Environmental Initiatives

The Dexerials Group (the “Group”) engages in business and environmental conservation activities that create new value, with a focus on environmental consideration and resource recycling to ensure the sustainability of all global ecosystems, societies, and the Group itself. Under our purpose and sustainability policy—Empower Evolution. Connect People and Technology.—we will work to tackle medium- to long-term priority issues.

Dexerials Group Environmental Policy (excerpt)

Basic Approach

The Dexerials Group aims to balance its business activities with environmental conservation by practicing environmental consideration and recycling resources. It will do this by continuously improving its environmental management system. This will enable the Group to achieve global environmental conservation, coexistence with society, and sustainable growth.

- Climate Change: To achieve carbon neutrality, which is an international imperative, we contribute to the achievement of global targets by improving production efficiency and strengthening energy-saving measures, including the transition to smart factories. We also actively promote the adoption of renewable energy, such as solar power, and the shift to low-carbon fuels such as natural gas.
- Resource Recycling: we contribute to reducing environmental impact and creating a sustainable society by efficiently utilizing limited natural resources and reducing consumption of resources, through initiatives such as waste reduction, the use of renewable resources, and the recycling of plastics.
- We take environmental risk management into account, including throughout the supply chain.
- Chemical Substance Management: We thoroughly implement proper chemical substances management and compliance with laws and regulations to prevent or minimize negative impacts on the environment and human health, while providing appropriate information to stakeholders.
- Water Resources: Recognizing the importance of water resources and will pass on these finite resources to future generations through efficient use, including reducing water consumption and practicing effective wastewater management.
- Pollution Control: We are working to reduce wastewater and air pollutant emissions, and promoting the reduction of environmental impacts through regular inspections and monitoring. We strive to prevent pollution through risk management and education, while promoting health and environmental protection by complying with laws and regulations.
- Biodiversity: We will continue to prioritize environmental and biodiversity conservation through initiatives addressing climate change, resource circulation, pollution control, and protection of the natural environment.

Environmental Policy
For more details, please refer to our website.

Direction of Environmental Strategy and Key ESG Issues

Looking ahead to fiscal 2028, the final year of the Mid-Term Management Plan, we have set three key themes (ESG Key Issues)—climate change, resource recycling, and pollution control—for reducing the environmental impact of our business activities and achieving carbon neutrality by 2050. To address these issues, we have set specific targets, including KPIs, and are systematically addressing them. The background and initiatives for each theme are described below.

Climate Change

Climate change action is essential for realizing a sustainable society and is also a prerequisite for the Dexerials Group’s business continuity. Toward achieving a carbon-neutral society by 2050, in addition to steadily reducing CO_2 emissions (Scope 1 and 2), the Dexerials Group is also working to reduce CO_2 emissions throughout the supply chain, including Scope 3. By converting Kanuma Plant No. 2 and other facilities into smart factories and achieving both energy efficiency and productivity gains through energy saving, we will contribute to the realization of a decarbonized society.

Resource Recycling

As resource depletion and increasing waste due to population growth become more serious, society is shifting from a linear economy (mass production and mass consumption) to a circular economy (resource-recycling-based economy). The Dexerials Group is committed to achieving sustainable use of resources in its business activities and contributing to the development of a recycling-oriented society. In product manufacturing, we aim to maintain a landfill disposal rate (the percentage of waste disposed of in landfills) of 0.5% or less by promoting waste reduction, recycling, and the use of renewable materials. We are also advancing chemical recycling of waste plastics and have taken an equity stake in R Plus Japan, Ltd., which promotes chemical recycling of used plastics.

Pollution Control

As a global company, we recognize our responsibility to contribute to the conservation of the global environment. By ensuring compliance with environmental laws and regulations, we promote the proper handling of waste and the effective use of water resources, striving to maintain and conserve natural capital such as water and air. In particular, we work to prevent environmental incidents (pollution that adversely affects the environment, such as chemical substance leaks and illegal emissions) through regular equipment inspections, water quality tests, and exhaust gas measurement, as well as by strengthening systems through employee education, including training and e-learning. The Dexerials Group aims to maintain zero environmental incidents while promoting the conservation of natural capital.

Environmental Management

The Dexerials Group has established an environmental management system encompassing all of its sites both in Japan and overseas to promote environmental conservation activities. Our manufacturing sites have obtained ISO 14001 certification, and under the direction of the Corporate Risk Management Head, we are advancing company-wide environmental conservation activities that take into consideration the different products and facilities at each production site.

ISO 14001 certification status (as of the end of August 2025)

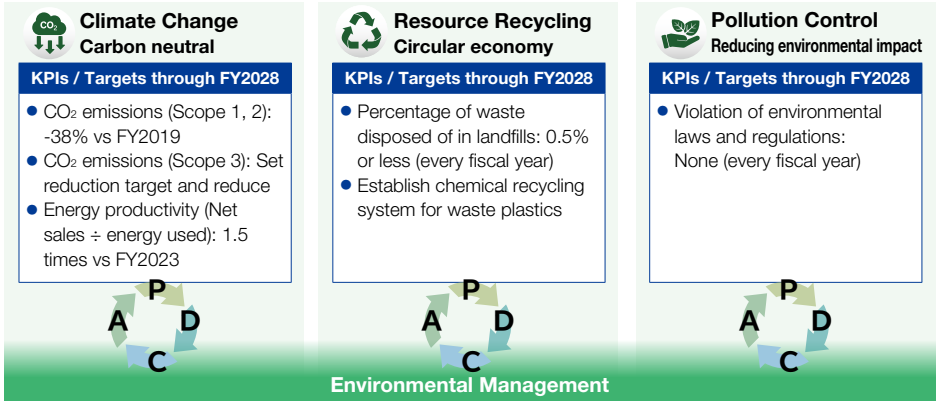
- All manufacturing sites of Dexerials Corporation (Headquarters and Tochigi Technology Center, Kanuma Plants, Tagajo Plant)
- All manufacturing sites of Dexerials Photonics Solutions Corporation (Eniwa Operation, Kamisunagawa Operation, Tome Operation)
- Dexerials (Suzhou) Co., Ltd. (Jiangsu Province, China)

FY20024 Initiatives

- Integration of two sites of Dexerials Photonics Solutions Corporation (formerly Kyoto Semiconductor Co., Ltd.) into Dexerials' environmental management system (obtaining of certification completed in August 2024)
- Addition of methods for assessing climate change impacts and extracting environmental aspects in environmental impact assessment
- Continuation of environmental improvements (e.g., conversion from heavy oil to liquefied petroleum gas (LPG) boilers, reduction of electricity consumption, etc. through detection and repair of air leaks in facilities)

Addressing Environmental Issues

By continually addressing environmental issues, we aim to advance both environmental consciousness and resource recycling, and to achieve a balance between business activities and environmental conservation. As a global enterprise, we have set the following key issues and KPIs and are tackling them.



Resource Recycling

The Dexerials Group contributes to the creation of a circular economy by promoting sustainable resource use through its business activities.

ESG Key Issues Resource recycling — Resource recycling

■ Issues and initiatives: Reduce waste and use resources efficiently

FY2024 Results	KPIs / Targets through FY2028
● Percentage of waste disposed of in landfills: 0.12%*1 ● Chemical recycling initiatives with R Plus Japan, Ltd.	● Percentage of waste disposed of in landfills: 0.5% or less (every fiscal year) ● Establish chemical recycling system for waste plastics

*1 Headquarters and Tochigi Technology Center, Kanuma Plants, Tome Operation

Waste Reduction and Efficient Use of Resources

The Dexerials Group is working to reduce waste generation by improving product yields while implementing efficient 3Rs (reduce, reuse, recycle). Waste generated in the production process, such as used organic solvents, acidic and alkaline waste liquids, and waste plastics, is properly sorted, collected, and put through intermediate treatment and final disposal (landfill) in accordance with the laws and regulations. In fiscal 2024, we continued monitoring waste emissions at our production sites in Japan and overseas, achieving our target landfill disposal rate of 0.5% or less, as in the previous fiscal year.

Waste Recycling

As most of the waste generated by the Dexerials Group is currently difficult to process through material recycling, in fiscal 2024 thermal recycling (heat recovery) accounted for 98.9% and material recycling for 1.1%. However, achieving a circular economy requires a shift to advanced recycling technologies such as material recycling and chemical recycling. Having taken an equity stake in R Plus Japan, Ltd., which promotes chemical recycling of used plastics, we continued to address chemical recycling of used plastics in fiscal 2024. Going forward, we aim to recycle the used plastics we generate as resources through chemical recycling, and we will continue working toward this goal.

R PLUS JAPAN

Recycling of Industrial Waste at Dexerials*2 *2 Headquarters and Tochigi Technology Center, and Kanuma Plants

Recycling method	FY2021	FY2022	FY2023	FY2024
Material recycling (%)	0.3	0.4	0.7	1.1
Thermal recycling (%)	99.7	99.6	99.3	98.9

Climate Change

Addressing climate change is essential to realizing a sustainable society and is also a prerequisite for the business continuity of the Dexerials Group. With the goal of achieving carbon neutrality by 2050, the Group is working to reduce CO_2 emissions throughout the supply chain, while appropriately identifying risks and opportunities to enhance long-term corporate value.

ESG Key Issues Reduction in CO_2 emissions — Climate Change

■ Issues and Initiatives: Reduce supply chain emissions

FY2024 Results	KPIs / Targets through FY2028
● CO_2 emissions (Scope 1 and 2): -37% vs. FY2019 ● CO_2 emissions (Scope 3): DXPS*1 established calculation	● CO_2 emissions (Scope 1 and 2): -38% vs. FY2019 ● CO_2 emissions (Scope 3): Set reduction target and reduce

■ Issues and initiatives: Improve energy efficiency and productivity through energy-saving and the adoption of smart factories

FY2024 Results	KPIs / Targets through FY2028
● Identified and analyzed the current situation ● Formulated an action plan	Energy productivity (Net sales ÷ energy used): 1.5x vs. FY2023

*1 DXPS: Dexerials Photonics Solutions Corporation

Information Disclosure Based on TCFD Disclosure Framework

The Dexerials Group declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in September 2021, and we are working to identify the management risks and opportunities posed by climate change in a timely and appropriate manner, while also working to implement highly effective activities to help realize a sustainable society. We will promote initiatives to provide new value through our unique products and technologies and leave a rich environment to future generations, while pursuing collaboration with our stakeholders. In line with this basic approach, we will achieve long-term enhancement of corporate value through highly transparent information disclosure and initiatives to address climate change.

Strategy

To contribute to the realization of a carbon-neutral society by 2050, the Dexerials Group will steadily reduce CO_2 emissions (Scope 1 and 2) and will also actively work to reduce CO_2 emissions throughout the supply chain, including Scope 3. We will also work to improve both energy efficiency and productivity by converting our manufacturing sites, including the newly expanded Kanuma Plant No. 2, into smart factories and by reducing energy consumption throughout our sites, thereby contributing to the decarbonization of society.

To achieve these goals, we aim to reduce CO_2 emissions (Scope 1 and 2) by 38% compared with fiscal 2019 by fiscal 2028, and to set a reduction target for Scope 3 emissions and implement reduction measures.

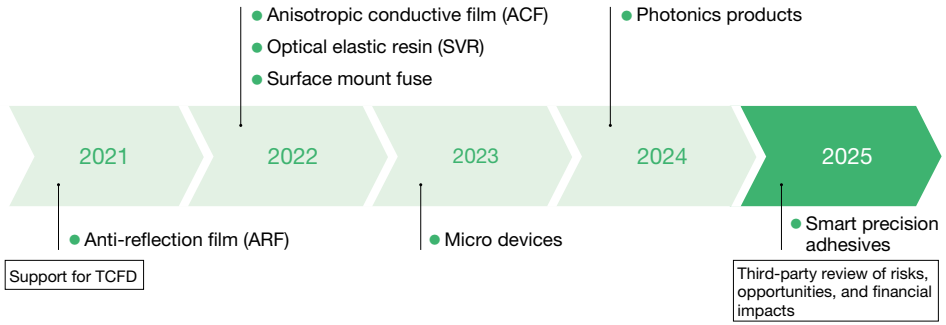
Moreover, to identify risks and opportunities associated with climate change from a long-term perspective up to 2050, the Dexerials Group is performing analyses taking into account two scenarios: a less than 2°C scenario and a 4°C scenario. Accordingly, we are sequentially expanding the scope of business units subject to scenario analysis, assessing impacts on business, and discussing countermeasures.

1) Scope of Products Subject to Scenario Analysis

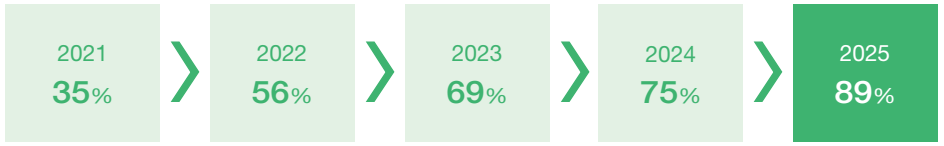
Since fiscal 2021, the Dexerials Group has conducted scenario analyses prioritizing mainstay products with a significant impact on CO_2 emissions. In fiscal 2025, we newly included smart precision adhesives in the scope of analysis, thereby completing the scenario analysis for seven business categories*2 corresponding to the Group's main products.

*2 Seven business categories: Anti-reflection film (ARF), Anistropic conductive film (ACF), Optical elastic resin (SVR), Surface mount fuse, micro devices, photonics products, smart precision adhesives. These business categories account for approximately 87% of net sales.

Status of Initiatives (FY)



CO_2 Emissions (Scope 1 + 2) Coverage Rate (Consolidated) (FY)



2) Setting of Scenarios

Having considered the impact on the Dexerials Group based on future scenarios presented by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), we estimated financial impacts and considered initiatives to address transition risks and opportunities.

Scenarios	Overview	Reference Scenario
Less than 2°C scenario	As a result of our carbon-neutral efforts, the average temperature rises by less than 2°C by the end of this century compared with pre-Industrial Revolution levels. Movements toward the realization of a decarbonized society and a recycling-oriented society are accelerating.	● IEA World Energy Outlook Announced Pledges Scenario ● IEA World Energy Outlook Net Zero Emissions by 2050 ● IPCC AR6 WG1 SSP1-1.9 ● IPCC AR6 WG1 SSP1-2.6, etc.
4°C scenario	With only limited progress in carbon-neutral efforts, the average temperature rises 2°C or more by the end of this century compared with pre-Industrial Revolution levels.	● IEA World Energy Outlook Stated Policies Scenario ● IPCC AR6 WG1 SSP5-8.5, etc.

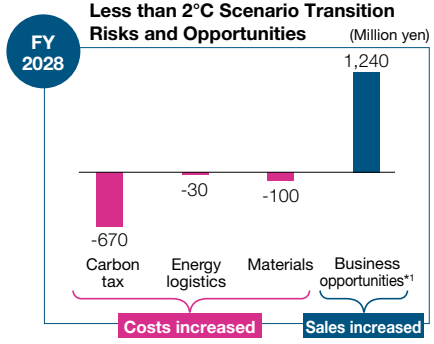
3) Results of Financial Impact Estimation

Taking into account the link with our growth strategies for fiscal 2025, we analyzed the financial impact based on the TCFD recommendations over the following three time frames.

- Short term: Fiscal 2028 (final year of the current Mid-Term Management Plan)
- Medium term: Fiscal 2030 (climate change mid-term target year)
- Long term: Fiscal 2033 (final year of next Mid-Term Management Plan [assumed])

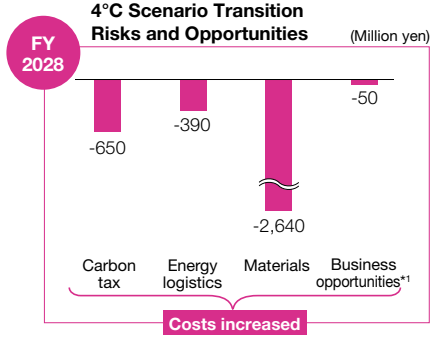
Focusing on the short-term financial impact in fiscal year 2028, the main impacts and their contributing factors are summarized in the diagram below.

P. 56 FY2028 Management Targets and Business Profit



*1 Marginal profit

Business Profit Basis
Profit increase: 440 million yen
Compared with fiscal 2028 plan: 0.9%



*1 Marginal profit

Business Profit Basis
Profit decrease: 3,730 million yen
Compared with fiscal 2028 plan: -7.5%

4) Results of Financial Impact Estimation Based on the Less than 2°C Scenario

A 0.9% increase in profit compared with the Mid-Term Management Plan is expected. Although a 0.7% decrease in profit was expected according to the estimation in fiscal 2023, we have revised the financial impact to reflect the latest forecasts of international organizations and progress in business activities. The main factors contributing to the increase in profit are as follows:

- Review of material costs: The supply of materials such as rare metals is expected to increase, mitigating the risk of rising unit prices*2
- Expansion of business opportunities: Expanding the scope of environmentally friendly materials, an increase in profit due to enhanced product value is reflected in the estimation.

On the other hand, the main factor contributing to transition risk in this estimation is the increase in business operating costs due to the introduction of a carbon tax (an issue common to all seven business categories).

We also analyzed international climate change scenarios and industry trends (risks and opportunities as perceived by customers) and organized transition opportunities based on third-party advice. As a result of this review, we identified the following opportunities:

- Growing demand for EVs and products that contribute to expansion of EV production*3
- Increase in added value of products and sales increase through environmental considerations

In addition, the Dexerials Group's photonics technology is expected to contribute to reducing power consumption in data centers. We are currently investigating the consistency with future scenarios presented by international organizations. Once this is confirmed, we will consider reflecting the sales opportunity for this technology as a "transition opportunity" in the financial impact estimation.

We will continue conducting cross-functional discussions with the Group's production and business divisions to develop measures that address these transition risks and opportunities, and we plan to link these discussions to future initiatives. P. 80 Climate-related Risks/Opportunities and Main Initiatives

5) Results of Financial Impact Estimation Based on the 4°C Scenario

Business profit under the Mid-Term Management Plan is expected to decrease by 7.5% compared with the planned figure. Although a 7.9% decrease in profit was expected according to the estimation in fiscal 2023, we have revised the financial impact to reflect the latest forecasts of international organizations and business activities. The main changes are as follows:

- Review of carbon tax rate: The carbon tax rate is expected to rise further.
- Review of material costs: The supply of materials, including rare metals, is expected to increase, mitigating the risk of rising unit prices.

Regarding business opportunities, while we anticipate a decline in sales opportunities for EV-related products due to the slower-than-expected adoption of EVs, we believe the impact on areas involving Dexerials products—such as the ongoing growth of the size of automotive displays and the advancement of autonomous driving technologies—will be limited.

Regarding physical risks, we focused on the risk of flooding resulting from increasingly severe weather events. Based on hazard maps, the expected damage from flooding was estimated to be approximately 520 million yen. Including the impact of physical risks, business profit under the Mid-Term Management Plan is expected to decrease by 8.5% compared with the planned figure.

*2 Based on future projections by the International Energy Agency and other sources, examined by our company
*3 Anti-reflection film (ARF), Surface mount fuse, Photonics-related products

6) Climate-related Risks/Opportunities and Main Initiatives

The risks and opportunities identified have been organized from the perspective of changes in society, such as climate change, regulatory changes, and technological innovation, and countermeasures for each are being considered as follows. The importance of each issue is assessed based on two axes: “degree of impact” and “likelihood of occurrence.” Those recognized as particularly significant are reflected in the Mid-Term Management Plan and are subject to further review.

*1 Periods: Short term: FY2028 (final year of the new Mid-Term Management Plan), Medium term: FY2030 (climate change mid-term target year), Long term: FY2033 (final year of the next Mid-Term Management Plan [assumed])
*2 Financial impacts: Small: Under 1.0 billion yen, Medium: More than 1.0 billion yen, Large: More than 4.0 billion yen
*3 FEMS: Factory Energy Management System

Classification		Climate Change Risks/Opportunities	Impact on Business	Period of Impact*1	Financial Impact*2	Response Policies and Countermeasures
Transition risks (less than 2°C)	Policies & legal restrictions	Rise in carbon tax due to introduction of carbon pricing	● Increased production costs	Short to long term	Small	● Energy conservation in manufacturing (improving yield and productivity) ● Improving energy productivity ● Introduction of FEMS*3 ● Use of renewable energy and shift to low-carbon fuels ● Improving logistics efficiency through digital transformation ● Collaboration with material suppliers to reduce GHG emissions
		Tightening of regulations on reduction of greenhouse gas (GHG) emissions	● Increased costs for energy conservation and shift to renewable energy ● Increased unit prices due to rising demand for raw materials related to decarbonization	Short to long term	Medium	
	Technologies	Technological progress toward a decarbonized, circular society	● Loss of opportunities due to delayed actions for low-carbon/decarbonization technologies and resource recycling	Short to long term	Small–Medium	● Collecting and responding to information on low-carbon/decarbonization-related technologies ● Collecting information on biomaterials and recycled materials through communication with the upper streams of the supply chain ● Introduction in packaging materials and products
	Reputation	Changes in consumer thinking and customer policies	● Potential loss of customers and stakeholders, directly impacting sales and market share, due to inadequate climate change measures			● Visualization of GHG emissions (Scope 1, 2, 3, and product carbon footprint), transition plan disclosure
Transition opportunities (less than 2°C)	Policies & legal restrictions	Tightening of regulations on reduction of GHG emissions	● Improving environmental added value through activities to reduce power consumption in manufacturing processes ● Increasing demand for products and services that reduce environmental impacts	Short to long term	Small	● In consideration of CO_2 emissions impacts and financial effects, set priorities and continue energy conservation activities in a planned manner
					Small–Large	● Expanding sales of EVs and products that support their increased production ● Expanding sales of photonics products to meet power-saving needs in data centers
	Technologies	Technological progress toward a decarbonized, circular society	● Developing and commercializing technologies that contribute to decarbonization ● Enhancing added value by switching to environmentally friendly packaging materials	Short to long term	Small–Medium	● Participating in the Japan Technological Research Association of Artificial Photosynthetic Chemical Process (ARPChem) contributing to the realization of carbon neutrality ● Promoting environmentally friendly packaging materials
Physical changes (4°C)	Acute	Increasing severity of climate disasters	● Supply chain disruptions, suspension of operations due to interruption of raw material supplies, etc.	Short to long term	Small	● Strengthening business continuity planning (BCP) P. 75 BCP Initiatives
	Chronic	Rise in average temperatures due to global warming	● Increase in costs associated with responses to rising temperatures	Short to long term	Small	● Considering air-conditioning cost reductions

Participating in the Japan Technological Research Association of Artificial Photosynthetic Chemical Process (ARPChem) contributing to the realization of carbon neutrality

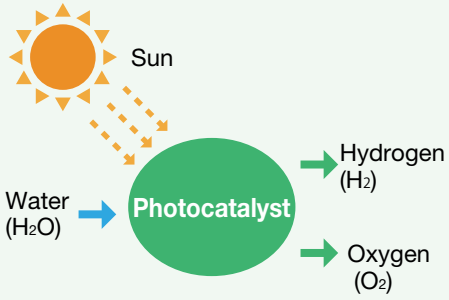
The use of hydrogen is regarded as key to achieving carbon neutrality by 2050. In fiscal 2025, the Ministry of the Environment launched a new Study Group on Artificial Photosynthesis with the aim of Accelerating Early Social Implementation, and nationwide efforts are underway. Dexerials has been participating in the second phase (2022–2031) of the Japan Technological Research Association of Artificial Photosynthetic Chemical Process (ARPChem), which aims to realize artificial photosynthesis technology capable of producing CO_2-free low-cost green hydrogen. This initiative was launched as part of the Green Innovation (GI) Fund project launched by the Ministry of Economy, Trade and Industry and the New Energy and Industrial Technology Development Organization (NEDO). Japan is a world leader in this technology field, having conducted the world's first demonstration test of artificial photosynthesis. Companies and research institutes are developing technologies with an eye toward societal implementation in the areas of catalyst development, hydrogen separation membrane development, and safety verification.

In fiscal 2024, Dexerials achieved significant progress in establishing mass-production technology for photocatalysts, particularly in the industrial sulfide and nitride manufacturing processes under our responsibility. We will continue developing technologies to improve both the conversion efficiency from solar energy to hydrogen energy and the stability of production, while advancing artificial photosynthesis technology and promoting its societal implementation.

Overview of Artificial Photosynthesis Technology

Artificial photosynthesis technology utilizes sunlight and photocatalysts to split water, producing hydrogen and oxygen. The goal is to achieve an energy conversion efficiency of approximately 10% from sunlight.

The hydrogen produced can be reacted with CO_2 to produce chemical feedstocks, such as ethylene, thereby reducing CO_2 emissions.



Metrics and Targets (Transition Plan)

The Dexerials Group is working to achieve the CO_2 emissions reduction targets it established in fiscal 2024 in line with international climate change standards. According to the IPCC's Sixth Assessment Report (AR6), to limit global warming to 1.5°C, greenhouse gas (GHG) emissions must be reduced by approximately 43% by 2030 compared with 2019 levels globally. This scientific finding is consistent with the Paris Agreement and the international orientation outlined at COP28.

In light of scientific knowledge, the Dexerials Group is committed to international frameworks and has set the following medium- to long-term CO_2 emissions reduction targets.

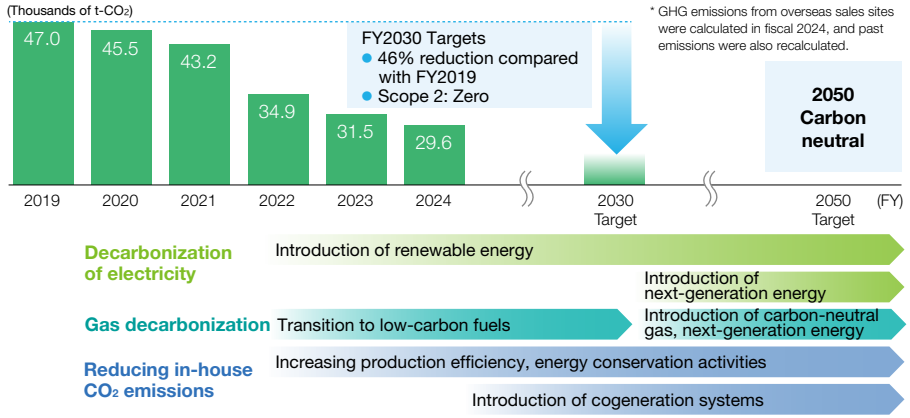
Medium- to Long-Term CO_2 Reduction Targets

- Scope 1 and 2: 46% reduction by end-fiscal 2030 compared with fiscal 2019 levels
- Scope 2: Achieve zero emissions by end-fiscal 2030

Currently, in line with the expansion of the Kanuma Plant No. 2, we are working to automate and streamline production processes through the establishment of a smart factory, and construction work has already begun. Additionally, we are considering transition to low-carbon fuels and also preparing to introduce cogeneration systems, taking business continuity planning (BCP) into consideration.

Furthermore, in light of the goal of "carbon neutrality by 2050" set forth in international frameworks such as the Paris Agreement, we are working to steadily implement a transition plan that is consistent with this goal and to strengthen the promotion system to achieve our targets.

Transition Plan for Carbon Neutrality by 2050 GHG emissions (Scope 1 and 2)*



Initiatives for CO_2 Emissions (Scope 1, 2, 3)

The Dexerials Group regards the reduction of greenhouse gas emissions from its business activities to be one of its most important management priorities. In addition to reducing its own Scope 1 and 2 emissions, the Group is working to identify and reduce Scope 3 emissions throughout the supply chain, thereby contributing to climate change mitigation. These initiatives, which are a key pillar of our transition plan to achieve carbon neutrality by 2050, are being implemented in accordance with international standards and guidelines.

Reduction of CO_2 emissions (Scope 1, 2)

Results for FY2024

- CO_2 emissions were 29,600 t-CO_2, a reduction of approximately 6% compared with the previous fiscal year (a reduction of approximately 37% compared with fiscal 2019).
- All overseas sites have been added to the scope of Scope 1 and Scope 2 calculations, enabling a more comprehensive assessment of emissions.

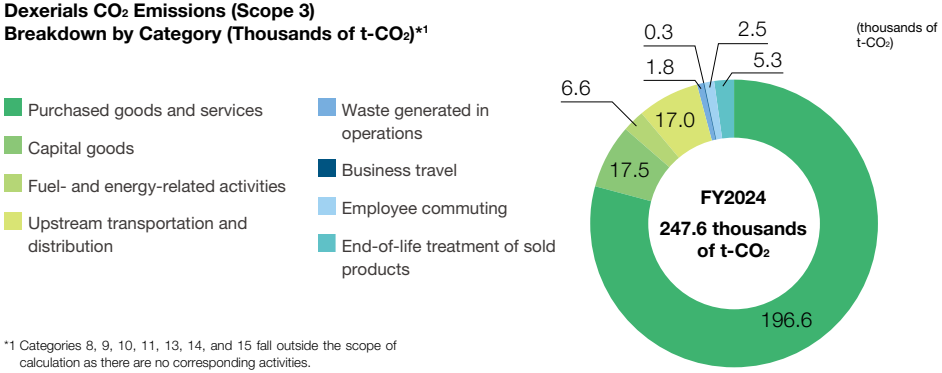
Major reduction measures for FY2024

- Lower energy consumption through optimal operation of production facilities
- Purchase renewable energy certificates
- Consider transition to low-carbon fuels and introduce cogeneration systems

Greater visualization of CO_2 emissions (Scope 3)

In fiscal 2024, in addition to Dexerials Corporation and the Tome Operation of Dexerials Photonics Solutions Corporation, which were already within the scope, all sites of Dexerials Photonics Solutions Corporation, as well as overseas subsidiaries Dexerials (Suzhou) Co., Ltd. and Dexerials Singapore Pte. Ltd., were included within the scope of calculation to further enhance identification of Scope 3 emissions.

Dexerials CO_2 Emissions (Scope 3)
Breakdown by Category (Thousands of t-CO_2)*1



*1 Categories 8, 9, 10, 11, 13, 14, and 15 fall outside the scope of calculation as there are no corresponding activities.

Third-party Verification

Following fiscal 2023, the fiscal 2024 figures for all Scope 1, 2, and 3 emissions have been verified by a third-party organization*2 in accordance with international standards and guidelines, and the reliability and accuracy of the figures we report have been confirmed.

Third-party Verification (ESG Data)
For more details, please refer to our website.

*2 Third-party verification by Socotec Certification Japan Co., Ltd.

Going forward, the Group will steadily promote reduction activities in each scope, while also continuing and expanding Scope 3 calculations and working to reduce emissions throughout the entire supply chain. Through these activities, we aim to achieve both business growth and a reduced environmental impact, thereby contributing to the realization of a sustainable society.

Governance

We have established a Sustainability Working Group, with the representative director and president holding ultimate authority, and relevant departments participating under the direction of the executive officer in charge of the Corporate Strategy Division and the executive officer in charge of Corporate Risk Management Head. The Group promotes activities geared toward the achievement of a sustainable society, including measures to address climate change. The Sustainability Working Group continuously monitors the CO_2 emissions reduction targets set in the ESG Key Issues and progress toward achieving them, and reports to the Board of Directors and the Board of Executive Officers. This strengthens oversight and ensures that climate change responses are integrated into the formulation and execution of management and business strategies. Further, by undertaking initiatives from an inter-divisional perspective, we aim to enhance our activities and promote in-company awareness.

P. 63 Sustainability Promotion System

In addition to these efforts, in fiscal 2024 we incorporated the achievement of CO_2 emissions reduction targets into the performance-linked stock compensation evaluation criteria for directors, thereby accelerating top-down initiatives to address climate change.

P. 69 Performance-Linked Compensation

Risk Management

In accordance with internal rules and regulations on risk management, the Group has established a Risk Management Committee. Based on the supervision of the representative director, who is also the Chief Risk Management Officer, the executive officer in charge of Corporate Risk Management Head serves as the committee chair, and the organization responsible for climate change undertakes activities and reports as necessary. We position climate change as one of the fundamental management risks and the identified key issues are reported to the Board of Executive Officers, and the Board of Directors considers countermeasures as necessary.

P. 70 Risk Management Structure and Process

Pollution Control

The Dexerials Group strives to maintain and conserve natural capital, such as water and air, through compliance with environmental laws and regulations and proactive steps to prevent violations.

ESG Key Issues Reduction of environmental incidents*1 — Pollution Control

■ Issues and initiatives: Practice strict compliance with environmental protection laws and regulations (including water and air pollution control)

FY2024 Results	KPIs / Targets through FY2028
Violation of environmental regulations: None	Violation of environmental regulations: None (every fiscal year)

*1 Pollution that has a negative impact on the environment, such as leaks or illegal discharge of chemical substances

FY2024 Initiatives

The Dexerials Group's manufacturing sites strictly comply with legal standards to prevent water and air pollution. In fiscal 2024, we implemented proper management of wastewater and exhaust gas, strengthened equipment inspections, reviewed regulatory information, and established a compliance verification system, resulting in zero violations of water and air quality laws and regulations.

Water Pollution Control

Our voluntary management standards for wastewater from our sites are stricter than the legal limits stipulated in laws and prefectural ordinances, and we periodically conduct water quality tests. All water quality test results for fiscal 2024 satisfied the standards. Furthermore, we also conduct leak prevention training at workplaces to prepare for potential emergencies.

Air Pollution Control

We periodically carry out statutory inspections and measure emissions of the boilers emitting sulfur oxides (SOx) and nitrogen oxides (NOx) as well as equipment emitting volatile organic compounds (VOCs), and all results satisfied the standards. Additionally, we are promoting gradual transition of boiler fuel from heavy oil to gas to reduce the environmental impact.

Strengthening Environmental Compliance

We invited an external environmental law expert to review the laws and regulations that we are required to comply with from a third-party perspective. Building on this, we plan to further improve the compliance evaluation system, going forward. In addition, the same expert conducted a seminar on the fundamentals of environmental regulations tailored to our business operations. We plan to implement e-learning on this topic for all employees.

P. 84 Basic Seminar on Environmental Regulations

Aiming to maintain zero environmental incidents, while promoting digitalization of monitoring and enrichment of the education system, we will strive to conserve the environment and enhance corporate value.

Water Resource Conservation

The Group is working to use water resources efficiently and manage wastewater, aiming to realize a sustainable society while addressing increasing global water risks.

Basic Approach

Due to global population growth, industrialization, and climate change, the risk of water shortages and water stress is rising, making the conservation of limited water resources increasingly important. Recognizing the importance of water, in response to increasingly serious water risks, the Dexerials Group Environmental Policy commits to ensuring that these resources are available for future generations through the reduction of water usage, efficient use of water, and wastewater management. Based on this policy, the Dexerials Group will vigorously promote initiatives to conserve water resources while placing emphasis on environmental considerations and resource recycling.

P. 76 Dexerials Group Environmental Philosophy (excerpt)

Water Resource Conservation Initiatives

The Dexerials Group has been working to identify the amount of water used at each of its sites and encouraging reduced water usage. For wastewater from our manufacturing sites, our voluntary management standards stricter than legal limits are applied, and periodic inspections are conducted.

Furthermore, a water resource risk assessment using Aqueduct*2 has shown that our sites in Japan face low water resource risks. By contrast, some overseas sites are located in areas with high water resource risks*3, such as from water withdrawals and river flooding. This highlights the need to assess water stress at our overseas sites and define specific initiatives to address this issue.

Going forward, we will further advance water resource risk analyses at our manufacturing sites, and conduct detailed analyses of water intake categories and usage at each site. Based on these assessments, we will set appropriate targets and consider specific measures. The results of these analyses, along with established targets and measures, will be managed under the Dexerials Group's environmental management system and actively disclosed.

*2 Water resource risk information platform provided by the World Resources Institute
*3 The Taihu Lake Basin (Suzhou), where Dexerials (Suzhou) Co., Ltd. conducts business activities, is a water-stressed area.

Dexerials Technology Contributing to Water Resource Conservation

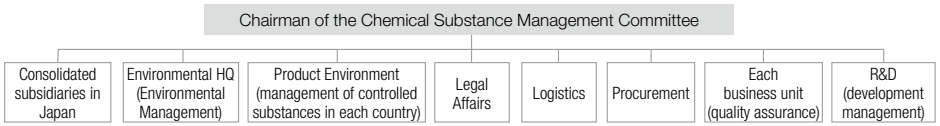
The Dexerials Group developed technology that reduces the environmental impact of wastewater treatment and transferred it to a specialized water treatment company. By applying this patented technology, we both contribute to environmental impact reduction and generate licensing revenue. We will continue to support the conservation of water resources through the effective utilization of our environmental technologies and patents.

Chemical Substance Management

The Dexerials Group uses various chemical substances in its products and manufacturing processes. We manage these chemical substances to minimize any risks to, or impacts on, human health and the environment.

Chemical Substance Management System

The Dexerials Group believes that thorough compliance in the management of chemical substances is indispensable to the continued provision of safe and secure products to our customers in the future. To put this belief into practice, we have established and operate the Chemical Substance Management Committee, consisting of members from all divisions that are involved from the introduction of raw materials to product shipment. This committee shares information and considers responses regarding updates to Japanese and international chemical regulations, proper management of chemical substances used in the company, and their potential impact on products. In fiscal 2024, the committee met monthly to share the latest regulatory information and coordinate responses.



Responses to Laws and Regulations Relating to Chemical Substances

We investigate, check, and respond to laws and regulations relating to chemical substances to ensure appropriate responses to chemical substance laws and regulations in Japan and other countries. When importing or exporting chemical substances, procedures such as notification and registration may be required. We are responding appropriately to laws and regulations through local sales or manufacturing subsidiaries, consulting companies, etc. Furthermore, we continually obtain information on relevant chemical substance laws and regulations of other countries from multiple regulatory information sources, and in addition to the abovementioned system, we disclose the information on the internal portal site to ensure continued appropriate chemical substance management.

In fiscal 2024, we promptly obtained details of international treaties and proposed regulations regarding chemical substances with a significant impact on the Dexerials Group, and shared the regulatory schedule internally. We also continuously monitor and review domestic and international regulatory trends regarding organic fluorine compounds (PFAS) and take appropriate measures in response.

FY2024 Initiatives

Because chemical substances pose risks to health and the environment, we conduct risk assessments for all chemicals introduced and compile the results in a database. Assessment of the chemical substances introduced in fiscal 2024 was 100% completed. We also provide employees with e-learning and in-house training on legal requirements such as those required by the Poisonous and Deleterious Substances Control Act and on handling of chemical substances, to ensure safety.

Basic Seminar on Environmental Regulations

In fiscal 2024, certain issues were identified with regard to our responses to environmental regulations, which required improvement. Having recognized the importance of environmental regulations afresh, we are reviewing and strengthening our compliance processes.

There are numerous environmental regulations that we must comply with, and it is necessary to correctly understand and adhere to them. Therefore, we launched a basic seminar on environmental regulations, with an external expert serving as the lecturer, to help employees acquire and refresh the necessary knowledge.

The seminar for employees engaged in work related to environmental regulations had more than 100 participants, including managers and members of the Environmental Secretariat. The participants systematically learned about the importance of environmental compliance and risks, as well as the objectives and key points of each regulation.
The seminar proved to be extremely valuable. Many participants expressed a desire for regular opportunities to review regulations, as well as for deeper learning, such as sessions focusing on specific regulations and the presentation of concrete examples of initiatives that could be applied in practice.

Forest Restoration

Environmental conservation activities to restore greenery to the mountains of Ashio

Since 2009, Dexerials has been participating in a mountain restoration initiative through tree planting to restore greenery at the former Ashio Copper Mine site. Aimed at rehabilitating the natural environment devastated by mining pollution during the Meiji era and contributing to the local community, these efforts continue as part of our commitment to a sustainable society.

In May 2025, executives, employees, and their families participated in the event, each equipped with saplings, water, and a hand hoe, carefully planting trees on the barren mountainside. The day also included a picture-story show illustrating the history of the Ashio Copper Mine and a visit to the Ashio Environmental Learning Center after the planting. The event gave those taking part an opportunity to learn from past lessons and understand the significance of environmental restoration.

These initiatives not only contribute to the restoration of the local environment but also raise employees' environmental awareness and foster cross-departmental interaction. Participants noted that the event encouraged them to reflect on their environmental responsibilities and provided a valuable opportunity to share Dexerials' initiatives with their families. We will continue advancing our initiatives toward coexistence with nature through schemes that facilitate employees' involvement on their own initiative and through collaboration with the local community.