

Sustainability WG System Illustration



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 Compli-

ance 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.

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

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 Group conducts training for all employees using e-learning, covering topics such as 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

and management. This training provides necessary legal knowledge and risk awareness, increases the understanding of compliance and further embeds the Code of Conduct.

In addition, in FY 2017, in order to reinforce the management of information exchanged with other companies, information management training was provided to relevant employees in Japan and overseas.

◆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. Regulations are in place to ensure that disadvantageous treatment of reporters does not occur.

Risk Management

◆Risk Management Committee

The Risk Management Committee has been established as the agency for Group-wide management of interdepartmental risk. The Committee is composed of 11 subcommittees in specialized fields, which gather and evaluate risk information and take countermeasures centering on risks related to business operations.

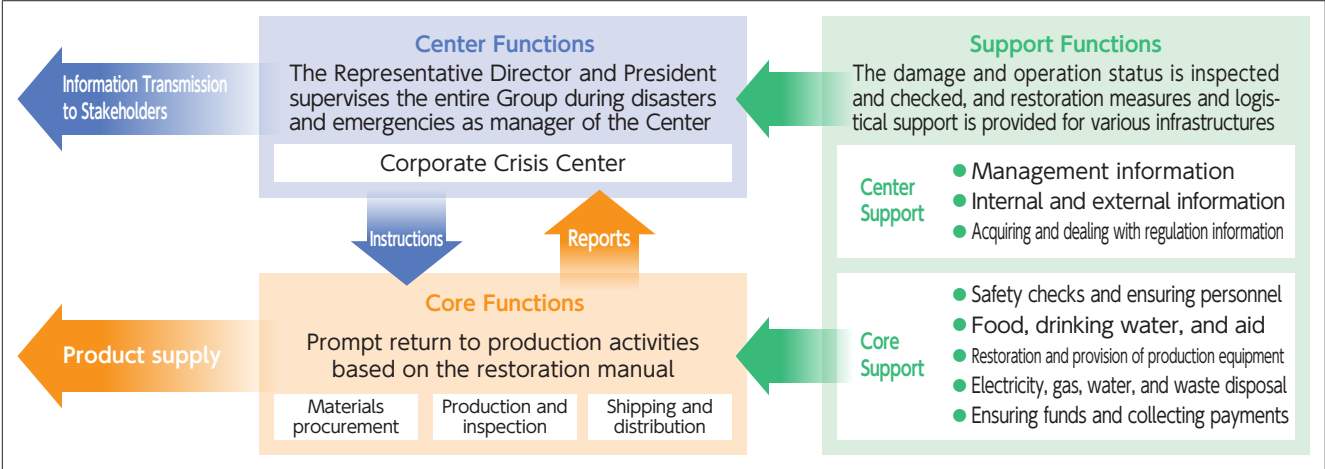
Risk managers regularly meet with each subcommittee manager to confirm the major risks in each subcommittee and the progress of appropriate countermeasures.

If a risk materializes, it is reported to the Risk Manager via the information transmission route stipulated by the company. The Board of Executive Officers then deliberates on the response and reports to the Board of Directors regarding risks that may have a serious impact on Dexerials Group.

◆Business Continuity Planning (BCP) Activities

Natural disasters such as earthquakes and typhoons and communicable diseases such as novel influenza may cause damage to the personnel, equipment and lifelines required for work. The Group has established a Business Continuity Plan (BCP) for the minimization of damage during emergencies and the return to production activities through prompt restoration activities in order to prevent the interruption of business activities. We have clarified internal organizational roles, including the BCP Center, with regard to core functions for the supply of products to customers, such as materials procurement, production and distribution and sales, and support functions such as employee safety checks, and internal and external intelligence gathering. A restoration manual has been prepared based on their expected responses and actions. We aim to further strengthen the BCP and we are working to improve crisis management capabilities and business continuity capacities.

Business Continuity Plan (BCP) Organizational Structure and Functional Roles





Environment Management



The Dexerials 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

We, under our corporate vision of “Value Matters Unprecedented innovation, unprecedented value.”, implement business that leads to new values and activities which, in turn, contribute to environmental conservation, with the perspectives of environmental consciousness and resource recycling that ensure sustainability of all global ecosystems, societies, and the corporation.

Principles

We promote environmental management, and each one of our employees uses, to the full, technologies and skills toward its realization. We will continue to be a company respected and trusted by society, by achieving targets in a systematic manner and making continuous improvements in all of our business fields.

1. We actively pursue environmental business opportunities and continuously develop and provide environmentally conscious products.

2. We use energy and resources efficiently, and widely apply productivity improvement methods and recycling-based operations.

3. We enhance environmental risk management and the flow management of chemical substances, thereby striving to prevent pollution.

4. We understand and comply with international and national laws, ordinances, regulations, etc. concerning environmental conservation.
5. We contribute to raising environmental awareness and improving professional standards, and to human resource development, through business practices, education, and corporate communications.

6. We, as a member of the society and the local community, promote environmental conservation, cooperation, and communication activities.

7. We strive to maintain and improve institutional infrastructure to promote activities, active interaction and sharing, and the management system.

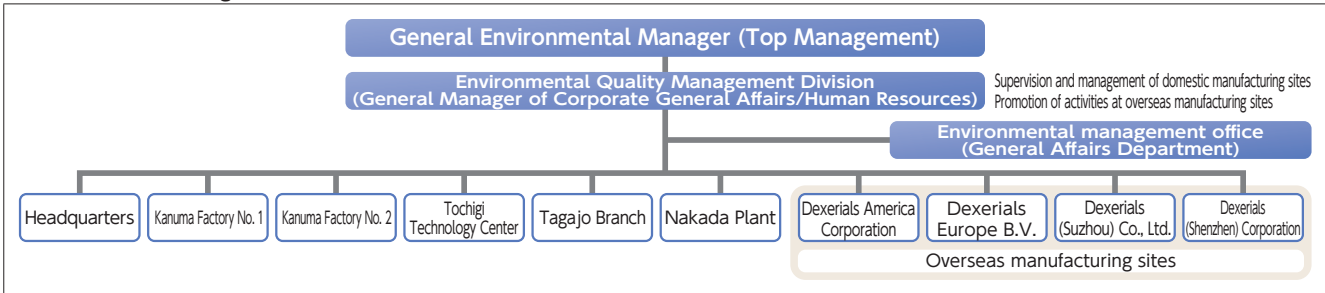
Notification of the Environment Philosophy and the Principles is made on the Dexerials website, on the Intranet used by employees in Japan and overseas, on internal posters and panels, in e-mails sent out to all employees and on internal activity noticeboards.

Environmental management system

Based on the Environmental Philosophy and Principles, the Group has built an environmental management system that encompasses all offices and manufacturing sites both within Japan and overseas. Based on this system, Environmental Managers supervise and manage each office and manufacturing site, and environmental activities are implemented throughout the group across all plants. At each office and manufacturing site, an environment office works on environmental activities with consideration for the differences in the various products and equipment handled at each office and manufacturing site.

The status of management system compliance, the status of system/process operations, effectiveness, and validity undergo inspection by independent certification organizations, which has led to the acquisition of ISO 14001 status.

Environmental Management Structure



ISO 14001 Certification Status

Environmental management system	Organization	Manufacturing site	Certification registration
ISO 14001	Dexerials Corporation	Headquarters Tochigi Technology Center	3538412 Ver. 3.0
		Kanuma Factory No. 1/No. 2 Nakada Plant	
	Dexerials Europe B.V.		NL016090-1
	Dexerials (Suzhou) Co., Ltd.		CNBJ311710-UK
	Dexerials (Shenzhen) Corporation		CNGZ301221-UK

Establishing medium-term environmental targets

The effect of global warming on the occurrence of abnormal weather in recent years such as heavy rainfall is considered to be substantial. CO<sub>2</sub> produced from company activities has a serious impact on the advancement of global warming and global initiatives are now required toward reducing the CO<sub>2</sub> emissions volume, such as the Paris Agreement adopted in December 2015.

rials has established mid-term environmental targets for the three-year fiscal period between 2019 and 2021 as initiatives toward realizing a sustainable society. We are promoting systematic initiatives toward achieving our targets, including restrictions on CO<sub>2</sub> emissions volumes toward the prevention of warming, promoting the use of recycled waste, and reducing the volume of water used.

In addition to the single year targets for fiscal 2018, Dexerials

Details of mid-term environmental targets in FY2018 and the three years between 2019 and 2021

	2018 targets	Mid-term targets (2019–2021)		
		2019	2020	2021
Warming	● 1% reduction to YoY CO <sub>2</sub> emissions volume from business activities	● Same as on left (continuation of 1% reduction YoY)	● Same as on left	● Same as on left
Industrial waste	● Continuation of zero emissions*	● Same as on left (continuation of reduction of YoY usage volume)	● Same as on left	● Same as on left
Water	● Reduction of YoY usage volume ● Compliance with independent standards for water quality	● Same as on left (continuation of reduction of YoY usage volume)	● Same as on left	● Same as on left
VOC	● Equal or reduced YoY usage volume	● Same as on left	● Same as on left	● Same as on left

\*Definition of zero emissions: “Zero waste emissions” is defined as a reuse/recycling ratio of 99.5% or more.

# Dealing with climate change

The Dexerials Group recognizes that climate change is an important challenge and is striving to reduce the environmental impact of its business activities includes taking warming prevention countermeasures.

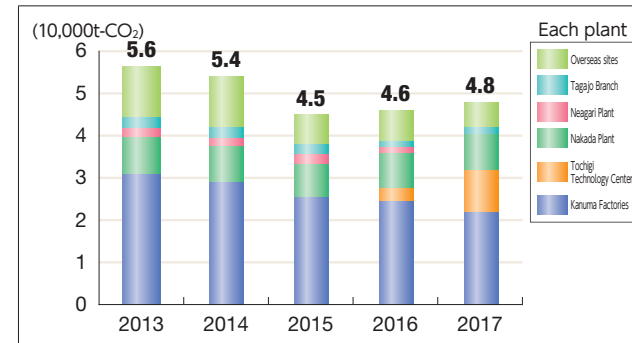


## For climate change mitigation

Climate change on a global scale is thought to have been brought about by greenhouse gas emissions based on the use of fossil fuels, etc., and the emission of air polluting substances. Of these greenhouse gases, it is possible to reduce CO<sub>2</sub> emissions through human intervention in the form of energy-saving activities. It is possible to reduce climate change by reducing emissions from machinery of fluorocarbon HFC (hydrofluorocarbon), which has a greenhouse effect of 100 to more than 10,000 times that of carbon dioxide even though it does not damage the ozone layer, and by switching to non-fluorocarbon/low-GWP (global warming potential).<sup>\*1</sup>

The Dexerials Group is responding to climate change as an important challenge, include taking energy-saving measures and reducing fluorocarbon emissions from machinery.

Transition in CO<sub>2</sub> emissions volumes



Various CO<sub>2</sub> emissions reduction measures were implemented in fiscal 2017 including making capital investment, but the emissions volume increased over the previous year due to additional production volume.

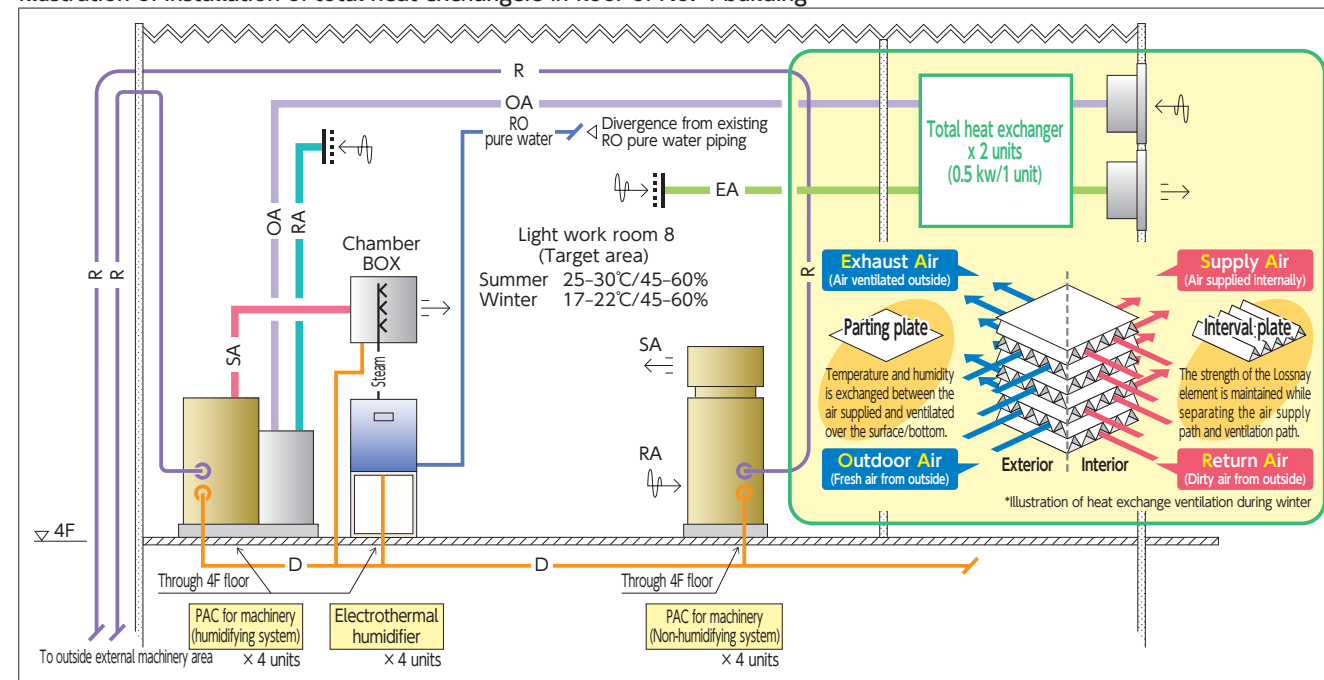
### ◆ Main Measure (1): Use of total heat exchangers for air conditioning systems

We investigated reducing energy usage in air conditioning systems when constructing the floor of the No. 4 building at the Tochigi Technology Center.

With conventional outside air exchange, heating was required by means of a heater for air temperature control in winter in particular.

By introducing total heat exchangers, the temperature difference in comparison to outside air during ventilation can be eliminated and heating by means of heaters becomes unnecessary, which enables an annual reduction in energy of 200,000 kWh (97 t-CO<sub>2</sub>).

Illustration of installation of total heat exchangers in floor of No. 4 building



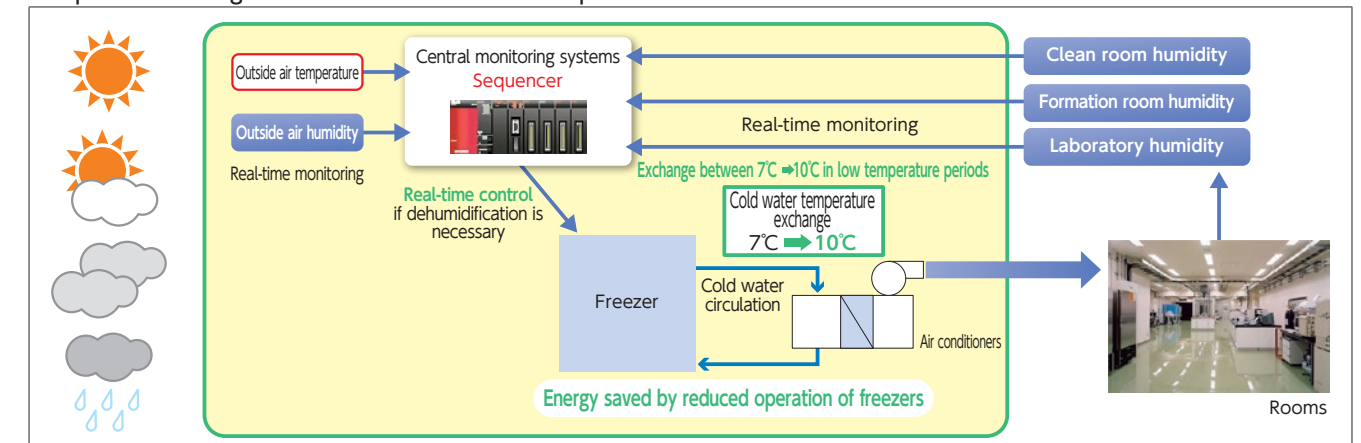
### ◆ Main Measure (2): Cooperation with heat source central monitoring system and management strengthening

At Kanuma Factory No.2, various types of equipment on the premises are being managed by means of heat source central monitoring.

This includes turbo freezers that supply cool water to air conditioners, but there was a loss of energy during low-temperature seasons as temperature settings have been fixed for the entire

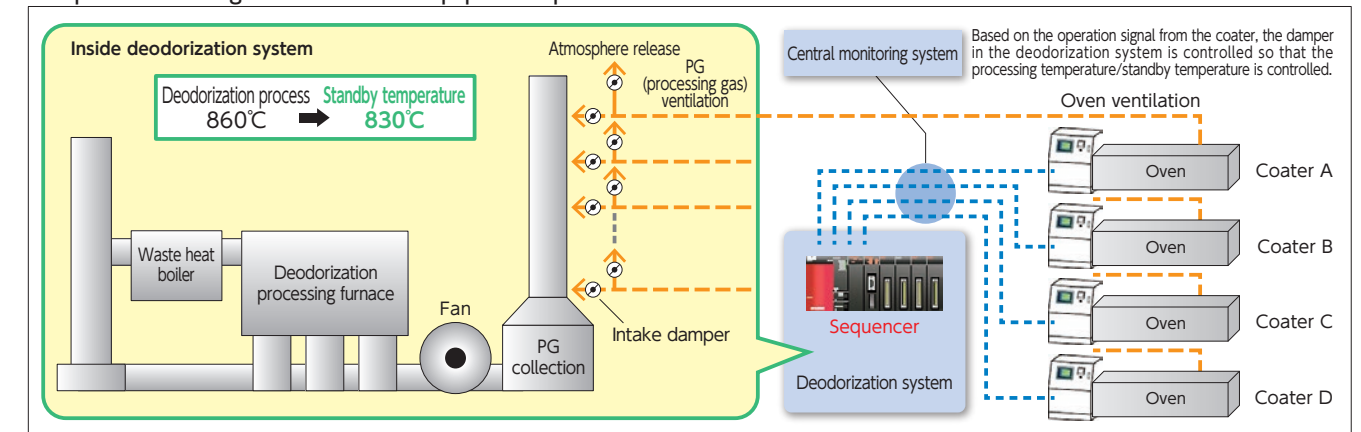
year. By means of cooperation with central monitoring systems, outside air temperatures are being monitored and managed, which enables the temperature to be controlled according to the outside air temperature rather by means of year-round set temperatures, thereby achieving an improvement in COP<sup>\*2</sup> and an annual reduction in energy of 68,000 kWh (33 t-CO<sub>2</sub>).

Temperature management based on outside air temperature



Also, for the No. 4 deodorization equipment in Kanuma Factory No.2, we have reduced town gas by 174,000 m<sup>3</sup> (390 t-CO<sub>2</sub>) per year by lowering the temperature of furnaces during standby and by reducing loss from town gas during suspension of firing.

Temperature management based on equipment operation status



## Fluorocarbon emissions reduction countermeasure

We are carrying out activities so that fluorocarbon is not emitted, such as attaching the "machinery using fluorocarbon" management label to machinery that uses fluorocarbon, which visualizes fluorocarbon use and controls simple checks, regular inspections and disposal, etc.



## Evaluation results from classification of businesses based on periodic reporting in the Energy Conservation Law

In the system of classifying businesses based on periodic reporting in the Energy Conservation Law (presented in fiscal 2017) for businesses and factories from the Agency for Natural Resources and Energy, part of the Ministry of Economy,

Trade and Industry, Dexerials was selected as a superior energy conservation business (S Class) for the third year running since the start of the system.

Ministry of Economy, Trade and Industry website (about the system of classifying businesses)  
[http://www.enecho.meti.go.jp/category/saving\\_and\\_new/saving/classify/](http://www.enecho.meti.go.jp/category/saving_and_new/saving/classify/)

<sup>\*1</sup> GWP (global warming potential): A value that shows the relative effect on global warming of a unit amount of a specific substance emitted into the atmosphere, if a value of 1.0 is given to CO<sub>2</sub>.

<sup>\*2</sup> COP: The capacity for heat transfer from 1 kW of electricity is demonstrated using the COP indicator, which is the indicator to measure energy conservation.



# Initiatives to reduce environmental impact

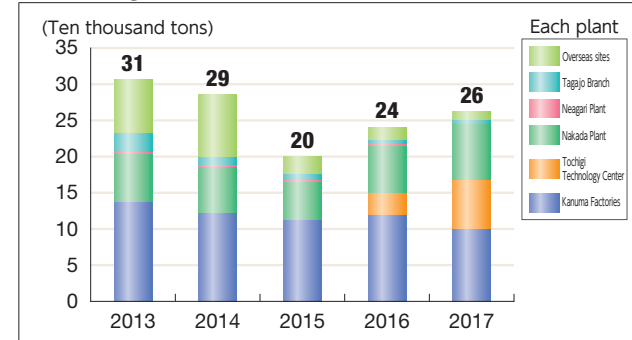
In order to effectively use limited resources, the Dexerials Group strives to appropriately separate, recover, and process waste materials, and to conserve water.



## Reduction of water usage

The Dexerials Group has reduced the volume of water used by making improvements to water supply equipment and by optimizing water supply volumes in manufacturing processes, while also ensuring that no water is lost in the process. Also, we are striving to increase awareness of water resources by requesting employees to conserve water used for daily necessities, including toilets.

Water usage volume



In fiscal 2017, although activities were conducted to conserve water, the volume increased over the preceding year due to an increase in production.

### ◆ Main Measure: Water conservation promotion activities at the Nakada Plant

In support of "Water Day" on August 1 and "Water Week" between August 1 and 7, as stipulated by the Ministry of Land, Infrastructure, Transport and Tourism, we promoted activities between August 1 and 30. At the Nakada Plant, an opportunity was made to raise awareness by asking employ-

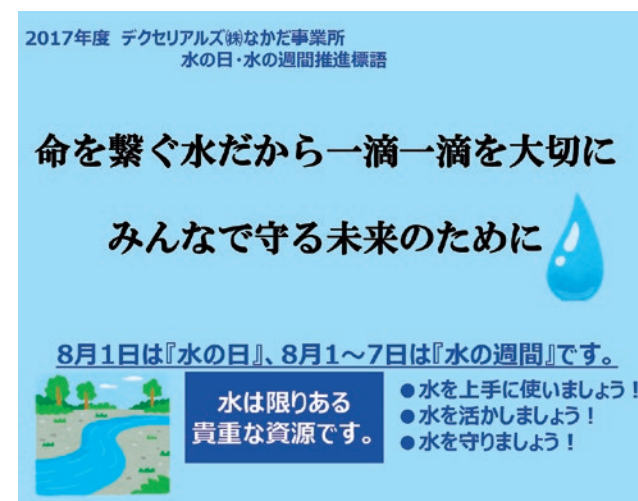
ees to think about water conservation by taking applications for slogans, and an appeal to conserve water is being made by displaying the poster with the selected slogan. In fiscal 2017, the following work was selected.

These six works were also selected as winning slogans.

#### Winning water conservation promotional slogans

- ◆ Conserve rain water for an eco-life
- ◆ Delicious water is a gift from Kitakami River. Let's take care of this treasure of Tome
- ◆ Behavior will change our thinking changes from taking it for granted to being grateful; Conserve water with a grateful attitude.
- ◆ A single drop of water is a valuable resource; Use water reasonably and with care
- ◆ Water is the source of all life; Use it wisely. For the sake of the future!
- ◆ The happiness of gulping a glass of water!

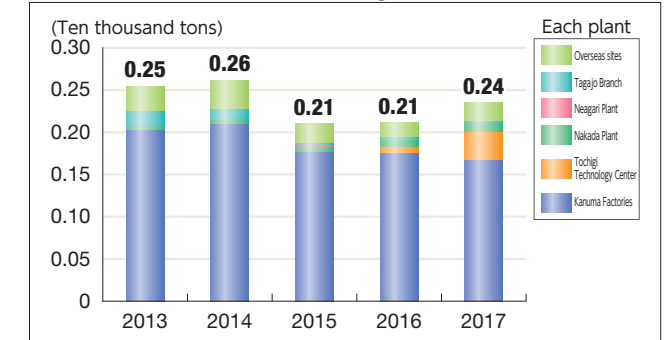
#### Water conservation promotional poster



## Reduction of industrial waste

The Dexerials Group is actively engaged in the reduction of the volume of industrial waste generated and in the reuse of waste materials. The Group as a whole achieved zero emissions\* with a recycling rate of 99.9%. At the same time as increasing product yield and controlling the volume of waste materials generated, we conduct the appropriate separation, recovery, and processing of waste materials generated and waste solvents, waste acids and alkali, plastic scrap, scrap metal and waste wood generated during the production process in line with waste processing laws. We are implementing measures to effectively reduce, reuse, and recycle our waste.

Transition in total waste volume generated



In fiscal 2017, although measures were implemented for separation and recycling, etc., the volume increased over the preceding year due to the increased production volume.

### ◆ Main Measure: Increased separation and recycling of valuable waste plastic

Waste plastic, waste ceramics, organic substrates and more generated at plants in Japan are processed as valuables. In particular, waste plastic film is separated between

those with adhesive materials and those without, and those without are processed as valuables.

#### ● Waste plastic film, such as non-processed PET



→ Valuable waste

#### ● Waste plastic film with adhesive materials



→ Industry waste  
→ Recovery of resources by means of RPF recycling (conversion to solid fuel)

#### ● Waste ceramics, organic substrates

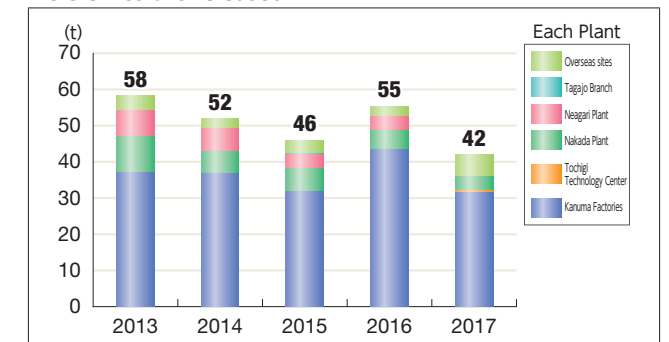


→ Valuables

## VOC emissions volume reduction

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.

VOC emissions released



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

Compliance with Laws and Regulations/Chemical Substance Management

The Dexerials Group abides by environmentally related laws and regulations and manages chemical substances to minimize the risk and effect on the environment.



Compliance with laws and regulations in fiscal 2017

The Dexerials Group has established and managed its own standards that are stricter than legal requirements in relation to applicable items in environmentally related laws, regulations, and ordinances concerning atmospheric and water pollution and so on at manufacturing sites in Japan and overseas.

Minimizing Chemical Substance Risks

The Dexerials Group has established chemical substance management regulations for the entire company and has organized a 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,

We implement measures and carry out operational management to ensure that we do not exceed regulatory standards within our site boundaries with regard to noise, vibrations, and offensive odors.

Based on these initiatives, in fiscal 2017, there were no items that exceed the standard values at any plant.

distribution, import and export, to ensure that the company responds appropriately to recent legislative amendments relating to chemical substances, both within Japan and overseas.

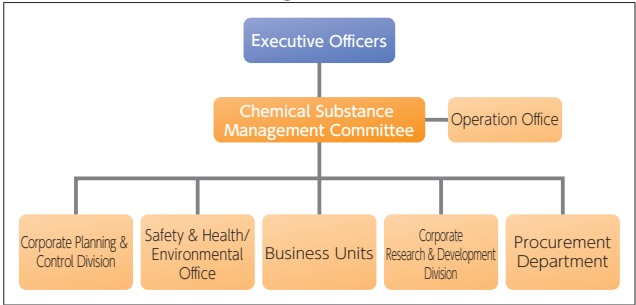
This committee is a cross-functional organization comprising members selected from among each division, and while each member has the role of ensuring compliance for chemical substances in their respective posts, activities are also proactively expanded by the committee, including giving advice for company-wide activities using the specialist knowledge from their respective posts.

The information shared among the committee is shared not only with Plants in Japan but also with overseas locations, so that the Group is managed as a whole, including confirming the status of overseas locations by the Secretariat.

Also, in terms of sub-documents for chemical substance management regulations, by-laws have been established for the chemical substances management regulations that clarify the rules from introduction through to use, product shipping, and disposal.

By means of this management system, chemical substances are used appropriately and yet again there were no compliance violations for chemical substance management this fiscal year.

Chemical Substance Management Committee



Response to the Pollutant Release and Transfer Register (PRTR) Law

The Group ascertains the results of release and transfer volumes of chemical substances based on the PRTR Law, and reports the total amounts for each year. Chemical substance release and transfer volumes for each plant in the fiscal 2017 are shown below.

We use a method to divide data into release or transfer based upon the distribution coefficient\*1 of actual purchase of chemical substances.

At Dexerials, adhesives and adhesive tapes using many organic solvents are produced, so the emissions volume of toluene, etc., is high as a result.

Regarding these organic solvents, the volatile gases emitted during the manufacture of adhesive tape are recovered, and re-used as energy by means of a heat exchange through combustion in a boiler.

FY 2017 PRTR Substances (Japanese plants only)

Plant	Chemical substance	Release/transfer volume calculation (t)
Kanuma Factory No.1, Kanuma Factory No.2	Acrylic acid and its water soluble salts	0.173
	2-hydroxyethyl acrylate	0.053
	n-Butyl acrylate	5.520
	Antimony and its compounds	0.266
	Ethylbenzene	0.436
	Xylene	0.406
	Toluene	12.110
	Hexamethylene diacrylate	0.589
	Nickel	0.081
	n-Hexan	1.519
Nakada Plant	Indium and other compounds	0.000
	Nickel compounds	0.230
	Manganese and its compounds	0.300

Responding to Product Environmental Regulations

The Dexerials Group is endeavoring to respond to the European Community's REACH\*2 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 liquid products that are mixtures\*3, we have been working in partnership with Dexerials Europe B.V., our European local subsidiary, and conducting surveys concerning the chemical substances that need to be registered under

REACH, and we have completed a preliminary registration for substances that must be registered.

The registration is later promoted through Substance Information Exchange Forum (SIEF) and all of the materials that must be registered are registered.

Also, in terms of continuous management, suppliers are regularly asked to conduct inspections using the method specified by Dexerials for the candidate list of SVHC, and it is determined whether there are chemicals from the SVHC candidate list based on those results.

By means of such management, in fiscal 2017, there were no compliance violations for the management of environment regulation materials.

Management of chemical substances introduced

Because the chemical substances have a risk of adverse effects on the environment and health, for all chemical substances introduced, we conduct risk evaluations and Dexerials proprietary classifications based on risk assessment

methods in order to strengthen use management.

Regarding classification standards, the risk impact is correctly determined using criteria such as laws and GHS categorization results\*4.

Chemical Substance Management Education

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

For that reason, thorough education regarding the handling of chemical substances is given to employees from the time they join the company, and there is an internal curriculum that is implemented, including post-employment OJT

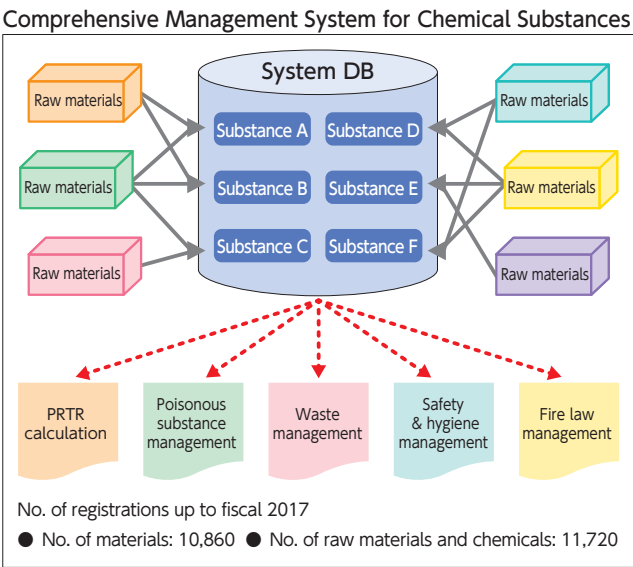
and special education for specific materials.

The company also recommends the acquisition of qualifications for handling materials, and all employees in the manufacturing and R&D Divisions have the necessary qualifications for handling hazardous materials.

Introduction of a Comprehensive Management System for Chemical Substances

The Dexerials Group has introduced a management system whereby raw materials and chemicals/reagents in wide use by development departments that are purchased are managed on a single system and recorded in a chemical substance database so that the data can then be output by item for PRTR totals and other objectives.

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



\*1 Distribution coefficient: A method of calculating the value of corresponding changes in actual purchase values by setting a coefficient for movements/emission volumes in the product manufacturing process.  
\*2 REACH stands for Registration, Evaluation, Authorization, and Restriction of Chemicals. It entered into force on June 1, 2007.  
\*3 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.  
\*4 GHS Classification: "The Globally Harmonized System of Classification and Labelling of Chemicals" are classification standards adopted by the UN in July 2003 for dangerous and harmful chemicals.



Customers

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

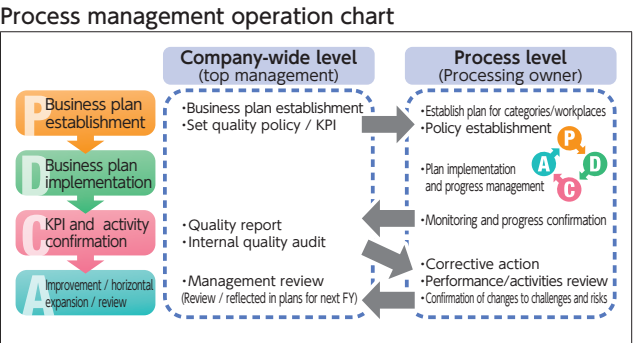
Basic quality policy

◆ Quality philosophy  
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 the increased value of our customers’ products through pursuit of technology and provision of high-quality products and services. We are engaging in various activities related to product quality and safety, including enacting a basic policy for quality that sets out the basic approach of our quality activities.

- ◆ Basic Policy
1. We provide safe and reliable products, and services.
  2. We comply with relevant laws and regulations, agreement with customers, and internal standards surely.
  3. We practice steadily implementing activities to reduce risks and preventive activities.

Quality promotion system

Dexerials has introduced process management in order to achieve the basic quality policy and quality KPIs (Key Performance Indicators) so that business activities are conducted in line with various quality management systems and to ensure definite compliance with regulation and customer requirements. Organization-wide activity promotion and cooperation is required in order to realize products, so management is based on responsibility systems for each process in so far as activities that require cooperation are connected as processes. At Dexerials, company-wide shared quality KPIs are set in order to monitor and improve quality initiatives, including preventing and responding to serious quality issues. There is a two-stage PDCA cycle at the company-wide level and the process level, which leads to the achievement of the quality KPIs. Company-wide quality KPIs are embedded in targets for each process and in policy, and the quality of products and of business is continuously improved by repeating a PDCA cycle that involves implementing policy, measuring performance and risks/opportunity initiatives. As a result of these initiatives, in fiscal 2017, there were no serious product issues, including product accidents or quality compliance violations.



Acquisition status of quality management system certification

All Dexerials Group manufacturing plants have acquired the international standard for quality management systems, ISO 9001 certification, as the basis of business activities such as design, development, manufacturing, and quality assurance in order to implement the quality philosophy and basic policies. Also, with the expansion of business in the in-vehicle and medical domains, etc., we have established quality assurance systems that respond to the characteristic customer requirements and regulations in each business domain. In the domain of in-vehicle products, we have acquired the automotive industry standard IATF 16949 and we comply with the VDA standard (German Association of the Automotive Industry standard) for the maintenance of the high quality and reliability that is required for automobile parts. In the medical domain, we have acquired the medical devices standard ISO 13485 that emphasizes reliable quality and compliance. As for ISO 9001 and IATF 16949, we have constructed quality management systems in response to revisions to these standards implemented in recent years, and we have acquired certification after being inspected following the study of transition by 2017.

Acquisition status of quality management system certification (as of May 28, 2018)

Quality management system	Organization	Manufacturing site			Certification registration
ISO 9001	Dexerials Corporation	Headquarters Kanuma Factory No. 2	Tochigi Technology Center Nakada Plant	Kanuma Factory No. 1 Tagajo Branch	3790996
	Dexerials Europe B.V.				NL012504-1
	Dexerials (Suzhou) Co., Ltd.				CNBJ312234-UK
	Dexerials (Shenzhen) Corporation				CNGZ301220-UK
	Dexerials America Corporation				38206-2011-AQ-USA-RvA
IATF 16949	Dexerials Corporation	Kanuma Factory No. 1	Kanuma Factory No. 2		299078
ISO 13485	Dexerials Corporation	Headquarters	Kanuma Factory No. 2	Tochigi Technology Center	MD665939

Product Safety

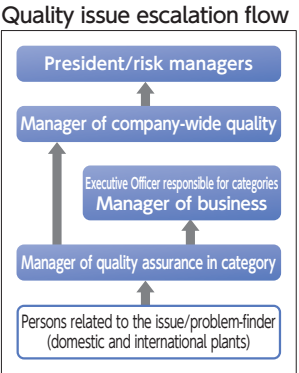
In line with our basic policy of making product safety the top priority, we test our products for compliance with a range of product safety standards and acquire the relevant certifications to ensure that products are safe for customers to use with complete confidence. Regarding the essential international standard, the UL standard (safety standards es-

tablished by UL LCC, a company that enacts safety standards and conducts tests and certification), in particular, not only did we respond to the demand from customers for certification registration but also we have proactively received certification for various products in the Dexerials Group as we continue to supply safe products at the parts level.

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. As an example, on the film product production line, in addition to using the Roll to Roll production method (a method of performing continuous production by using roll-shaped materials), by also using high-speed line camera sensors and image processing technology, we have introduced a system to perform feedback control to manufacturing conditions based on the results of the measured line condition, etc. In thin film processing, Dexerials is further refining quality control technology, which is a strong point for the Company, as we achieve stable high-quality and high-production. Also, at Dexerials, we are proactively promoting initiatives toward product technology reform, such as the automation of exterior inspections to achieve low-variation in quality, and the introduction of AI cooperative robots with the aim of improving quality and efficiency. In the event of quality issues that could impact stakehold-

ers, including where there is the threat of serious quality issues and product incidents occurring, a system is in place whereby the relevant corporate department promptly reports the situation to top management so that appropriate response measures can be taken. Regarding returns and recoveries due to complaints made by customers, an analysis is performed by specialist technical staff using high-grade analytical equipment, and the analytical reports and follow-up measures are promptly taken. For defects that required analyses that are difficult for customers to perform, in particular, we provide technical support including the investigation of cause using the great capacity of Dexerials for analysis.

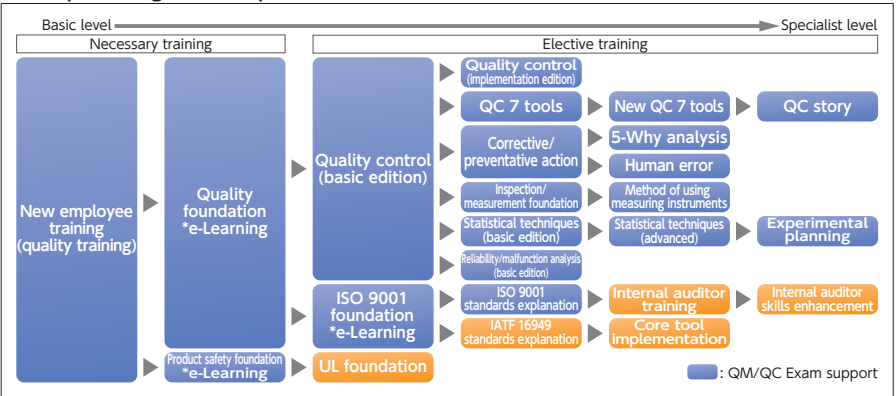


Quality human resource development

At Dexerials, we provide continuous development opportunities for personnel who are experts in quality based on the Human Resources strategy with the objective of specialist development. We have produced a road map for quality training that clarifies the knowledge of quality required in each post in a wide range of levels, from new employees to specialist technicians, and training for everything from basic through to expert knowledge is provided for all Divisions. In each workplace, we are promoting the acquisition and passing down of skills by proactively using OJT (On-the-Job-Training). Alongside OJT, at manufacturing sites, in particular, we are promoting the maintenance and improvement of on-site capabilities by means of “manufacturing basic training” centering on the study of necessary approaches to engage in manufacturing, “manufacturing technical training” to learn improvement techniques, and “manufacturing management training” to learn daily management at work locations. In to prevent various corporate scandals related to quality that have been an issue recently, Dexerials has had training in place for a long time. Training for all employees is given for quality compliance, and in company ethics, which is the basis of making

correct decisions and actions. Also, at Dexerials, we proactively participate in various QC circle presentations held externally, factory tours and lectures, which we use to learn from the good initiatives of other company and to train young people. At Dexerials, we are obtaining the Quality Management and Quality Control Examination (examination regarding knowledge of quality control led by the Japanese Standards Association) that objectively determines the level of knowledge regarding quality and we are promoting the improved knowledge of managers and workplace leaders who implement quality management.

Quality training road map



# Initiatives toward improving customers satisfaction

At Dexerials, we always sincerely give attention to customer opinions and work to increase quality and make improvements in order to provide products that gain customer satisfaction.

## Basic approach toward improving customer satisfaction

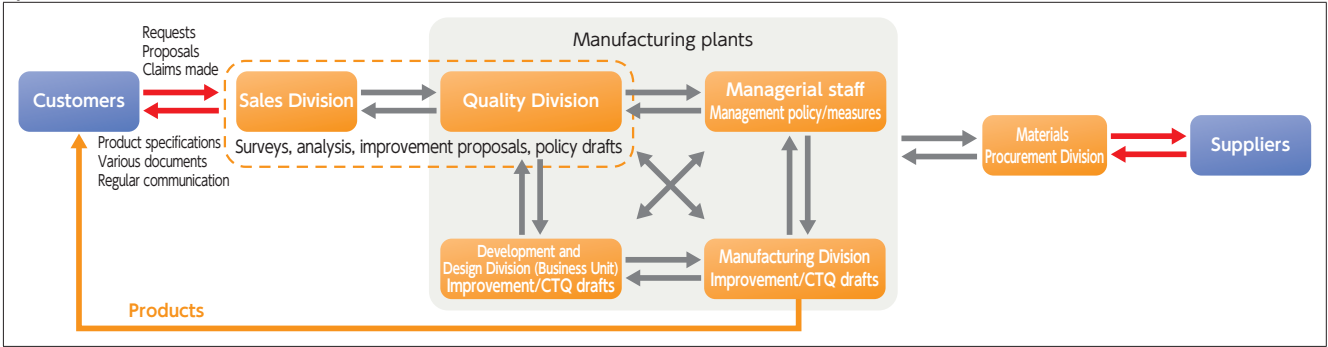
At Dexerials, on the basis of the Corporate Philosophy, “Integrity Have Integrity and Sincerity,” we utilize customer opinions in product quality, and, in order to provide products that gain customer satisfaction, we engage in improvement activities from various angles, including pricing, delivery, technical capabilities and product capabilities, in addition to product quality itself and product safety.

## Systems to increase customer satisfaction

At Dexerials, we conduct analyses of information gathered from the Sales Division that regularly communicates with customers, which is used in measures to improve customer satisfaction. We have constructed a system of close cooperation

between relevant departments in order to more quickly connect real-time customer opinions to product development and quality improvement.

### Systems to increase customer satisfaction



## Overview of customer satisfaction survey and details of each survey

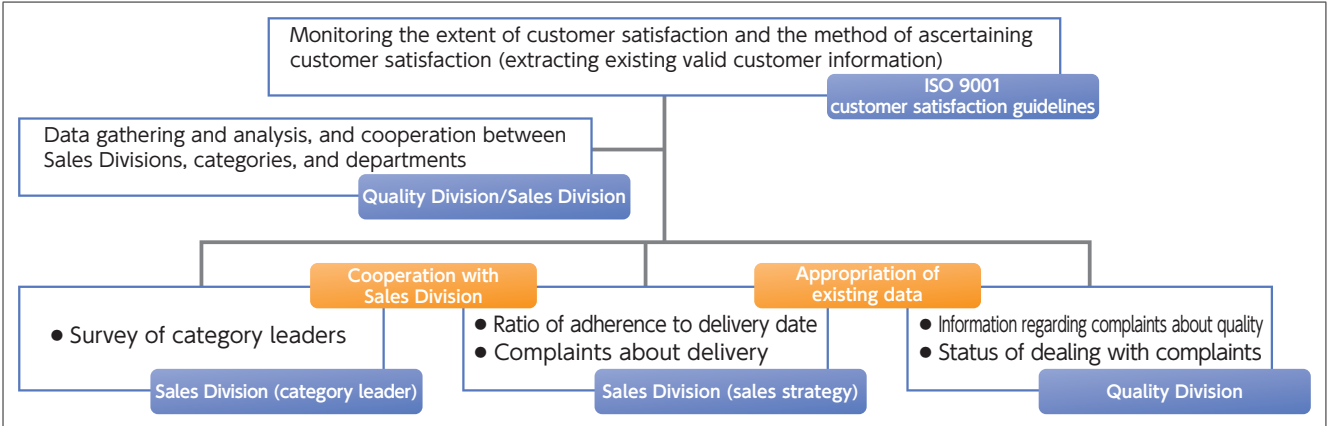
### Continuous improvement of evaluation indicators

At Dexerials, across the last few years, we have been conducting direct customer surveys. However, the recovery rate was low, and the amount of work required by the responsible division in Dexerials was huge. Therefore, since fiscal 2017, in order to understand customer requests and evaluations of Dexerials, we reconsidered the survey indicators from the perspective of ISO 9001. In doing so, we paid attention to the fact that the Sales Division was gathering a large amount of information including customer requests and opinions about Dexerials from customers in their regular commu-

nications with customers. In this way, survey, response and improvement data corresponding to claims for delivery and product quality was being gathered within Dexerials, and the following three indicators were pointed out as measures for more effective information gathering.

- (1) Dexerials product/service evaluation possessed by the Sales Division
- (2) Delivery evaluation
- (3) Claims about quality and complaint evaluation

### Selection of new evaluation indicators

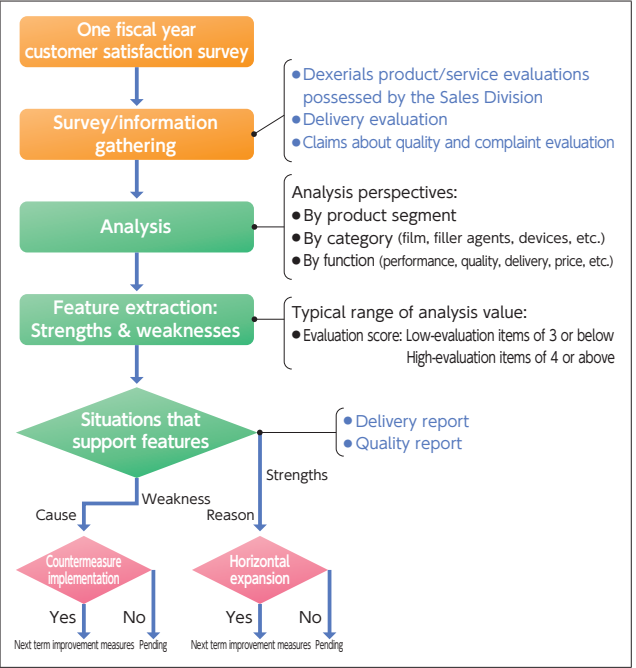


Based on information obtained in these regular sales activities, we are working to promptly respond to customers and to make continuous product improvements. From now on, we will continue to review survey methods at regular intervals with the aim of optimizing the indicators.

### Flow of customer satisfaction survey

At Dexerials, we draw out the strengths and weaknesses of Dexerials by category and by function by analyzing the events derived from the three evaluation indicators in the customer satisfaction survey. With regard to the strengths, we plan for horizontal expansion throughout the company, and with regard to weaknesses, we make systematic improvements with cooperation from all organizations by investigating improvement plans, which are reflected in business plans.

### Flow of customer satisfaction survey/analysis/reflection of survey results



## Activities to increase customer satisfaction

### Prompt response by means of customer-based activities

From customer satisfaction surveys conducted until now, we have acquired evaluation results to gain great trust from a deeper mutual understanding with a customer focus and from taking prompt measures that anticipate customer needs. Based on this, we are engaging in activities that deepen the relationship of mutual trust with customers by planning horizontal expansion so that customer-based activities can be conducted across multiple product categories.

### Three survey indicators from fiscal 2017

#### (1) Dexerials product/service evaluations possessed by the Sales Division

Dexerials products are divided into 10 categories, and investigations were made among sales leaders about customers evaluations in each category. There are five items, namely, overall evaluation, price, delivery, product quality, and service, and each item has a five-stage evaluation.

#### (2) Delivery evaluation

We conducted evaluations from the customer perspective as to whether Dexerials fulfilled the deadline established in advance and whether there were any defects in the Dexerials product delivery process.

#### (3) Claims about quality and complaint evaluation

We evaluated product defect information after shipping. The (1) evaluation details possessed by the Sales Division represents the opinions of customers but the evaluation items in (2) and (3) are also used as indicators for greater objectivity.

### Confirmation of effectiveness after changing indicators

It was confirmed that the trends were the same by making a comparison of the scores from the results of the direct customer surveys conducted with customers during the last five years and the results of the survey among category leaders, and it was determined that these evaluation indicators are valid.

### Reflecting survey results

We have continually carried out customer satisfaction survey and in fiscal 2017 there was again a high evaluation of delivery, product quality, and services. The results of the customer satisfaction survey and the strengths/weaknesses obtained from the results are disclosed throughout the company, including with top management. Policy is established based on the survey results, and this is reflected in policy when established the business plan for the next fiscal year, which ensures the planning of continuous improvement.

### Survey of specific details about claims made and implementation of improved quality measures

Regarding the various claims made by customers in connection to quality, we conduct detailed surveys regarding defective products, the status of the defect, the status of handling by customers, response to replacement items, and customer response after the countermeasure, etc., and we take comprehensive countermeasures across all product categories based on the results. This leads to greater quality as we share this information throughout the company and promote the horizontal expansion of improvement measures, etc.





Suppliers

Dexerials Group is diligent with regard to “fair business practices, transparency, and equal opportunities” and environmentally-friendly procurement, and we have established the items that must be complied with in transactions with suppliers in the “Dexerials Group Code of Conduct.”

Basic Philosophy of Supply Chain Management

1. Emphasizing “fair business practices, transparency, and equal opportunities,” the Dexerials Group’s procurement is founded on relationships of mutual trust with suppliers.

- “Fair business practices” means conducting procurement in accordance with prescribed policies and procedures.
  - “Transparency” means avoiding any arbitrary actions.
  - “Equal opportunities” means providing supplier with a level playing field.
2. Dexerials also emphasizes cooperative relationship with suppliers in such areas as strengthening technological com-

petence, 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.
- For fair business practices, transparency, and equal opportunities in transactions
- Based on the Basic Philosophy of Supply Chain Management, for the implementation of procurement with “fair business practices, transparency, and equal opportunities,” Dexerials is engaged in the following initiatives.
- ◆ Respect for social standards and commercial practices, etc.
- Regarding procurement, in addition to obviously following the laws of each country, we respect the social standards, ethics and commercial practices, etc.
- ◆ Anti-corruption
- When negotiating the conditions of a transaction with suppliers, including pricing and technical specifications, honesty and faithfulness are essential. With regard to businesspersons engaged in the procurement business, Dexerials ensures complete anti-corruption by prohibiting the reception of money, goods or services that aim to influence or that have the risk of influencing business decisions.
- ◆ Publicizing the Dexerials procurement policy
- In order for suppliers to gain an understanding of Dexerials basic policies regarding legal compliance, respect for human rights, environmental conservation and products/service safety, we regularly holding individual explanatory meetings, for the thoroughness of relevant policies.
- ◆ Handling information
- In addition to striving to disclose appropriate information to suppliers, we conduct appropriate management based on internal policies and procedures related to the Code of Con-
- duct and information security so that confidential information from Dexerials and suppliers is not leaked.
- ◆ Risk management
- In order for transactions to go smoothly, it is necessary for the Procurement Division to strive to prevent and predict dangers that could become factors that inhibit the procurement business. For that reason, when situations occur or may occur that will have a serious impact on business (quality issues, collapse of supplier business, disasters, labor disputes, etc.), crisis management information is shared with the Procurement Division, the Business Division and other relevant divisions and necessary risk avoidance measures are promptly drafted and implemented.
- ◆ Selection of suppliers
- In line with the principles in the Basic Philosophy of Supply Chain Management, we strive to find new suppliers in accord with technical reforms and the supply environment (pricing changes, supply and demand balance, corporate social responsibility, etc.). In the selection of new suppliers, the most important and fundamental requirements are “stable management,” “legal compliance,” “environmental considerations,” and “technical capacity,” and we also evaluate results and expectations for quality, pricing, stable supply, technology services and environmental contribution.
- departments as members, and this committee confirms the status of compliance with subcontract law and shares information at the regular meetings.
- Also, we conduct internal audits with regard to the procurement business, and we provide training for relevant parties using improvement guidance based on the audit results.
- Procurement of Parts and Materials Used in Dexerials Products
- For the purposes of global environmental conservation and the realization of a sustainable society, Dexerials has established a set of Management Standards for Environment-Related Substances, which specify prohibited materials and materials to be reduced, and manufacturing is carried out on this basis.
- Dexerials designates suppliers who cooperate with these standards as Dexerials Green Partners. In principle, the Dexerials Group procures all raw materials and parts used for its products from suppliers who have qualified as Dexerials Green Partners.
- In terms of the process up to be recognized as a Green Partner, first, we start by explaining the Management Standards for Environment- Related Substances to suppliers to gain their understanding. Next, as a compatibility survey for internal recognized standards for “Green Partners”, we conduct individual surveys regarding legal compliance, in specific, and then suppliers that fulfilled the recognized standards are authorized and registered, and transactions can begin.
- Dexerials will continue to provide customers with high-quality, safe and reliable products by conducting stable procurement based on relationships of trust with Green Partners.
- ◆About “Management Standards for Environment- Related Substances”
- Raw materials, parts, or other elements of our products that are judged by Dexerials to have a significant impact on the global environment or human health are defined as “controlled substances” and are managed accordingly.
- 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 prod-
- Dexerials Green Partner Program
- 
- Response to conflict minerals
- Metals extracted by means of illegal mining by antisocial forces have become a global issue, and companies are required to take a responsible attitude toward procurement.
- Even among Dexerials products, four metals (gold, tin, tantalum, tungsten) in the scope of the Dodd-Frank Act in the U.S.\* were being used, and an investigation has been requested from a client.
- The Dexerials Group promotes responsible procurement based on a policy of not using raw materials and parts that contain conflict minerals produced in the Democratic Republic of Congo or neighboring countries where armed conflicts
- are continuing, obviously 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.
- Regarding procured raw materials and parts, in the selection stage, a survey is conducted among manufacturers about content and usage, and if content or usage is discovered, we strive to obtain reliable information by requesting the manufacturer to provide information about the refinery.
- \*Dodd-Frank Act: The Wall Street Reform and Consumer Protection Act financial regulatory reforms were enacted in 2010, and an additional clause was enacted in 2013 demanding a usage report for four metals designated as conflict minerals from all companies listed on the Securities and Exchange Commission (SEC).
- Relationships with society
- Relationships with society
- 34 Dexerials Sustainability Report 2018
- Dexerials Sustainability Report 2018 35

In order to realize the Dexerials Group Corporate Vision, we conduct activities to support employee career development since we regard development of every employee to be most important. Also, we aim to be an attractive company for employees by pro-actively conducting various activities to create a workplace environment with job satisfaction, and to fulfil diverse working styles.

Basic approach to human resource development

◆ Basic policy for human resource development

At Dexerials, we have established a basic policy for human resource development in order to realize the Corporate Philosophy, "Integrity Have Integrity and Sincerity," and the Corporate Vision, "Value Matters Unprecedented innovation, unprecedented value." We want employees to work autonomously and we provide various activities to support this.

Dexerials' basic policy for human resource development

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

Human resource development initiatives

◆ Career Support

To support employees in acquiring expertise and becoming professionals that can create new value, we have introduced a "job family-job category" system. In order to enhance career development in each job family, employees are assigned to one of four job families: manufacturing group, technology and development group, sales group, and planning and management group. In each job family there is a human resource development manager, and various types of support are provided, including planning and implementing training to enhance a specialty, and career interviews so that employees can take the lead in forming their own careers. In the first year of employment, senior employees (tutors) conduct follow-ups with new employees, and then career design training is undertaken every year. Career support activities are therefore provided for employees at every stage.

◆ Development throughout the work period

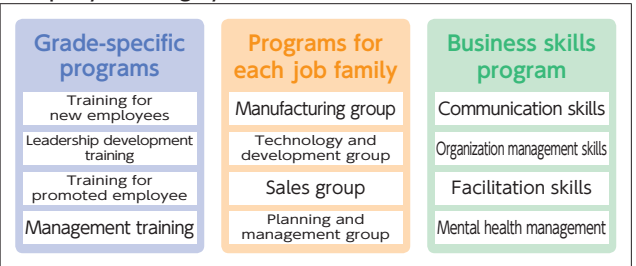
At Dexerials, throughout the career period, we provide diverse training programs and engage in human resource development. In terms of stratified education programs (training), we conduct training in line with the career stage of employees by providing training three years after joining the company, and for promoted employees and managers.

Training three years after joining the company

With the objective of immediate independence and active use of abilities inside and outside the company, we conduct training when joining the company and follow-up training six months afterwards. The content of this training forms the basis of being a member of society and supports an attitude and development toward independent learning.

Furthermore, three years after joining the company, we support development and ability development for young people by providing training to learn to work independently and to develop junior employees.

Company Training Systems

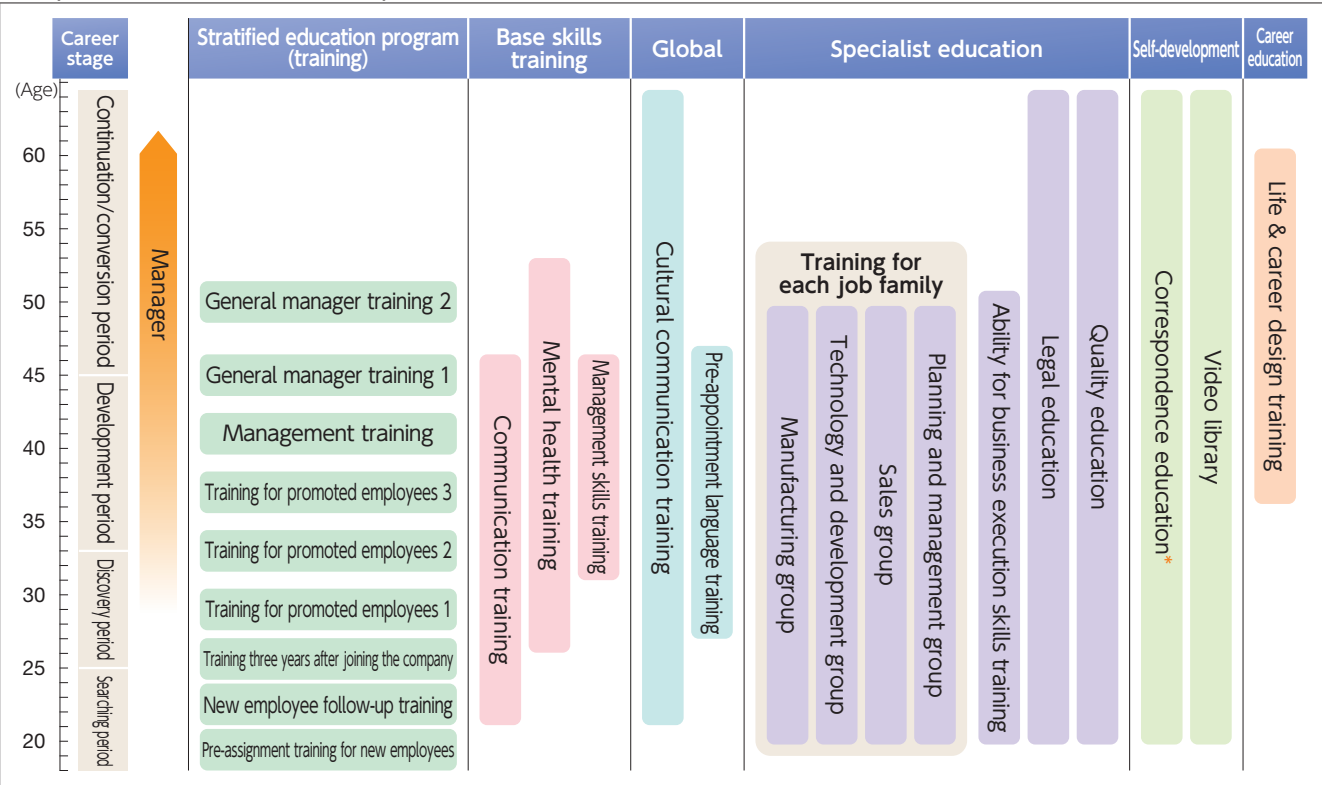


◆ Training system

We work to develop personnel who can take on responsibilities in the future, by providing diverse training programs that create an environment where individuals can demonstrate their capabilities. In addition to business skills training and stratified education program (training), we provide training and self-development programs for employees to acquire the knowledge and skills required in each job family.

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.

Examples of human resource development



\*Subsidy of half of expenses in support of self-development learning

Diversity initiatives

◆ Positive action for the appointment and development of female employees

Our female employees account for around 18.1% of all staff, and as of March 2018, their average length of service was 20 years and 2 months, against 19 years and 0 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, this is designed to promote workstyles that make efficient use of regular work hours and support employees combining work with childcare. We have also made a declaration of support for the success of women based on the Positive Action promoted by the Ministry of Health, Labour and Welfare.

[http://www.positiveaction.jp/declaration/add/search\\_detail/?id=1527](http://www.positiveaction.jp/declaration/add/search_detail/?id=1527)

◆ Achieving Work-Life Balance Childcare

We have put in place a system to support a successful combination of work and family life that exceeds legal requirements in terms of childcare leave and other benefits. We have introduced systems of flexible working hours and shorter working hours for childcare so that both men and women can work flexibly. There were 27 users of child-rearing support leave in fiscal 2017 (1 woman, 26 men), 8 users of childcare temporary leave (8 women, 0 men) and 21 users

of shorter working hours for childcare (21 women, 0 men).

Meanwhile, we have set up a work skills improvement support system for employees on childcare leave, and such employees can use this system to continue to access internal information, improve their knowledge, and communicate with superiors while remaining at home. For instance, the system enables e-learning courses to be taken by smartphone and enables connection to the company intranet.

For these initiatives, Dexerials has received the "Kurumin award" as a company that supports child-rearing from the Ministry of Health, Labour and Welfare, and we have also received recognition as a "Kanuma Company that Supports Childcare" from Kanuma city in Tochigi. We have also announced initiatives for the "Tochigi Declaration for Good Work and Good Families" promoted by Tochigi Prefecture in support of work and home compatibility.

<http://www.pref.tochigi.lg.jp/f06/work/koyou/roudou/dexerials2.html>



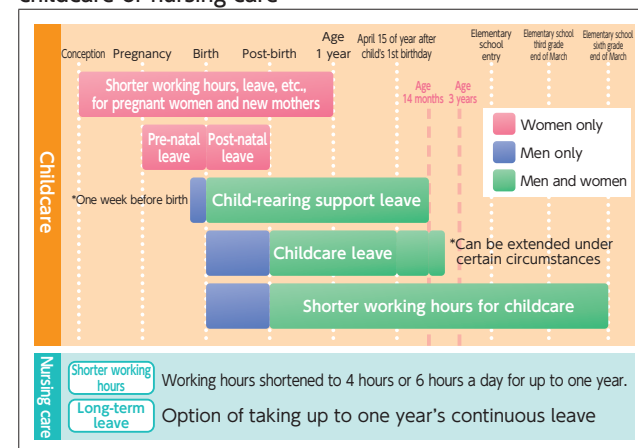




## Nursing care

In view of the fact that the number of people who will require nursing care will increase in society in the future, Dexerials is supporting the compatibility of work and nursing care for its employees. Dexerials is creating a workplace that enables proactive career continuation by providing nursing care support systems that go beyond what is legally required, such as a shorter working hours system and a system of one-year's leave, so that employees can fully demonstrate their talents even when they are facing problems.

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



## System for the planned acquisition and accumulation of annual paid leave

At Dexerials, we have created a system for the planned acquisition of annual paid leave with the objective of promoting acquisition of annual paid leave and refreshment. Employees can plan to acquire leave that suits their lifestyles and can be refreshed by taking days of accrued leave. Also, we have established a system to allow the accumulation of annual paid leave that employees were not able to take during the year, so that employees can take accumulated leave for unexpected situations and when consecutive leave is necessary, such as illness, nursing care, volunteer activities, nursing children, and infertility treatment. In fiscal 2017, the average number of days of accrued paid leave was 12.

## Ensuring human resources Establishing employees

The ratio of new recruits still in employment three years after joining the company is 91.3%, which is one of the indicators showing employee satisfaction with Dexerials. (21 of 23 new employees from fiscal 2015 were still employed as of April 1, 2018.)

## Human rights initiatives

The Dexerials Group has adopted the Dexerials Group Code of Conduct, which sets forth the basic internal standards to be observed by all Group officers and employees. In addition to legal compliance, this Code of Conduct sets forth the basic policies related to Dexerials Group company ethics and business activities, including respect for human rights, product and service safety, environmental conserva-

## Employment of overseas nationals

We are expanding our global business, and the Group now earns just over 50% of its net sales overseas. As such, even Dexerials business locations in Japan need personnel capable of functioning in a global context. Since 2015, we have regularly employed new graduates, 5% of which are people from other countries. We plan to proactively employ experienced overseas nationals in the future. We are proactively involved in internships, and people of other nationalities can use this opportunity to gain employment experience.

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

## Activities for veteran employees

Out of consideration for employees who wish to work well beyond retirement age, and also to meet the company's labor requirements, we revised the system 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.

We are conducting activities that allow people to find a place within the company after retirement where they can continue to work energetically in their senior years, whether by continuing to use their accumulated skills or taking on a new field of activity.

As of March 2018, there are 27 veteran employees between the ages of 60 and 65 working in different workplaces.

## Promoting employment of people with disabilities

We employ people with disabilities in a wide range of areas, from office work through to manufacturing. In workplaces that employ people with hearing impairments, we give consideration to the work environment. For example, bosses and colleagues learn sign language and fingerspelling, and Indicator lights are installed for safety and disaster prevention purposes.

In view of the importance of increasing diversity within the company and proactively fulfilling social responsibilities, Dexerials Kibou Corporation began operating in 2015 as a certified special subsidiary to promote the employment of people with disabilities. Work environments are being prepared so that people with disabilities can work with peace of mind. Currently, Dexerials Kibou currently has 23 employees (of whom 13 have disabilities) working at Dexerials business sites in cleaning, garden management and other business activities. The percentage of employees with disabilities in the Group is 3.6%.

tion, and the disclosure of corporate information. Also, we have set basic policies in connection to important themes for human rights, such as equal employment opportunities, healthy employment (including the elimination of forced labor/child labor), and the prohibition of harassment, which we are notifying to the entire company through training, etc.

## Compliance Hotline

Dexerials has set up an internal compliance hotline. When someone becomes aware that a violation of the Dexerials Group Code of Conduct has occurred or may occur, in the case that the employee is concerned about being unable to deal with the situation in their workplace, etc., they can

## Support for health promotion

We are conducting various initiatives in cooperation with the health care section, health insurance association, employee groups, and Human Resources/General Affairs to maintain and promote employee health.

## Introduction of healthy menus

Lunch at the employee canteen is a time for employees to rest and it also provides an important chance for meal support that is the basis for health promotion.

The employee canteens at each plant have healthy menus that promote employee health and we provide low-calorie and nutritionally balanced meals and information regarding health through POP and other notifications on the canteen tables.

## Holding exercise classes

In October 2017, the Tochigi Technology Center became a model plant for holding RIZAP GROUP, Inc.'s health promotion seminars in cooperation with health insurance associations in order for employees to enjoy engaging



RIZAP GROUP, Inc.'s health promotion seminar

## Other

## Event to celebrate the growth of employees' children

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. In fiscal 2017, a total of



Event to celebrate the growth of employees' children (Tochigi Technology Center)

anonymously contact the internal/external point of contact at any time. Providers of information are protected from being treated unfairly as employees after raising an issue.

There is also a harassment consultation reception and a female-only consultation reception.

in health promotion activities, and 80 employees participates in the lectures and training. In the results of the follow-up questionnaire, 92.1% of participants said that their health awareness changed by participating in the classes. After participating in the class, some employees successfully lost more than 10 kilograms within six months, and we will keep on raising awareness about exercise habits through company-wide expansion.

In addition, a yoga class is held every month at the Nakada Plant with the aim of maintaining and promoting health.

## Support for health promotion among dependents with cooperation from health insurance associations

We are implementing health challenges for both employees and their families in cooperation with health insurance associations. 11.7% of all members participated in fiscal 2017, and life habits and health promotion challenges involving families were held, including a 1-month walking and no-smoking challenge, weight loss, and handwashing/gargling for children.

## In-house refreshment spaces

In order to be a company where employees can work with enthusiasm, and to create an environment and provide structure so that employees take an interest in their own health and grow together with the company, a space for refreshment and light exercise was set up at the Tochigi Technology Center in fiscal 2017.

43 elementary-school first-graders were given satchels. Also, a tour of each workplace and factory was conducted after the ceremony.



Event to celebrate the growth of employees' children (Headquarters)

# 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. We conduct various activities so that employees can work in a healthy and reassuring environment where all workplaces are safe and hygienic.

## Occupational Health and Safety, Disaster Prevention Principle

Based on the Corporate Vision, "Value Matters Unprecedented innovation, unprecedented value," the Dexerials Group is expanding activities to continually provide safe and

healthy business sites as we are conscious that safety is imperative to the creation of new value and quality enhancement.

## Occupational Health and Safety, Disaster Prevention

The Dexerials Group promotes Safety FIRST initiatives, as well as initiatives to improve the climate of safety in work sites in all business domains and to prevent serious accidents, which leads to reduced risk and accidents and stable business continuation.

### The FIRST Concept

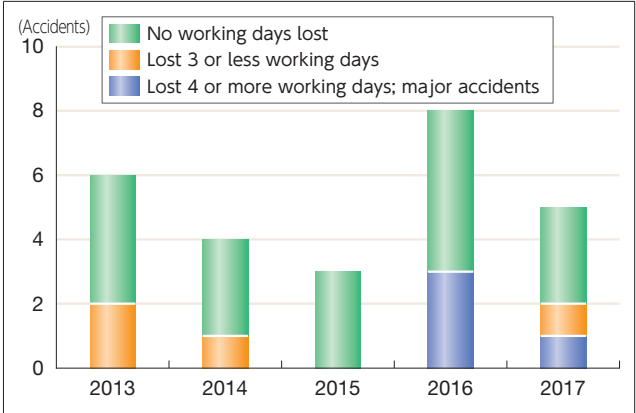


## Occurrence of Workplace Accidents

In the fiscal 2017, in the entire Dexerials Group, there were two workplace accidents that resulted in loss of work time, and three accidents that did not result in a loss of work time. The accidents were all due to human error, not issues with equipment or safety management. The accidents that resulted in loss of work time were due to injury or careless mistakes such as an operational mistake by a worker and someone losing their footing on-site.

We conduct investigations, analyses and improvements with regard to accidents that occur at the company as minor mistakes and near misses may lead to major accidents, and then we share the information throughout the company to prevent reoccurrence. While preventing serious accidents, we will carry out activities to eliminate human errors, and to find and eliminate risks such as dangers and health hazards in the workplace, and we will make further improvements to form safe workplace environments.

### Occurrence of Workplace Accidents



## Education and training

At Dexerials, we regularly conduct education for occupational health and safety/disaster prevention, disaster drills, safety confirmation system practice, and education for the safe handling of chemical substances in heavy use in development and manufacturing sites.

For new employees, we conduct firefighting training, disaster countermeasure training at external facilities, and driving aptitude tests at driving safety education centers, etc.

Foreman education regarding safety considerations at

work sites is given to employees who become the new heads of work sites, and appropriate safety education is given at the right time to employees who are engaged in special types of work including forklift operation, and handling laser machinery and various powders.

Also, at the Kanuma Factories, we have created a location to increase the awareness and sensitivity of employees regarding safety by establishing a safety workshop to experience various dangers.

## Workplace safety

At all Plants, Dexerials regularly carries out risk assessments at each workplace. The various dangers at each workplace are extracted, categorized for the level of danger, improved and reviewed in a workplace safety PDCA cycle. The safety and hygiene committee regularly confirms the progress of risk assessments.

Also, in the Dexerials company-wide improvement activity "ADVanCE," more than 500 safety improvement plans per year

are submitted, so that all employees are always improving the workplace and implementing workplace safety countermeasures. From the example of an employee proposal for plane mirrors in locations where there are blind spots in the passageway so that the surrounding environment can be checked, not only is it very useful for employee safety even now but also it has embedded the custom of being cautious about what is on the left or right in locations with obstructed views.

## Equipment disaster prevention

Disasters can be separated into two types: "machinery" and "human." We engage in disaster prevention activities on the basis of the idea that the elimination of these two factors is important to disaster prevention. In order to eliminate machinery disaster (i.e. unsafe status) and human disasters (i.e. unsafe actions), we engage in disaster prevention by reducing the level of "machinery" and "human" danger as we prioritize the elimination of dangers and risks from machinery by conducting danger and risk identification and analysis during the introduction and operation of machinery from the design and investigation stage.

With regard to machinery that has already been introduced, we have introduced structure for the early-stage detection of abnormalities by conducting independent maintenance by the using department and various inspections in planned maintenance by the equipment specialist department. By appropriately such performing maintenance, we are striving toward the advance prevention of accidents.

Also, we are taking initiatives to minimize damage during emergencies by conducting regular accident preparation training.

## Physical examinations

Overwork physical examinations are conducted as a countermeasure against excess work in addition to regular physical examinations and special physical examinations based on the Industrial Safety and Health Act. Applicants over the age of 35 undergo thorough medical check-ups, which leads to the early detection and prevention of lifestyle diseases.

Industry physicians check the results of the health diag-

noses of all employees, and industry physicians and public health nurses conduct follow-up checks such as individual appointments and medical consultation promotion for recommended individuals. In addition, in cooperation with health insurance associations, in-company dental checks are conducted every year, and dentists provide check-ups and brushing instructions, which leads to the early detection or prevention of oral diseases among employees.

## Mental health initiatives

We are cooperating with health care offices, industry physicians and work sites on the prevention and early detection/treatment of mental health issues among employees, support for various consultations from employees and those on a temporary leave of absence, and support for return to work.

From now on, in order to create a pleasant workplace that does not cause stress and to create an environment for work that gives employees a sense of worth, employees, workplaces, human resources departments and health care offices united as one are implementing and strengthening countermeasures.

health-related laws that are of importance to managers, safety consideration responsibilities, and the role of managerial employees in mental health.



Mental health lectures for managers

### ◆ Stress checks

Stress checks are taken once a year so that individual employees are aware of stress and take measures to deal with it, and we are also promoting stress awareness in e-learning. Industry physicians notify the group analysis results in managerial workshops and safety and hygiene committees. From now on, group analysis results will continue to be used to create an ideal working environment.

### ◆ Mental health classes

All management level employees participate in an annual workshop held by industry physicians with regard to

### ◆ External counselling

In order for employees to be rid of worries and to create a system for immediate consultation, a free external counselling office has been established.

By establishing various consultation systems inside and outside the company with industry physicians, public health nurses and clinical psychologists, we promote mental health countermeasures in the "Four Cares" (self-care, line care, care from workplace healthcare staff and care from resources outside the workplace) as indicated in the Ministry of Health, Labour and Welfare's guidelines for maintaining and promoting the psychological health of employees.

### Occupational Health and Safety, Disaster Prevention Activities



Equipment safety check

Explosion experience

Traffic accident experience

Fire-fighting practice



# Initiatives toward local communities

As a member of the local community, the Dexerials Group strives to contribute to the development of various regions, particularly those in which it has business sites.



## Cleaning Activities

### Tochigi Technology Center

At the Tochigi Technology Center, in May 2017, we participated in the Tochigi city-organized "Tochigi environment improvement citizen activity" when 139 volunteers including Dexerials officers collected garbage from roads around the plant and along paths running alongside National Route 4.

### Dexerials (Shenzhen) Corporation

Dexerials (Shenzhen) Corporation carried out local cleaning activities in March 2018.



### Nakada Plant

The Nakada Plant is participating in the Miyagi Smile Road Program to perform environment improvement activities such as weeding and cleaning, and it conducts cleaning activities every year for the prefectural road in front of the Plant. In August 2017, in line with the Junior High School Road Relay Race held by Tome city where the Plant is located, 165 volunteer employees cleaned part of the course in support of the relay race.



### 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. As a member of the NPO, 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. Dexerials is providing support for these activities from various angles, including not only tree-planting activities but also the provision of fallen leaves to create good soil and event support.



Ohatazawa (25 years ago)



(Recently)

## Environmental protection

### New employee environmental study and training

In November 2017, 19 new employees that joined the company in the fiscal year 2017 participated in tree planting activities in Ashio copper mine as part of training. Dexerials employees visited Ashio copper mine, which is known to have caused pollution in Japan, in order to see and understand the serious damage caused by pollution. We believe this was an important opportunity to learn about the social responsibility in the company's activities. We will continue to proactively work on environmental conservation activities alongside employees.



### 23rd Ashio Spring Planting Days

In April 2018, we participated in the "Spring Planting Days" held every year by the same organization, and employees volunteered to help run the event. Planting activities were conducted to restore the greenery of Ashio by a total of 33 employees and their families, including some officers.



### Watarase Reservoir nature conservation activities

In July 2017, Dexerials registered as a corporate member of "Watarase Nights Club" which is conducted by Tochigi city with the objective of natural environment conservation. Watarase Reservoir was registered as a Ramsar Convention wetland\* in 2012 as this huge reed field is the habitat for countless precious plants, birds, insects, and fish. From now on, we will continue to proactively cooperate with activities to protect biodiversity and natural environments while maintaining bountiful ecosystems.



\*Ramsar Convention wetlands: An international treaty to protect wetlands that are of international importance as habitats for waterbirds, in particular.





### Sony Sendai Football Club (Sony Sendai FC)



Since fiscal 2013, we have been sponsoring Sony Sendai FC in Sendai. Through this sponsorship, we aim to promote amateur sports and to invigorate the local community, while also promoting the healthy upbringing of young people.

In connection to this, the Dexerials Cup 15th Miyagi Prefecture Champions Cup U-12 Tournament was held at Matsushima Football Center in Matsushima, Miyagi in November 2017.

The championship was won by the Izumi Training Center, whose success was celebrated when the team received a certificate of merit at an award ceremony and the Dexerials Cup from the general manager of the Nakada Plant, and every member of the award winning team received a personal medal.

We will continue to support the smiling faces of children who dream for the future.



### Utsunomiya Blitzen



Since 2015, we have been sponsoring Utsunomiya Blitzen, a community-based professional cycling road race team from Tochigi Prefecture. This sponsorship aims to vitalize the local community and promote cycling sports.

#### Dexerials presents Utsunomiya Blitzen Cycling School

On March 11, 2018, the "Dexerials presents Utsunomiya Blitzen Cycling School" was held at Utsunomiya City Forest Park parking space. This cycling school is held dozens of times every year with the objectives of protecting children from traffic accidents and popularizing the sport of cycling. Based on the same idea, Dexerials continues to hold this cycling school annually as the main sponsor. In fiscal 2017, a total of 18 children participated.



#### 2017 Japan Cup Cycle Road Race

In October 2017, the Japan Cup Cycle Road Race was held within Utsunomiya city.

Many of the cyclists from Utsunomiya Blitzen also participated, and they attained good positions in the criterion, while, in the road race, Takeaki Amezawa from Shimotsuke was on the podium in third place for the first time since the team was established.



### Tochigi Brex



Since fiscal 2017, Dexerials has entered a sponsor relationship with Tochigi Brex Co., Ltd., the managing company of the professional basketball team Link Tochigi Brex, with the objective of contributing to regional stimulation through sports promotions by encouraging Tochigi Prefecture where the Tochigi Technology Center and Kanuma Factories are located.

We will continue to support the team to contribute to regional stimulation.



### Dexerials Korea Corporation

In fiscal 2017, at Dexerials Korea Corporation, our affiliate company in South Korea, we sold unwanted items such as clothing, shoes, and home appliances to volunteer groups and donated the profits. People with disabilities in the volunteer groups then processed these goods for re-use. We participate in these activities with the objectives of recycling goods, contributing to job creation for those with disabilities, and donating funds. We will continue to proactively engage with interest in activities that contribute to local communities.



### TABLE FOR TWO

The TABLE FOR TWO program (referred to hereafter as TFT) is a program which crosses time and space to share a meal between participants in developed countries and children in developing countries. When employees choose healthy TFT menus in dining halls, 20 yen is donated for every meal purchased to support school meals for children in need. 20 yen is the amount to pay for one school meal in a developing country.

The TFT program allows employees to pay attention to their own health, and engage in social contribution easily, while it also leads to opportunities for children in developing countries to go to school for lunch where they will also receive an education. Education leads to better-paying jobs, which directly connects to being freed from poverty, so one meal has an incredibly great significance.

At Dexerials, the TFT program was introduced to the Tochigi Technology Center in November 2017.

From fiscal 2018, it will also be introduced to the Nakada Plant and Kanuma Factories so that employees can proactively care for their own health and also participate in personal social contributions.



Number of healthy menus eaten  
**1,461** meals  
Donated money  
**29,220** yen  
\*From November 2017 to end of March 2018

Photograph: TABLE FOR TWO



Relationships with society

# Shareholders and Investors



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

## Disclosure of Corporate Information

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

Therefore, we not only undertake disclosure required by laws and regulations, but also publish information proactively through a variety of channels, including the IR section of our website and shareholder reports, working in this way to create a system for highly transparent and reliable disclosure.

To ensure that our disclosed information can be easily understood and serves as a useful basis for investment decisions, we adopt reader-friendly language and formats in our

materials, and we are improving both financial and non-financial information. We also provide an English language version where the information is considered likely to be of particular importance to non-Japanese shareholders and investors.



## Profit Return Policy

We regard return of profits to shareholders as one of the most important management tasks. With a recognition that increasing corporate value through investments for growth is the common interests of our shareholders, we have established a basic policy that we should first give priority to business investments leading to sustainable corporate value improvement and then make shareholder returns in line with profit growth with the target total payout ratio\*1 to consolidate

dated profit before amortization of goodwill of approximately 40%.

We determine the actual amount of dividends by comprehensively considering factors such as the amount of investments required for growth, the estimated free cash flow\*2, the total payout ratio including share buyback and the importance of stable dividend distribution, while securing a sound financial base.

## General Meeting of Shareholders

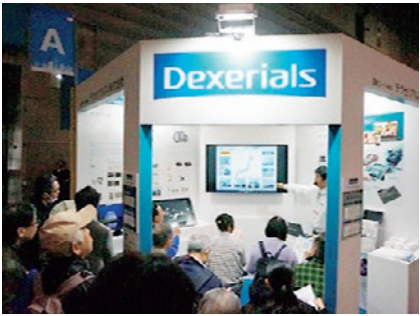
Ahead of the Annual General Meeting of Shareholders, we send out the meeting notices as early as possible, provide enhanced information, post documents on our website in both Japanese and English, and take other measures to ensure that shareholders have fair access to data, adequate informa-

tion 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, 2018.

Activity	Frequency	Content
Interviews with analysts and Japanese and non-Japanese institutional investors	217 times	Conducted individual interviews and telephone conferences, as well as participated in investor conferences hosted by securities firms
Briefings for institutional investors and analysts	4 times	Earnings briefings (4 times)
Briefings for individual investors	11 times	Participated in IR events and investment seminars and conducted IR briefings held at securities firms' branches with participation from a total of 2,661 individual investors We also held Internet-based online briefings for the first time toward the further expansion of communication
Posting IR materials on website	As appropriate	Posting of materials such as the consolidated financial results and supplementary materials, as well as shareholder reports, securities reports (quarterly), materials relating to the General Meeting of Shareholders, the IR event calendar, and so on We published new content for individual investors, including corporate briefings, product introductions, and shareholder questionnaire survey results



We participated in the TSE IR Festa 2018 where we had a display stand and held corporate briefings.

\*1 Total payout ratio to consolidated profit before amortization of goodwill =  $\frac{\text{Total payout amount} (= \text{Annual total dividends paid} + \text{Annual total share buyback})}{\text{Consolidated profit} + \text{Amortization of goodwill}} \times 100$   
\*2 Free cash flow = Operating cash flow + Investing cash flow

## Third party opinions

**Kentaro Noda**  
Professor at Rikkyo University Graduate School of Business Administration  
CV .....  
PhD (Commercial Science), Graduate School of Commerce and Management, Hitotsubashi University Business School. Prior to current post, experience at Research Institute of Capital Formation, Development Bank of Japan (senior main researcher), etc. Specialisms include business continuation plans (BCP), corporate social responsibility (CSR), company information analysis and financial accounting. Publications and papers include "Venture Ikusei Ron Nyumon Kigyō Ka Mind No Josei Ni Mukete" (University Education Press, 2004), "Jigyō Keizoku Management Wo Rikai Suru Hon" (Nikkan Kogyō Shinbun, 2006), "The Impact of BCP Disclosure on Cost of Equity Capital" (Contemporary Disclosure Research, 2012), "Jigyō Keizoku Keikaku Niyōru Kigyō Bunseki" (Chuo Keizai-sha Inc., 2013), "Senryaku Teki Risk Management De Kaisha Wo Tsuyoku Suru" (Chuo Keizai-sha Inc., 2017). Member of the investigative committee for the establishment and promotional policy of a Cabinet Office business continuation plan establishment, Japan Information Processing Development Corporation BCMIS management committee member, etc.



In this sustainability report, a CSR Policy has been established for the first time, which specifies the important challenges to be tackled as materialities. The materialities have been specified through careful processes that give full attention to recent trends in CSR, including the SDGs, and I believe that the content is very timely as the social demands placed on Dexerials will keep on growing day by day along with the rapidly changing awareness of society toward CSR.

On the basis of the Corporate Vision "Value Matters," the message from top management declares that social challenges will be solved through the expansion of business to new domains, and it clarifies the connection between business details and CSR. Also, what makes this possible is the component technology acquired by Dexerials, which is supported by the statement of "Integrity" in the Corporate Philosophy. Furthermore, another encouraging detail is the statement of organizational design that draws out the abilities of individuals from human resource development perspectives.

Continuing on with the report, in Feature Article 2, "Contributing to automotive safety with proprietary technology," it states that a long-term view of the entire automobile industry has been taken, but it also makes a strong appeal toward stakeholders. Furthermore, the understanding of stakeholders will be deepened by reading about the connection between CSR and R&D systems together with the short- and long-term perspectives on R&D as seen in the formation of corporate culture in the latter part of Feature Article 2 and Feature Article 3, "R&D that creates new values."

In "CSR management," the CSR promotion system is specified for the first time. By accomplishing a systematic framework, it is expected that CSR activities will be further deepened through cooperation with various initiatives from now on, including risk management and supply chain management. Furthermore, regarding business continuation plan (BCP) activities, it is highly commendable that this is positioned as company-wide risk management. In view of the stable supply systems that are required for Dexerials, it is im-

portant to aim for an even higher-level of BCP by responding flexibly to various risks in preparation for the future.

Regarding connections with society, the specific countermeasures and numerical values for each item made a strong impression. "Initiatives toward improving customers' satisfaction" discusses various schemes to increase quality and make other improvements. In "Quality human resource development" and "Human resource development initiatives," explanations are provided about specific training examples. This is more than just a simple message about human resource development as shown in the message from top management; rather, it is to be applauded for showing specific processed. In this report, the promotion of diversity is brought up as a major challenge, and the details cover a wide area, including female appointment and development, work-life balance, nursing care, and employment of overseas nationals. Although it is true that there is a large section that hinder such promotions within companies and within structures in the wider world, I look forward to seeing the steady promotion of these initiatives that are unique to Dexerials, a company that has many locations in Japan and overseas, and that is putting great effort into welfare programs.

For the environment, there are items where the total volume has increased due an increase in production. I can understand that this is a very difficult issue, but we look forward to the steady implementation of the published details of mid-term environmental targets, etc., in this regard as well.

It is important to respond to the increase in socially responsible investment in the market recently, but it should not stop there. Dexerials will inevitably gain a high evaluation from the market by promoting a cycle that creates new values. Without changing your awareness of "Integrity" in the future, making the path that links the materialities and corporate values even clearer will be a challenge from now on. We look forward to even greater progress by setting targets to solve social challenges and by means of the coordinated unification of individual superior initiatives.

## Taking on third-party opinions



Executive Officer  
General Affairs & Human Resources Division Head, Legal  
**Satoshi Ishiguro**

In order to clarify the "attitude" and "thoughts" of the company toward CSR, Dexerials has established a "CSR Policy" through interviews with employees and discussions among managers, and we have also set the materialities (importance/important themes). We are deeply grateful to Professor Noda for his highly-valued opinions and evaluation. From now on, based on this policy, we will expand "Dexerials unique CSR activities" that connect to the implementation of the Corporate Philosophy of "Integrity" and the Corporate Vision of "Value Matters." In these activities, we will set mid-term targets based on the materialities, and the initiatives will be accelerated on a company-wide level toward their achievement. Three years have passed since Dexerials was listed on the First Section of the Tokyo Stock Exchange, and we expect to see even more changes and diversification in the environment surrounding management and the business. By building up initiatives that increase our existence value and that widely share our values inside and outside the company through dialogs with all stakeholders while reflecting these opinions, we want to contribute to the realization of continuous growth and a sustainable society.

## Dexerials Corporation

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