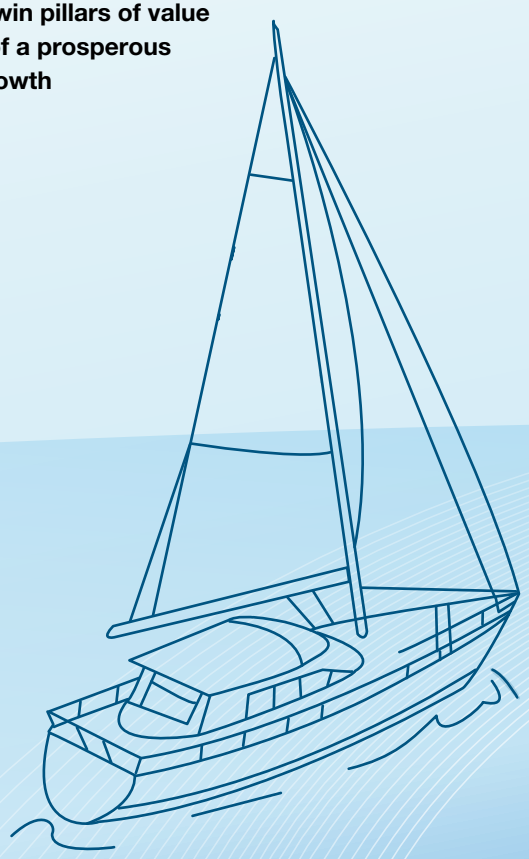
Chapter 03

Path to Steady Evolution

Realization of our Purpose

Pursuing sustainability distinctive to Dexerials through the twin pillars of value creation and risk reduction, to contribute to the realization of a prosperous and efficient society while achieving our own sustainable growth



Key Points

- Our approach: expanding positive impacts and mitigating negative impacts (reducing risks)
- ESG initiatives distinctive to Dexerials
  Progress toward ESG Key Issue KPIs and Goals

Sustainability Management

We are aiming to realize both economic and social value and contribute to a prosperous and efficient society while pursuing sustainability unique to Dexerials, guided by our Purpose of "Empower Evolution. Connect People and Technology."

To achieve this, we have established the Dexerials Group Sustainability Policy and are promoting initiatives aimed at sustainable growth and the enhancement of corporate value.

Dexerials Group Sustainability Policy

Basic Philosophy

At the Dexerials Group, we define our raison d'être (purpose) in society is to provide essential materials, devices, and solutions that support the evolution of digital technologies, enhancing societal efficiency. By addressing social issues, we aim to expand our business and contribute to the realization of a sustainable society. We believe that consistently achieving sustainable growth and enhancing corporate value toward this purpose while balancing economic and social value is the essence of the sustainability that Dexerials aspires for.

1. Value creation through businesses

Rooted in our corporate vision "Value Matters," we aim to contribute to the realization of a prosperous and efficient society by constantly providing unique and highly value-added products and solutions that are indispensable to the evolution of technology, balancing both economic and social value. For this, we will combine our business model, which is our strength, with various technologies that are the source of our value creation. In this way, we will strengthen technology for developing unprecedented products and solutions and human capital for creating new value.

2. Building the foundation for value creation

We will sincerely address our ESG Key Issues to support value creation through business activities while reducing potential business risks. At the same time, we will seek to help realize a sustainable society and enhance our corporate value.

Approach to Promoting Sustainability

The Dexerials Group is promoting sustainability from the perspectives of both expanding positive impacts and mitigating negative impacts (reducing risks) to realize a sustainable society and enhance corporate value. From the perspective of value creation, we identify technology and human capital as materiality that is crucial for sustainable growth. From the perspective of risk reduction, we identify ESG Key Issues as our important non-financial challenges based on their impact on society and our business.

Value Creation (Expanding positive impacts)

Materiality initiatives

Important issues for strengthening our business model
(ensuring that Dexerials remain indispensable for technological evolution)

Risk Reduction (Mitigate negative impacts)

ESG Key Issues Initiatives

Important non-financial issues in line with the impact of overall corporate activities on society and businesses

E: Environment	S: Society	G: Governance
Addressing climate change	Diversity and respect for human rights	Corporate governance
Resource recycling	Employee health and safety	Compliance Risk treatment
Pollution control	Product quality	Supply chain

Sustainability Promotion System

The Dexerials Group has established a sustainability promotion system centered on executive officers responsible for value creation and risk reduction, under the leadership of the Representative Director and President. We have also formed the Sustainability Working Group (WG) with relevant departments to promote sustainability initiatives across the entire Group.

Approach to ESG Key Issues

Basic Approach —— ESG initiatives distinctive to Dexerials and essential to further growth and corporate value enhancement

Dexerials Group is committed to taking on its medium- to long-term key issues from the perspective of ESG and in line with its Sustainability Policy based on the following approach. Accordingly, we will engage in thorough communication with our business partners, focusing on coexistence and coprosperity, and contribute to the realization of a sustainable society for the entire value chain, premised on the resolution of external diseconomies (social issues).

- Many of our products are highly value-added products that meet the needs of society. They thus tend to be single-source products whose quality and stable supply must be maintained without fail. As such, we will thoroughly comply with laws and regulations and take measures to address various risks related to business continuity (information security, BCP, occupational safety, quality, etc.) and thereby build a solid business foundation while reducing potential financial risks. In our responsibility as a global company, we will reduce the environmental impact of our business activities and promote a circular economy. At the same time, we will work to improve energy efficiency and productivity through the adoption of smart factories, and contribute to the decarbonization of society.
- As we seek to boost the vitality of every employee and expand opportunities for their endeavors while operating our businesses globally, we will continue to engage in our initiatives for health and productivity management, respecting the human rights of all stakeholders, promoting active involvement of diverse human resources, and supporting our employees in maintaining sound mental and physical health.
- Our management will seek to clearly determine the direction of business management in the BANI* era, maintain and improve our management system, which underpins speedy and bold decision-making (risk-taking), and continuously work to evolve corporate governance toward greater effectiveness and transparency.

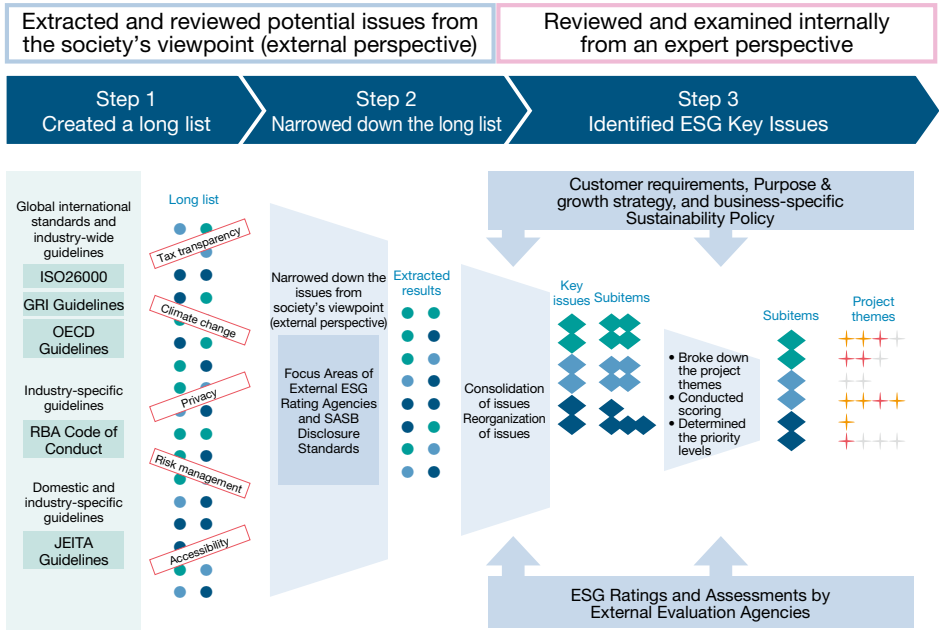
* Brittle, Anxious, Non-linear, and Incomprehensible

The Process of Identifying ESG Key Issues

The ESG Key Issues were identified in 2024 from a medium- to long-term perspective, based on our Sustainability Policy and for the resolution of external diseconomies (social issues). As a global company, we comprehensively considered international rules, standards, and guidelines, along with the requests from progressive customers and external evaluation agencies of various countries, as well as the consistency with our purpose and growth strategy.

At the start of the review process, 42 issues were extracted, with these ultimately narrowed down to 13 issues following a series of reviews taking in the diverse perspectives outlined above. Much like the Mid-Term Management Plan, KPIs and targets were set for fiscal 2028 based on our managements' decisions. Accordingly, initiatives have been launched with the aim of accomplishing such targets.

The Process of Identifying ESG Key Issues



Updates to Policies Related to ESG Key Issues

In fiscal 2025, Dexerials Group updated its company-wide policies by organizing and reviewing the content of existing policies and regulations while ensuring alignment with our Corporate Philosophy and Corporate Vision, with this process taking as its starting point both our Purpose and Sustainability Policy.

Specifically, we have formally stipulated nine policies related to ESG Key Issues: human rights, occupational health and safety, environment, procurement, conflict minerals, prevention of corruption and bribery, taxation, information security, and multi-stakeholder engagement. In this way, we are aiming to embed these policies as a clear basis for employees' decisions and actions.

This initiative will facilitate our responses to increasing global-level societal and customer demands while enhancing Dexerials' credibility and trustworthiness and reducing potential risks. We will furthermore use this initiative to contribute to the creation of medium- to long-term growth opportunities.

Policies list
For more details, please refer to our website.

Initiatives on ESG Key Issues

ESG Key Issues				Issues and initiatives	Fiscal 2024 results	KPIs / Goals to fiscal 2028	Reference
Governance	Corporate governance	Non-Consolidated	Maintenance and enhancement of the management system	Discussions on skills matrix for our vision of the ideal Board of Directors; implementation management succession	• Discussions on revising the skills matrix at the Nomination and Remuneration Committee • Deliberation and implementation of Board successions • Regular monitoring of succession plans for management at the Nomination and Remuneration Committee	(1) Regular reviews of the skills matrix and implementation of the succession process (2) Discussions on the skills matrix and monitoring of the succession plan	P. 66 Corporate Governance
			Evolution of corporate governance toward greater effectiveness and transparency	Steadily implement and improve the evaluation of Board of Directors' effectiveness (every fiscal year)	Steadily improved effectiveness through the implementation of the fiscal 2024 action plan finalized by the Board of Directors	Steadily implement and improve the evaluation of Board of Directors' effectiveness (every fiscal year)	P. 46 Strengthening Corporate Governance to Achieve Sustainable Growth and Enhance Corporate Value
				Consistently maintain a highly transparent determination process for the executive remuneration system and implement system review by the Remuneration Committee	Maintained a transparent decision-making process for the executive remuneration system at the Board of Directors and Nomination and Remuneration Committee toward the upkeep of remuneration governance	Consistently maintain a highly transparent determination process for the executive remuneration system and implement system review by the Remuneration Committee	P. 66 Corporate Governance
	Compliance	Consolidated	Compliance with laws and regulations and penetration of the Dexerials Group Code of Conduct	Strictly maintain zero tolerance of serious violations of laws and regulations, including violations associated with the prevention of bribery and other corruption (every fiscal year)	Serious violations of laws and regulations: None	Strictly maintain zero tolerance of serious violations of laws and regulations, including violations associated with the prevention of bribery and other corruption (every fiscal year)	P. 73 Compliance
				Improve employee awareness of compliance	• Launched the Compliance Committee • 100% participation rate in internal training (Japan and overseas combined)	Improve scores in the Group-wide survey on compliance awareness	
	Risk treatment	Consolidated	Strengthening information security	Prepare for the risk of dealing with significant environmental changes	Major security incidents: None	Major security incidents: None (every fiscal year)	P. 72 Strengthening Information Security
			Strengthening BCP		• Finalized activities policy for an all-hazards approach business continuity plan and clarified challenges • Conducted BCP drill for Group company (DXPS)*1	Development and operation of a business continuity plan that adopts an all-hazards approach to counter diverse risks	P. 75 BCP Initiatives
	Supply chain		Supply chain management	Work with suppliers and have the entire supply chain fulfill its social responsibilities regarding the global environment, human rights, labor, and other matters	CSR*2 procurement assessment: 96%*3 of suppliers achieved an average score of 3 or higher	CSR procurement assessment: Average score of 3 or higher	P. 74 Supply Chain Management (CSR Procurement)
Environmental	Climate change	Supply chain	Reduction in CO_2 emissions	Reduction in supply chain emissions	• CO_2 emissions (Scope 1,2): -37% versus FY2019 • CO_2 emissions (Scope 3): DXPS*1 calculation framework	• CO_2 emissions (Scope 1,2): -38% versus FY2019 • CO_2 emissions (Scope 3): Set reduction target and reduce	P. 78 Climate Change
		Consolidated		Improve energy efficiency and productivity through measures including energy-saving and the adoption of smart factories	• Clarified and analyzed current statuses • Formulated implementation plan	Energy productivity (Net sales ÷ energy used): 1.5x versus FY2023	
	Resource recycling	Consolidated	Resource recycling	Reduce waste and use resources efficiently	• Percentage of waste disposed at landfills: 0.12%*4 • Chemical recycling initiatives with R Plus Japan, Ltd.	• Percentage of waste disposed at landfills: 0.5% or less (every fiscal year) • Establish chemical recycling system for waste plastic	P. 77 Resource Recycling
	Pollution control	Consolidated	Reduction of environmental incidents*5	Practice strict compliance with laws and regulations for environmental conservation (including the prevention of water and air pollution)	Violation of environmental regulations: None	Violation of environmental regulations: None (every fiscal year)	P. 83 Pollution Control
Social	Diversity and respect for human rights	Non-Consolidated	Promoting active involvement of diverse human resources	Improve ratio of female managers	Ratio of female managers: 7.9%	Ratio of female managers: 10% or higher	P. 86 Diversity
		Supply chain	Compliance with international human rights principles	Promote human rights awareness and due diligence based on our human rights policy	Drafted human rights policy document	Promote human rights awareness and due diligence based on our human rights policy	P. 85 Respect for Human Rights
	Employee health and safety	Consolidated	Health and Productivity Management	Create an environment where employees can continue to work safely, maintaining sound mental and physical health	Introduction of data-driven health management and a complete smoking ban covering domestic sites	FY2030: Steady improvement based on the roadmap	P. 88 Health and Productivity Management
			Strengthening occupational safety		Serious industrial accidents, equipment-induced accidents: None	Serious industrial accidents, equipment-induced accidents: None (every fiscal year)	P. 89 Occupational Health and Safety
	Product quality	Consolidated	Maintenance and improvement of product quality	Provide Dexerials Group products that are high quality, safe, and reliable	Occurrence of serious quality problems: None*6	Occurrence of serious quality problems: None (every fiscal year)	P. 90 Product Quality

*1 DXPS: Dexerials Photonics Solutions Corporation *2 CSR: Corporate Social Responsibility *3 Scores are as of July 2025 and based on evaluations of 105 suppliers from which Dexerials Group procures key raw materials
*4 Headquarters and Tochigi Technology Center, Kanuma Plant, Tome Operation *5 Pollution that adversely affects the environment, such as chemical substance leaks and illegal emissions
*6 Quality problems that may result in accidents, product recalls, or compensation payments due to quality defects

As of March 31, 2025