Chapter 02

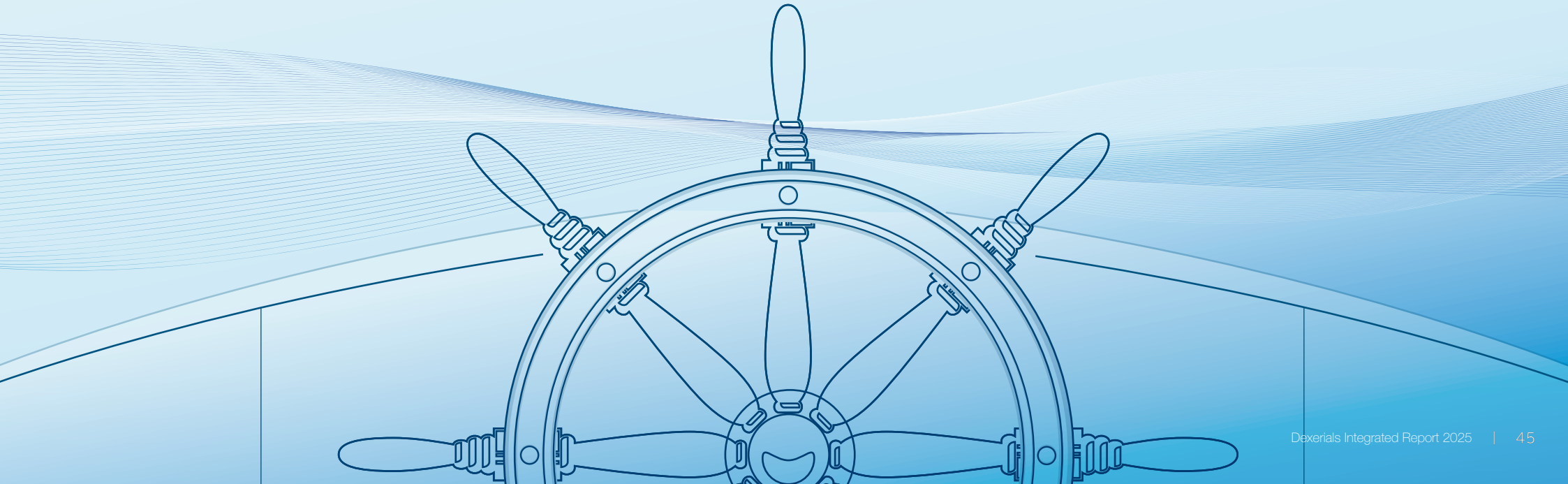
Setting a Strategic Course Toward Evolution

Realization of our Purpose

Setting a strategic course to enhance sustainable growth and the quality of corporate value anchored in new systems for corporate governance, strategy, and risk management

Key Points

- Strengthening the corporate governance structure
- New systems: Corporate Strategy Division
- Strengthening the corporate risk management structure



Special Feature ③

Strengthening Corporate Governance to Achieve Sustainable Growth and Enhance Corporate Value

Our Purpose, “Empower Evolution. Connect People and Technology,” reflects our firm commitment to providing the essential materials and solutions that drive the evolution of digital technologies that support efficient societies. Through addressing social issues, we aim to expand our business and contribute to the realization of a sustainable society. Realizing this requires the Board of Directors to respond to major environmental shifts and diverse risks by facilitating rapid and decisive management of operations, while also further enhancing supervisory and monitoring functions.

In June 2025, the Board of Directors renewed and strengthened its governance framework when it welcomed three new members, while maintaining its lean organizational structure. We regard this strengthening not merely as an organizational adjustment, but as a new step toward realizing sustainable growth and enhancing corporate value. We remain committed to fulfilling our Purpose, contributing to the realization of a more prosperous and efficient society, and advancing both economic and social value, thereby driving sustainable growth and an improvement in our corporate value.

P. 66 Corporate Governance

Skills Matrix of the Board of Directors

Position	Name	Appointment and selection rationale	Area of expertise held by Directors that they are particularly expected to demonstrate					
			Corporate management	Technology management	Sustainability management	Global business	Legal, compliance, and risk management	Finance and accounting / Capital policy
Representative Director and President Nomination and Remuneration Committee Member	**Yoshihisa Shinya** (Male)	Mr. Yoshihisa Shinya has played a central role in product development with regard to the Company's entry into new business fields and possesses deep insight into technology as well as extensive experience in business operations. The Company judges that he is capable of appropriately fulfilling his duties as Representative Director and therefore has appointed him to this position.	●	●	●	●		
Representative Director Nomination and Remuneration Committee Member	Newly Appointed **Katsushi Kitajo** (Male)	Mr. Katsushi Kitajo has a wealth of experience and deep insight as a manager with his experience at a financial institution in corporate management as a Director and an Executive Officer and his involvement in investment and financing business, and in addition, with his experience as top management overseas and an Outside Director of another company. The Company judges that he is capable of appropriately fulfilling his duties as Representative Director and therefore has appointed him to this position.	●		●	●		●
Outside Director Chairperson of the Nomination and Remuneration Committee	Newly Appointed **Kazuo Hosoya** (Male)	Having served as the Representative Director and Chairman of a global company, Mr. Kazuo Hosoya has deep insight into corporate management. The Company judges that he can provide useful advice for the Company's management from an objective and professional perspective and that he can contribute to strengthening the Company's growth strategy and business development, and therefore has appointed him as an Outside Director.	●	●	●	●		
Outside Director Nomination and Remuneration Committee Member	**Satoshi Taguchi** (Male)	Having held important posts at global companies, Mr. Satoshi Taguchi has deep insight into corporate management. The Company judges that he can provide useful advice for the Company's management from an objective and professional perspective and that he can contribute to strengthening the Company's risk management and supervision of business execution, and therefore has appointed him as an Outside Director.	●		●	●	●	
Outside Director Nomination and Remuneration Committee Member	**Toshihiro Hagiwara** (Male)	Having held important posts at a foreign investment fund, an M&A advisory firm, and technology-related human resource service companies, Mr. Toshihiro Hagiwara is well versed in each field of corporate acquisitions, finance, accounting, and tax affairs. He also has deep insight into corporate management with an awareness of capital markets and has abundant practical experience. The Company judges that he can provide useful advice for the Company's growth strategy, capital policy, etc. from an objective and professional perspective and therefore has appointed him as an Outside Director.	●		●			●
Outside Director Chairperson of the Audit and Supervisory Committee	**Tetsuyuki Kagaya** (Male)	Mr. Tetsuyuki Kagaya has deep insight into finance and accounting, evaluation of corporate value, risk analysis, etc. as a university professor. The Company judges that he can contribute to strengthening the audit and supervisory functions from an objective and professional perspective and provide useful advice for promoting ESG management, and therefore has appointed him as an Outside Director serving as Audit and Supervisory Committee Member.			●			●
Director Full-time Audit and Supervisory Committee Member	**Masato Taniguchi** (Male)	Mr. Masato Taniguchi has deep insight into the Company's business, gained through his experience of serving as general manager of engineering and manufacturing units and in key positions at overseas manufacturing sites, and a proven ability to engage in smooth communication with frontline operations. He also has a wealth of experience and insight into audit practice through his service at the Company's audit department and as an Audit and Supervisory Board Member of subsidiaries. The Company judges that he is capable of performing objective and appropriate audits from a professional perspective and therefore has appointed him as a Director serving as Audit and Supervisory Committee Member.		●	●		●	
Outside Director Audit and Supervisory Committee Member	Newly Appointed **Yoshiko Nakayama** (Female)	Ms. Yoshiko Nakayama has deep insight and practical experience in corporate legal affairs, mainly international legal affairs, as an attorney-at-law, and as a person in charge of legal affairs at companies. The Company judges that she can contribute to strengthening the audit and supervisory functions from an objective and professional perspective and provide useful advice on compliance and corporate governance, and therefore has appointed her as an Outside Director serving as Audit and Supervisory Committee Member.			●		●	

Note: Female representation in the above board structure is 12.5%

Feature ③ Messages from the Outside Directors

Promoting Rapid, Decisive Decision-Making with Commitment to Proactive Governance

To quickly identify customer and market needs, fully deploy our combined strengths in technology and human capital, and realize our Purpose under our unique business model, we are formulating and executing our Mid-Term Management Plan, which is our strategic scenario. Our management team effectively balances prudence in steadily expanding existing businesses and innovation in boldly pursuing new ones, while allocating resources appropriately. I believe we have a powerful, stable management team.

Executing the Mid-Term Plan is a critical near-term priority, directly tied to the interests of our shareholders and investors. As the Board of Directors, we continuously consider how best to engage with our employees executing the plan and with the customers whose response will determine its success. Working in collaboration, we monitor the progress of the Mid-Term Plan in a timely manner. I have extensive experience in corporate legal affairs, specifically in areas such as strategic legal planning, preventive legal measures, and development of governance frameworks. In my previous executive roles, I was also involved in strategic planning, formulation, and execution of initiatives across departments such as Human Resources, Public Relations, Procurement, and Information Systems.

Drawing on my accumulated knowledge and experience, **I participate in diverse meetings and strive to offer fresh perspectives and values from an external viewpoint, particularly regarding big-picture company management and operational policy issues.**

Going forward, **I will continue to take appropriate risks with transparency, strongly prioritize proactive governance for rapid, decisive decision-making, and voice my opinions actively.**

Satoshi Taguchi
Outside Director

Aiming to Balance Growth Investment and Shareholder Returns from the Investor Perspective

In our previous Mid-Term Plan, “Challenges for Evolution,” we established a foundation for growth by enhancing our ability to generate earnings and strengthening our management foundation. During the current Mid-Term Plan, “Achieving Evolution,” we anticipate even higher levels of external uncertainty than before, along with the rapid advancement and adoption of technologies. This is a time when our company’s sustainable competitive advantage, our economic moat*, and our resilience in overcoming adversity are being tested. We thus feel keenly the importance of progressing the Mid-Term Plan steadily. Around a decade ago, I served as CFO at another company that had gone public and grown to a market capitalization comparable to ours. In that role, I engaged sincerely with the capital markets and promoted constructive dialogue with investors.

It is essential that we clearly communicate our medium- and long-term growth story and our ability to execute it to potential as well as current shareholders, particularly institutional investors who plan to hold our stock for the long term. I offer quantitative and logical recommendations from an investor’s perspective to communicate how we will execute our current Mid-Term Plan, to “achieve sustainable growth and enhancement of corporate value by balancing growth investments and shareholder returns.”

The clarity and specificity of our medium- to long-term strategy has also improved. Within the Board of Directors, new members with diverse skill sets are engaging in fresh discussions focused on value creation by solving social challenges.

In addition to our internal governance functions, we leverage external market discipline to support the Company actively, while maintaining our strong appetite for growth.

* Economic moat: A barrier to entry formed from a company’s strong competitive advantage over its competitors.

Toshihiro Hagiwara
Outside Director

Strengthening the Braking Function to Manage Risk Appropriately

By developing products ahead of changes in market trends and technology, we have consistently delivered high-value products to customers and captured strong market share for numerous products. To further innovate this business model, we have progressed initiatives that include restructuring sales functions and production bases, and pursuing M&A in growth business areas. **Based on this solid management foundation, the current Mid-Term Plan must challenge us to achieve growth in new business areas. To reach the ambitious goals outlined in the Mid-Term Plan, even more rapid and dynamic decision-making and execution are required.** The Board of Directors must further strengthen its function as an engine driving realization of growth strategies, as well as its function as a brake that manages risk appropriately.

In June 2025, I was appointed to serve as the Chair of the Audit and Supervisory Committee, and have assumed a key role in strengthening the Board’s role as a check on management. Through my academic research, I studied the latest trends in corporate governance, and I will apply up-to-date practical knowledge I acquired as an educator through executive education to further support our company’s initiatives.

In addition to the high-value business domains we have built thus far, we aim to further enhance our earning power in core areas of next-generation digital technology, while contributing to economic and social development.

I will continue promoting active discussions, providing guidance toward achieving the Mid-Term Plan, and overseeing our efforts.

Tetsuyuki Kagaya
Outside Director

Feature ❸ Messages from Newly Appointed Outside Directors

Contributing to the Development of High-Value-Added Business Leveraging Automotive Industry Expertise

I have worked in the automotive industry for many years. My experience spans a wide range of functions, from manufacturing and sales to overall management. **The focus of my long career has been determining which customer needs to focus on while maximizing the Company's strengths, and ensuring the delivery of a unique value proposition that clearly distinguishes the brand from others. I believe that the perspective I have gained through my experiences can contribute meaningfully to addressing our company's management challenges and supporting its future growth.**

Today's world is undergoing significant changes and evolution, creating new social challenges one after another. The growing social demand to address these challenges is spreading rapidly and globally. IT, optical, and communications technologies are key tools for addressing emerging social issues, and we support the rapid advancement of these tools through innovations in advanced materials.

To maintain these efforts, it is critically important to identify future social challenges and technology needs, develop proprietary advanced technologies to address them, and secure the mass production and commercialization that will enable their widespread adoption. The role that our company plays, from the perspective of social contribution and industrial advancement, has major value. I will provide guidance on management challenges in generating this value and oversee our initiatives by applying my experience.

Many of our products possess unique value backed by solid technological capabilities. Our value-added businesses are built on strong profitability, which generates resources for future investment and supports the development and delivery of even more high-value products. These processes are essential to ensure a cycle of returns to our stakeholders.

As an Outside Director, I am committed to enhancing the effectiveness of the Board of Directors, and devoted to further propagating this virtuous cycle.

Newly Appointed | **Kazuo Hosoya**
Outside Director

Prioritizing Integrity to Achieve Further Advancement

"Compliance is a matter of our company's integrity, and must be treated as a top priority without compromise."

As a newly qualified lawyer, I once attended a meeting involving a regulatory compliance issue at the Japanese subsidiary of a global machinery manufacturer. When the management team expressed their policy with respect to the investigation, I remember looking up the then-unfamiliar term "integrity" in the dictionary. "Integrity" was defined as an attitude of striving for what is right with sincerity and earnestness, while maintaining self-discipline. I was reassured and impressed to witness the Company's commitment to preserving global trust as a global technology provider.

After a wide range of experiences, I now find myself serving as an Outside Director at a company that practices integrity as Corporate Philosophy, which feels like a strangely fitting coincidence, almost like fate. I believe that a company to be worthy of trust is a fundamental expectation of society and a cornerstone of sustainable growth. I hope we can continue to brighten the world by providing technology globally while proclaiming the principle of integrity.

At the same time, **our company has the capacity to adapt freely to a rapidly changing world, providing a driving force for growth. I feel that our Mid-Term Plan, which is aimed at achieving evolution, clearly outlines the policies and capabilities required to accept change and transform it into strength.** I am confident that our diverse team will flexibly achieve our goals and realize significant growth in the face of future environmental shifts.

Throughout my career, **I have consistently maintained my identity as a lawyer, while gaining experience across diverse roles and observing a wide range of matters. In this changing world, nothing will bring me greater joy than to contribute to the pursuit of transformation and sound growth, while adhering to the principle of integrity.**

Newly Appointed | **Yoshiko Nakayama**
Outside Director

Feature ③ Directors and Executive Officers (As of November 2025)

Directors

Yoshihisa Shinya

Representative Director and President, President and Executive Officer
Officer in charge of management and business operations
Attendance at the FY2024 Board of Directors meetings: 14/14

Nomination and Remuneration Committee Member

Career Summary

Jul. 2001 Joined Sony Chemicals Corporation (current Dexerials Corporation)
Apr. 2005 General Manager, Development Department, Optical Material Business Unit, Sony Chemicals Corporation
Apr. 2012 Deputy Head, Optical Solutions Products Business Division, Sony Chemicals Corporation
Sep. 2012 Deputy Head, Optical Solutions Products Business Unit, Dexerials Corporation
Apr. 2014 Executive Officer, Optical Solutions Products Business Unit Head, Dexerials Corporation
Apr. 2016 Executive Officer, Product Development Division Head, Business Unit Group Deputy-Head, Corporate R&D Division Deputy-Head, Dexerials Corporation
Apr. 2017 Senior Executive Officer, Product Development Division Head, Automotive Devices Business Group Head, Dexerials Corporation
Jan. 2019 Senior Executive Officer, Automotive Solutions Business Unit Head, Dexerials Corporation
Mar. 2019 President and Executive Officer, Automotive Solutions Business Unit Head, Dexerials Corporation
Jun. 2019 Representative Director and President, Dexerials Corporation
Oct. 2020 Representative Director and President and Officer in charge of management and business operations, Dexerials Corporation (to present)
Mar. 2022 President and CEO, Kyoto Semiconductor Co., Ltd. (current Dexerials Photonics Solutions Corporation)

Katsushi Kitajo

Newly Appointed

Representative Director and Senior Managing Executive Officer
Officer in charge of management and administration and Corporate Strategy Division Head
Attendance at the FY2024 Board of Directors meetings: —

Nomination and Remuneration Committee Member

Career Summary

Apr. 1990 Joined the Japan Development Bank (current Development Bank of Japan Inc.)
Jun. 2014 CEO, DBJ Singapore Limited
Jun. 2017 Head of Business Development Department, Development Bank of Japan Inc.
Jun. 2019 Executive Officer, Head of Human Resources Management Department, Development Bank of Japan Inc.
Jun. 2021 Managing Executive Officer, Development Bank of Japan Inc.; Outside Director, Socionext Inc.
Jun. 2022 Director, Managing Executive Officer, Development Bank of Japan Inc.
Jul. 2024 Advisor, Dexerials Corporation
Jan. 2025 Executive Officer, Corporate Strategy Division Head, Dexerials Corporation
Jun. 2025 Representative Director, Senior Managing Executive Officer, Officer in charge of management and administration, and Corporate Strategy Division Head, Dexerials Corporation (to present)

Kazuo Hosoya

Newly Appointed

Outside Director
Attendance at the FY2024 Board of Directors meetings: —

Outside Independent Officer

Chairperson of the Nomination and Remuneration Committee

Career Summary

Apr. 1982 Joined Fuji Heavy Industries Ltd. (current Subaru Corporation)
May 2006 General Manager, Corporate Planning Department, Fuji Heavy Industries Ltd.
Jan. 2009 Senior General Manager, Subaru Japan Sales & Marketing Division, Fuji Heavy Industries Ltd.
Jun. 2010 President, Tokyo Subaru Inc.
Apr. 2012 Vice President, General Manager, Human Resources Department, Fuji Heavy Industries Ltd.
Apr. 2014 Senior Vice President, General Manager, Human Resources Department, General Manager, Career Support Office, Fuji Heavy Industries Ltd. President, Subaru Bloom Co. Ltd.
Apr. 2015 Senior Vice President, Chief General Manager, Subaru Japan Sales & Marketing Division, Fuji Heavy Industries Ltd.
Apr. 2016 Executive Vice President, Chief General Manager, Subaru Japan Sales & Marketing Division, Fuji Heavy Industries Ltd.
Apr. 2018 President, Tokyo Subaru Inc.
Jan. 2019 Deputy President, Chief General Manager, Subaru Manufacturing Division, Chief General Manager, Gunma Plant, Subaru Corporation
Jun. 2019 Representative Director, Deputy President, Chief General Manager, Subaru Manufacturing Division, Chief General Manager, Gunma Plant, Subaru Corporation
Apr. 2020 Representative Director, Deputy President, Chief General Manager, Subaru Manufacturing Division, Subaru Corporation
Apr. 2021 Representative Director, Chairman, Subaru Corporation
Jun. 2021 Director, Chairman, Subaru Corporation
Jun. 2023 Special Advisor, Subaru Corporation
Jun. 2024 Advisor, Subaru Corporation
Jun. 2025 Outside Director, Dexerials Corporation (to present); Outside Director, JAPAN POST INSURANCE Co., Ltd. (to present)

Satoshi Taguchi

Outside Director
Attendance at the FY2024 Board of Directors meetings: 14/14

Outside Independent Officer

Nomination and Remuneration Committee Member

Career Summary

Apr. 1981 Joined Nippon Oil Corporation (current ENEOS Corporation)
Apr. 2013 Executive Officer and General Manager of General Administration Department, JX Nippon Oil & Gas Exploration Corporation (current ENEOS Xplora Inc.)
Jul. 2013 Executive Officer and General Manager of General Administration Department, JX Nippon Oil & Energy Corporation (current ENEOS Corporation)
May 2015 Executive Officer and General Manager of Legal & Corporate Affairs Department, JX Holdings, Inc. (current ENEOS Holdings, Inc.)
Apr. 2016 Director and Senior Vice President, JX Nippon Oil & Energy Corporation (current ENEOS Corporation)
Apr. 2017 Director and Senior Vice President, JXTG Nippon Oil & Energy Corporation (current ENEOS Corporation)
Jun. 2017 Director and Senior Vice President, JXTG Holdings, Inc. (current ENEOS Holdings, Inc.)
Jun. 2018 Statutory Outside Corporate Auditor, Nippon Shokubai Co., Ltd.
Jun. 2020 Senior Vice President, ENEOS Holdings, Inc. and ENEOS Corporation
Apr. 2021 Advisor, ENEOS Corporation
Jun. 2021 Outside Director, Dexerials Corporation (to present)

Toshihiro Hagiwara

Outside Director
Attendance at the FY2024 Board of Directors meetings: 11/11

Outside Independent Officer

Nomination and Remuneration Committee Member

Career Summary

Apr. 1996 Joined RECOF Corporation
Aug. 2004 Joined Cerberus Japan K.K.
Apr. 2006 Managing Director, Cerberus Japan K.K.
Jan. 2017 The Asahi Shimbun Company (Corporate Planning Office, Strategic Investment Division)
May 2019 Managing Executive Officer (in charge of Management), TechnoPro Holdings, Inc. Director and Senior Executive Officer, TechnoPro, Inc.
Jul. 2019 Managing Executive Officer (in charge of Management) and CFO, TechnoPro Holdings, Inc.
Sep. 2019 Director (in charge of Management) and CFO, TechnoPro Holdings, Inc. Director, TechnoPro Construction, Inc.
Jul. 2021 Managing Director and CFO, TechnoPro Holdings, Inc.
Jun. 2024 Outside Director, Dexerials Corporation (to present)

Directors (Audit and Supervisory Committee Members)

Tetsuyuki Kagaya
Outside Director
Attendance at the FY2024 Board of Directors meetings: 14/14

Outside Independent Officer

Chairperson of the Audit and Supervisory Committee

Career Summary

Apr. 2000 Lecturer, Hitotsubashi University Graduate School of Commerce and Management
Apr. 2004 Assistant Professor, Hitotsubashi University Graduate School of Commerce and Management
Apr. 2008 Associate Professor, Hitotsubashi University Graduate School of Commerce and Management
Apr. 2017 Associate Professor, Hitotsubashi University School of Business Administration
Oct. 2020 Professor, Hitotsubashi University School of Business Administration (to present)
Jun. 2021 Outside Director (Audit and Supervisory Committee Member), Dexerials Corporation
Jun. 2025 Outside Director (Chairperson of the Audit and Supervisory Committee), Dexerials Corporation (to present)

Masato Taniguchi
Director
Attendance at the FY2024 Board of Directors meetings: 14/14

Standing Audit and Supervisory Committee Member

Career Summary

Apr. 1981 Joined Sony Corporation
Aug. 1997 Transferred to Sony Chemicals Corporation (current Dexerials Corporation)
Feb. 2005 General Manager, Engineering Department, Hybrid Circuit Board Division, Sony Chemicals Corporation
Oct. 2008 Deputy Head, Circuit Device Division, Sony Chemicals Corporation
Oct. 2012 General Manager, Neagari Plant, Dexerials Corporation
Mar. 2015 Director and General Manager, Dexerials (Suzhou) Co., Ltd.
Sep. 2019 Internal Audit Department, Dexerials Corporation; Auditor, Dexerials (Suzhou) Co., Ltd. Auditor, Dexerials (Shanghai) Corporation
Oct. 2020 Audit and Supervisory Board Member, Dexerials Precision Components Corporation
Jul. 2021 Auditor, Dexerials Korea Corporation
Mar. 2022 Audit and Supervisory Board Member, Kyoto Semiconductor Co., Ltd. (current Dexerials Photonics Solutions Corporation)
Jun. 2023 Director (Standing Audit and Supervisory Committee Member), Dexerials Corporation (to present)

Yoshiko Nakayama
Newly Appointed
Outside Director
Attendance at the FY2024 Board of Directors meetings: —

Outside Independent Officer

Audit and Supervisory Committee Member

Career Summary

Apr. 1992 Registered as attorney-at-law (The Tokyo Bar Association)
Apr. 1992 Joined Anderson & Mori (current Anderson Mori & Tomotsune)
Nov. 2001 Joined Skadden, Arps, Slate, Meagher & Flom LLP and Affiliates
Apr. 2004 Associate Professor (Assistant Professor), Meiji Gakuin University Graduate School of Law
Jun. 2010 Joined Atsumi & Sakai
Feb. 2011 Legal Division, MITSUI & CO., LTD.
Apr. 2014 Assistant Professor, Graduate School of Law (Juris Doctor Program/Law School), Waseda University
Mar. 2017 Joined MATSUDA & PARTNERS
Jul. 2017 Joined Kanagawa International Law Office
Nov. 2017 Examiner for the National Bar Examination and Examiner for the Preliminary National Bar Examination (in charge of the Commercial Code)
Nov. 2021 General Manager, Legal Department, KLA Corporation (to present)
Jun. 2025 Outside Director (Audit and Supervisory Committee Member), Dexerials Corporation (to present)

Executive Officers, Division Heads, Business Unit Heads

Yoshihisa Shinya
President and Executive Officer
Officer in charge of management and business operations

Katsushi Kitajo
Senior Managing Executive Officer, Officer in charge of management and administration, Corporate Strategy Division Head

Takashi Yoshida
Executive Officer, Production Strategy Division Head

Kozaburo Hayashi
Executive Officer, Global Sales & Marketing Division Head

Kuo-Hua Sung
Executive Officer, Technology Strategy Head, Officer in charge of Dexerials Innovation Group (DIG) Promotion Department

Kentaro Oshima
Executive Officer, Automotive Solutions Business Unit Head

Naoyuki Tsuda
Executive Officer, Human Resources Division Head

Kouji Yamagishi
Executive Officer, Corporate Risk Management Head

Kazuya Hayashibe
Executive Officer, Representative Director and President, Dexerials Photonics Solutions Corporation

Hiroshi Uchida
Executive Officer, Optical Solutions Business Unit Head

Kenji Kamiya
Executive Officer, Connecting Materials Business Unit Head

Yoshifumi Ueno
Corporate R&D Division Head

Message from the Corporate Strategy Division Head

Connecting Technology and Human Capital to the Future with Strategic Guidance for Sustainable Growth

Katsushi Kitajo Representative Director
Senior Managing Executive Officer, and Corporate Strategy Division Head

In January 2025, Dexerials established its Corporate Strategy Division as a central source of guidance to drive growth strategies across the company. Katsushi Kitajo, Director and Executive Officer, discusses its specific initiatives and future outlook.

As Corporate Strategy Division Head, I will apply the external experience and perspectives I have gained to drive accelerated growth and powerfully promote our value creation.
To maintain a flexible and resilient organization, I emphasize Align and Alternative to drive the company forward.

▶ Building a change-resilient organization and strengthening the execution of whole-Company strategies.

I participated in Dexerials' first acquisition as an external co-investor. During this process, I had in-depth discussions with Yoshihisa Shinya, President. I was deeply impressed by Dexerials vision of being a Japanese enterprise on the cutting edge, and contributing to the evolution of the digital society with a 10-year outlook. Their Corporate Philosophy and Purpose also resonated with me, and later I joined Dexerials. I am committed to powerfully driving our growth by drawing on my career in financial institutions and advisory experience in mergers and acquisitions across numerous industries in domestic and international markets.

Under the current Mid-Term Management Plan 2028, "Achieving Evolution," we are promoting growth initiatives. One such initiative is the use of the JOB-based HR Management system to attract and onboard specialized human resources in different fields. What is essential is that we connect the people and expertise we have acquired in this way to the execution of our business strategies, aligning them with our overall corporate direction. Clearly, strategy formulation alone does not produce results. Only when swift action can be taken on the front line and the whole Company is aligned toward a shared vision can we accelerate the speed of growth with certainty. As a command center, Corporate Strategy Division defines the vision we should pursue and enhances the organization's ability to execute strategy.

At the same time, to accelerate growth, the organization must be maintained by these processes in a state where it can deliver high performance consistently. Over-focusing on a single issue can become a burden and make it harder to perform effectively. Because of this, I believe it is important for organizations and individuals to have alternatives at all times, and remain capable of

responding to change flexibly and adaptably. This capacity becomes the driving force that allows us to pursue new challenges while maintaining the current state. We are laying this foundation to build an organization that can go on growing with agility and resilience.

Aligning strategies and bolstering the reliability and speed of growth

Corporate Strategy Division functions as a command center driving overall corporate growth. It operates principally in three key areas.

First, it advances the Mid-Term Plan steadily, by driving Company-wide strategy alignment. When the entire Company moves in one direction with agility and consistency, the precision of growth strategies is enhanced and execution speed accelerates.

Second, the division aligns medium- to long-term strategies around the Company's Purpose, and depicts how our technology and human capital as materiality can contribute to enhancing corporate value and solving social challenges. Amid the accelerating evolution of digital technology, we aim to leverage our unique strengths to deliver social value and translate outcomes into sustainable growth.

Third, the division strengthens communication with stakeholders. By collaborating across functions such as management, business operations, human resources, finance, public relations, investor relations, and sustainability, we deliver a consistent message with one voice. This allows us to build strong relationships with diverse stakeholders and ensure that our progress and achievements are communicated clearly.

Playing a core role in business strategy and supporting the execution of our business model

Corporate Strategy Division also plays a strategic role in supporting our business model, the source of our competitive advantage, by working closely with related departments, including Global Sales & Marketing Division and Dexerials Innovation Group (DIG) Promotion Department.

Our Design-in business model begins with direct dialogue with leading industry end customers. This leads to the formulation of approaches to emerging trends and social issues, the identification of technical challenges that must be solved to execute these approaches, and the proposal of necessary solutions. These initiatives involve an integrated team of engineers and sales professionals visiting the end customer and engaging in extensive discussion, with technology as a shared language, to propose solutions only our company can deliver.

P. 20 A Business Model Born from Materiality

Instead of treating these important processes as one-off or short-term initiatives, we aim to systematize them as businesses directly linked to future growth domains and the resolution of social issues. This will develop them into sources of long-term competitive advantage. Corporate Strategy Division is well positioned to play a vital role in this process. Insights into market trends and signs of technological change gained through customer dialogue are organized from a company-wide management perspective and accumulated as strategic business pipelines. We then connect these insights to our internal R&D, business strategies, and Human Capital Strategies, with resource allocation designed to transform them into sustainable mechanisms for generating results.

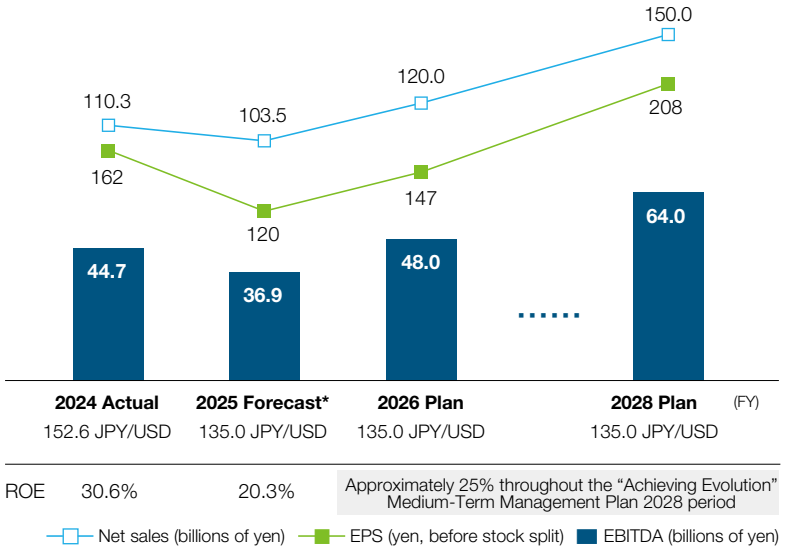
Corporate Strategy Division does not treat solutions such as increasing data-center power consumption in isolation. Instead, it works in close collaboration with business divisions and the R&D division to explore how our company might leverage strengths such as photoelectric fusion technology to turn solutions into viable business opportunities. Through this approach, the Division designs a framework that balances solutions to social challenges with the pursuit of growth strategies. This approach ultimately contributes to the sustainable enhancement of corporate value.

Overcoming a rapidly changing external environment, the Mid-Term Plan is progressing steadily

Turning our attention to Mid-Term Plan progress, fiscal 2024 proceeded largely as expected, with a tailwind from a weak yen. Even amid rapid change in our environment, we maintained steady performance. We attribute this to our business approach, which includes forward-looking dialogue with customers, expansion of high-value-added products in existing domains, steady progress in growth domains, and broadening of our business portfolio.

In fiscal 2025, the second year of the current Mid-Term Plan, implementation is progressing steadily. The Mid-Term Plan is off to a smooth start, including new projects in both the automotive and photonics businesses. In particular, demand for optical semiconductors in data centers, driven by the spread of generative AI, has significantly exceeded expectations from the outset of the current Mid-Term Plan. We are fully committed to meeting this robust demand. Photonics remains an emerging technology for us, and we will continue proposing ways to promote its adoption in society.

Mid-Term Management Plan: Performance Trends

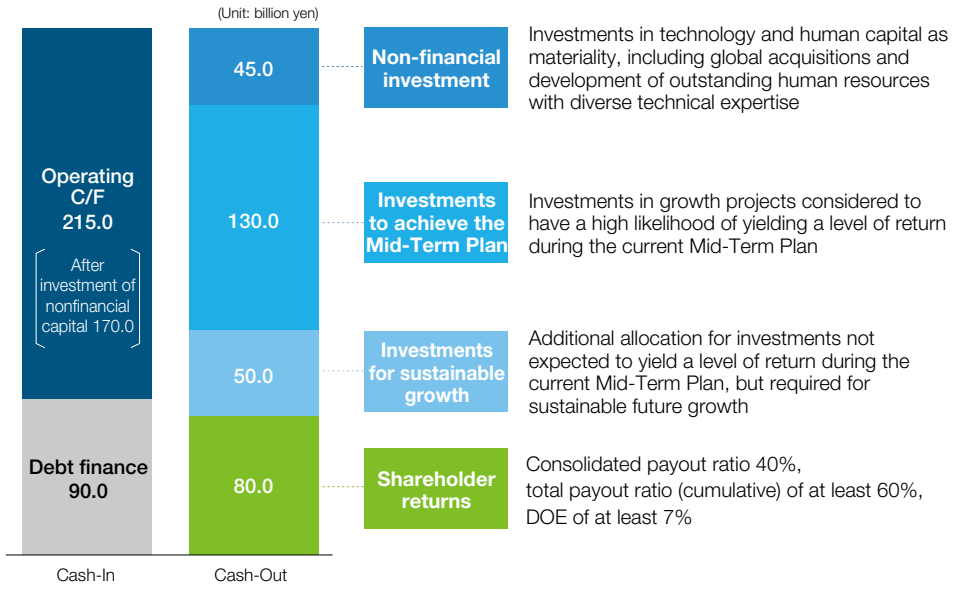


* Figures shown represent the performance trends anticipated at the initial phase of the plan

This fiscal year marks the second year of the Mid-Term Management Plan 2028, “Achieving Evolution,” and serves as a preparatory phase for the plan midpoint. We regard this as the timing to make growth investments with certainty and steady execution. The current Mid-Term Plan’s financial strategy is a five-year cumulative capital allocation of 305.0 billion yen. In cash outflow terms, 130.0 billion yen, or approximately three times the amount in the previous Mid-Term Plan, is earmarked for growth investments. A new plant is under construction to meet the anticipated rise in demand for Anisotropic conductive film (ACF), one of our core products. A further allocation of 50.0 billion yen has been secured as an investment reserve for projects deemed likely to deliver sustainable growth. Investments will be made ahead of schedule where necessary for business portfolio expansion in emerging growth domains such as the automotive and photonics business, allowing us to stay at the forefront of change and continue to deliver innovation. In parallel, we will continue to evaluate and selectively pursue individual business units based on business feasibility evaluation, while also working to build a lean and efficient organizational structure. We believe this will lead to significant growth in the latter half of the current Mid-Term Plan.

In terms of shareholder returns, we will maintain stable dividends while steadily implementing the Mid-Term Plan target of a total cumulative shareholder return ratio of 60% over five years. Balancing growth investments with return initiatives is also the responsibility of Corporate Strategy Division, and we are committed to maintaining this balance effectively.

Capital Allocation Cumulative total for the five-year period of the Mid-Term Management Plan



Business portfolio strategy: Combining businesses with diverse product life cycles

We continue to invest with a focus on anticipating social challenges and providing solutions, rather than being driven solely by short-term financial considerations. Within this approach, we believe it is important to have a business portfolio that not only includes a variety of product types and quantities, but also considers the varied life cycles of each product.

For example, smartphone trends change every few years, making it difficult to justify single large investments due to the short return window. By contrast, automotive manufacturers tend to produce the same product models over a longer period, despite occasional minor revisions. Slower automotive product life cycles require large investments, but the return time frame is also long, making for a long-horizon business. This was a reason for our entry into the automotive business. By combining businesses with different product life cycles, we are building a portfolio with lower overall risk.

Managing businesses with varying life cycles takes effort; however, we regularly evaluate each business’s viability by monitoring metrics such as Return on Invested Capital (ROIC) and market growth potential. Based on these evaluations, we decide whether to accelerate, ease off, or apply the brakes. Businesses lacking sufficient earning power are scaled down or phased out, with human resources and capital shifted to areas with higher growth potential. When we identify emerging market needs, we make flexible adjustments to revise our portfolio, establishing a resilient management foundation through business portfolio expansion.

A guiding compass for the entire company to strengthen its management foundation and enhance the effectiveness of its growth strategy

Our distinctive Design-in and Spec-in business models are supported by unique technologies that spawn single-source products unmatched by competitors, with the human capital to apply them skillfully. These two pillars are the key drivers of our sustainable growth. Because we recognize technology and human capital as critical materialities, we will invest 45.0 billion yen in non-financial investments over the five-year span of our Mid-Term Plan.

As it strengthens these foundations, Corporate Strategy Division will connect Company-wide strategies organically and enhance the effectiveness of our growth initiatives. At the same time, we will continue to aim for sustainable enhancement of our corporate economic and social value by actualizing our purpose, reinforcing our materialities of technology and human capital, and pursuing sustainability in a manner reflecting our unique identity. Furthermore, we will convey our corporate communications consistently, with one voice, deepening empathy and trust through constructive dialogue with stakeholders in Japan and abroad.

Through these initiatives, we will go on evolving as a company that remains indispensable to society. As the corporate compass, Corporate Strategy Division will guide the whole organization, even as times change, and accelerate sustainable growth and value creation.

Business Feasibility Evaluation

Business Feasibility Evaluation Objectives and Positioning

Dexerials conducts business feasibility evaluations as a mechanism to objectively evaluate all business units and facilitate selection and focus. Based on our four business feasibility evaluation axes of earning power, business efficiency, growth rate, and competitive advantage, we conduct quantitative evaluations of each business to ensure the soundness of our business portfolio and facilitate sustainable growth.

We will also promote investment and efficiency improvements for businesses requiring reinforcement in line with the results of these evaluations, while reassessing our strategies before deciding whether to continue operations, transfer them, or withdraw from those businesses requiring structural readjustment. This will allow us to turn our attention to effectively allocating management resources to growth businesses.

Results and Future Initiatives

The number of business units was reorganized from 23 in fiscal 2019 to 13 by fiscal 2024, improving the efficiency of resource allocation.

Until now, we have used simplified ROIC*, but are currently considering adopting a metric closer to ROIC that is better aligned with the actual situation in reflecting investment allocations to each business category. This would enable the assessment of the appropriacy of investment decisions in terms not only of profitability comparisons but extending to perspectives of capital efficiency. The institution and maintenance of a streamlined structure is essential for sustainable growth in the context of changes in the business environment becoming the norm. We will continue to evaluate business viability and pursue growth investments focused on capital efficiency while building an efficient business portfolio.

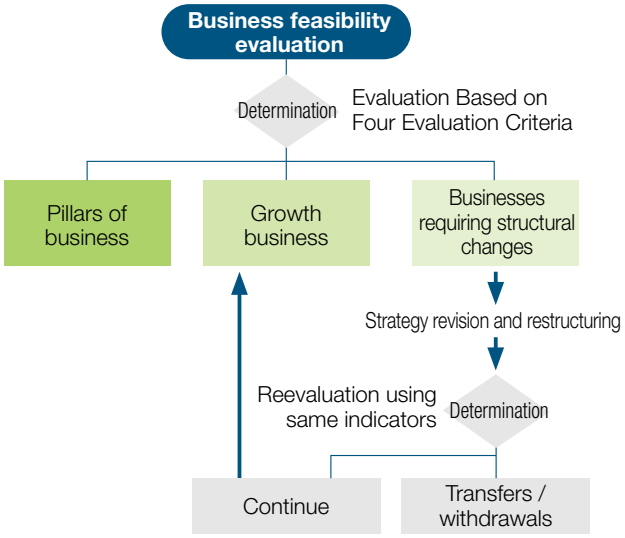
* A simplified indicator based on the concept of ROIC (used for business feasibility evaluation)

Evaluation Criteria

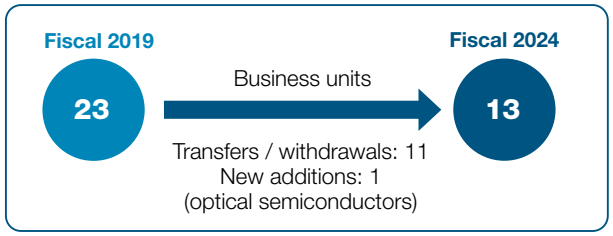
Each business is quantitatively evaluated based on four evaluation criteria

- **Earning power** — **EBITDA**: Average annual EBITDA for the past three years
- **Business efficiency** — **Simplified ROIC***: Average annual simplified ROIC by business unit for the past three years
- **Growth rate** — **Market growth rate**: Expected growth rate (sales and profits) of our business within the market, taking market maturity into consideration
- **Competitive advantage** — **Technological and intellectual property capabilities**: Evaluated based on technological development capabilities and intellectual property competitiveness (IP landscape score)

Business Feasibility Evaluation Mechanism



Business Feasibility Evaluation Results



Transfer / Withdraw Example

In the business feasibility evaluation, the water treatment agent business was categorized as a business requiring structural changes. After reviewing our business strategy with the aim of restructuring, Dexerials made the decision to transfer this business and related technologies to a company that can better utilize it, rather than continuing to engage in the business ourselves.

The patent rights and technical know-how related to said water treatment agents have been transferred to and taken over by a specialized company engaged in the water treatment business. Subsequently, Dexerials ended its involvement in this business.

Mid-Term Management Plan

Outline of Mid-Term Management Plan 2028 “Achieving Evolution”

Positioning

Achieve sustainable growth and enhancement of corporate value by balancing growth investments and shareholder returns

In May 2024, we announced our five-year Mid-Term Management Plan 2028, “Achieving Evolution.” To promote the expansion of our business portfolio and achieve growth while flexibly adapting to changes in the business environment, we are pursuing initiatives based on three basic policies.

Basic Policy 01 Expanding businesses in growth domains

Accelerate growth in the automotive and photonics domains, markets that are expected to expand further in the future

Business Strategy for Growth Domains

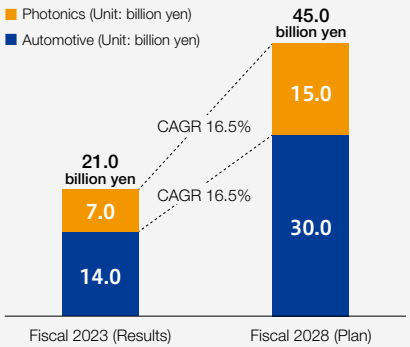
Photonics Business

- Increase in data traffic driven by the spread of generative AI
- Wider adoption of high-speed response photodiodes that fulfill the growing demand for data centers and for their higher speed

Automotive Business

- Progress in the realm of CASE, a once-in-a century transformation
- Continued expansion of Anti-reflection film (ARF) for automotive displays
- Global expansion of sales of Smart precision adhesives for sensor modules

Scale of businesses in growth domains (net sales)



Basic Policy 02 Qualitative strengthening of businesses in existing domains

Expand business and maintain growth with a focus on high value-added products such as Anistropic conductive film (ACF) and Surface mount fuse

Growth Drivers in Existing Domains

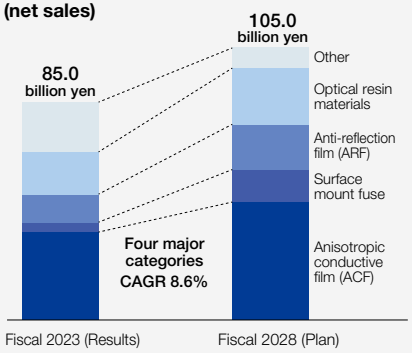
Surface mount fuse

- Diversification of applications and increase in unit volume
- Taking advantage of medium- to long-term trend such as electrification of various devices and tightening of LiB secondary protection circuit regulations

Anistropic conductive film (ACF)

- Ongoing penetration of organic EL displays (OLED) into finished products and the continuous growth of Particle-arrayed ACF
- New application: Spec-in process underway for micro LED displays

Scale of businesses in existing domains (net sales)



Basic Policy 03 Evolution of the management base

Evolve into a solid management foundation that supports sustainable growth by strengthening sales functions, enhancing human capital and technology, and improving manufacturing functions

Enhancing the Sales Functions

Further Enhancing the Business Model

- Enhancing Design-in and Spec-in activities globally
- Strengthening distribution and reducing volatility through partnerships

Enhancing the Human Capital and Technology

Stepping up actions to address materiality

- Continuing to strengthen R&D activities
- Securing engineering human capital and strengthening global talents

Enhancing the Manufacturing Functions

Efficiency improvements in anticipation of a decrease in the working age population

- Building smart factories through digital transformation (DX)
- Improving BCP functions

Fiscal 2028 Targets

Management targets

Net sales	Business profit	EBITDA margin
150.0 billion yen	50.0 billion yen	43 %

EPS*2	ROIC	ROE
208 JPY	Approx. 14 %	Approx. 25 %

Shareholder returns

Total payout ratio*3	Dividend payout ratio	DOE
Target of 60 %	Target of 40 %	7 % or higher

Business portfolio

Growth domain ratio*1
30 %

*1 Percentage of sales attributable to growth domain
*2 After stock split
*3 Cumulative total for the five years of the Mid-Term Plan

Progress in the Second Year of the Mid-Term Plan

Changes in the External Environment and Technology Trends

Amid heightened geopolitical risks, including the United States tariff policies, and ongoing volatility in foreign exchange markets, changes in the external environment and technology trends remain a significant issue for the entire Group and a key external factor that must be carefully monitored.

Amid these conditions, we have exclusively developed a wide range of unique single-source products in anticipation of technology trends. Therefore, even in the event of supply chain changes, we believe the risk of substitution by competing products remains low.

Although the business environment will continue to evolve, the fundamental technology trends remain unchanged, and we believe our high value-added products, which align with these trends, can continue to grow. Accordingly, we have maintained the policy of our current Mid-Term Plan announced in 2024, advancing a balance between the growth investments essential for sustainable growth and a high level of shareholder returns.

Growth Investment and Shareholder Return Plans

As part of our investments for sustainable growth, we are expanding the site of Kanuma Plant No.2 and constructing a new facility to meet the anticipated increase in demand for Anisotropic conductive film (ACF), our core product. Operations are scheduled to commence the fiscal year ending March 2027.

In the growth area of the photonics business as well, demand for optical semiconductors has far exceeded the level assumed when formulating the current Mid-Term Plan. Accordingly, we are working to strengthen our supply framework through accelerated capital investment and productivity improvements. In addition, our optical semiconductors for data centers are being adopted in products that contribute to the advancement of optoelectronic fusion technologies, helping to reduce power consumption in response to the social issue of increasing data traffic and energy use driven by the spread of generative AI.

With respect to shareholder returns, for the fiscal year ending March 2026 we plan an annual dividend of 58 yen, representing a dividend payout ratio of 48.2%.

Conceptual image of the completed Kanuma Plant No.2

Shaping the Future Through Photonics Technology: DXPS's Challenges and Outlook

Kazuya Hayashibe

Executive Officer
President, Dexerials Photonics Solutions Corporation

Aiming to develop and deliver new solutions in the field of photonics, which integrates optics and electronics, Dexerials Photonics Solutions Corporation (DXPS) was launched in April 2024.

Amid growing worldwide demand for data centers, driven largely by increased use of generative AI, the accompanying surge in electricity consumption has emerged as a pressing social challenge. In the photonics field, photoelectric fusion technology is drawing attention as a way to address this social challenge.

At DXPS, we manufacture the high-speed response photodiodes that serve as key parts of the optical transceivers* used in data centers. The major trend toward faster- and higher-capacity data transmission is expected to continue, and we are working to strengthen efficient production structures to respond effectively to the robust demand. As a new production base for optical semiconductors, we are currently investing in manufacturing lines at the Tome Plant in Miyagi Prefecture, with operations projected to begin in or after 2026.

In the fiscal year ended March 2025, we had only just begun production of high-speed response photodiodes, and their contribution to sales and profits was still limited. Having secured contracts with customers engaged in cutting-edge sectors across the globe, we are now striving to drive swift growth.

In the fiscal year ending March 2026, we have also secured new customer projects and we are seeing strong confidence being placed in our specialized technologies.

Going forward, we will continue to provide solutions unique to our Group by partnering with industry leaders and aligning with their visions for future technological advancement. At the same time, we are working to build a foundation for further business growth, aiming to achieve the target of 15.0 billion yen in net sales for the photonics business set out in the Mid-Term Plan.

* Optical transceiver: A device that converts electrical and optical signals to and from each other

Building a Foundation for Growth Through DX

Accelerating DX to Drive Growth

In response to rapidly advancing digital technologies and a changing social environment, Dexerials positions digital transformation (DX) as a core management strategy for achieving sustainable growth. We view DX not merely as a means of improving operational efficiency, but as a driver of transformation to both enhance corporate value and help address societal challenges.

Delivering New Value to Society Through Technology and Human Capital

Dexerials' DX approach involves continuously updating to the latest technologies, fostering a culture where every employee becomes a driver of digital transformation, and tackling operational and business transformation and societal challenges.

Basic Policy for DX
For more details, please refer to our website.

Advancing DX in Three Phases with a 10-Year Outlook and Future Plan to Share Data Externally to Create New Value

To achieve accelerated management decision-making and address societal issues through DX, we are advancing our efforts in three steps.

Step 1 Digital platforms

The phase of establishing digital platforms, extending to fiscal 2026; set up core systems, including an integrated data management platform for each division, and advance the integration of AI across operations

Step 2 Intelligent management

The phase of promoting intelligent management, extending to fiscal 2028; build an environment that leverages Step 1 data for management decisions, and use digital twin technology to advance smart factory initiatives

Step 3 Delivering new value

The phase of delivering new value, extending to fiscal 2033; deliver new value by sharing and integrating data with customers and partners

We are currently at Step 1, advancing internal system development and data accumulation, and are shifting from platform building to the data utilization phase.

Domain	Real-world examples of applied DX
Data-driven management	Strategy and decision-making based on data
Identifying customer and market insights	Detecting market changes and identifying latent customer needs to inform proposals
Accelerating R&D	Materials informatics and lab automation
Strengthening supply chain resilience	Predictive simulations of raw material risks and supply/demand fluctuations
Automating production	Process condition optimization and smart factory initiatives

Harnessing the Power of AI and IT to Drive DX and Transform the Organization Through Human–AI Collaboration

We are embracing digital technologies as they evolve rapidly and accelerating company-wide DX initiatives. To fully harness AI and the latest information technologies, we are streamlining and enhancing business processes while building a data-driven foundation for decision-making. This will spawn productivity improvements, enable rapid value creation, and establish a framework to deliver optimal solutions to our customers.

For it to succeed, DX requires not only the adoption of technology but also a transformation in people and across the organization. Dexerials positions AI as a "partner that extends human capabilities" and is working to create an environment in which every employee can use AI to generate new value. By having AI handle routine tasks and analysis, employees can focus on higher-value creative activities, strengthening the overall organization's competitiveness. We will continue to foster an organizational culture where people can grow along with advances in AI, driving sustainable innovation. Looking into the future, the company aims to collaborate with artificial general intelligence (AGI) to evolve from isolated process automation to autonomous, company-wide optimization.

Steps Leading Toward DX

Company-Wide AI Promotion Framework

Dexerials has established a company-wide framework for promoting AI, led by the DX Planning & Promotion Department, serving as the secretariat. Cross-functional coordination can be ensured through the AI promotion officer of each division. We will continue to advance the integration of AI into business operations going forward.

A DX Talents Portfolio and Development Framework Supporting Corporate Growth and Value Creation

At Dexerials, human capital is the driving force behind DX. To enhance the customer experience, it is essential to foster a culture where individuals can share ideas with, learn from, and grow with one another. To achieve this, we began full-scale development of DX specialists in fiscal 2023. We have set a goal to train 230 DX specialists by fiscal 2028, the final year of the Mid-Term Plan. As of fiscal 2024, we have already trained 97 individuals. These employees systematically acquire digital skills and practical capabilities through e-learning and workshops primarily through the D-Academy program, and serve as core DX personnel within their respective divisions.

Starting in fiscal 2025, Dexerials will introduce a DX Specialist Certification Program, with six skill levels defined internally based on skill comprehension and application. This system will make training outcomes visible and enable optimal personnel placement. Employees assess their own skill level through self-evaluation and autonomously set goals and manage their learning cycles, encouraging proactive self-development.

Dexerials will continue to strengthen support to ensure that DX specialists can excel in on-the-job settings. By reinforcing the PDCA cycle within the DX training program, we aim to support sustainable corporate growth and the creation of new value.

	Producer	Business Designer	Business Change Consultant	Data Scientist	Engineer
Level 6	Lead operational and business transformation through DX				
Level 5	Strengthen the competitive advantage of business units and divisions through DX				
Level 4	Actively promote operational reforms using DX skills and knowledge				
Level 3	Drive operational improvements using DX skills and knowledge				
Level 2	Gain DX skills and knowledge and apply them to business operations				
Level 1	Learn the fundamentals of DX				

DX Specialist Contributions

Employee's Voice

"I gained knowledge that helped me share goals clearly with my team and supported me in my own core responsibilities."

Hiroaki Nakayama
Production Planning Department, Production Strategy Division

Producer (Project Leader)

Through the producer training program, I was able to systematically acquire valuable knowledge such as in project management, enabling me to accurately share and instill a clear goal within my team. I am currently working to implement a Supply Chain Management system, aiming to foster a shared awareness of the necessary transformation in the team and strengthen the project execution structure.

We are also advancing standardization of the core systems related to production planning based on common business function standards, aiming for smooth and efficient implementation. In addition, we are working to build a smart factory in collaboration with the new Kanuma Plant No. 2, and will pursue continuous improvements and optimization to establish a flexible production system that can adapt to changes in the market environment.

Employee's Voice

"I actively use digital tools in my work and take the initiative in building effective systems."

Yosuke Onoguchi
DX Planning & Promotion Department

Business Change Consultant
Engineer

To promote Health and Productivity Management, we used to hold employee participation events, but the annual results were not collated and it was difficult to track results for employees individually. As a business transformation consultant, I leveraged digital tools to centralize the data and launched a "Health Points" initiative for visualizing employees' health status and changes over time. I also applied what I learned in my training as an engineer to build a system that employees can access themselves, creating an environment where they can take an active role in maintaining their own health.

P. 88 Health and Productivity Management

Looking ahead, we are also exploring ways to use AI and BI (business intelligence) to offer personalized health recommendations.

Message from the Corporate Risk Management Head

Integrating Risk Management with Business Strategy in a Society of Diversifying Risk

Kouji Yamagishi Executive Officer
Corporate Risk Management Head

Dexerials implemented organizational reforms that took effect in fiscal 2025. As part of these reforms, the role of Corporate Risk Management Head was established, with Kouji Yamagishi appointed to the position. The Head is responsible for strengthening companywide risk management. The scope of this role includes risk management, legal affairs, ESG management, and DX planning. Yamagishi outlines his view of our external environment and the risk management framework introduced through these reforms.

Since fiscal 2025, as Corporate Risk Management Head, I have been initiating efforts to strengthen companywide governance toward the achievement of the Medium-Term Management Plan 2028, “Achieving Evolution.”

▶ Rising external instability and the scope of risk

In a sense, rising global instability can be judged as within expectations. However, this instability has been exacerbated significantly by changes in the international order.

Our voyage to sustainability, guided by the compass of our corporate Purpose, began with the launch of the current Mid-Term Management Plan in fiscal 2024. However, amid today’s rough seas and stormy weather, we face a pressing question. Is the structure of our ship, and our equipment, in fact resilient enough?

If our company were a seagoing vessel, it would not be as large as one of the great corporate ships. Our capacity to maneuver in rough seas is therefore critical. To ensure such maneuverability, forward-looking risk management is increasingly important.

▶ Risk dynamics surrounding corporations

In a risk environment where corporate management can be easily destabilized, we are pursuing our Mid-Term Plan, “Achieving Evolution,” and implementing our strategies with even greater aggressiveness. Naturally, in the midst of significant domestic and international changes, where hard-to-quantify risks arise frequently, it is critical that we accurately identify a wide range of risks, evaluate them in terms of our corporate strategy, and manage them by identifying those with the greatest priority.

Risk management is, in essence, a sophisticated process that requires advanced management capabilities. It involves maintaining a firm grip on emerging risks that arise from a mixture of numerous ephemeral elements and a limited number of substantive realities. To enhance our capacity to execute this task, we continuously update our risk management methods. These include not only conventional process management from risk identification and score evaluation to risk mapping and prioritization, but also refining our countermeasures through executive discussion.

▶ Strengthening organizational functions linked to our Purpose

One of the messages our President regularly shares within the company is that “the greatest risk is not changing.” Of course, change inevitably generates its own small and medium risks, but these can be monitored and addressed appropriately. What the president is saying is that the really significant risk is to stand unchanged, even as the world and society continue to evolve. To do so leads to a dead end. This commitment to change is aligned with our Purpose, which can be expressed as “Change = Empower.” Only by holding to that course do we ultimately arrive at Evolution.

I believe that recent organizational reforms, including a new Board of Directors framework, the launch of a Corporate Strategy Division within the executive organization, and the establishment of the Corporate Risk Management Head, can be understood as transformations to drive our achievement of the Mid-Term Plan goals.

To define the scope of my responsibilities, I would like to note that there are four departments under the Corporate Risk Management Head.

1. Risk Management Department: Integrates companywide risk management and compliance promotion
2. Legal Department: Oversees global legal functions
3. ESG & Management System Department: Systematically advances adaptation to diversifying social demands
4. DX Planning & Promotion Department: Promotes DX, AI, and information security, which are accelerating in society from perspectives of both strategy and risk

These four departments are united under a “Strengthening Governance” banner. By integrating these functional organizations, we are enhancing the effectiveness of company-wide risk control and reinforcing execution and oversight. As the first concrete initiative within this framework, we have merged our internal Risk Management Committee and Compliance Committee to enhance the flexibility of our risk management activities.

▶ Achieving sustainable growth: linking governance, strategy, and risk management flexibly

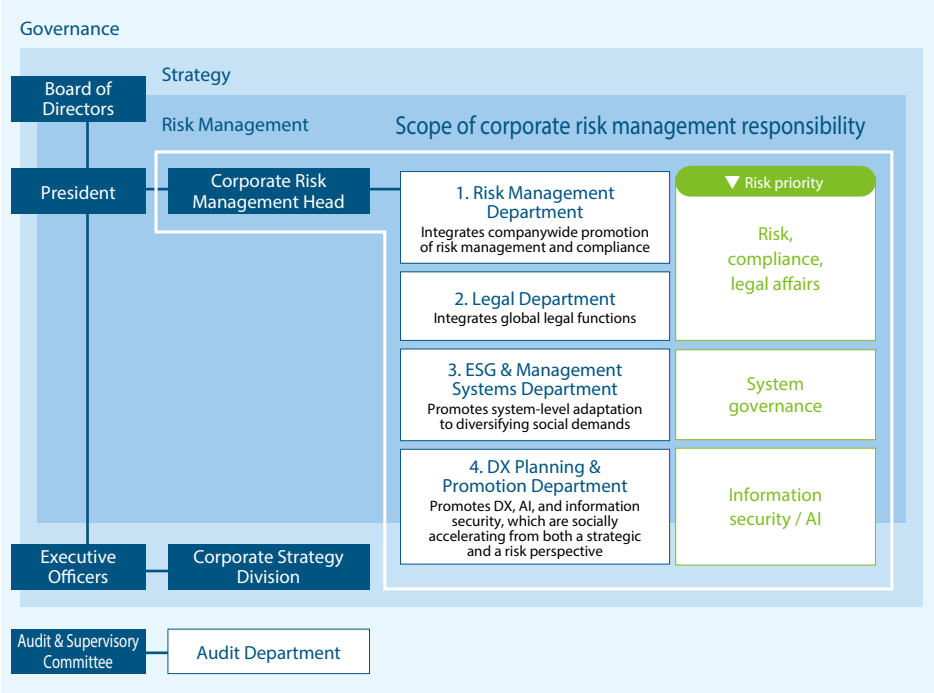
On a personal career note, I was responsible for promoting companywide sustainability until fiscal 2024. Those familiar with International Integrated Reporting Framework will recognize immediately that governance, strategy, and risk management have been updated across the organization.

While integrating the former sustainability planning organization into Corporate Strategy Division, we also enhanced the organizational structure dedicated to advancing sustainability.

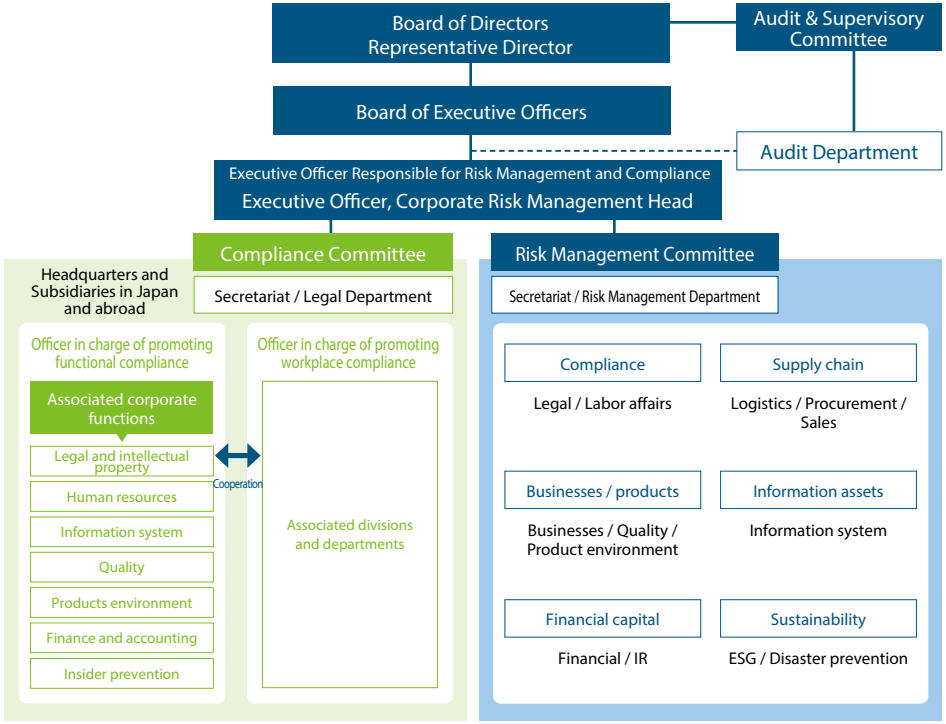
Our sustainability is, simply put, the very embodiment of our Purpose. Our risk management, guided by the principle “Empower Evolution. Connect People and Technology,” is not merely defensive. We believe it represents a well-balanced approach that incorporates a strategic perspective on risk-taking.

At the midpoint of the current Mid-Term Management Plan, we will strengthen our company-wide governance structure and move aggressively to achieve our goals. Over the long term, we aim to create environments that empower employees to proceed proactively and without hesitation in the face of change, as we build a risk management framework worthy of trust by a broad range of stakeholders.

Governance and Risk Management Framework



Risk management structure



As of August 2025