

## Chapter 01

# Strategy for Sustainable Growth

Navigating uncertain times with Purpose as our compass,  
in pursuit of sustainable growth



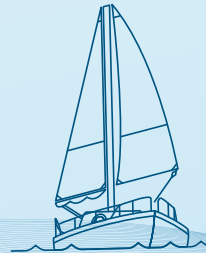
Economic value × Social value

### Key Points

- ▶ Business Model: Past, Present, and Beyond
- ▶ Materiality: Technology and Human Capital
- ▶ Human Capital Strategies



**Current Mid-Term  
Management Plan  
“Achieving  
Evolution”  
Fiscal 2024–2028**



**Previous Mid-Term  
Management Plan  
“Challenges for  
Evolution”  
Fiscal 2019–2023**



Backcasting based on  
what we want to be  
in 10 years

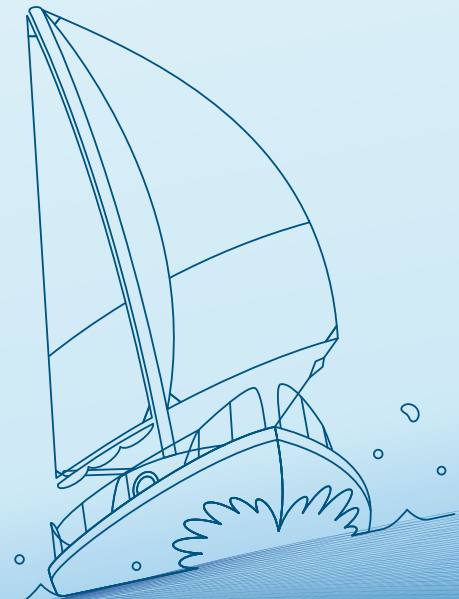
**Technology  
x  
Human Capital**



**Materiality**  
—Value creation  
(Expanding positive impacts)—



**ESG Key Issues**  
—Reduce risk  
(Mitigate negative impacts)—

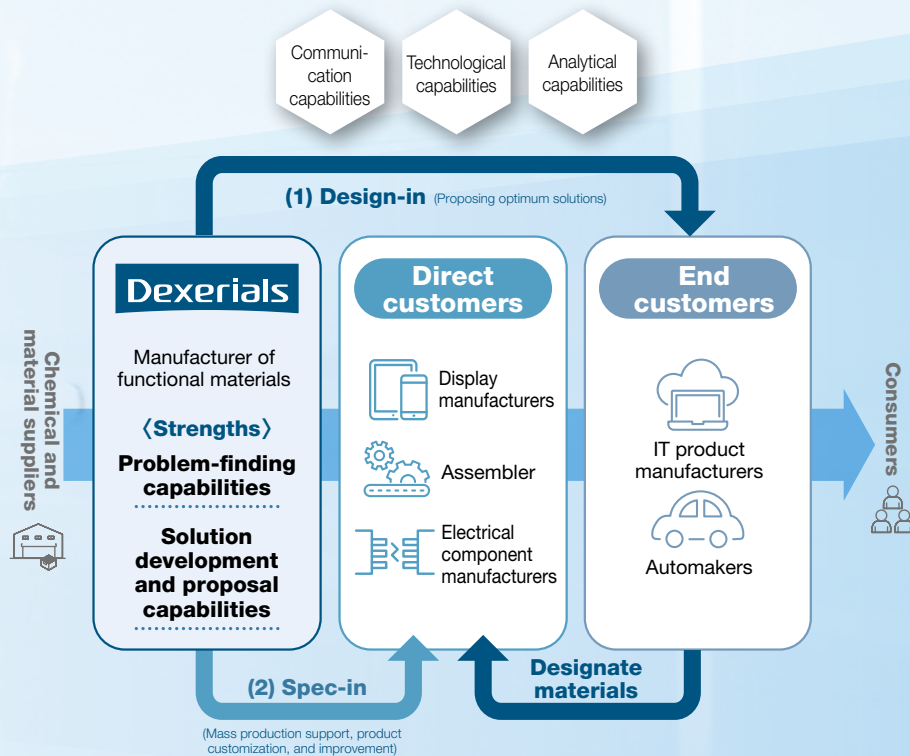


## The Value Creation Process for Shaping the Future Together with Customers



**Value Creation (Our Strength: Business Model)**

**Outcomes**



**Foundation supporting value creation**

Enhancing the Sales Functions / Enhancing the Human Capital and Technology / Enhancing the Manufacturing Functions

Steady progress on important ESG Key Issues ▶ P. 64  
Change through Digital Transformation (DX) ▶ P. 58

**Business Feasibility Evaluation**

▶ P. 55

Business evaluation criteria for generating high profits

**Earning power** EBITDA

**Business efficiency** Simplified ROIC\*1

**Growth rate** Market growth rate

**Competitive advantage** Technological and intellectual property capabilities

**Laying the groundwork for business portfolio expansion**

**Expansion of single-source products (Global top share)**

▶ P. 6

**Economic value** **Social value**

Anti-reflection film (ARF)\*2

**Global share 92.8%**

Anisotropic conductive film (ACF)\*3

**Global share 74.0%**

Optical elastic resin (SVR)\*4

**Global share 54.7%**

**Business portfolio expansion**

**Realization of our purpose**

Toward a more prosperous and efficient society.  
Our aim is to strive for a world where all stakeholders can enjoy sustainable and comfortable lives.

**What we want to be in 10 years**

- Contributing to the evolution of digital technologies in a wider range of domains
- Achieving sustainable growth through the creation of social and economic value

**Fiscal 2028 management targets**

(Milestones toward our realization of purpose and what we want to be)

Net sales: **150.0** billion yen

Business profit: **50.0** billion yen

EBITDA margin: **43%**

EPS\*5: **208** yen

ROIC: Approx. **14%**

ROE: Approx. **25%**

▶ P. 56 Mid-Term Management Plan

\*1 A simplified indicator based on the ROIC concept (used for Business Feasibility Evaluation) \*2 The 2024 share for amount of surface treatment film (dry coat) according to the "Current Status and Future Outlook for Display-related Markets 2025" issued by Fuji Chimera Research Institute, Inc.

\*3 The 2024 share for amount of ACF for large-sized and small- to medium-sized displays according to the "Current Status and Future Outlook for Display-related Markets 2025" issued by Fuji Chimera Research Institute, Inc.

\*4 The 2024 share for Optical Clear Resin (OCR) used in bonding displays, according to "Current Status and Future Outlook for Display-related Markets 2025," issued by Fuji Chimera Research Institute, Inc. Optical elastic resin (SVR\*) is the product name for Dexerials' optically clear adhesives. \*5 After stock split



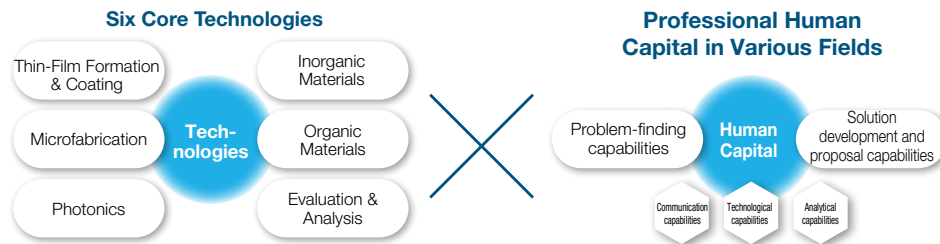


## A Business Model Born from Materiality

Dominating Market Shares That Realize High-Added-Value Creation Through Foresight

### Technology and Human Capital: Materiality as Source of High-Added-Value Creation

The materiality of technology and human capital are at the core of Dexerials' business model and serve as sources of high-added-value creation. The six core technologies within our organization, and our diverse and professional human capital who execute solutions by integrating these technologies, serve to support product competitiveness. By pooling knowledge from their respective fields of sales, R&D, and engineering, these professionals collaborate in pursuit of direct dialogue with customers and proposed solutions that get to the heart of issues that must be addressed.



#### The Process of Identifying Materiality

We identify materialities as important and indispensable factors for evolving our business model, which is essential for the creation of high added value.

- |               |  |
|---------------|--|
| <b>Step 1</b> | The members of the Board of Directors (including all Outside Directors) conducted discussions on the theme of sustainability management unique to Dexerials in an era of VUCA.   |
| <b>Step 2</b> | The same members as the above engaged in more in-depth discussions on the most important issues for enhancing the business model and ensuring business continuity. The members identified technology and human capital as the source of our continued value creation and agreed to establish them as our medium- to long-term materiality.   |
| <b>Step 3</b> | We incorporated technology and human capital into our important issues and targets for non-financial investments under the current Mid-Term Plan. The Board of Directors set forth the sustainability strategy targets, among other items. In addition, upon revising the executive remuneration system, the sustainability strategy targets were adopted as one of the metrics for determining officers' performance-linked compensation. |

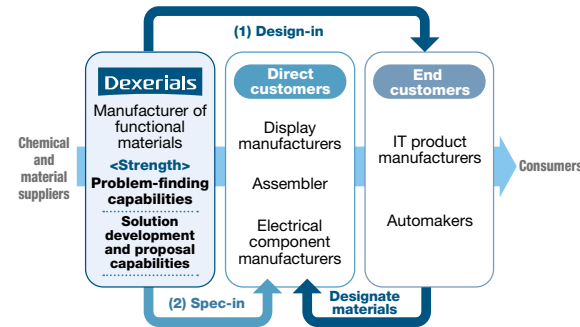
### Unparalleled Global Market Shares and Competitive Strength Through Materiality and Our Business Model

A majority of our products, which are designed based on Design-in and Spec-in approaches, are mass produced as single-source products for which no alternative supplier exists in terms of product functionality, quality, and reliability. This boosts our competitiveness as a company while also contributing greatly to sustained profitability and business growth.

### A Business Model That Integrates Technological Problem Discovery into Product Development

Starting from the initial stages, we engage in continual dialogue with the end customer throughout the product development process. By leveraging this Design-in approach, which takes careful consideration of factors such as design background and usage conditions, we are able to offer optimized solutions. Moreover, we even offer support for product ease-of-use and mass production processes stability among display manufacturers, companies in charge of assembly, and other parties directly involved in the actual manufacturing operations (our direct customers). Such Spec-in measures enable integrated support for the entire process, from design through to mass production. These two pillars of product creation make it possible to strengthen bonds of trust with customers while identifying new needs, forming a positive value-creation loop that benefits future product development efforts.

#### Dexerials' Business Model



#### (1) Design-in

- Discover and resolve technical issues that customers are not aware of
- Designate the use of our products for mass production of final products

#### (2) Spec-in

- In addition to customizing our own products, we also support process improvements to help our customers realize their ideal manufacturing

### Backcasting-Rooted Manufacturing and Dialogue as Company Strengths

Dexerials does more than provide customers with products designed to specifications. We also anticipate technical problems of which the customer is not yet aware and develop solutions—this is one of our major strengths. We rapidly identify changes in the market and wider society, develop a fundamental understanding of the issues, and come up with concrete solutions using optimal technologies. Our backcasting-focused approach to manufacturing entails anticipating future issues and then working backward to find the most effective solutions. Despite our products' niche nature, this strategy has helped us establish a strong market presence. This is made possible thanks to Dexerials human capital equipped with high-level specialization, foresight, and dialogue skills, and also thanks to dialogue with the customers who serve as partners for joint value creation. Our strength lies not in the fact that we do not set out with the goal of differentiating ourselves from competitors, but instead in realizing products for which there is no competition as the result of our approaches.



## Case Study

## Dialogue and Technologies in Anticipation of Future Needs: Processes That Enable Single Sourcing (ARF story)

Displays on devices such as notebook PCs become harder to read when used under fluorescent lighting or in direct sunlight. By controlling the amount of light reflected off of the screen using a special film, it is possible to improve screen visibility, and it is for this purpose that Dexerials manufactures and sells Anti-reflection film (ARF). The following story about ARF development serves as a good explanation of the Company's business model.



One day, we were approached by a global-brand manufacturer whose operations include development of next-generation notebook PCs. They told us, "We want to make a display that offers visual clarity in any usage environment and maintains that level of quality over the long term. In our minds, this is the ultimate display product we hope to achieve."

To make this vision a reality, it would be necessary for the display to offer excellent color reproducibility and vividness, be anti-reflective to counter external light sources, and boast excellent surface durability. **Meeting these four requirements at a high level has become an increasingly important theme in product design as displays become thinner and the frames around their screens, known as bezels, are minimized or removed completely to make them bezel-less.** High-end displays in particular require that no display-color changes occur even when using the product outdoors or on the move, and no decline in display quality due to fingerprints and scratches.

One way of accomplishing these is to increase screen

luminance, which results in improved visibility, but this approach is only a temporary fix and gives rise to new problems such as increased power consumption and device heat-up. That's why Dexerials proposed **the idea of reducing reflection itself—a solution that addresses the core cause of the problem using sophisticated technologies.**

This solution revolved around an ARF comprising five metallic layers made using a continuous membrane fabrication method with precision controlled down to the nanometer level<sup>\*1</sup>.

**During the prototyping phase of our ARF development, we created multiple designs with differing reflection spectra based on optical specifications for the customer's display units and carried out multiple color-reproducibility evaluations,** working closely with engineers from the customer company to optimize the balance between display visibility, color expression, and durability. Thanks to these efforts, and to excellent film-surface scratch resistance as well as a top coat that enables easy wiping away of dust and dirt, we were able to harness film technologies to deliver

greater value to users through a clear and attractive screen display that stayed that way over time.

Ultimately, the partner company chose to adopt our ARF for use in their main notebook PC models, and the resulting display—which is a prominent part of the computer product as a whole—has received much praise for its visual quality and user friendliness. Currently, Dexerials' ARF based on the technologies described above boasts **a 92.8% global market share<sup>\*2</sup>**. **Serving as a one-of-a-kind partner facilitating both stable mass production operations and outstanding optical performance for our customers,** Dexerials will continue to pursue advances focused on the fields of mobile devices, IT equipment, automotive displays, and others.

<sup>\*1</sup> Ultra-thin metallic membranes (roughly one-tenth the width of a hair) are overlapped to create a film that interferes with incoming light to realize low reflectivity and prevent display-color inconsistencies. In order to mass-produce this film consistently and reliably, it is necessary to achieve uniform membrane thickness. Dexerials' continuous-fabrication sputtering technology makes it possible to achieve both consistent membrane thickness and color stability to an extremely high degree, which is difficult to accomplish using the standard vacuum deposition approach. This sputtering technology was the key to achieving both top-quality mass production and performance levels not possible through traditional methods.

<sup>\*2</sup> The 2024 share for value amount of surface treatment film (dry coating) according to the "Current Status and Future Outlook for Display-related Markets 2025" issued by Fuji Chimera Research Institute, Inc.

### Point 1: Foresight and a Design-in Approach

When assisting in a customer project—even one in another country—our engineers visit the worksite in person and communicate (when overseas) using the local language. **Our approach is to share with the customer the problems and challenges we have identified, and then have our engineers engage in discussions with theirs to seek out possible solutions.** During this process, we are careful to take note of when technical drawings and samples are not effective in conveying our design concepts and product utilizations, and then factor this in when creating proposals. In addition, we take into account potential post-product-delivery conditions, and set stringent product specifications in advance while identifying problems that may be encountered when transitioning to the mass production phase. These measures enable a quicker switchover to mass production and result in product quality that far surpasses that of the competition.

### Point 2: A Culture of Technology and Customer Dialogue

We take into consideration both customer and technological viewpoints, and our human capital is equipped with the foresight needed to identify potential issues that may not be obvious, making possible proposals that no other company can match. Our human capital serves as "translators" between differing technologies, harnessing highly specialized knowledge rooted in Dexerials' six core technologies, and calling upon their ability to comprehensively view and approach product structures and processes as a whole. During the customer's development phase, we pursue repeated, technology-focused dialogue with the customer, taking into consideration ideas and limitations not stated in specification documents. These skills are not dependent on experience alone. They are also rooted in **a corporate culture of trial-and-error efforts in actual development worksites** starting when employees are still young.

### Point 3: Spec-in Approach

Dexerials develops products that have realized single sourcing and high market shares in fields such as smartphones, automotive displays, camera modules, and optical semiconductors by utilizing a problem-solving-based approach. Furthermore, we facilitate stabler mass-production processes through our Spec-in approach. Our goal is not to merely sell products, but to invest ourselves in future product creation. Based on this philosophy, we intend to **continue serving as a value co-creation partner who does more than simply supply materials, working together with our customers to give concrete form to future visions.**



Special  
Feature ①

# Business Expansion in Growth Domains Leveraging Our Technologies and Business Model for the Automotive Industry

The automotive industry is digitalizing and entering an era of major transformation known as CASE\*. With advances in electrification and autonomous driving, and with the expansion of network connectivity, the automobile is evolving from a means of transportation to a safe, comfortable information space. Dexerials is leveraging technologies developed for the consumer electronics and IT sectors. This, combined with its proprietary business model of creating value in collaboration with end customers, will assist in Dexerials' mission to pursue new value creation in the automotive industry as that industry advances into the future.

\* CASE: Connected, Autonomous, Shared & Services, and Electric

## Our Entry into the Automotive Industry, Which Is Evolving Toward the Future

Dexerials has consistently delivered innovative solutions that leverage its core technologies. Our Design-in approach is the driving force behind our ability to offer innovative value. Under this approach, we work with end customers to identify and solve challenges, aiming to realize products that are ideal for their needs. We are expanding into the automotive industry, a key growth domain, through applying this business model.

Anti-reflection film (ARF) and resin products for sensing are playing a key role in this effort. Our ARF contribute to improved visibility through high durability and excellent anti-reflection performance, and are highly evaluated from a safety perspective. As displays become larger and multiple-display systems more prevalent, we have expanded the ARF market with automotive displays and other products. Expectations are also rising for our sensing-related products, which are contributing to sensor accuracy and reliability in anticipation of the implementation of autonomous driving in society.

We must continue to consider what we can do to support the evolution of information and communication during this major automotive transformation exemplified by CASE, and for the evolution of autonomous driving technology, to realize a sustainable mobility society. We will



## Our Global Strategy for the Automotive Industry, with Design-in as Our Core Approach

### Kentaro Oshima

Executive Officer, Automotive Solutions Business Unit Head

Dexerials' strength is Design-in. Now we are seeking to apply this approach, for which we have a track record primarily in the consumer electronics and IT sectors, to the automotive industry, including global markets, starting with Europe and North America. Automotive Solutions Business Unit Head Oshima discusses the background and objectives, current initiatives, and future outlook in this regard.



Our new marketing unit in a city near Detroit, Michigan

further evolve our business model through communicating with end customers and direct customers engaged in advanced initiatives, and through collaborating with partner companies.

### Entering the Automotive Industry Armed with Design-in Expertise

Dexerials' "Design-in" is a business model that conducts proposal activity not only for its direct customers, such as parts manufacturers, but with a broad scope as far reaching as to support the final product manufacturers. Our biggest strength lies in the fact that we offer solutions. We familiarize ourselves with the problems faced by our customers at all steps of the supply chain experience, and we work together to find a solution. Leveraging this approach, we have created numerous products that hold leading global market shares.

Our company originated as part of the Sony Group, which also manufactured end products. We worked hand in hand with other companies within this group, advancing designs through the continuous dialogue that took place among the engineers. In such an environment, Design-in became second nature—a practice we continually refined. Instead of being bound by industry norms, we took the initiative to visit end customers directly, showcasing our technological capabilities and unique added value. This culture

fueled our growth and continues to shape who we are today.

We always believed that the expertise and business model we cultivated in the consumer electronics and IT sectors could be applied to the automotive industry. At the same time, the automotive industry is characterized by long product lives and long development cycles. And because automobiles must protect human life, high levels of safety and reliability are essential. Thus, careful decision-making was required before we entered this industry.

Acceleration of automotive digitalization marked the emergence of a growth market, well-timed for us to pursue yet another global top market share. We took this transformation as an opportunity and decided to take on the automotive industry challenge.

Subsequently, our Anti-reflection film (ARF) have been utilized as solutions to the challenge of increasing size and diversifying forms of automotive displays. Recently, our resin products have been increasingly adopted for sensing technologies that enable autonomous driving. Since vehicles are employed over long periods in diverse environments, high quality and reliability are a must. To meet those requirements, we established a zero-defect, cross-functional quality management team and obtained IATF certification\* under European standards. It goes without saying that we also fully comply with the even stricter quality standards set by Japanese automakers.

Because of these stringent requirements, the automotive

industry is a domain where the capacity for sustained technological proposals can thrive. Even with respect to long-term projects spanning multiple years, we will realize our Design-in approach and fully demonstrate our technologies and competitiveness.

\* IATF certification: Guarantee of quality from the International Automotive Task Force

### Delivering Innovation to the Automotive Industry Through Co-Creation with End Customers

We were prepared to meet the stringent safety requirements of the automotive industry even before we entered. Still, once we began work on projects, further challenges emerged. The long development cycles and complex decision-making processes of the automotive industry were extremely different from what we were accustomed to in the consumer electronics and IT sectors, and proved especially demanding. In particular, the automotive industry's value chain is vast, with a stepped pyramid structure extending from Tier 1 suppliers (primary suppliers delivering automotive parts directly to end customers) to Tier 2 and Tier 3 suppliers. To connect our strengths to actual business processes, we had to overcome, one after another, conventions and hierarchical barriers of the industry that had been in place for years.

In developing business with Japanese OEMs (end-customer automakers), we sometimes met with our



## Vehicle-related information communication



## Automotive sensor

## ▶ Dexerials Products

## Smart precision adhesives



With the evolution of advanced driver assistance systems (ADAS), the number of automotive sensors per vehicle is increasing, and adoption of our smart precision adhesives for sensor modules is expanding.

## Automotive displays



## ▶ Dexerials Products

## Anti-reflection film (ARF)

Reduces reflections and glare, contributing to improved safety.

## Optical elastic resin (SVR)

Enables curved and uniquely shaped displays.

## Particle-arrayed Anisotropic conductive film (ACF)

Used in automotive displays requiring low insulation risk, high stability and reliability.



counterparts in North America, rather than in Japan. Even in Asia, where we had already built a certain track record, we traveled to the front lines to identify key decision makers, followed networks of contacts directly to people in multiple layers of the business, and worked diligently to convey our uniqueness and value proposition.

Our Design-in approach extended across the automotive value chain, and OEMs seeking new proposals responded positively. I sensed that the OEM engineers welcomed the opportunity to collaborate with our own engineers, who are well versed in processes and materials, and engage in discussions to realize their ideals.

Technology-driven Design-in is an important foundation for building trust with customers, and is leading progressively to future business expansion. I believe that through offering technologies and high-value-added solutions that others cannot imitate, our company can establish a position where customers will choose us for more than just price. Moreover, I believe that these initiatives will not only help us advance in a

technological sense, but will also promote the growth of our internal organization and talents, ultimately contributing to the enhancement of overall corporate value.

At the same time, “Spec-in” activities-directed customers who are procuring from us are also important. Once we have achieved the final product form through the Design-in approach, we work with customers to consider processes and conditions that will lead to improved yield rates, keeping their mass production processes in mind. Tier 1 and Tier 2 companies, our direct customers, have evaluated our efforts positively. They note that collaborating with us as part of their efforts to serve their OEMs enabled them to develop products that were both ideal and aligned with expected OEM specifications, resulting in product adoption by the OEM. Through creating win-win-win relationships with end and direct customers, we deepen trust and continue to deliver top-share products. Our business model has thus achieved validation by the auto industry and continues to evolve today.

### From Japan and Across Asia to Europe and North America Creating Advanced New Technology and Expanding Markets

In parallel with our interactions with major domestic OEMs in Japan, we have also been engaged in dialogue with non-Japanese OEMs from an early stage. These activities have progressively borne fruit, and our products are now adopted in many vehicle models. A major milestone in this process was the establishment of our German Office. Europe is a region where advanced technologies and designs in the automotive industry are created, and we recognized the importance of building a solid foundation for our business there. The Sales Director of Dexerials Europe B.V. serves as an organizer for the Display Forum in Germany, and actively promotes networking with end customers and direct clients. Our European team has been promoting Design-in through dialogue with local OEMs and Tier 1 companies, while collaborating closely with our Japan team to manage projects. We are now applying experience gained from collaborating in Europe and

globally to further accelerate expansion in North America.

In 2024, we established a new marketing base in a city near Detroit, Michigan, US, under our global group company, Dexerials America Corporation.

We recently entered the North American market, where building relationships with key individuals is especially important. Trade shows serve as a starting point for this effort. Unlike trade shows in Japan, those in Europe and the US are venues where professional engineers with innovative ideas gather and network. At such events, we actively engage in dialogue with engineers, offer future-oriented technical proposals, and actively avail ourselves of opportunities to find partners and end customers.

While we are expanding our network of contacts through forums and exhibitions, we are also working to create our own community and enhance our presence in Detroit, where many automotive manufacturers are located. Through approximately a year and a half of activity in North America, concrete business inquiries are increasing, and we are successfully building relationships with major OEMs in Detroit. This progress is thanks to the experience of Dexerials America Corporation members in Design-in and Spec-in for the consumer electronics and IT sectors, and the proactive culture of U.S. team members who are working closely with their counterparts in Japan.

**T** Dexerials Showcases Optical Materials that Maximize ADAS Performance at "AutoSens USA 2025"  
For details, please refer to TECH TIMES



## Evolving Design-in and Laying the Foundation to Support the Next Decade

Going forward, we will continue building a global network, with emphasis on Europe and North America. Our goal is to increase automotive business sales to ¥30 billion by 2028, from ¥14 billion in fiscal 2023.

We see this initiative not as an effort to boost sales in the short term, but as a foothold to achieving medium- to long-term growth and strengthened competitiveness. We are laying the foundation that can support the next decade. That is our intention, and full-scale efforts to achieve results are just beginning.

Our first step is to generate successful Design-in cases on a global scale, evolve the business model, and use it to expand our business portfolio. We are convinced that this initiative will become a foundation for the future of our company.

## Contact Networks and Opportunities in Europe

### Donald Schaffer

Dexerials Europe B.V.  
Sales & Marketing Director

The European market is highly innovation driven, and it also has rapid technological innovation. It is an important position in the current global landscape. Success in this region will have great significance to the future growth of our global automotive business. What's more, the evolution of EVs and the adoption of HMI\* cockpits help us build up a brand image as an innovation provider. Based on these ideas, we have engaged from the outset in continuing discussions with higher management to formulate strategies with a long-term perspective. We continue to update this strategy in accordance with the situation in Europe.

We began our European marketing activities and participated in the Automotive Display Forums (DFF) in Germany, from an early stage, and embarked on full-scale European marketing activities. We enhanced our presence in the industry and connected with the entire value chain. We also established contact with OEMs and Tier 1 suppliers (parts manufacturers) through the European display community. These points of contact have become opportunities to understand potential needs and technical information before they appear in the market.

In Germany, we have established a system that allows swift on-site decision-making and response, one structured so that engineers can exchange opinions frankly, regardless of their rank. As an organization capable of resolving issues on the front line, we believe that promptly addressing customer needs locally promotes trust building.



\* HMI: Human-Machine Interface (digitalization of displays around the driver's seat)

Employee's  
Voice

### Design-in Is a Good Opportunity to Create Value No One Else Can Offer



### Felix Velten

Dexerials Europe B.V.

I am one of the engineers working at the front lines. Through on-site engagement with customers, we have discovered that early, hands-on collaboration is key to addressing technical challenges efficiently.

Frequent communication with our customers lets

us understand their true needs, which we can't always grasp from specifications alone. It also helps us to accurately understand their respective priorities and constraints.

Not only does this build trust, it also helps to accelerate validation processes, which enables faster, more effective innovations.

We see the expansion of the Design-in approach as a critical enabler for creating differentiated value together with our customers. Existing initiatives go on to become new projects, and on-site innovations are also opportunities to do more business. As the display industry evolves rapidly, strengthening our Design-in capabilities will be essential to stay ahead of emerging trends and build long-term partnerships.





## Materiality and Sources of Value Creation

### Message from the Technology Strategy Head

## Pioneering the Future Through Innovation: Technology Strategy of Dexerials

Since its establishment in 2020, the Dexerials Innovation Group (DIG) Promotion Department has been acting as the core driver of company-wide innovation. Amid the rapid progress of technological innovation, including AI, we strive to fully leverage our unique technologies to realize our purpose: “Empower Evolution. Connect People and Technology.” Executive Officer Kuo-Hua Sung, Technology Strategy Head, who leads DIG, shares his vision and initiatives.

### Kuo-Hua Sung

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

### Driving transformation to accelerate innovation and achieve global growth

DIG embraces “Innovation” and “Creation” as core values. Striving to achieve both technological advancement and the creation of new value, we combine an inside-out approach with an outside-in approach to deliver advanced and valuable solutions.

Our mission is to transform our technology portfolio and create new business opportunities.

Through iteration of rigorous strategic reviews, we are now entering the execution phase, working to realize our Mid-Term Management Plan and the strategies that extend beyond it.

Dexerials is expanding its presence across key regions in Asia, North America, and Europe, where DIG is at the forefront of strategic talents acquisition and joint development initiatives.

These initiatives form the foundation for achieving our Mid-Term Plan objectives and lay the groundwork for future innovation and long-term development.

### Supporting the evolution of technology, pioneering the future of AI with photoelectric fusion technology

AI technologies are advancing rapidly from cloud-based

systems to edge computing, and from general-purpose AI to agentic and physical AI. This evolution is driving demand for real-time, large-volume, high-speed data processing on an unprecedented scale. Rapid proliferation of new devices and applications is accelerating this trend, making large-scale data centers, advanced semiconductors, and tightly integrated solutions essential.

At the same time, this evolution comes with significant technical challenges. Signal integrity, power efficiency, and thermal management remain persistent hurdles. Moreover, escalating energy consumption and heat dissipation must be addressed. Photonics technology is expected to complement the advancement of electronic technologies, serve as an innovation supporting sustainable growth, and usher in a new era of photoelectric fusion technology.

Across industries and global alliances, photonics technologies are being integrated with existing electronic ecosystems and utilized to enhance performance and efficiency. Dexerials will establish a unique position at the leading edge of this convergence. We aim to offer unique value propositions through our deep expertise in six core technology domains (thin-film formation and coating, inorganic materials, organic materials, evaluation and analysis, microfabrication, and photonics) combined with wide-ranging specialist expertise across materials, processes, equipment, evaluation, and design.

Furthermore, by combining our long-standing track record in material technology, electronics integration, optical

design, and high-volume manufacturing with the specialized photonics capabilities of Dexerials Photonics Solutions Corporation (DXPS), we can deliver innovative and highly scalable photoelectric fusion solutions.

Through strategic partnerships and continuous technological development, we are deepening collaboration and engagement with leading global enterprises to shape the future of next-generation, energy-efficient technologies.

### DIG’s strategy for balancing growth and social impact: leveraging core technologies (inside-out) and promoting strategic collaboration (outside-in)

To realize long-term value creation, DIG takes a dual approach that maximizes accumulated internal technological strengths (inside-out) and promotes collaboration with external partners (outside-in). This strategy enables us to accelerate innovation and position ourselves as a key enabler in the evolving AI-driven photoelectric-fusion era.

Our strengths are a robust foundation in photonics, high-precision integration, advanced coupling techniques, and materials science. By leveraging these capabilities, we aim to enhance the performance and scalability of modern data centers and digital infrastructure, while developing next-generation solutions that improve signal quality and thermal management.



Furthermore, we believe that combining our knowledge of materials innovation with our deep optical design expertise will empower us to use our advanced nano-fabrication technologies, a core strength, to create a new class of meta-structures that can drive improvements in optical efficiency and miniaturization, both of which are key enablers for the next generation of edge AI-based applications and devices. In addition, we are opening up new frontiers in advanced sensing and energy management by integrating nanoparticle engineering with photonics and electronic design.

DIG is currently advancing the development of comprehensive solutions that integrate a wide range of fields, including photonics, electronic technology, materials, system integration, and manufacturing. Through these initiatives, we aim to offer breakthrough technologies that support infrastructure and applications powered by next-generation AI to a broad range of customers.

Furthermore, all R&D initiatives are validated through industry engagement and collaboration with strategic partners, along with iterative internal review. We are also making investments to accelerate innovation and commercialization, coordinating with the Corporate Strategy Division of Dexerials. Such investments include collaborations with startups, venture capital firms, academic institutions, and industry leaders so as to incorporate diverse perspectives and networks. DIG is committed to strengthening and expanding relationships with our global network of customers and partners, and by combining technological excellence with strategic foresight,

we aim to deliver impactful solutions that create lasting value for stakeholders and shape the future of technology.

## Driving innovation with a globally integrated, cross-functional foundation

DIG is highly aware that a globally unified and strategic organizational structure is essential to further accelerate development. A robust organizational foundation that spans functions, regions, and areas of expertise is the key to supporting innovation and sustainable growth. We also make it a policy to support all of our employees, so as to enable them to perform at their best and deliver meaningful results.

Human Resources Division has implemented a JOB-based HR Management system and operates under the Human Resources Business Partner (HRBP) framework, our proprietary HR support model aimed at organizational development. HRBP enables continuous enhancement of talents and skills and optimal personnel placement, and develops next-generation leaders while responding to rapidly changing technological and business needs. We are also promoting global talents acquisition, with top-level specialists joining us in key regions in Japan (headquarters), Taiwan, North America, and Europe. These individuals are leading precision innovation and new business creation, and contributing to value delivery on a global scale.

We practice cross-departmental and cross-disciplinary collaboration routinely to ensure that technologies and expertise in every area are fully leveraged in the formulation and execution of strategic initiatives. Intellectual property strategy is also a key pillar. By protecting and utilizing innovation, we not only deliver unique value to customers, but also contribute to solving global social challenges.

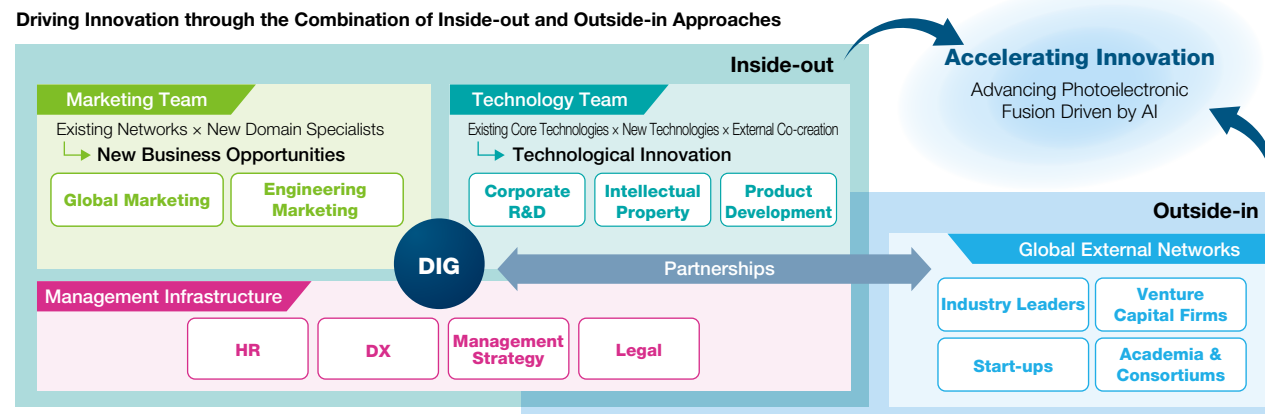
These initiatives are advanced by company-wide collaboration centered on Corporate Strategy Division and involving Human Resources Division, DIG, Corporate R&D Division, and business units. We are building a framework to enable us to deliver long-term value to customers, investors, and partners as a globally competitive, sustainable, socially responsible enterprise.

## Achieving the Mid-Term Management Plan: our commitment to future value and sustainable growth creation

We are working toward the goals of our Mid-Term Management Plan with well-defined objectives and policies, providing sustainable value to our employees, customers, investors, suppliers, and partners from the foundation of innovation and integrity. Through well-defined corporate strategies, advanced technology development, and comprehensive sustainability initiatives, we are building a resilient management foundation for sustainable growth.

In addition, we are focused on closely meeting the evolving needs of our customers and industries and empowering our global talents while cultivating innovation, investing strategically, and executing technology roadmaps. With strong intellectual property strategies, active partnering, and a robust global corporate structure, Dexerials is delivering reliable value at the cutting edge of technology as a driver of AI-powered photoelectric fusion evolution.

Going forward, we will realize sustainable growth while fulfilling our social responsibilities as a trusted partner, and firmly deliver sustainable growth and reliable results to future generations and stakeholders.





## Sources of Value Creation Innovation

### The Meaning of Innovation

Innovation makes it possible for us to realize the goals of our corporate Purpose, and serves as a driving force for sustainable growth.

By leveraging core technologies in an “inside-out” manner while also adopting an “outside-in” approach through strategic partnerships, M&A, and the like, we pursue innovation for Dexerials as a whole.

By putting our global-scale business foundations, human resources, and intellectual properties to good use, we aim to achieve both solutions to society’s problems and sustainable growth for the Company.

### Focus Domains

In fiscal 2024, we established a technological strategy for purposes of medium-term growth and defined the technology domains on which we would focus.

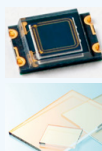
#### Strengthening and Creating Businesses

##### Photonics



Optical communications: Providing solutions to the issues of increased data traffic and power consumption

Photonic sensing: Providing solutions for high-resolution, high-sensitivity sensors used to obtain various information



Photonics domain, semiconductor integration solution domain

##### Semiconductor integration solution



Providing composite optical semiconductor devices and integration solutions for compounding that can contribute to next-generation high-speed communication technologies

#### Next exploration activities for new business

Based on our core technologies, consider the feasibility of expanding into new technology domains to realize solutions to societal problems in areas such as energy and healthcare



### Step 1 Toward Innovation Technology Development in the Photonics Domain

In the photonics domain, Dexerials is pursuing development in stages based on our roadmap, spanning everything from commercialization of existing technologies to development of future technologies.

Starting in the second half of fiscal 2024, we launched mass production of a surface-type photodiode compatible with 400-Gbps-class optical communication and have seen positive business results.

#### Current Development Theme

Dexerials is moving forward with performance advances in optical semiconductor devices that are compatible with next-generation telecommunication standards. In the area of waveguide-type photodiodes in particular, we have combined a uni-traveling-carrier photodiode (UTC-PD), which offers higher sensitivity and wider bandwidths, with a waveguide-type photodetector. We are stepping up development efforts for this important device, which realizes both high sensitivity and wide bandwidth, and has the potential for use in 1.6-Tbps-class optical transceivers. Progress has already reached the verification-testing stage, and we are making plans for future commercialization.

**T** Waveguide-Type Photodiode Developments at Dexerials  
For more details, please refer to our website.



#### Six Core Technologies

Thin-Film Formation & Coating

Microfabrication

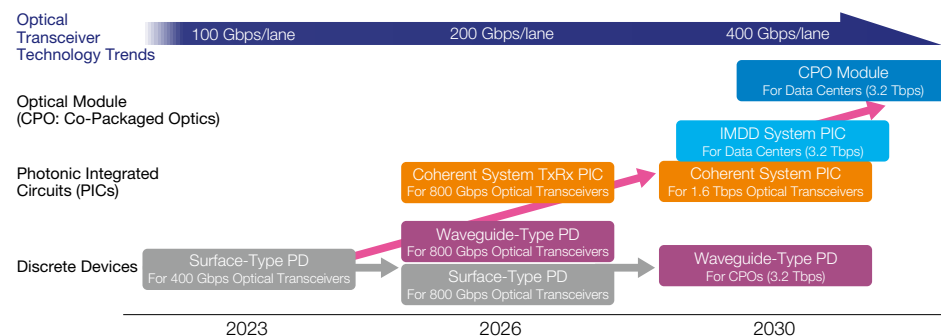
Photonics

Inorganic Materials

Organic Materials

Evaluation & Analysis

#### Photonics Technology Development Roadmap



## Future Developments

Dexerials is currently developing solutions for next-generation communication modules, including photonics-compatible silicon integrated circuits, waveplates, and adhesive materials. These technologies have garnered widespread interest through customer dialogue and on the market. In addition, we take advantage of the world's largest-scale exhibition event in the field of optical communications to actively present and promote our technologies while gathering market feedback as we pursue verification tests aimed at future practical applications.

Such development efforts enable us to achieve new elemental technologies, which can be combined with our six core technologies to provide the solutions needed at AI data centers that meet the rapidly growing needs of the AI market.

**T** OFC 2025 Exhibition Report: Dexerials' New Optical Devices for the 1.6T Era  
For more details, please refer to our [website](#).



## Step 2 Toward Innovation Next Exploration Activities for New Business Toward Future Growth

Dexerials pursues exploratory research and development with an eye to solving future problems experienced by society and discovering industry structure changes in order to lay the foundations for continuing growth in our focus domains.

## Toward Deployments of Next-Generation Technologies



We are always searching for potential, new applications for our technologies in the energy field as solutions to challenges faced by society, such as achieving carbon neutrality and reliable energy supplies.

■ P. 81 Participating in the Development of an Artificial Photosynthetic Chemical Process (ARPChem) Contributing to the Realization of Carbon Neutrality

In addition, we are in the process of considering becoming members of a nuclear fusion field consortium, and we have already started verification testing to confirm the feasibility of new power-generation technologies, of which we are considering taking the first steps toward future commercial deployments.

Such next exploration activities have the potential to foster growth opportunities over the medium and long terms stemming from new value creation, and also position us to take on bold challenges in regard to both technologies and the market. It is through such challenges that we can lay the foundations for new industries and cultivate next-generation growth domains that can help solve society's problems.

## Inside-Out and Outside-In as Cross-Functional Foundations

At Dexerials, we utilize a cross-functional framework interlinking R&D, business operations, and marketing to achieve commercial applications of technologies rooted in customer and societal needs. In our fields of particular focus, such as photonics, we harness this framework to analyze the market and its responses and confirm competitive strength while moving forward with development efforts. This method forms the basis of our "inside-out" approach, which is one of Dexerials' strengths.

In addition, we are proactive in our "outside-in" endeavors, which entail working in cooperation with outside partners, academic institutions, and startups to bring in new knowledge. By utilizing both the inside-out and outside-in approaches, we can accelerate innovation, make full use of global human resources, and connect operations with our intellectual property strategy. In these ways, we are laying the foundations for cultivating growth business fields of the future.

## Topics Technology Search Support and Knowledge Structuring Using Generative AI

### Business Creation: Building Systems to Realize Idea Creation for Comprehensive New Applications

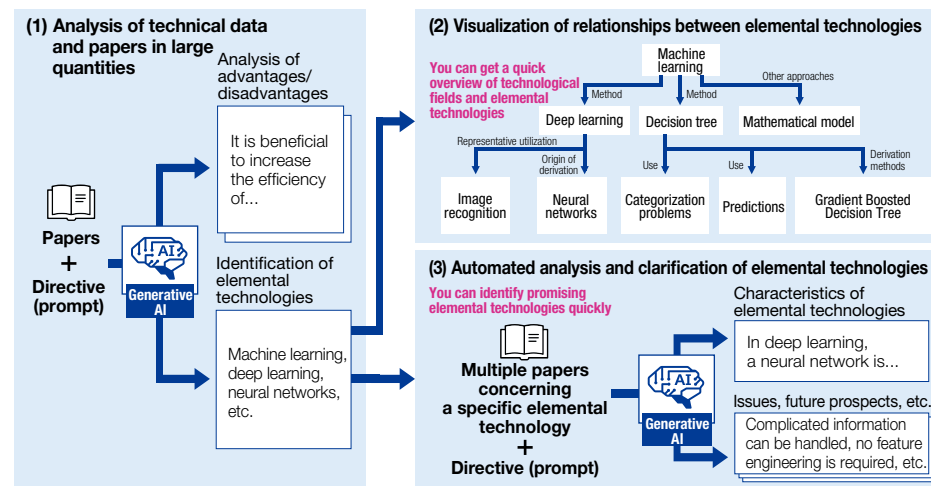
Utilizing generative AI technology provided by Stockmark Inc., we have begun building a system that creates ideas with comprehensive new applications for purposes of stepping up next-generation product development.

When coming up with new product and technology application ideas, it is necessary to fully understand market information (needs) as well as information on the technologies that we possess (solutions), and then tie these together. However, such efforts usually require specialized human resources, and the significant time and labor demands needed to develop numerous new ideas pose major problems. By making use of Stockmark's generative AI, it is possible to create and propose large numbers of new ideas in comprehensive and rapid fashion while still ensuring high quality, in ways that are not possible with human workers alone. These ideas can then be utilized to strengthen our product development capabilities further.

### Technology Searches: Using Generative AI for Technology Search Support and Knowledge Structuring

Dexerials is currently working in collaboration with Mitsubishi Research Institute, Inc. to build the Visualization System for Technology Development Field, which utilizes generative AI technology and serves as a means of strengthening the foundations of future exploration activities overall. The system has passed the proof of concept (PoC) phase and is currently being adopted for real-life, practical applications. It analyzes and creates diagrams for massive amounts of documentary materials, generates visual representations of the interrelationships between elemental technologies, and enables quick identification of promising technologies. We can use this system to improve the speed and precision of information-gathering and theory formulation during the initial stages of technology searches, and prevent the limitation of such search operations to specific, specialized individuals. In the future, we plan to expand the system's applications to include research and development facilities, deploying it across multiple fields as a shared R&D support resource. This will further boost both the speed and quality of "outside-in" technology searches intended to anticipate upcoming changes in society and markets.

### Visualization System for Technology Development Field







## Materiality and Sources of Value Creation

# Intellectual Property Strategy

## Intellectual Property (IP) Strategy Supporting Value Creation and Our Business Model

The Dexerials Group regards intellectual property as one of its most important management assets. Beyond building and optimizing our own patent portfolio, we proactively conduct IP intelligence activities\*1 including IP landscape\*2 and other analyses to drive new business creation and support the development of new markets and applications.

In fiscal 2025, Dexerials has been integrating IP functions in the R&D Division to establish a framework that accelerates value creation in terms of both technology and intellectual property. This aligns with our business model of anticipating future needs and proactively providing solutions. By integrating technology and intellectual property, we are promoting forward-looking value creation and contributing to sustainable growth.

\*1 IP intelligence activities: Activities for systematically collecting and analyzing patents, technology trends, and market information to support decision-making for business strategy, new market development, and competitiveness strengthening

\*2 IP landscape: Comprehensive analysis of patent information and technology trend data from multiple perspectives, visualizing the market environment and competitive landscape to use in planning business strategy and R&D policy

### Intellectual Property Strategy

Our intellectual property strategy consists of the three stages outlined below. Stage one involves utilizing globally acquired intellectual property rights in business operations based on Business Feasibility Evaluation derived from analyzing our own and competitors' IP competitiveness. Stage two is an IP co-creation strategy that combines internal and external technologies to foster the creation of new businesses. In stage three, we will implement an IP value communication (IP-IR) strategy that strengthens investment in human capital from an IP perspective and enhances dialogue with investors.

#### IP Strategy Roadmap

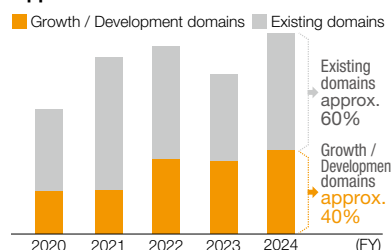


#### Stage 1 Core Patent Utilization Strategy: Intellectual Property Investment in Growth Domains

Dexerials promotes the acquisition and utilization of IP rights in key countries to secure differentiated technologies and strengthen global business competitiveness. As of the end of fiscal 2024 (March 2025), the global patent ownership ratio was approximately 66%, which aligns with Dexerials' global sales ratio of around 67%.

Dexerials is also actively investing in intellectual property related to photonics, a field positioned as growth domains. In fiscal 2024, patent applications in

#### Growth / Development domains Patent Application Trends



this area accounted for 10% of total patent applications.

Dexerials is actively investing in intellectual property in development domains, with R&D-related patent applications accounting for approximately 30% of the total.

Through our Design-in and Spec-in activities, we anticipate customers' technical issues and needs, and protect the new ideas born from combining insights with Dexerials' core technologies as intellectual property. This allows Dexerials to deliver competitive solutions that reflect the technological trends, reaching a wide range of stakeholders, from direct customers to end users.

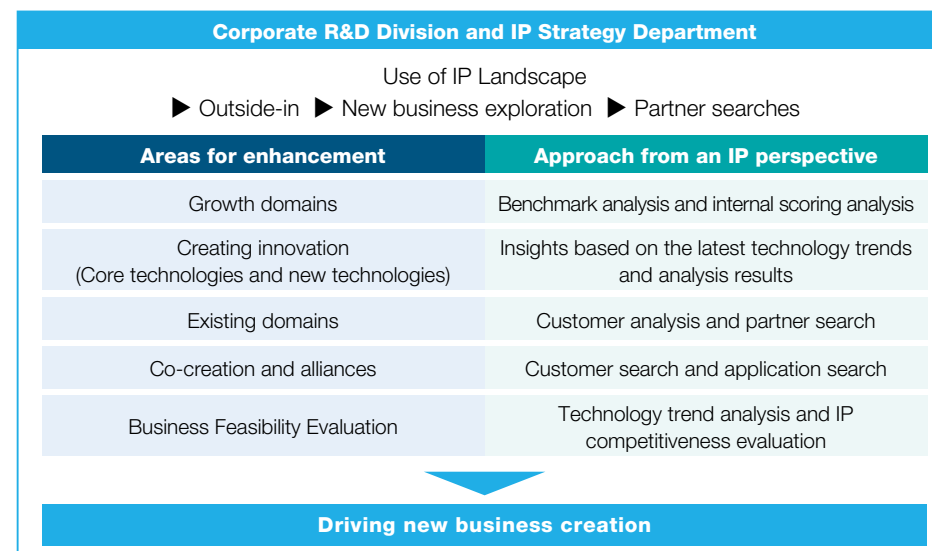
#### Stage 2 IP Co-Creation Strategy: IP Intelligence Activities

Dexerials promotes IP intelligence activities, utilizing Company-wide IP landscape analysis as a decision-making tool.

In existing domains, Dexerials offers information about new technologies, new markets, and competitors from an IP perspective, supporting qualitative product enhancement and market expansion. In growth domains, Dexerials' IP portfolio is compared with those of benchmark companies, and we formulate an IP strategy by back-casting from our established vision of what we want to be.

Furthermore, with respect to innovation, co-creation, and alliances, the latest technology trends and academic data are studied to identify key growth technologies and potential co-creation partners, thereby facilitating expansion into previously uncharted fields.

#### IP Intelligence Activities



Stage3

## IP-IR Strategy: Strengthening Measures for Materiality —Technology and Human Capital

Dexerials has identified technology and human capital together as materiality. To achieve sustainable growth, it is essential to steadily cultivate talented individuals (such as inventors) who possess advanced technical skills and a strong IP-oriented mindset.

In fiscal 2023, we introduced an incentive system called the “First Step of Invention” for first-time inventors (who apply for their first patent application after joining Dexerials, including mid-career hires). Accordingly, the initiative produced first-time inventors who are approximately 25% of all inventors.

In fiscal 2025, Dexerials began the trial implementation of two new recognition programs: the “Best Proposal Award,” which honors inventors who submit exemplary invention reports to serve as role models, and the “Best Research Award,” which honors inventors who conduct patent searches on their own using advanced techniques. High-quality invention reports form the basis for strong patent rights. Such reports and search skills are shared across Dexerials to strengthen and cultivate the ability to generate inventive proposals.

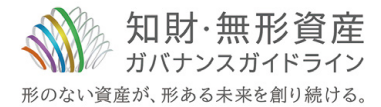
We also engage in dialogue with certain investors regarding Dexerials IP strategy and related initiatives. Through this communication, Dexerials aims to enhance the capital market’s understanding of our IP strategy by demonstrating both the sustainability and competitiveness of our business model.

## Promoting IP Governance and Enhancing Visibility of Intangible Asset Ratios

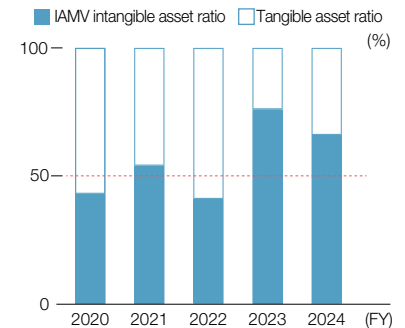
Dexerials proactively discloses IP activity information and promotes the strategic utilization of intangible assets, in line with the “IP & Intangible Assets Governance Guidelines Ver. 2.0” published by the Cabinet Office of Japan.

“The Intellectual Property Strategic Program 2025,” also released by the Cabinet Office, sets a target of raising the ratio of intangible assets to more than 50% of total market capitalization in the Japanese market (Nikkei 225) by 2035. The calculation of intangible asset ratio using the IAMV model\* showed that Dexerials’ intangible asset ratio had reached approximate 65%, significantly exceeding this target. This result serves as an indicator that Dexerials is a company developing a high-value-added business model that leverages its intangible assets effectively.

\* IAMV (Intangible Asset Market Value) model: An evaluation model developed by Ocean Tomo, LLC (the United States) to calculate the proportion of intangible assets in a company’s market capitalization. Dexerials’ intangible asset ratio was calculated by subtracting tangible assets (the sum of current assets and tangible fixed assets recorded on the balance sheet) from the market capitalization as of April 1, 2025.



Ratio of intangible assets to market capitalization



### Innovation investment combining technology and human capital as materiality

	IP education	IP incentives		Promoting innovations
		Invention proposals and patent application filings	Awarding upon profit contribution	
Veteran inventors	IP Keynote Session IP advance training Sharing of exemplary inventions	Best Research Award Best Proposal Award Invention report incentive	Filing incentive Invention and design awards (IP Month)	Additional policy considerations
Mid-career inventors				
First-time inventors				First-time inventor incentive (First Step of Invention)
New employees	IP basic training (newly hired graduates training)			

## » Received the Special Award at the 1st Intellectual Property and Intangible Asset Governance Awards

In March 2025, Dexerials received the Special Award at the inaugural Intellectual Property and Intangible Asset Governance Awards, organized by the Intellectual Property and Intangible Assets Governance Promotion Association (IPIAGPA). This award recognizes outstanding companies that practice intellectual property and intangible asset governance to enhance corporate value and promote activities that serve as role models for Japanese companies. Dexerials was recognized for our strategic engineering marketing approach based on intellectual property and intangible assets, which has delivered outstanding financial performance.

To further strengthen this advantage going forward, under the current Mid-Term Management Plan, Dexerials is executing 45 billion yen investment for non-financial capitals targeting our materiality focus of technology and human capital, thereby aiming for sustainable growth in corporate value.





## Message from the Human Resources Division Head

## Empowering Employees to Grow and Embrace Challenges to Become a Globally Trusted Company

People with specialized skills and the drive to take on challenges are essential to the sustained growth of Dexerials. Dexerials has positioned technology and human capital as materiality, and under the Mid-Term Management Plan 2028 “Achieving Evolution,” Dexerials is advancing initiatives based on three Human Capital Strategies. Naoyuki Tsuda, Human Resources Division Head, explains the details.

### Naoyuki Tsuda

Executive Officer,  
Human Resources Division Head

### Human Capital: A Key Source of Our Value Creation Anticipating future business developments to build the right talents base

Technology and human capital are the key sources of our value creation. Understanding the mindset of end customers and proposing value that anticipates market needs requires a deep knowledge of materials and processes, the flexibility to respond swiftly to societal change, and the passion to create new value. None of these can be subtracted from the equation.

Based on the strategies outlined in our Mid-Term Management Plan 2028 “Achieving Evolution,” Dexerials is advancing people-centered strategies aligned with our business portfolio. The plan lays out three fundamental policies: Expanding businesses in growth domains, qualitative strengthening businesses in existing domains, and evolution of the management base. To explore opportunities in new domains and pursue growth in existing domains on a global scale, it is essential to build a forward-looking human capital portfolio while executing the strategies of the current Mid-Term Plan. We must cultivate and acquire the talents that will be increasingly needed both in Japan and internationally.

We are now living in what is often described as the BANI\* era, a time of rapid and unpredictable change, which calls for flexibility in our Human Capital Strategies as well. When new business themes emerge, it is essential to be able to respond flexibly. That begins by identifying the technologies and human resources needed to drive growth, then deploying

the optimal talents internally or collaborating with other companies to establish an effective framework.

Against this backdrop, Dexerials has formulated three Human Capital Strategies aligned with our business strategy.

■ P. 34 Human Capital Strategies

\* BANI: Brittle, Anxious, Non-linear, and Incomprehensible

### Strategy 1: Optimizing the Human Capital Portfolio Focusing on strengthening talents in cutting-edge technology fields to achieve mid-term targets

The first of our Human Capital Strategies is optimizing the human capital portfolio. Dexerials is working to strengthen its workforce by simulating when, where, and what kind of talents will be needed to achieve our desired business portfolio several years into the future. This is an essential measure for executing the company-wide strategy, involving not only mid-career recruitment but also shifting resources to growth divisions and strengthening priority skills.

Progress in the first year of the Mid-Term Plan has been largely in line with expectations. Emphasis has been placed on enhancing engineering and marketing talents, which directly impacts competitiveness in the global market. One such effort is strengthening talents in photonics, a cutting-edge technology field where Dexerials is focusing in particular on mid-career and new graduate recruitment, as well as in-house talents development.

Recruiting outstanding engineers is highly competitive and not so easily accomplished. But we believe that motivated candidates choose Dexerials, even in this competitive environment, because of how our Purpose and commitment to creating new value resonate

with them. As part of the recruitment process, the candidates are invited to visit actual workplaces to see Dexerials’ operations firsthand. This provides insight into Dexerials’ strengths and vision, which inspires many to join us.

Dexerials is steadily advancing initiatives to meet its target of raising the proportion of engineers to 50% of the workforce by fiscal 2028. We are also identifying essential functions and building a lean organizational structure.

■ P. 36 Strategy 1: Optimizing the Human Capital Portfolio

### Strategy 2: Human Resources Platform as Global Basis JOB-based HR Management system and Dexerials Way balance autonomy and collaboration while fostering boldness and passion

The second of our Human Capital Strategies is the establishment of a global infrastructure, common language, and human resources framework. From 2023 to 2024 Dexerials introduced a JOB-based HR Management system across all domestic and international sites and affiliated companies. We are now in the operational phase of implementing this system.

The primary objective of introducing the JOB-based HR Management system is to define roles and responsibilities for each position. In line with Dexerials’ strategies, we have also redesigned the organizational structure, job responsibilities, and compensation structure. With authority delegated according to job responsibilities, decision-making in the field becomes faster, and employees are empowered to make decisions at the operational level.



Although it has been just over a year since implementation began, our HR platform, on a global basis with clearer job definitions, has enabled putting the right person in the right place based on individual skills and expertise, making cross-border transfers easier. And in fact, collaboration and exchanges between our Japan and global sites, and between global sites, have steadily increased. Exposure to diverse values is broadening employees' perspectives and knowledge. The system has also had a positive impact on recruitment, and as Dexerials works toward becoming a global company of choice, tangible results are already appearing.

A key challenge going forward will be in building an organization capable of moving in a unified way, including our global sites. Dexerials' history began in 1962 with the founding of its predecessor, Sony Chemicals Corporation. Renamed in 2012, the company embarked on a new journey as Dexerials Corporation. For more than 60 years, Dexerials has continuously developed unique materials and transformed itself in response to changing times. This spirit of embracing transformation is what defines Dexerials and is the driving force of our sustainable growth.

To build on this history, Dexerials Way established Behavioral Principles that define the expected behaviors of employees who make Dexerials unique. Focusing on Customer, Leveraging New Tech & Expertise, Creating New and Different, Focusing on Performance, Collaborating Internally & Externally, and Optimizing Diverse Talents. These six indicators encapsulate behaviors that Dexerials has long valued and will continue to expect from employees. They are also incorporated into Dexerials' global behavioral review system. It is crucial that each employee consciously embodies Dexerials' processes and behaviors, rather than simply focusing on individual achievement. That is how we can carry on Dexerials' DNA as one global team to continue to embrace transformation and drive sustainable growth. At global sites, employees have even begun voluntarily holding study sessions on Dexerials Way. This has become an effective mechanism for aligning a diverse workforce and moving together in one direction.

It is also essential to create other mechanisms that provide a motivational tailwind for employees to take on challenges.

Dexerials' growth will halt if people stop challenging themselves. I believe that individuals are most passionate about their work when their Individual Purpose aligns with the company's Purpose. To support this, the Human Resources Division is working to give employees the opportunity to

pursue skill development and explore their interests.

Dexerials encourages employees to continue developing by learning, thinking, and acting for themselves, adopting an autonomous work style. To promote such efforts, we have established a self-development support system and a variety of elective training programs that encourage self-directed learning.

As a mechanism to encourage taking on new challenges, Dexerials has also introduced an internal job posting system, which is now in operation across many divisions. Dexerials openly shares what roles and skill development opportunities are available. Employees can apply for any position they are interested in to actively shape their own careers.

Dexerials is also focusing on nominating and developing next-generation talents for the management team to ensure a steady pipeline of future leaders to drive the company forward. In addition to the D-BLP<sup>\*1</sup> program for managers, Dexerials launched the FIP<sup>\*2</sup> program for younger generations in fiscal 2024. To foster future management candidates, these younger employees are given opportunities to interact with those who have completed the D-BLP program. These programs are designed to cultivate transformational leaders, equipping them at an early stage with a global perspective for new value matters. They inspire young employees to take on challenges, ignite their passion, and help them develop the mindset required of future management candidates. Participants learn alongside colleagues from Japan and other countries, gaining exposure to a range of departments. Through the program, they gain valuable experience by learning how to engage effectively with people from diverse backgrounds—an essential skill for conducting business globally. They also build internal and external networks and develop a broad-based, bird's-eye perspective, which is indispensable in cultivating a management mindset.

<sup>\*1</sup> P. 37 Strategy 2: Human Resources Platform as Global Basis

<sup>\*1</sup> Dexerials Business Leadership Program

<sup>\*2</sup> Dexerials Future Innovators Leadership Development Program

### Strategy 3: Evolving our corporate culture Encouraging employees' personal growth and challenges as the starting point for engagement to drive corporate growth

Dexerials has a culture not very different from that of a startup venture. When new challenges arise with customers, we pool ideas and technologies across organizational boundaries to

generate new proposals. This flexible mindset, proactive stance, and willingness to take on challenges are defining characteristics and our greatest strengths. The third of our Human Capital Strategies is to further develop these strengths by evolving our corporate culture.

Dexerials values one-on-one meetings as a way to align employees' Individual Purpose with the company's Purpose. In these meetings with their supervisors, employees are encouraged to explore their career aspirations in depth. The aim is to provide people with opportunities to reflect on what is needed for individual growth and to fulfill their self-defined purpose. If they sense a discrepancy between their current situation and desired state, they can choose an elective training program offered by Dexerials to bridge that gap with the knowledge and skills they need. In fiscal 2024, we expanded support for self-development. The number of employees engaging in self-directed learning has been steadily increasing, complementing our JOB-based HR Management system.

Dexerials has many outstanding, talented employees who can discuss with end clients not only devices and processes, but also future challenges. They work with top leaders in global industries to meet their sophisticated demands, and proactively propose new value by anticipating future developments. And they work to resolve challenges faced by society by leveraging our unique technologies and ideas. This is also where employee engagement begins.

<sup>□</sup> P. 39 Strategy 3: Evolving Our Corporate Culture

And Dexerials wants employees to engage further by considering and taking action proactively, with a sense of ownership of the company's growth. To support this, Dexerials has introduced the Stock Grant Plan (J-ESOP) domestically.

This system encourages employees to approach their work with a stronger sense of ownership by highlighting the connection between their roles and the enhancement of corporate value.

<sup>□</sup> P. 40 Special Feature 2: J-ESOP—Creating Value for Employee Shareholders

Dexerials' sustained growth is driven by a diverse group of talented people with advanced skills who feel a resonance with the company Purpose. Our Human Capital Strategies is, in essence, our growth strategy. Dexerials strives for every employee to be healthy in both mind and body and motivated to take on challenges with passion and purpose. And we want the company and its people to grow together. By steadily advancing our three Human Capital Strategies, Dexerials will continue to embrace transformation in its own distinctive way.



## Sources of Our Value Creation

## Human Capital Strategies

## Human Capital Strategies Are a Driving Force of Our Business Strategy

Addressing social issues and creating new value together with customers—these efforts are driven by nothing other than Dexerials' materiality of technology and human capital. Our organizational strength combines specialized expertise with cross-disciplinary knowledge, enabling innovation on a global scale. In partnership with a diverse range of individuals aligned with and inspired by Dexerials' Purpose, we foster a corporate culture of bold endeavor that propels our aspirations toward growth.

To implement this growth strategy, it is more crucial than ever to strengthen collaboration globally and focus on cultivating and hiring skilled engineers. So, to achieve the targets in our Mid-Term Management Plan 2028 "Achieving Evolution," we are strategically developing and acquiring the necessary talents globally, not only in Japan, backcasting to identify the personnel we will need in the medium to long term, while pursuing growth in existing domains and entering new fields. At the same time, we are building organizations that will allow the Company to act swiftly and respond flexibly to rapid changes in society and market environments.

As we expand our business portfolio in line with our growth strategy, we are aligning and advancing our Human Capital Strategies to support that expansion. During the current Mid-Term Management Plan period, we will solidify our foundation for sustainable growth.

☞ P. 56 Mid-Term Management Plan

## Mid-Term Management Plan 2028 "Achieving Evolution"



## Maximizing the Value of Human Capital to Realize Sustainable Growth

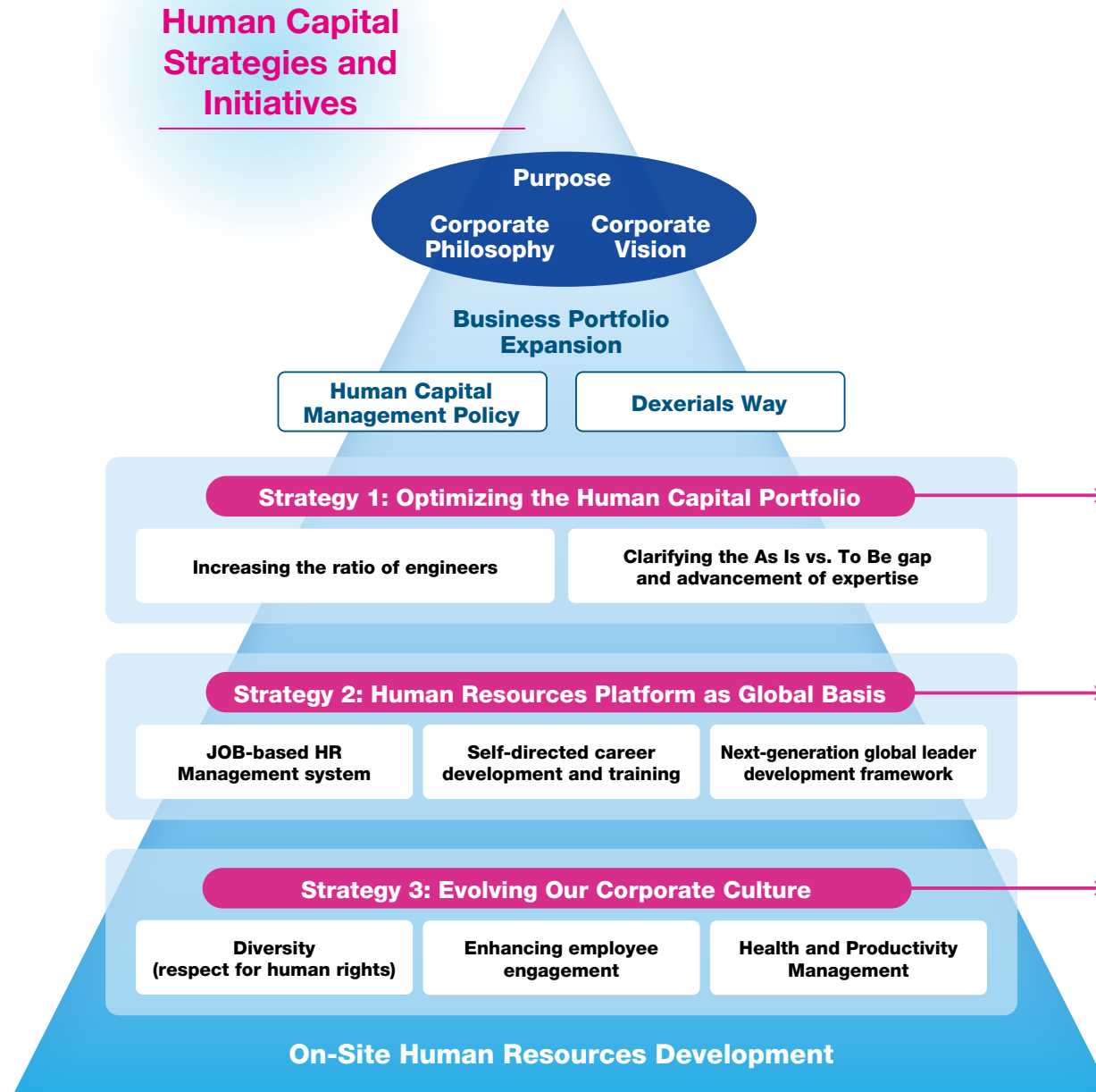
The Dexerials Group is committed to its Corporate Philosophy, Corporate Vision, and Purpose as it pursues sustainable growth through efforts to resolve challenges facing society. To further these ends, we have established a Human Capital Management Policy and the Dexerials Way behavioral principles as a global framework reflected in our HR management system to maximize the utilization of human capital.

These frameworks form the corporate culture and values that we prize in our Corporate Philosophy of Integrity and our Corporate Vision of Value Matters. In other words, they are the DNA of Dexerials, elevated into a global common language for our materiality: our human capital.

Fundamental Belief				
We will place talents as the core competence of value creation. The Company and its people are equal partners, and the growth of each individual enhances corporate value.	We aim to be the company of choice for talented and motivated people globally. We will develop value-creating talents with the sense of self ownership.			
Human Capital Management Policy				
People best-matched in roles to execute strategy	Fair evaluation based on duties and results	Market-competitive talents and compensation	Self-directed development of skills and career	Productive, flexible work styles and a culture of mutual respect
Dexerials Way				
The Dexerials Way sets out six Behavioral Principles that embody the Company's DNA and define expected actions. They also serve as performance metrics to support each employee's growth and daily work.				
Focusing on the Customer	We build strong relationships and deliver solutions from the customer's perspective			
Leveraging New Tech & Expertise	We stay current with new digital technologies and services, and build and apply our expertise			
Creating New Value	We develop a global vision and strategy and create new and better approaches			
Focusing on Performance	We tackle difficult challenges effectively and efficiently to deliver results			
Collaborating Internally & Externally	We work across internal and external boundaries to build trust and cooperation with stakeholders			
Optimizing Diverse Talents	We build teams that value diversity and balance individual careers with organizational goals			

**We are integrating our Human Capital Management Policy and the Dexerials Way with our global JOB-based HR Management system.**

## Human Capital Strategies and Initiatives



### Aiming for Sustainable Growth as a Global Company of Choice

The expansion of our business portfolio is part of Dexerials' growth strategy. To support this expansion, we are formulating and advancing Human Capital Strategies to maximize the value of our human capital—the materiality of our company.

Under the current Mid-Term Plan, we are advancing our human capital and business strategies in tandem to strengthen our human capital foundation globally and drive significant business growth.

#### Human Capital Strategies

##### Strategy 1

We will optimize our human capital portfolio to align with our business portfolio. To drive business growth, we prioritize securing talents with high expertise. We have set a target to raise the ratio of engineers to 50% of the workforce, and are advancing talents acquisition, development, and resource allocation.

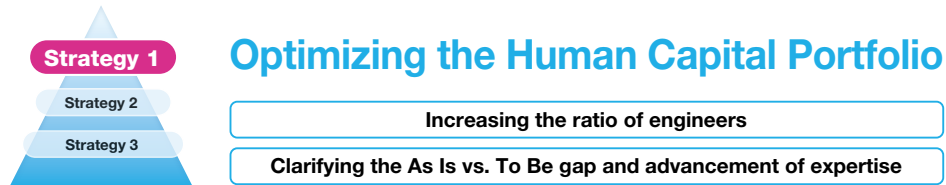
##### Strategy 2

Global system design involves establishing global infrastructure, a common language, and a unified human resources framework. For our globally expanding business operations, it is essential that we leverage talents globally. Since the previous Mid-Term Plan, we have been building a JOB-based HR Management system and other aspects of a shared HR platform across the group. Under the current Mid-Term Plan, we are shifting from building this foundation to putting it into practice, aiming to be a global company of choice for diverse talents.

##### Strategy 3

We are evolving our corporate culture to both align with the Company's Purpose and support employees in fulfilling their own Purpose. We are fostering a supportive culture that values individuals who take the initiative and embrace new challenges that help realize the Company's Purpose.





### A Human Capital Portfolio Aligned with Business Strategy

In an increasingly volatile and uncertain business environment, it is essential for Dexerials to expand its business portfolio strategically. Toward that end, we must enhance both our technology and our human capital, which will allow us to stay ahead of social issues and continue coming up with effective business solutions. To achieve this, we are aligning our business portfolio with management and business strategies and developing a global human capital portfolio by backcasting from the future we envision.

First, we analyze the gap between our current state (As Is) and our targeted future state (To Be) to identify the technologies, skills, and human resources we will need for our 2030 business portfolio. Based on this analysis, we then pursue global talents development and acquisition.

### Enhancing Technology and Human Capital

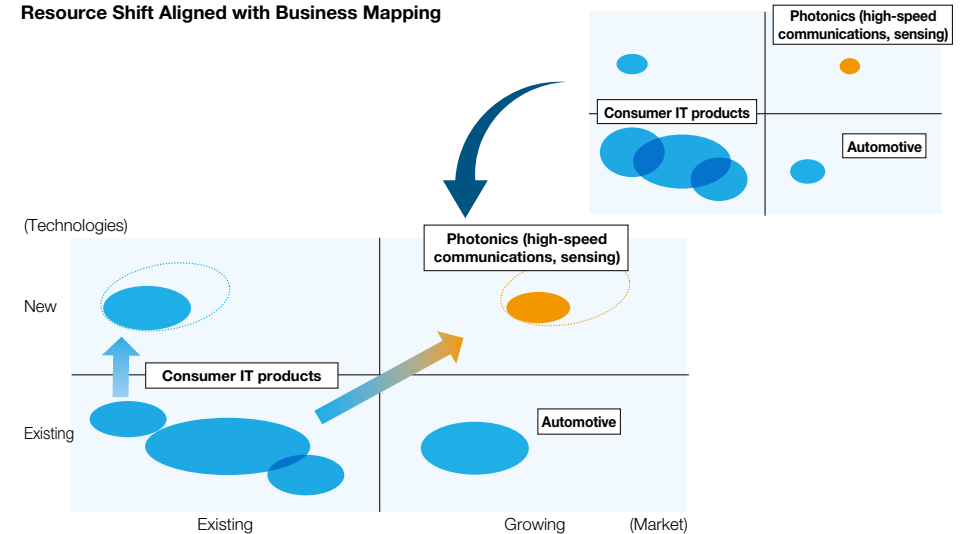
To drive technology development in new business and growth domains such as photonics and semiconductors, and to step up engineering marketing capabilities for new solution proposals, Dexerials is actively recruiting specialized engineers from outside the company globally. We are identifying the technologies that will be essential to our growth and focusing on acquiring and/or developing talents in areas where capabilities need reinforcement. Currently, engineers account for approximately 40% of our global workforce. We aim to increase this ratio to 50% by fiscal 2028, the final year of our Mid-Term Management Plan.



### A Shift and Strengthening of Resources

Dexerials is shifting the focus of talents development and acquisition from consumer IT—one of our current stronghold—to automotive and photonics, and other domains where emerging technologies are expected to drive growth. Photonics and semiconductor technologies are especially essential for developing next-generation solutions, and we are actively recruiting engineers with highly specialized technical expertise globally.

### Resource Shift Aligned with Business Mapping

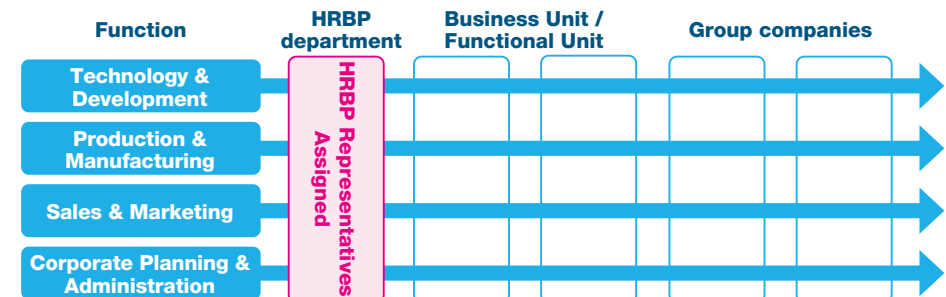


### Visualizing Skills and Technologies of Our Company Materiality Through the HRBP Function

In 2023, Dexerials established the structure to provide a Human Resources Business Partner (HRBP) function to strengthen and optimize its human capital portfolio globally. For these four key functions—Technology & Development, Production & Manufacturing, Sales & Marketing, and Corporate Planning & Administration—we are visualizing current and target states of skills and technologies and taking action to close identified gaps.

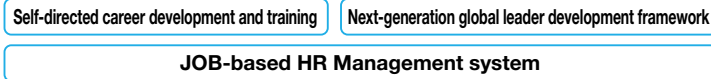
Unlike conventional HR structures that assign representatives to serve as HRBPs within each business unit or division, Dexerials has built a unique HR support framework in which HR initiatives are planned and implemented across organizational boundaries—both in Japan and globally—based on skills and technologies within each function. Aiming to strengthen and qualitatively transform our human capital, we are identifying, assessing, and visualizing priority skills and technologies in line with our growth strategy.

### HR Support via Dexerials' Unique HRBP Structure





## Human Resources Platform as Global Basis



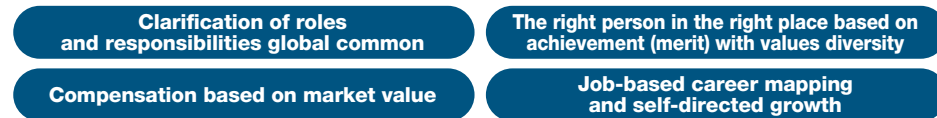
### JOB-Based HR Management System

In fiscal 2024, Dexerials began the full implementation of a global-standard JOB-based HR Management system as the foundation for advancing our Human Capital Strategies.

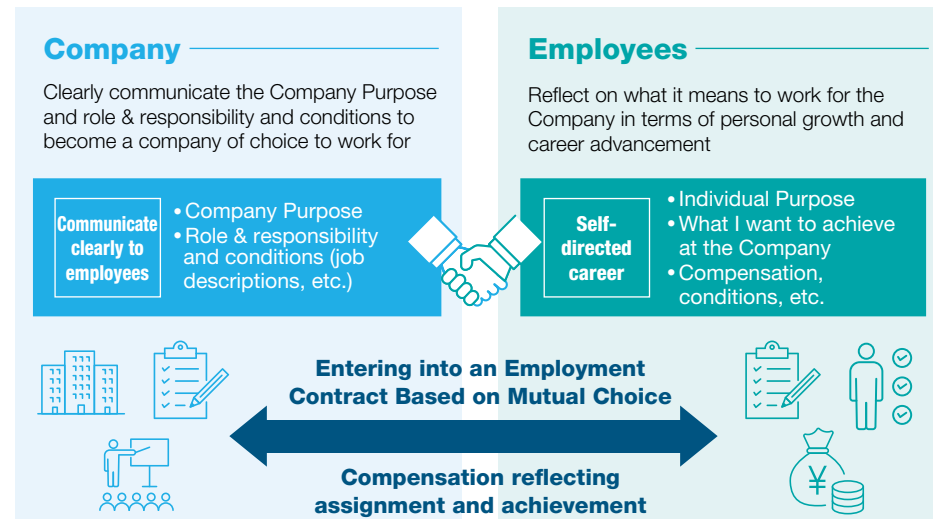
With a global sales ratio of approximately 67%, strengthening collaboration and optimizing structures across borders is essential. Toward this end, Dexerials aims to build partnerships that promote positive engagement between employees and the Company, allowing mutual growth.

By establishing a competitive HR system and practice that respects diversity and individuality, we will evolve our organizational culture and work environment, driving sustainable growth and enhancing corporate value.

### Initiatives of the JOB-Based HR Management System



### Building a Relationship of Mutual Engagement

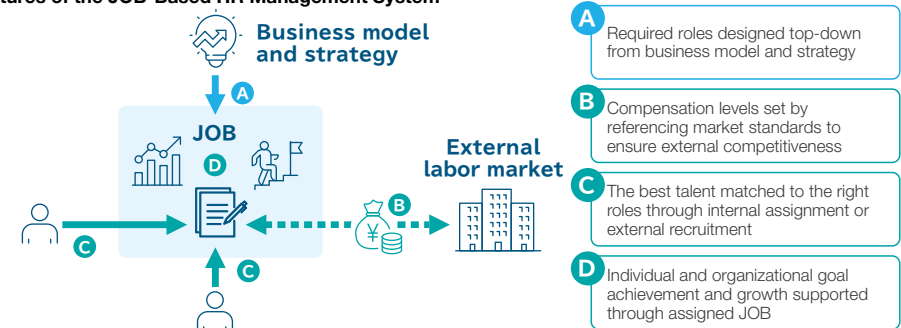


### Strategic Design of Job Responsibilities and Market-Based Compensation

To achieve the targets in the Mid-Term Management Plan 2028 “Achieving Evolution,” Dexerials has designed required job responsibilities, starting with executive and upper-level positions, aligned with its business model and strategy. Each position has clear performance responsibilities, based on which a global structure with standardized grading has been established. Compensation levels by position are determined by benchmarking against companies of similar scale and industry, using government wage statistics and third-party survey databases. We then set compensation levels by country, region, and grade. By comparing these with our systems and levels, we can ensure external balance and enhance Dexerials’ recruitment competitiveness.

Through these initiatives, we will optimize our human capital portfolio and establish a foundation that supports sustainable growth.

### Features of the JOB-Based HR Management System



### Achieving Organizational Goals and Personal Growth

Dexerials’ evaluation system is a framework designed to promote skills development among employees based on the Dexerials Way to maximize the utilization of human capital.

At the beginning of each fiscal year, employees set goals for achievement and behaviors—two axes for balancing the achievement of organizational goals with individual growth. At the end of the year, we have performance review and evaluate both achievements and behaviors taken in line with set goals.

Through this process, employees clarify their challenges and growth opportunities, build self-development plans, and take on new challenges, while driving sustainable growth and enhancing corporate value.

### Career Development Based on JOB Responsibilities

As a basis for employees to grow self-directedly and design their own careers, Dexerials is gradually making all formalized job architectures and career maps available internally for all employees. To expand career possibilities, we have also introduced an internal job posting system that allows employees to apply for any job that interests them from among a wide range of departments and positions. This system encourages employees to enhance their skills and pursue a career that they envision for themselves.

Going forward, we will further enhance our global talents management system and make active use of HR data to implement initiatives that support employees’ further growth and encourage taking on new challenges.

## Talent Development Approach

We want our employees to take proactive work style in which they are constantly learning, thinking, acting, and growing. In turn, Dexerials shall create an environment that supports this approach and clearly articulate the aim of fostering mutual growth for both employees and the Company.

## Talent Development Initiatives

To achieve sustainable growth, we are aligning our HR systems and practices with our talents development initiatives. This approach focuses on unlocking each employee's potential and maximizing our human capital to foster a creative and dynamic organizational culture.

We encourage employees to be self-directed in their learning and have established a system that supports their development, along with a wide range of training programs that enable every individual to rise to their full potential. We also prioritize developing the next generation of leaders to drive our business forward by providing education that fosters a management perspective and practical learning opportunities. In this way, we aim to nurture talents capable of contributing to ongoing corporate value enhancement.

We will continue to build a globally unified education and training system while advancing our organizational culture and work environment to drive sustainable growth and enhance corporate value.

### Key Points

- “Company-led” and “Self-selective” (selection of content meeting individual needs)
- Linkage between growth strategy, the JOB-based HR Management system, and education and training programs



**In addition to the existing training system, we are expanding opportunities that allow employees to choose what they want to learn to support their own growth.**  
**Strengthening human resources by aligning with business strategies and the JOB-based HR Management system**

## Programs Supporting Self-Directed Learning and Growth

Starting in fiscal 2024, we began promoting cross-disciplinary learning and interaction opportunities with other companies through open courses offered by business schools. Such opportunities expose employees to trends and diverse values from outside the company, broadening their perspectives and fostering practical learning and growth. We also offer online video learning services to all employees who wish to participate, to support their self-development, providing a structured environment for acquiring knowledge, from business fundamentals to practical skills and applications. These initiatives are building a framework that enables every employee to learn and grow independently on an ongoing basis.

## Selective Next-Generation Leadership Development Program to Strengthen Our Management Base

To further strengthen our management base, we have been conducting a next-generation management candidate development program for selected members from across the Group, including global sites. The D-BLP<sup>\*1</sup> program for management-level employees, launched several years ago, hones the critical thinking, judgment, and creativity needed to address challenges from a management perspective. Participants formulate viable business proposals and gain practical experience, learning how to directly enhance business operations with support from executives, in a process that broadens their leadership perspective as next-generation management candidates.

In fiscal 2024, we also launched our FIP<sup>\*2</sup> program for non-managerial employees, designed to systematically cultivate leaders from an early stage who will drive our future transformation. Participants include diverse members from Group companies worldwide, who engage in six months of discussion and collaboration centered on the theme of strategic planning for creating new value. We designed this original program by taking into account recent changes in internal and external environments. It provides practical learning opportunities rarely available on their own assignment, such as exchanges with senior management and D-BLP graduates, dialogues with leaders active outside the company, and fieldwork focused on real business issues. Participants reflect on their leadership skills as they cultivate the capacity to deal with difficulties. After the program ends, they go on to tackle new challenges in their respective departments. We will continue to develop and expand these programs, with a commitment to cultivating a new generation of leaders.

<sup>\*1</sup> Dexerials Business Leadership Program

<sup>\*2</sup> Dexerials Future Innovators Leadership Development Program



Employee's  
Voice

### Gaining a Broader Perspective and a New Approach to Work Through FIP

**Lori Lu**

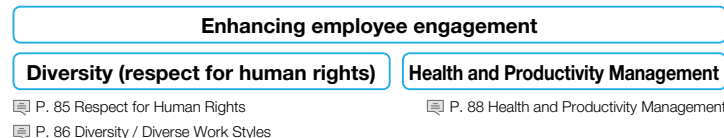
Global Sales & Marketing Division,  
Strategic Sales Department

Before this program, I tended to focus on tasks immediately ahead of me. I mainly wanted to do a good job on the work expected of me. However, participating in FIP taught me the importance of understanding the company's overall direction and the purpose behind each task, which in turn significantly changed my approach to my own work. Plus, by having discussions with participants from different departments and backgrounds, I've become more open to diverse perspectives and now feel confident expressing my own opinion without fear of conflict. Building horizontal connections with participants I previously had no contact with was another valuable outcome. I will leverage this achievement in my work and communications going forward.



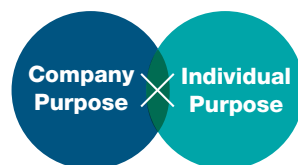


## Evolving Our Corporate Culture



### Maximizing the Alignment of Company and Individual Purpose

The Group established its Purpose in 2024 as “Empower Evolution. Connect People and Technology.” Under our JOB-based HR Management system, we have established required job duties aligned with our business model and strategy. By making job functions and career paths visible to employees, we encourage career autonomy. In a mutually engaged relationship where the company and employees choose each other, it is essential that the corporate Purpose resonates with and overlaps with employees’ individual Purposes. This aligns the company and its employees with business strategies, leading to innovation. Also, it will strengthen long-term Engagement, helping us build a more resilient and sustainable organization together.



### Career Support and Dialogue Through 1-on-1 Meetings

To support employee growth and career development in the medium to long term, we actively promote regular 1-on-1 sessions with a supervisor. Even within the JOB-based HR Management system, ongoing dialogue throughout the year is vital for aligning individual and organizational goals. Through conversations between employees and their managers, we help employees pursue personal growth and find their individual Purposes. The efforts also help to foster a culture that values open dialogue.

By fiscal 2024, we had conducted 1-on-1 training on effective conversations for senior management, general managers, and managers, and have since expanded the program to include assistant managers. We will continue to strengthen our corporate culture that balances career autonomy with sustainable organizational growth through ongoing system implementation.

#### Career Support Through 1-on-1s



### Direct Communication with Top Management

To deepen understanding of our Purpose and expand the alignment between corporate and individual Purpose, top management conducts direct communication sessions on a regular basis. These sessions are provided for managers who have been newly promoted to general manager-level or manager-level positions—key milestones in their careers. They offer opportunities for these managers to engage directly with top management, experience the company’s vision firsthand, and exchange ideas, and issues, thereby strengthening team-building between top management and frontline leaders.

### Engagement Survey to Assess Mid-Term Management Plan

The Group conducts an engagement survey every two years to monitor alignment with the Mid-Term Management Plan.

In the 2024 survey, new questions were added to assess the degree of implementation of our Corporate Philosophy and Vision, and to measure employees’ empathy with Dexerials’ Purpose, aiming to achieve engagement that reflects our corporate identity. The survey revealed positive results in these areas, which underpin our corporate culture.

Against the results of the 2022 engagement survey, overall engagement among general managers and managers improved, along with categories related to goal and performance management, including supervisory practices. We attribute these improvements to the transition to a JOB-based HR Management system, which has brought increased clarity of alignment between business strategies and job or performance objectives.

Meanwhile, categories related to the acquisition, assignment, and utilization of talents remain ongoing challenges. We aim to address these by transforming our human resources to our targeted portfolio and by supporting employees in achieving Designed career by themselves. These initiatives are closely linked to our Human Capital Strategy. Following the Updating of HR platform, We will promote a PDCA cycle to tackle these challenges through the utilization (activation) phase and enhance employee engagement.

#### Monitoring Linked to the Mid-Term Management Plan

(FY)

Previous Mid-Term Plan		Current Mid-Term Plan				
2022	2023	2024	2025	2026	2027	2028
Survey	→	Survey	→	Survey Scheduled	→	Survey Scheduled

#### Results of 2024 Engagement Survey



Special  
Feature ②

## J-ESOP—Creating Value for Employee Shareholders

The Stock Grant Plan (J-ESOP) is a framework designed to align each employee's personal growth with the growth of the company. In July 2025, under the J-ESOP scheme, we granted shares of our stock to all employees in Japan. By becoming shareholders, employees are encouraged to consider corporate value and connect the company's growth with their own work. We aim to make this mindset a driving force for sustainable growth.

The perspective of being an employee-shareholder is gradually spreading into daily actions and awareness. To further strengthen this sense of ownership, we invited IR/ESG consultant Makiko Hamabe to lead a workshop with employees on the theme of "What does it mean to enhance corporate value as a shareholder?"

In this feature, we introduce the significance of J-ESOP as learned and shared by next-generation employees through these discussions, along with the changes in awareness that emerged.

## What is Dexerials' Stock Grant Plan (J-ESOP)?

J-ESOP was introduced in 2016. This system grants shares of the company's stock to employees. As shareholders, employees receiving stock can benefit from dividends and, if the price rises, from the increase in share value. The system applies to all Japan-based employees.

From left:

**Haruka Ashikawa**

Global Sales & Marketing Division  
Assistant Manager, Sales Promotion & Control  
Section 1, Sales Strategy Administration Dept.

**Yuko Kibushi**

Optical Solutions Business Unit  
Senior Manager, Quality Assurance Section 1,  
Quality Assurance Dept.

**Naoya Saito**

Corporate R&D Division  
Senior Manager, Development Section 2, Advanced  
integration process technology Development Dept.

**Makiko Hamabe**

IR/ESG consultant

**Yuko Murase**

Corporate Strategy Division  
IR Section, PR & IR Dept.

**Yuichi Tanabe**

Production Strategy Division  
Senior Manager, Production Control  
Section 1, Production Planning Dept.

**Genki Nakai**

Human Resources Division  
Senior Manager, Labor Affairs & Payroll  
Section, HR & Labor Service Dept.



## The Significance of J-ESOP as Seen by Employee Shareholders

**J-ESOP is a system that enables employees to truly feel the connection between their own efforts and the company's growth.**

**Kibushi** J-ESOP gives me a real sense of purpose. I feel that if I work hard, the stock price may rise, and that benefit could be shared with myself and those around me.

I belong to the Quality Assurance Department. If a major quality issue occurs, the stock price will fall, so I realize that I play an important role in preventing that. Going forward, I intend to approach my work with this new perspective in mind.



**If my efforts help raise the stock price, that benefit can be shared with myself and those around me.**

— Yuko Kibushi

**Saito** I'm in R&D. I've come to realize that if I don't generate seeds for new businesses, the company's value will decline, and that I need to keep moving upward to prevent that.

I also need to be aware that the efforts I make are not just what is reflected in my performance evaluations, but in contributions to the organization that shareholders and investors can see. If those efforts are rewarded with a higher stock price, I will benefit, and so will the company.

**Ashikawa** Receiving stock grant reminded me that I am not only part of a listed company but also one of its shareholders. This renewed my sense of belonging and strengthened my desire to contribute. If every employee shares this mindset and works to enhance corporate value, and if that ultimately benefits our stakeholders, then J-ESOP is truly an excellent system.

As a member of the Sales Promotion & Control Section responsible for product supply, I feel a strong sense of responsibility to ensure that the value we create is delivered properly to our customers.

**Nakai** I work in the HR & Labor Service Dept., and as a labor

and social security attorney, I'm always careful to ensure legal compliance. I think compliance in our work every day is also important from a shareholder awareness perspective.

In addition, our ability to hire people who can create new value and technology is a major challenge. We must also carefully review our talents portfolio and resource re-allocation, even at the operational stage. I feel a great responsibility to fulfill our mission, which is to create environments where employees can work productively.

**Tanabe** I'm in a central location in the supply chain, since I'm responsible for production management. I have always monitored the stock prices and press releases of direct and indirect customers, as well as suppliers.

But I didn't view my daily work from a shareholder's perspective. Adopting that perspective may change some of the decisions I make. I set goals and manage progress meticulously, but I think I can start incorporating organizational goals from a shareholder's perspective right away.



**Adopting a shareholder's perspective changes how we view our work and how we set our goals.**

— Yuichi Tanabe

### Fostering Behavioral Change Through Shareholder Awareness

**Nakai** Until now, I have been setting my own mission and goals based only on the mission and objectives of the higher-level organization, such as the department or division. I'd like to elevate my perspective by adopting the shareholder viewpoint consciously, deeply understand the challenges faced by higher-level organizations, internalize them, and establish them as goals for my team.

**Murase** As an IR staff member, listening to your comments brings home the importance of in-house IR. From now on, I will make even greater efforts.

**Saito** I used to feel the pressure and anxiety of knowing that unless R&D created something new, sales wouldn't increase. But I think the best thing is to be happy that people both inside and outside the company are watching what I do. If I tackle an entirely new challenge, my efforts are being seen and evaluated by others. I want to enjoy being recognized for what I accomplish.



**When each employee strengthens their sense of ownership and belonging as a shareholder, it contributes to enhancing corporate value.**

— Haruka Ashikawa

**Ashikawa** To enhance shareholder and stakeholder satisfaction, I first need to enhance my own and my team's sense of fulfillment. Otherwise, we won't be able to give back effectively. The mood in my department is tense, since we are constantly engaged with customers. As such, I'm mindful of the need for operational improvements to reduce waste and needless effort, as well as to ensure psychological safety. My challenge is to promote systematic operations to enhance satisfaction on the part of my team and the people we work with. I will work to create those structures.

**Kibushi** I agree. In the Quality Assurance Dept., we work hard to prevent problems from occurring. When there is a problem, the psychological pressure is considerable, and a lot



**I want to elevate my perspective and incorporate a shareholder mindset into the goals I set for my team.**

— Genki Nakai





When I take on something entirely new, I know that my efforts will be recognized and valued by the world.

— Naoya Saito

of additional work becomes necessary. As such, we want to systematize procedures to prevent problems at an early stage. This reduces the psychological and operational burden.

Understanding that shareholders evaluate and invest based on their grasp of our systems and initiatives, I want to work with awareness that the cumulative effect of the small tasks I handle each day ultimately contributes to our stock price.

**Murase** Because part of my work involves meeting with investors, I want to communicate our perspectives effectively to them, and share detailed investor perspectives with our employees. The workshop made me want to work with everyone to enhance the value of our company.

J-ESOP is a system that enables employees to internalize corporate and shareholder value as their own. By experiencing the company's growth through its stock price, employees gain a strong incentive to work toward enhancing value.

I realized that enhancing corporate and shareholder value can't be achieved without the involvement of different departments, and that each one has its own contribution to make. I want to maintain that awareness too, and enhance corporate and shareholder value together with everyone.



Enhancing corporate and shareholder value requires contributions from every employee in their own way. As one of them, I am committed to playing my part in driving value creation.

— Yuko Murase

## » Workshop Report

We conducted a workshop to deepen employees' understanding and sense of ownership as shareholder-employees. Here is a glimpse of the session.

### Why Do Stock Prices Fluctuate? Considering Market Capitalization and Factors in Stock Price Fluctuation with Employees



**Hamabe** Through the J-ESOP system, you have become Dexerials shareholders. As shareholders, the first thing you need to understand is that corporate value is not measured only by the share price but also by market capitalization, which is calculated by the share price multiplied by the number of outstanding shares.

Do you know our company's market capitalization and where it ranks in the industry?  
(After learning the calculation formula, employees reviewed the market capitalization and rankings of their company and its business partners.)

Now that we understand market capitalization, let's consider one of its components: the share price. What do you think causes the price of a stock to fluctuate?

**Ashikawa** Looking at a chart of our stock price, I see that it rose significantly in 2021 and 2022. The reason is because the COVID-19 pandemic took place during that period. Demand for smartphones, laptops and tablets was very strong. There was demand even when airports were closed, and we had something to supply that demand. Even under those

conditions, the stock price continued to move.

**Nakai** Wouldn't the reason for that be announcements of business results? New product releases would probably also have an influence.

**Hamabe** Generally speaking, the price of a share of stock moves in response to overall movements in the stock market, and to factors specific to each company. Individual company factors can include corporate performance, expectations or concerns about future growth potential, and actions to benefit shareholders, such as dividends and buybacks. Various incidents, such as compliance issues or disasters, can also have an impact. You should therefore understand that our company's stock price moves due to a variety of different factors like those I just mentioned.

### Looking at one's company from the perspective of an investor

**Hamabe** The fact that the company has a market capitalization and a stock price is because it is listed on a stock exchange. But not all large companies have stock listings. There are many very large companies that are unlisted. This is because there are advantages and disadvantages to listing. Can you think of some advantages and disadvantages to being listed on a stock exchange?

**Tanabe** Listing on an exchange raises your profile. More people will want to work at that company, and people will trust it.

**Kibushi** The advantages include gaining external trust and improved access to financing from financial institutions. The disadvantage is that any serious incident can lead to a decline in the stock price.

**Murase** If information is not communicated accurately, it can affect the stock price. In that sense, the role of investor relations (IR) is critically important.

**Hamabe** That's right. For listed companies, IR communication with the stock market is very important. The main advantages of a stock market listing include:

- 1) Securing long-term, stable funding and strengthening financial health
- 2) Enhancing corporate visibility and increasing social trust
- 3) Attracting outstanding personnel and improving employee motivation

4) Leveraging feedback from the stock market to support management decisions

The fourth advantage, in particular, cannot be achieved without effective IR activities.

On the other hand, there are disadvantages to being listed:

- 1) Exposure to risks such as hostile takeovers and activist investors
  - 2) The need to gain market understanding of management policies and decisions
  - 3) Mandatory disclosure of corporate information and performance
  - 4) Managing a proper balance in the relationships with founders or parent companies
- In other words, management must be carried out with shareholder understanding, which can pose challenges for listed companies.



**Ashikawa** Considering both the advantages and disadvantages of being listed, I believe introducing the J-ESOP system to give employees a shareholder perspective is a positive step for both the company and its people.

**Hamabe** And it's wonderful that the system is available to all Japan-based employees. So now that you have a shareholder perspective, I would like to ask once again: What do investors and shareholders see as the strengths and challenges of Dexerials?

**Tanabe** Probably that we manufacture unique niche products with high market shares. I am personally very proud of that.

**Saito** One of our strengths is the ability to align our technology focus areas with market trends.

**Kibushi** Another strength lies in our agility and resources, which enable us to anticipate changes and take proactive action.

**Tanabe** However, having many overseas customers makes us vulnerable to currency fluctuations, and the fact that our factories are located in earthquake-prone Japan may be perceived as a risk by investors.

**Hamabe** I'm glad to see you all taking a bird's-eye view of your company. Now I'd like to ask IR staff member Yuko Murase to explain where investors actually perceive strengths and challenges.

**Murase** Thank you. First of all, our business model is to develop products in collaboration not only with direct customers, but with end customers. That has enabled us to create a large number of single-source products, which is a great strength.

Investors are impressed by our technical ability to bring together diverse technologies. Investors also expect growth in areas such as the optical semiconductor and automotive business, as well as from the expansion of high value-added and highly profitable products.

Challenges range from high sensitivity to exchange rates and concerns about volatility (price fluctuations), to the short track record of business growth. There are also concerns about the potential difficulty of securing talents to continuously pursue cutting-edge technologies.

Investors may ask about everything from growth and personnel strategies, to the uniqueness of specific technologies.

**Hamabe** Investors are interested in all the key factors that contribute to a company's growth.

Recent years have seen significant changes in the business environment, and companies are expected to update their management methods. For example, picture yourself on a down escalator, but facing upward. If you try to climb, you'll just stay in place.

If you can climb faster than the escalator descends, you will rise slowly and ultimately achieve growth. On the other hand, if you're content to stay in one place, you'll descend rapidly. That's the tough sort of world we are in.

In such an environment, if each of you make a conscious effort to contribute to our company's growth, we will become a company that can solve customer challenges. This is what makes you different from ordinary shareholders. Each of you can help the company grow through your own efforts. Through your efforts, customers choose your company, and their choice is reflected in sales and profits that can be used for your compensation, for other investments, and for shareholder returns, enabling you to solve even more challenges. This is exactly the growth cycle that listed companies should pursue.

## For Each Employee to Adopt a Shareholder Perspective and Aim for Medium- to Long-Term Enhancement of Corporate Value

In recent years, an increasing number of listed companies have been compensating their senior managers in part with stock grant. The aim is for such grant to act as an incentive to enhancing medium- to long-term corporate value, strengthening earning power, and encouraging management to be mindful of shareholder perspectives. At Dexerials, by extending this stock grant plan beyond senior management to all employees, it is understood that the company expects each of you to aim for medium- to long-term enhancement of corporate value through the incentive of stock ownership, and to approach your work from a shareholder's perspective, to be mindful of stock prices and view the company objectively.

As such, this workshop was intentionally designed and is being conducted to help participants gain a broad perspective of their company as a publicly listed enterprise, and to recognize the fact that they themselves can contribute directly to enhancing corporate value. I can sense that the awareness of our six participants has changed significantly. We hope you will each take your transformation back to your team. And as similar workshops spread further, they will lay a foundation for all employees to collaborate to enhance corporate value. The outlooks and actions of each employee will converge, forming a powerful wave that propels the company forward. I hope this workshop will be a first step toward that end.



**Makiko Hamabe**

IR/ESG consultant

Representative of Makiko Hamabe Office and an outside director at several publicly listed companies. In 2000, she established the IR department at Yahoo Japan Corporation (current LY Corporation), where she served successively as Head of Stakeholder Relations (SR), and Director of the President's Office and Corporate Evangelist. In 2021, after serving as Executive Officer of dip Corporation, she became independent.



## Communication with Shareholders and Investors

At Dexerials, we believe that timely and appropriate disclosure to shareholders and investors is essential for ensuring transparency and fairness in decision-making and supporting effective corporate governance. Such disclosure also plays a key role in promoting understanding of Dexerials and achieving fair market valuation, which contributes to the sustainable enhancement of corporate value.

Beyond statutory disclosure, we proactively share financial and non-financial information through our website

and other channels to deepen understanding of the Company and its businesses. We also strive to maintain a highly transparent and trustworthy disclosure framework.

When holding dialogue with our investors, we designate representatives based on the investors' policies, attributes, and discussion topics. In addition, we provide opportunities for senior management, including the president, to engage directly with investors and shareholders in Japan and overseas, alongside our IR representatives.

### Investor Relations Activities (FY2024)

Activity	Number of sessions	Description
Financial results briefings for analysts and institutional investors	4	Hosted a briefing session each quarter (with the president and the executive officers as speakers) Posted financial results materials (financial results, presentation, Q&A summary, video) on our website by the day after the briefing session
Meetings with analysts and institutional investors (of which, those hosted by the president and other executive officers)	380 (82)	Held 1-on-1 interviews with analysts and institutional investors in Japan and globally; conducted meetings during conferences and other events
Corporate briefings for individual investors	2	Hosted an online corporate briefing session for individual investors Posted the session video on our website
Facility visits for shareholders	1	Conducted a tour for shareholders, featuring explanations of the optical semiconductor business and technology exhibits, following the Annual General Meeting of Shareholders (June 2025; Headquarters and Tochigi Technology Center)

### Internal Dissemination of Feedback

The opinions and evaluations received from our shareholders and investors are shared with our management team and widely across our organization, and the knowledge gained from the capital markets is applied to our business management and activities.

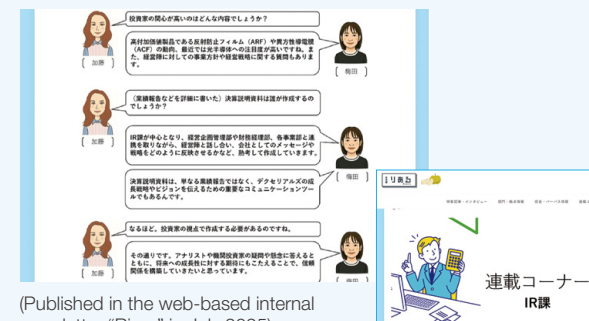
Activity	Target group	Frequency	Description
Reporting of IR activities to the Board of Executive Officers	All executive officers	Monthly	Sharing capital market insights on management improvement and corporate value enhancement; these include analyst reviews, investor opinions, and the state of share price and valuation
Sharing of analyst report summaries	All executive officers Relevant divisions	As required	Sharing summaries of the analyst reports issued by securities companies via e-mail, etc.
Reporting of financial results announcement and briefings	All employees	After the announcement of financial results	Sharing via e-mail the financial results summary, along with investors' points of interest and evaluations of the Company
Internal newsletters	All employees	Regular	Communicate of information related to our IR activities in our internal newsletter "Riaru"

### Internal IR

Dexerials also conducts internal IR activities utilizing the web-based internal newsletter "Riaru."

We regularly disseminate information in easy-to-understand formats, encompassing topics that incorporate diverse perspectives. This includes information on capital market and related areas, on our Stock Grant Plan (J-ESOP) initiatives, and on the General Meeting of Shareholders.

We deploy an interview format to ensure readability and provide commentary starting from the basics in our series of articles on staff in charge of IR.



(Published in the web-based internal newsletter "Riaru" in July 2025)

Additionally, we are implementing initiatives to increase interest in Dexerials IR undertakings by including scenes from IR activities.

In the current year, we carried an article feature on a roundtable discussion with employees who participated in visits to overseas investors.



(Published in the internal web-based newsletter "Riaru" in August 2025)