Dexerials Integrated Report 2024 Main Topics

Feature (1) Dialogue between an institutional investor and top management DP.18



Focusing management resources on core technologies to become an indispensable company for a sustainable society and diverse stakeholders.

Formulation and Launch of the New Five-year Mid-Term Management Plan

The previous Mid-term Management Plan ended in fiscal 2023. We launched a new Mid-Term Management Plan, formulated by back-casting from our newly formulated purpose and what we want to be in ten years.



Message from the President DP.12



Realizing Our Purpose, Advancing to the Next Stage

Toward a more prosperous and efficient society, we are aiming for even greater heights under the Mid-Term Management Plan 2028 "Achieving Evolution," formulated by backcasting from our medium- to long-term vision of "what we want to be."

New Materiality (Technology and Human Capital)



Technology and Human Capital ("source of value creation"), essential for expanding our business portfolio and strengthening our business model, is defined as materiality, and is reflected as important issues and non-financial investment targets in the new Mid-Term Management Plan.



Feature (2) Purpose Formulation Project: Employee Dialogue Dialogue



Our Foundation – Purpose Formulation History Future aspirations and the background and process of formulation

• Dexerials Value Creation Process

Clarify our unique value creation process to realize our purpose and what we want to be in ten years.





• Establishing a Sustainability Policy

We established a policy to examine and clarify the "essence of sustainability targeted by Dexerials," based on our purpose, growth strategy, and strengths. (Review of the current CSR policy)



Identifying 13 ESG Key Issues

Non-financial key issues are extracted and identified through a multi-faceted perspective and process with the aim of supporting value creation through business and reducing potential management risks.



Contents

Introduction

- 2 Main Topics
- 4 History of Value Creation
- 6 At a Glance
- 8 Business Segments
- 9 Our Products (Optical Semiconductors)
- 10 Where You Can Find Dexerials-Supporting Social Systems

Value Creation Story

- 12 Message from the President
- 18 Feature (1): Dialogue Between an Institutional Investor and Top Management
- 22 Feature (2): Our Foundation—Purpose Formulation History (Employee Dialogue)
- 26 Dexerials Value Creation Process

Social Value Created by Technological Evolution:

29 The Development of Information Communication and Technological Innovation of Our Products

Value Creation Strategy

- 32 Mid-Term Management Plan 2028 "Achieving Evolution"
- 36 Enhancing Sales and Manufacturing Functions
- 38 Financial Strategy
- 41 Business Feasibility Evaluation
- 42 Business Growth in the Photonics Domain

Materiality (1) Strengthening Technology

- 44 (Technological Strategy / Innovation / Intellectual Property Strategy)
- 50 Materiality (2) Strengthening Human Capital (Human Resources Strategy)
- 52 Accelerating Change Through Digital Transformation (DX)

Regarding the Icons in the Text



Highlighting Our Latest Initiatives for Your Attention

Clarifying the Direction, Approach, and Initiatives Related to Our Materiality (D P.56)

Clarifying the Initiatives Related to Our ESG Key Issues (
P.56)

Foundation for Value Creation

- 54 Sustainability Management
- 55 Promoting Sustainability (Sustainability Policy)
- 56 Materiality and ESG Key Issues

E (Environment)

- 60 Environmental Management / Pollution Control
- 61 Chemical Substance Management / Resource Recycling
- 62 Information Disclosure Based on TCFD Recommendations

S (Social)

- 66 Personnel System for Sustainable Value Creation
- 67 Human Resource Development
- 69 Diversity
- 70 Respect for Human Rights
- 71 Diverse Workstyles and Work-life Balance
- 72 Health and Productivity Management
- 73 Occupational Safety
- 75 Product Quality
- 77 Social Contribution Activities

G (Governance)

- 78 Corporate Governance
- 84 Directors
- 86 Message from the Newly Appointed Outside Director
- 87 Communication with Shareholders and Investors
- 88 Compliance
- 90 Risk Management
- 92 Business Continuity Plan (BCP) Initiatives / Strengthening Information Security
- 93 Supply Chain Management

Data Section

- 95 Financial Data
- 96 Non-financial Data
- 98 Corporate Profile / Stock Information / External Evaluations
- 99 Third-party Opinion

Communication Map

Detailed financial information: Please refer to the Securities Report and Investor Relations pages on the Dexerials website. Detailed sustainability information: Please refer to the sustainability sections of the Dexerials website.



Financial information

Non-financial information

Editorial Policy

Dexerials Integrated Report covers the Dexerials Group's growth strategy, business results, financial information, non-financial information, and so on, and has been published since fiscal 2019 as a communication tool to facilitate understanding of the Group among all stakeholders.

Applicable Scope and Term

Applicable Scope: This report covers Dexerials Corporation and its subsidiaries in Japan and globally.

Applicable Term: This report is based in principle upon the results of activities in fiscal 2023 (April 1, 2023–March 31, 2024); however, some reports and data may refer to past or current information.

Reference Guidelines

The International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC) Guidance for Collaborative Value Creation published by the Ministry of Economy, Trade and Industry GRI "GRI Standards" ISO26000 Environmental Reporting Guidelines (Fiscal Year 2018 Version) published by the Ministry of the Environment

Disclaimer on Forward-looking Statements

The forward-looking statements contained in this report are based on information currently available to the Company and certain assumptions that are believed to be reasonable, and no responsibility is borne as to the accuracy or completeness of the forwardlooking statements. Actual results may differ from the results anticipated in these forward-looking statements due to a variety of factors, and the Company gives no assurance that such statements will prove to be correct.







Foundation for

Value Creation

Data Section

We continue to create new value by leading the way in addressing the challenges of social change



Company

Since the foundation of our predecessor in 1962, we have supported the evolution of technologies through the creation of value that anticipates social and technological changes.

In 2024, we began focusing on the next challenges. Guided by our foundation and purpose, "Empower Evolution. Connect People and Technology," we aim to contribute to the realization of a prosperous and efficient society through the creation of unprecedented materials, devices, and solutions that have value to the world and are essential to the evolution of digital technologies.

Data Section



Net sales

Data Section

Overview FY2023

Dexerials' mainstay products have attained the top global market share in niche markets. We have enhanced our earning power by providing unique, high value-added products and solutions essential for technological evolution.

Financial Highlights

95.7

2021

Operating profit EBITDA

26.6

2021

106.2

2022

30 33.4

2022

105.2

2023 (FY)

40.0

2023 (FY)



*1 The 2023 share for total amount of ACF for large-sized and small- to medium-sized displays according to the "Current Status and Future Outlook for Display-related Markets 2024" issued by Fuji Chimera Research Institute Inc.

*2 The 2023 share for amount of surface treatment film (dry coat) according to the "Current Status and Future Outlook for Display-related Markets 2024" issued by Fuji Chimera Research Institute. Inc. *3 The 2023 share for total amount of Optical Clear Resin (OCR) used in bonding displays according to the "Current Status and Future Outlook for Display-related Markets 2024" issued by Fuji Chimera Research Institute, Inc. Optical elastic resin (SVR) is the product name for Dexerials' optically clear adhesives.

Securities Report (Japanese only) For more details, please refer to our website





ESG Data Book For more details, please refer to our websit

Foundation for

Value Creation



Data Section

Earnings per share (EPS)

368.71 yen

The increase in EPS was driven by record-high net profit, as well as the acquired or cancelled portion of treasury shares.



Return on equity (ROE) / **Return on invested capital (ROIC)**

| 27.1 | %/22.3 % |
|------|-----------------|
| | NC have |

ROE and ROIC have remained stable at high levels, and we believe they are well above the cost of capital and WACC.



--- ROE

Total payout ratio (before amortization of goodwill)

50.8%

The total payout ratio was 50.8% (before amortization of goodwill), which exceeded the 40% level targeted in the previous Mid-term Management Plan.



Non-financial Highlights

Introduction

Engineers ratio

37.1%

We are proactively working to strengthen our engineering and marketing functions and develop a structure to accelerate growth.



Value Creation Story

2021 2022 2023 (FY)

Global patents ownership ratio

66.0%

We are strengthening the acquisition of global patents, further raising barriers to entry and enhancing business competitiveness on a global scale.



Three-year retention rate for new graduate hires

94.7%

We are working to create an environment where all employees can grow, while also providing career support and improving workplaces to promote their long-term success.



2021 2022 2023 (FY)

R&D expenditure

Value Creation

4.71 billion yen

We are steadily building a foundation for sustainable growth and enhanced competitiveness, while expanding R&D investment to drive next-generation technological innovations.



Number of female managers (non-consolidated basis)

18_{persons} (7.2%

Number of female managers (persons) Ratio of female managers (%)

As part of our efforts to promote diversity, we are working to create more opportunities for women to take on active roles. We will continue fostering an environment where diverse talents can thrive and contribute.



Independent director ratio (As of November 2024)

5_{persons} (62.5%)

8 directors

Since our public listing, we have maintained a structure in which the maiority of directors are from outside the company, enhancing management transparency and oversight functions while building a foundation for further growth.



O Men O Women

Data Section



This business comprises the Anisotropic Conductive Films (ACF), Surface mounted type fuses, Adhesive materials, Micro devices, and Optical semiconductors categories. Our mainstay product ACF was first developed and mass-produced in the industry in 1977, and has since secured a large share of the global market through our advanced technologies and high guality.

Mainstay products [Category]

Anisotropic Conductive Films



contains conductive particles in resin and has both conductive and insulating properties. These products are used to connect electronic components that make up display panels, camera modules, and other devices. Our lineup also includes Particlearrayed ACF mountable in narrow spaces, as well as pre-cut ACF that

is converted into shapes that match

circuit boards and terminal layouts.

Inorganic polarizers/Inorganic waveplates [Micro devices]



These optical devices have excellent durability, able to withstand long hours of use in high temperature and high light intensity environments, while achieving high transmittance and low reflectance. They boost the brightness and contrast of projectors and optical units that use laser light sources.



In addition to self-control protectors (SCP), which are secondary protection devices that reliably protect lithium-ion rechargeable batteries from overcharging, overcurrent, and other abnormalities, we offer a lineup of power current protector (PCP) fuses for high current applications that specialize in protection from overcurrent while maintaining compact and thin designs.

Optical communication devices [Optical semiconductors]

Surface mounted type fuses

Optical communication devices are indispensable in the evolution of mobile communication systems and the expansion of optical networks. Our lineup includes ultra-highspeed photodiodes suitable for 5G communication products, light receiving modules, and vertical cavity surface emitting lasers (VCSEL).

This business comprises Optical films and Optical resin materials. Our mainstay Anti-reflection films have a strong reputation in the consumer IT products and automotive displays fields.

Main Products (Category)

Anti-reflection films [Optical films]

Anti-reflection films for displays with outstanding low reflection property and scratch resistance. These films maintain image contrast and contribute to ensuring visibility by reducing the reflection of external light on the display surface. The excellent low-reflection property is achieved via our proprietary manufacturing (sputtering) technologies.

Optical elastic resins (SVR) [Optical resin materials]



Elastic resin with high optical permeability fills gaps in the displays of devices such as smartphones and tablet PCs to realize slimmer profiling and improved visibility. Our lineup also includes a PSA-transformable Optical elastic resin (hybrid SVR) for small- and medium-sized flat panel displays (FPD) whose adhesive properties are transformed by temporary UV curing to realize excellent workability equivalent to that of optical clear adhesives.

Phosphor Films [Optical films]



Our "PS Series" Phosphor Film has been developed by dispersing green and red phosphors into films. Incorporating this product into the backlight of a display enables higher quality displays with excellent color expression using blue LEDs as the light source.

High-precision bonding resin [Optical resin materials]



bonding resin includes a lineup of adhesives that use various curing systems, including UV curing, thermosetting, and UV + thermosetting. This series realizes low-temperature, fast curing, along with low shrinkage, and is ideal for precision affixing during the assembly of camera modules, optical pickups, and other components.

Our "SA Series" of high-precision

Introduction

Value Creation Story

Value Creation Foundation for Value Creation

Data Section



What are Optical **Semiconductors?**



I see,

so optical semicon-

ductors support

our daily life and

Optical semiconductors are devices that can convert electric current into light, or light into electric current. Everyday products that use these devices include LED lighting fixtures and remote controls. Additionally, when watching videos or playing video games on the Internet, large amounts of data are communicated at high speeds with data centers, and **optical semiconductors** facilitate these data transmissions. They are also used in medical devices to monitor healthcare information, in factory production line sensors, and in many other devices.

Optical semiconductors will become more and more indispensable in our daily lives and business.

business!

Applications

Data centers: Used to send and receive large amounts of data at high speeds while conserving energy (optical transceivers)

Medical devices: Used in devices that accurately measure physical conditions by touch Factory automation: Used as sensors on production lines that contribute to increased efficiency and accuracy

Examples

Supporting next-generation high-speed communications **Optical transceivers**

Providing accurate, non-invasive measurement Pulse oximeters

Used for high-speed data transmissions at data centers (optical transceivers)

Medical device that measures the saturation of oxygen carried in red blood cells



Contributing to factory automation

Optical Semiconductors Facilitate Energy **Efficiency and Future Communications!**

Optical semiconductors play an important role in addressing climate change and driving future technological innovations. With the evolution of technologies such as 5G and AI, the demand for data communications and the trend toward higher speeds are expected to grow even further. However, this trend raises concerns about the corresponding increase in energy consumption. In electrical data transmissions, the higher the communication speed, the more power is consumed and the more heat is generated. In contrast, optical data communications using optical semiconductors maintain consistent power consumption even as speeds increase, enabling energy-efficient data transmission.

Optical semiconductors are also key to realizing autonomous driving and smart cities. Dexerials participates in the IOWN* next-generation network initiative. By developing cuttingedge photonics technologies and products that integrate semiconductors and optical semiconductors, Dexerials aims to contribute significantly to the advancement of next-generation high-speed communication technologies, paving the way for the realization of the IOWN initiative.

* Innovative Optical and Wireless Network (IOWN) concept: A next-generation network utilizing optical communications technologies to achieve ultra-high speed, large-capacity data communications with low power consumption. This initiative aims to support the digitalization of society and the growing demand for data munications, thereby providing a more sustainable information infrastructure

Dexerials Products that Control Electricity and Light **Electrical signal control** Photoelectric

Anisotropic Conductive Films Anisotropic Conductive Pastes conversion

Optical semiconductor

Light control

Anti-reflection films Optical elastic resins (SVR) High-precision bonding resin Inorganic optical components

9

Introduction Value 0

Where You Can Find Dexerials - Supporting Social Systems

Logistics and online shopping have now become indispensable social systems in our lives.

Many digital technologies are used in the process of delivering products ordered online to our doorsteps. Many of Dexerials' products and technologies contribute to this process, supporting our society.

This section introduces how Dexerials' products are used in the process from online purchases to delivery.



*RFID: Acronym for Radio Frequency Identification, a system that reads and writes information without contact.



Delivery

Receiving