

ESG Briefing

December 20, 2019

Dexerials Corporation

Content of Today's Briefing

1. Presentation

- **In issuing an Integrated Report**
 - Corporate Philosophy/ Vision and Dexerials' ESG -
- **Creating New Value That Dexerials is Aiming for**
 - Supporting Technological Innovation with Our Unique Business Model to Contribute to Solving Social Issues -
- **Initiatives to Strengthen the Management Foundation for Sustainable Growth**

2. Question and Answer Session



In issuing an Integrated Report

- CORPORATE PHILOSOPHY/VISION
AND DEXERIALS' ESG -

Toshiya Satake

**Representative Director and Senior
Managing Executive Officer**

What ESG Means for Dexerials

Corporate Philosophy

Integrity

Have Integrity and
Sincerity

Open and highly-
transparent business
management

Corporate Vision

Value Matters

Unprecedented
innovation,
Unprecedented value.

Tireless development
and provision of
technology and products

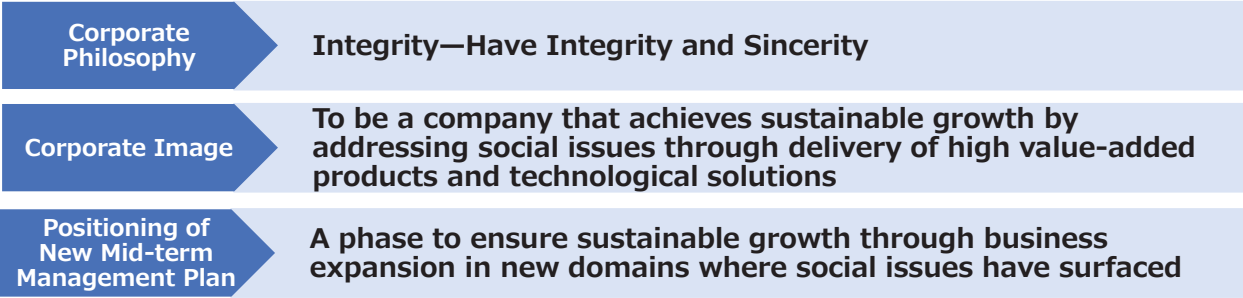


Resolution of social issues

Contributing to the realization of a sustainable society

**Sustainable growth/corporate value
enhancement of our company**

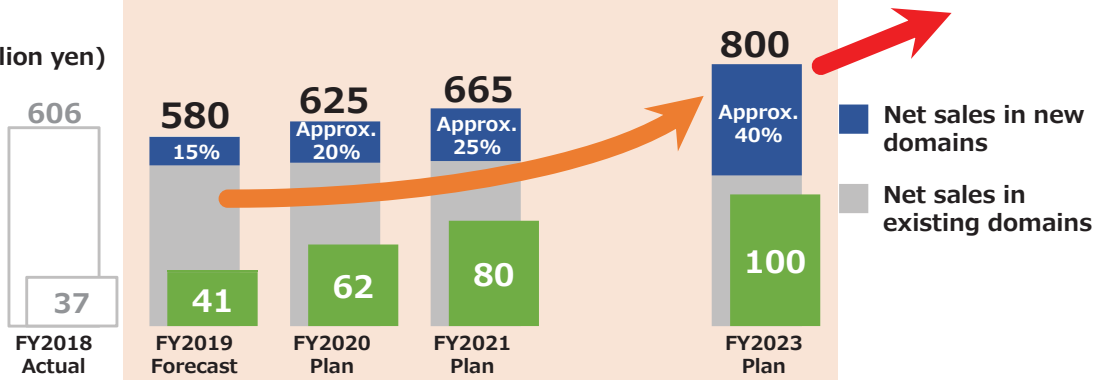
Practice of ESG—New Mid-term Management Plan



(1 U.S. dollar = 108 yen)

■ Net sales (100 million yen)

■ Operating profit (100 million yen)



Integrated Approach from Manufacturing Site to Management



CREATING NEW VALUE THAT DEXERIALS IS AIMING FOR

- SUPPORTING TECHNOLOGICAL INNOVATION WITH OUR UNIQUE BUSINESS MODEL TO CONTRIBUTE TO SOLVING SOCIAL ISSUES -

Naoyuki Sanada

Senior Executive Officer, CFO, Corporate Planning & Control Division Head

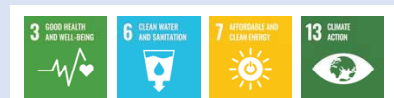
Creating Value and Strengthening the Management Foundation to Realize the Corporate Vision

Integrated Report
See page 26



■ Materiality to be a pillar of value creation

Creating new value/resolving social issues



■ Materiality to support management base

Reinforcement of corporate governance and compliance



Cultivation of diverse human resources and engagement



Ensuring operational safety and business continuity



Creating Value and Strengthening the Management Foundation to Realize the Corporate Vision



Materiality to be a pillar of value creation

Creating new value/resolving social issues



Materiality to support management base

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Cultivation of diverse human resources and engagement



Ensuring operational safety and business continuity



Value Creation and Outcome

Materiality to be a pillar of value creation

Creating new value/resolving social issues

Materiality to support management base

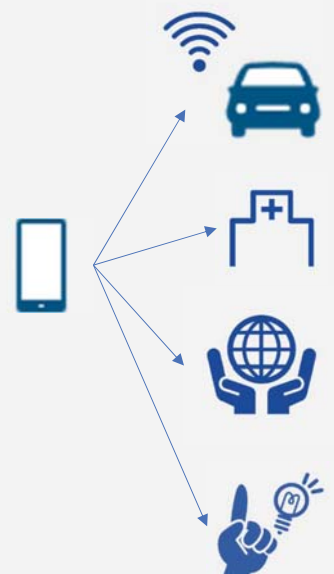
Reinforcement of corporate governance and compliance

Cultivation of diverse human resources and engagement

Ensuring operational safety and business continuity

OUTCOME

- ✓ Provision of highly functional materials and devices that support next-generation communication equipment and automobiles
- ✓ Creation of new value by applying electronics technology to other fields
- ✓ Continuous provision of products that contribute to reduction of environmental impacts
- ✓ Creation of unique technology by vigorous investment in R&D



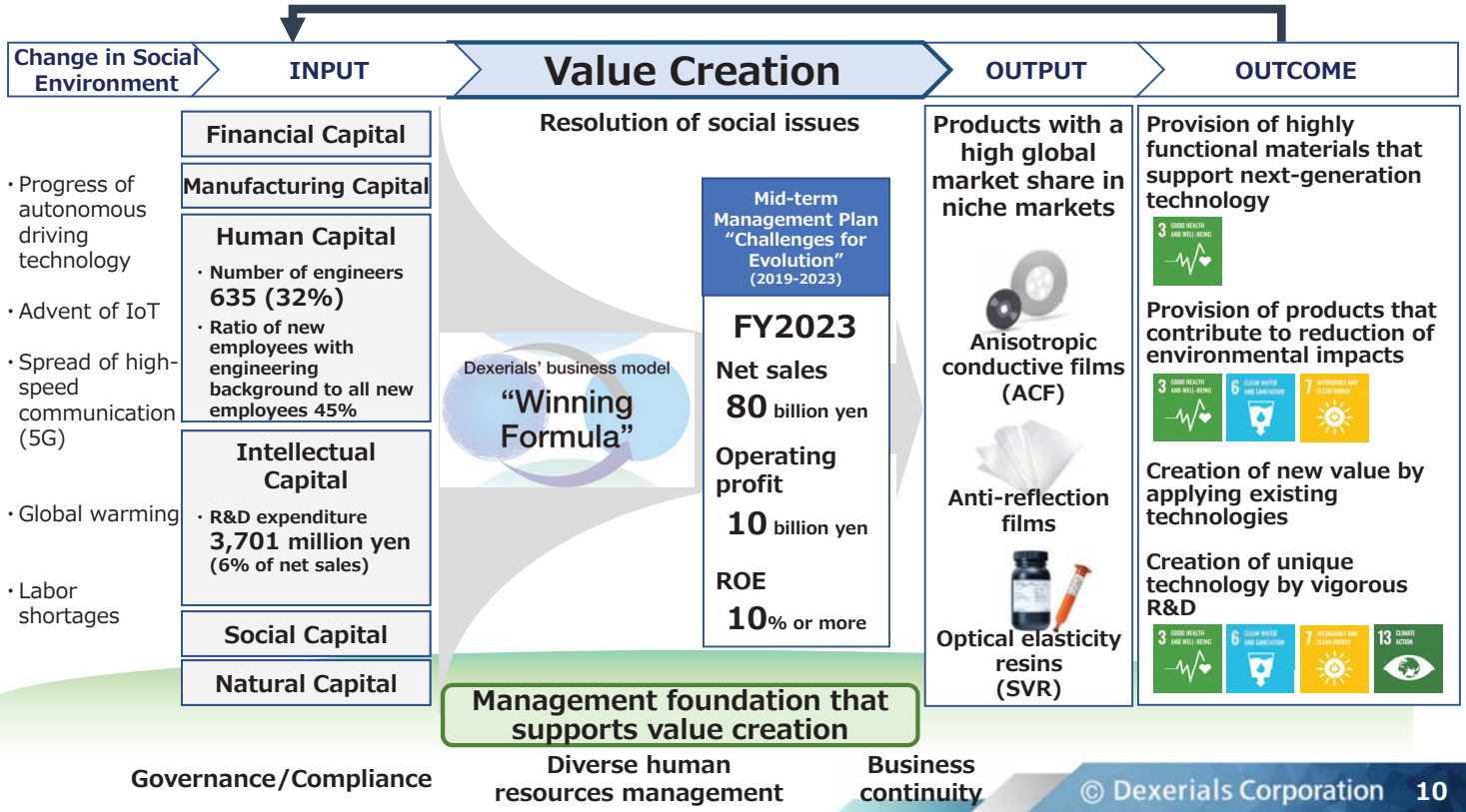
Sustainable Value Creation Process

Corporate Philosophy

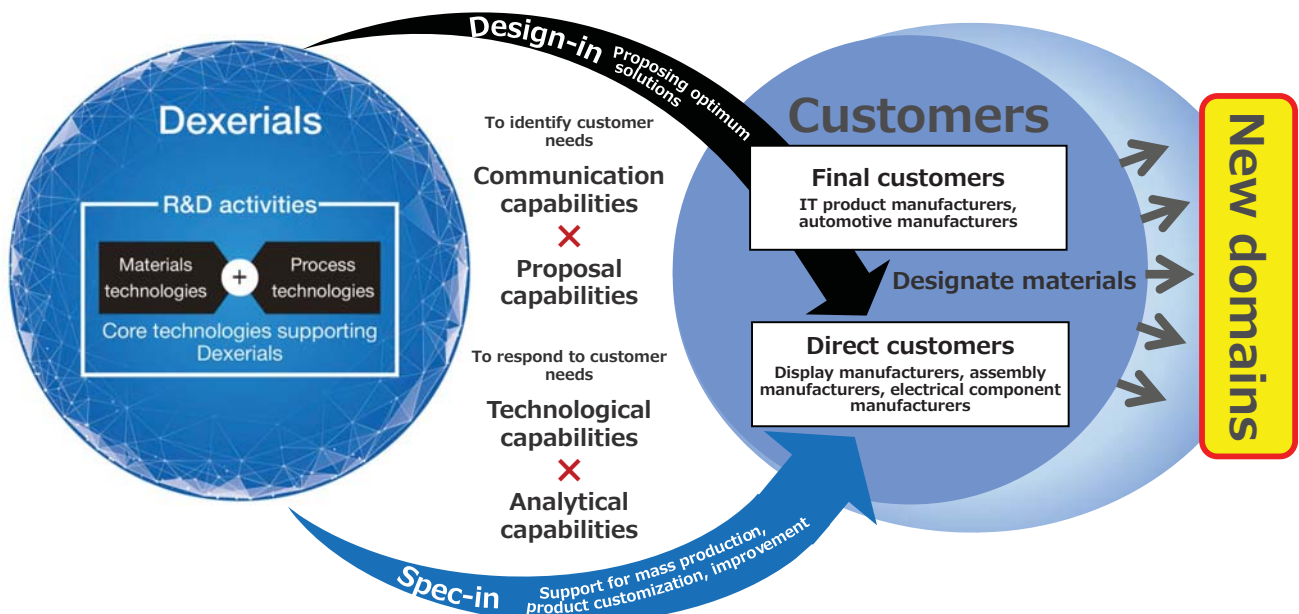
Integrity

Corporate Vision

Value Matters



Business Model "Winning Formula"



Our Business Model Supports Technology Reform and Contributes to Solving Social Issues

Surfacing social issues



The key to solving social issues
Technology Reform



Contribution by grasping new issues and needs rapidly and creating new value by our technological capabilities

Contributing to the Expanding Future of Automobiles and the IoT

Integrated Report
See page 33

OUTCOME

- ✓ Provision of highly functional materials and devices that support next-generation communication equipment and automobiles

Sensing

Human interfaces

Communication device computing

One of the IoT applications in automotive undergoing rapid technological reform



Currently focusing on business of automobiles.
Steady expansion even in the short term

Further contribution by the expansion of IoT beyond it

INITIATIVES TO STRENGTHEN THE MANAGEMENT FOUNDATION FOR SUSTAINABLE GROWTH

Satoshi Ishiguro

Senior Executive Officer, General Affairs & Human Resources Division Head

Greater Social Contributions by Creating Value Required by the World

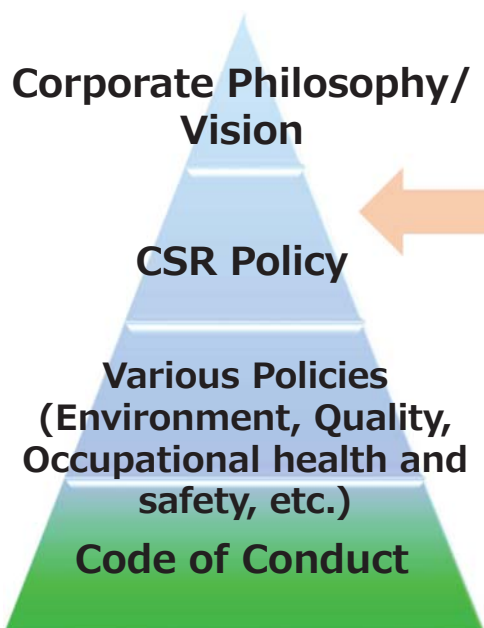


Sustainable growth through resolving social issues

Creating Value and Strengthening the Management Base to Realize the Corporate Vision

■ Materiality to be a pillar of value creation

Creating new value/resolving social issues



■ Materiality to support management base

Reinforcement of corporate governance and compliance



Cultivation of diverse human resources and engagement



Ensuring operational safety and business continuity



Continuing Initiatives for ESG Management

First Stage (FY2012-2015)

From when becoming independent from Sony Group to the IPO

Establishment of the management structure required as a listed company

- ✓ Establishment of a highly transparent and objective governance structure
- ✓ Enhancement of an internal control system
- ✓ Compliance with the corporate governance code

Second Stage (FY2016-2018)

Mid-term Management Plan "Change for Growth 2018"

Establishing the foundation for ESG management

- ✓ Formulation of CSR Policy
- ✓ Identification of materiality
- ✓ Establishment of CSR promotion system and formulation of mid-term targets
- ✓ Review of organizational and personnel systems

Third Stage (FY2019-2023)

New Mid-term Management Plan "Challenges for Evolution"

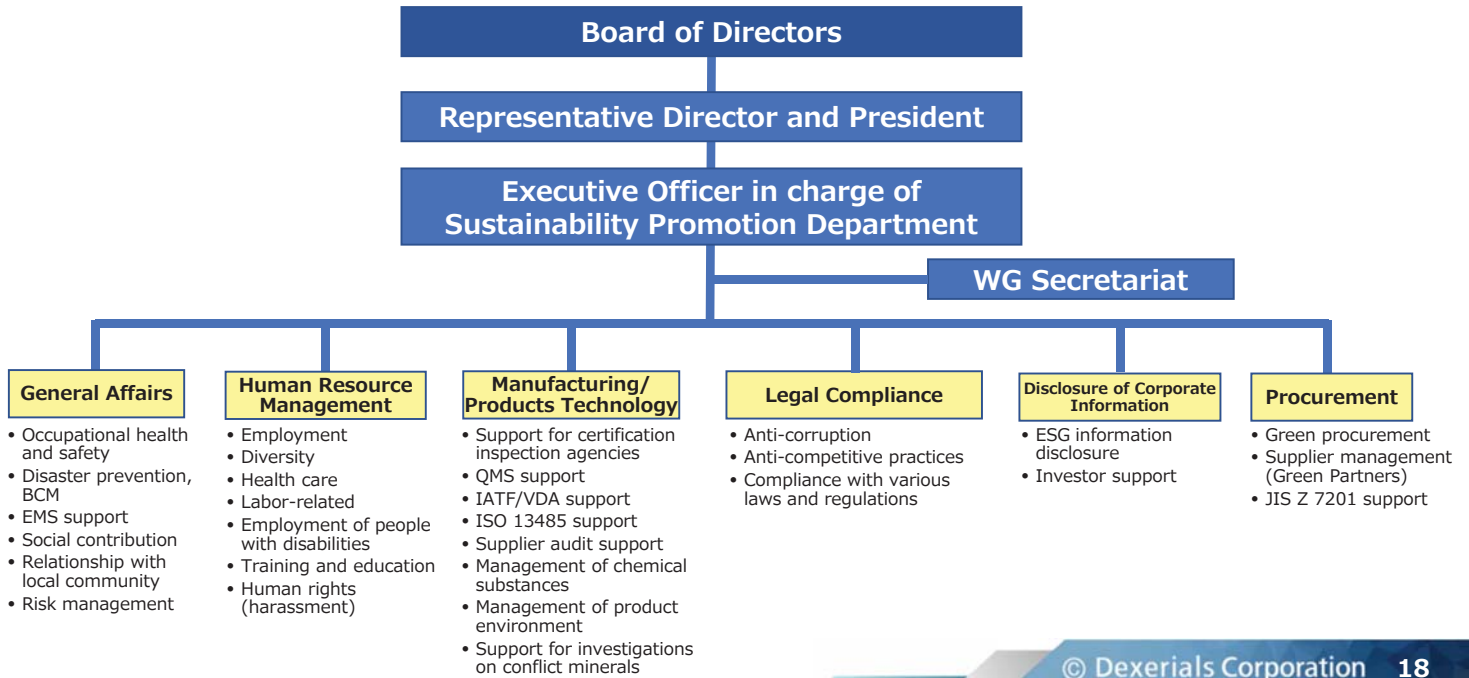
Development and implementation of promotional activities for ESG management

- ✓ Expansion of activities to achieve CSR targets
- ✓ Establishment of Nomination and Remuneration Committee
- ✓ Introduction of a delegated executive officer system
- ✓ Active transfer of decision-making authority to executive officers and unit heads
- ✓ Preparation and disclosure of Integrated Report

CSR Promotion System

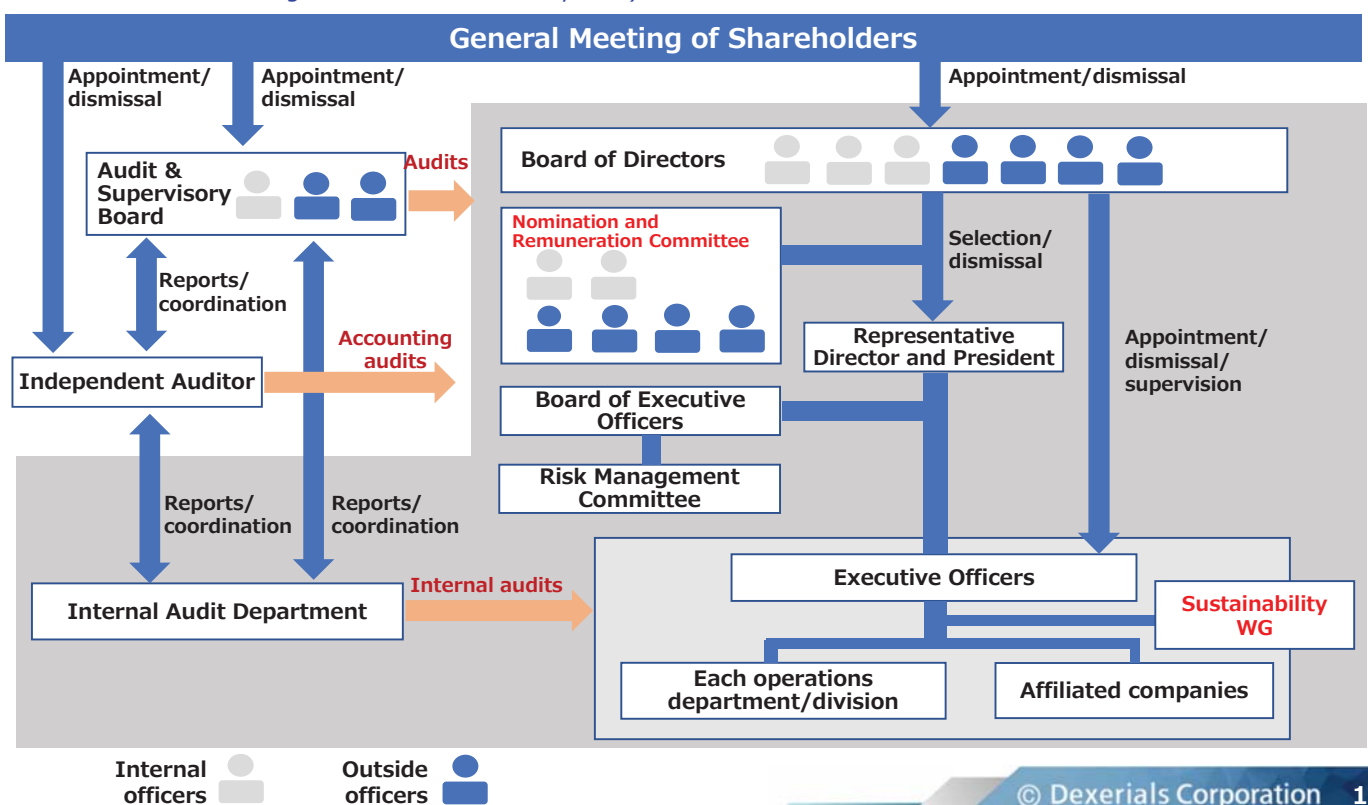
On the basis of the corporate philosophy, corporate vision, CSR Policy, etc., the Company unitedly promotes CSR activities through a concerted effort by regularly holding company-wide, organizational "Sustainability WG (Working Groups)" with a structure comprising the Division responsible for each CSR theme

Sustainability WG Structure



Corporate Governance Structure

- ✓ Structure of the Board of Directors with high transparency and objectivity (more than half are independent outside directors)
- ✓ Business execution system that enables prompt decision making (transfer of executive authority, introduction of a delegated executive officer system)



Initiatives for Improvement of Corporate Governance

(1) Evaluation of effectiveness of the Board of Directors by a third party (attorney) (FY2018)

Outline of evaluation results

Although the effectiveness of the Board of Directors is at a high level, a continuous review is required for the following

- Deliberation on a more desirable governance system
- Time allocation for deliberation on management strategies and the status of progress of the mid-term management plan
- Ensuring transparency in the nomination and remuneration decision-making process
- Deepening communication between officers and employees

(2) Establishment of an Optional Nomination and Remuneration Committee

- ✓ Discussing the president's succession plan, development of next-generation manager candidates, performance evaluation of directors, remuneration system for officers, etc.
- ✓ The majority of the committee members are independent outside directors (4 out of 6 members), and the chairman is an independent outside director

(3) Introduction of a delegated executive officer system and promotion of authority transfer

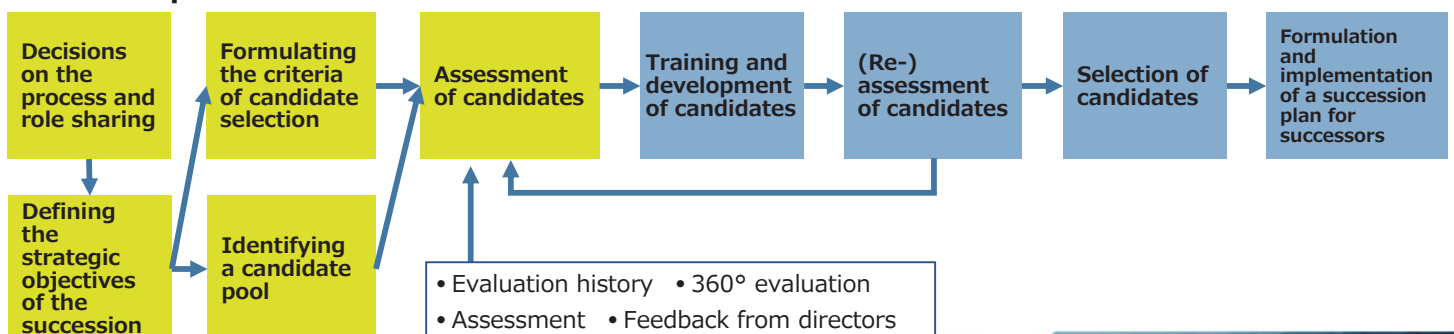
- ✓ Clarification of authority and responsibilities as officers by rendering part of executive officers (senior executive officers) subject to the delegation agreement
- ✓ Executive authority is delegated to executive officers in conjunction with the introduction of the system. Speeding up the decision-making process and enhancing monitoring functions

Nomination Process with a Focus on the Improvement in Transparency and Objectivity

Overview of Nomination Committee

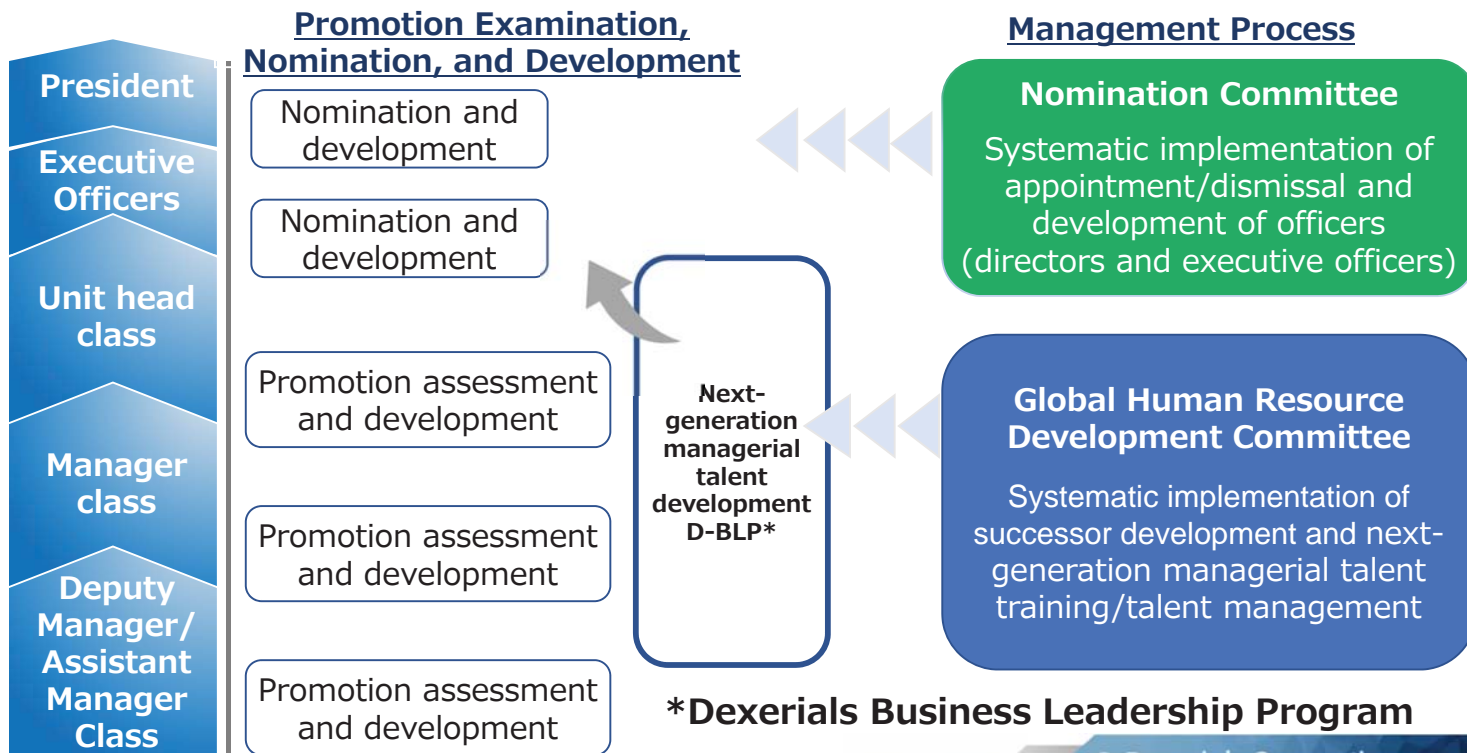
Purpose	Appropriately appointing/dismissing officers (directors and executive officers) and developing them will lead to the realization of sustainable growth of the Company and the enhancement of corporate value
Frequency of committee meeting	Held on a five-times-a-year basis (and held on an as-needed basis)
Members	Chairman: Independent outside director Independent outside directors: All (4 members) Internal directors (President Shinya, Senior Managing Executive Officer Satake) Total of 6 (4 external and 2 internal directors)
Matters to be deliberated/ reported	• Discussions concerning the appointment and dismissal of the president • Personnel of directors • Process for selecting and developing candidates for the president • Succession process of directors • Matters related to the development of management team • Matters pertaining to the above content

Process of presidential succession



Initiatives for Developing Managerial Talent (Managerial Talent Development Program)

The Nomination Committee, Global Human Resource Development Committee, promotion examination, and education and training system are organically combined to establish a training pipeline for the planned production of management and key human resources



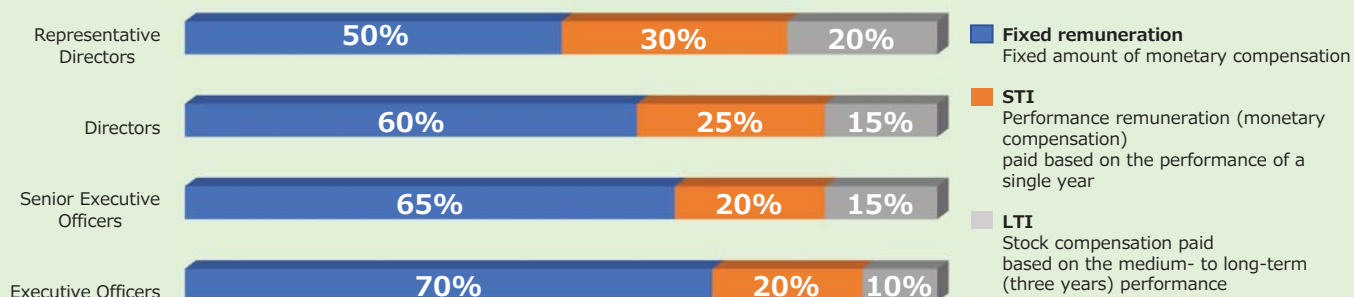
Officers' Remuneration System

A framework to motivate officers to pay attention to business performance and stock prices from a medium- to long-term perspective

Executive Directors/Executive Officers

- ✓ Having a remuneration structure of fixed remuneration and performance-linked remuneration (performance remuneration and stock compensation)
- ✓ Determining the proportion of each remuneration to be paid in accordance with the job system and title
- ✓ KPIs for determining the performance-linked remuneration: based on consolidated net sales, consolidated operating income, ROE, and the degree of achievement of individual commitments
- ✓ The remuneration of individual directors shall be determined at a Board of Directors meeting after discussion at the Nomination and Remuneration Committee

[Remuneration Structure Ratio by Job System and Job Title]



Outside Directors and Audit & Supervisory Board Members

- ✓ Only fixed remuneration is paid
- ✓ The remuneration of individual audit & supervisory board members shall be determined through consultation between audit & supervisory board members

Initiatives for Risk Management

“Risk Management Committee” has been established as the agency for group-wide management of interdepartmental risk. The person in charge of each working group is regularly convened for confirmation of the major risks and the progress of appropriate countermeasures, which are reported to top management as necessary.

Risk management structure



Human Resource Management

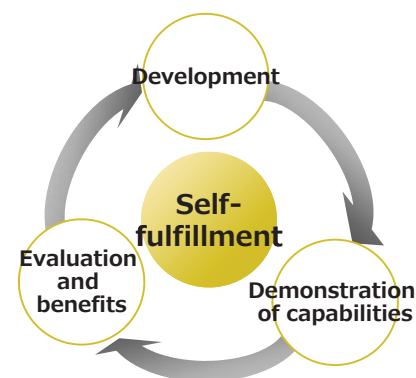
[HR Philosophy]

“Developing people who create value”

To continue developing by learning for themselves, thinking for themselves, and acting for themselves

[HR Vision]

“Optimize the cycle for self-fulfillment”



[HR Strategy]

1. Develop individuals who “create value” based on their specializations

Evolution of the personnel system

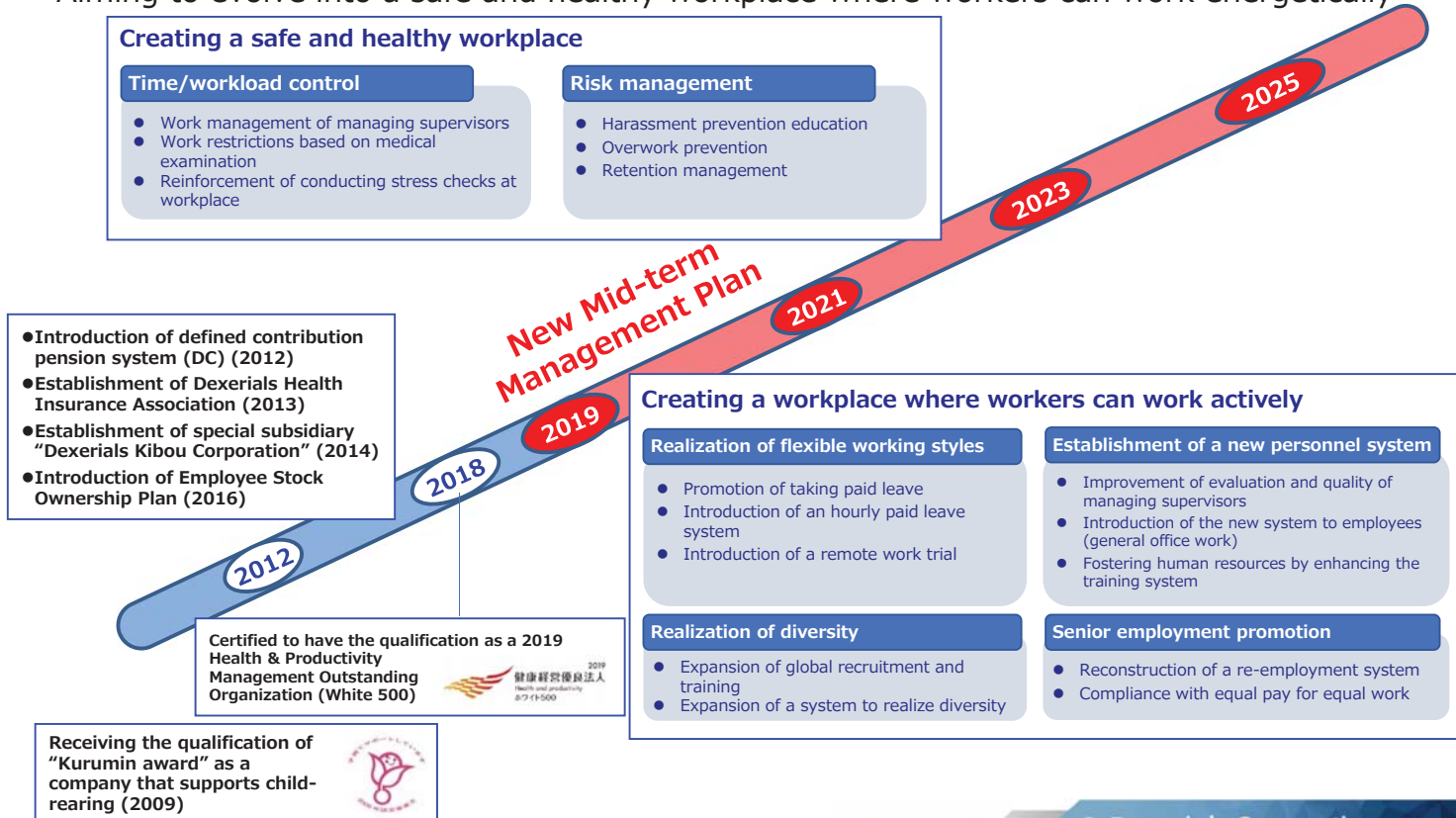
2. Create a working environment in which employees can bring their capabilities and skills into full play

Shift in working styles

Create a Working Environment in Which Employees Can Bring Their Capabilities and Skills into Full Play

Integrated Report
See page 56-59

Aiming to evolve into a safe and healthy workplace where workers can work energetically



Environmental Initiatives (Environmental Targets/Environmental Performance)

Integrated Report
See page 37

Environmental initiatives in business activities

Contributing to the realization of a sustainable society by setting medium- to long-term KPIs for content that is highly relevant to environmental changes, such as CO₂ emissions, and by promoting a concerted effort to achieve targets

Status of initiatives to achieve environmental numerical targets

Environmental targets	Actual results for FY2018	Mid-term target (FY2019-2021)	Target for FY2030
CO ₂ emissions reduction	CO ₂ emissions of 49,000 tons-CO ₂	1% YoY reduction	50% reduction compared with FY2013
Industrial waste reduction	Industrial waste of 2,900 tons	<ul style="list-style-type: none"> Achievement of zero emissions* YoY reduction of waste volume generated 	75% reduction compared with FY2013
Water usage reduction	Water usage of 280,000 tons	<ul style="list-style-type: none"> YoY reduction of water usage volume Compliance with voluntary standards for water quality 	70% reduction compared with FY2013
VOC emissions reduction	VOC emissions of 460,000 tons	Flat or reduction of usage volume YoY	99% reduction compared with FY2013

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

Chain of Initiatives to Improve the Climate of Safety and Prevent the Occurrence of Accidents



Initiatives for Safe Operation and Smart Factory

	Through 2020	Through 2023	Through 2025	Added value creation
Purpose of smartification	Level 1 Visualization (Data collection/accumulation)	Level 2 Optimization (Analysis/prediction by data)	Level 3 Automation (Control by data)	
<ul style="list-style-type: none"> ●Labor saving ●Equipment inspection ●Resource saving ●Energy aggregation ●Data processing and analysis ●Tuning ●Equipment maintenance enhancement ●Optimal maintenance time ●Reduction of equipment failure rate ●Affordability and stability ●Risk management enhancement ●Forecast alert ●Processing speed ●Visual SOP 	Installing sensors on all equipment to remotely collect and monitor operating status in real time <ul style="list-style-type: none"> ● Electric energy ● Electricity ● Voltage ● Current ● Temperature ● Humidity ● Image ● Sound ● Flow rate ● pH ● Concentration ● Start/Stop ● Time ● Pressure ● Vibration ● Smell 	Optimization by analyzing what is accumulated as a database with AI and simulation software	Feedback to all equipment by automated control	<ul style="list-style-type: none"> ●Smart factory Fully automation of regular tasks ●Automated start/stop ●Automated report ●Auto tuning ●Determination of maintenance time ●Determination of medium-term plan ●Determination of expense plan ●Execution alert ●Electronic documents ●Visual procedure etc.

Achieving Sustainable Growth by Promoting ESG Management

Developing company-wide initiatives based on materiality

Sustainable growth and corporate value expansion



Value creation/resolving social issues



Corporate governance and compliance



Promotion of diversity and cultivation of engagement



Ensuring operational safety and business continuity

Value Matters

Unprecedented innovation. Unprecedented value.