

Third-Party Opinion

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Career Summary: PhD (Commercial), Graduate School of Commerce, Hitotsubashi University. Prior to current post, worked at the Development Bank of Japan. Visiting scholar at the University of California, Berkeley in 2020–2021. Specialisms include financial accounting, corporate social responsibility (CSR), and business continuity plans (BCP). Publications and papers include *Introduction to Venture Incubation Theory: Cultivating an Entrepreneurial Mindset* (Daigaku Kyoiku Shuppan, 2004); *Understanding Business Continuity Management (BCM)* (The Nikkan Kogyo Shimbun, 2006); *The Impact of BCP Disclosure on Cost of Equity Capital* (Contemporary Disclosure Research, 2012); *Business Continuity Plan-Based Corporate Analysis* (Chuo Keizai-sha, 2013); and *Strengthening Companies Through Strategic Risk Management* (Chuo Keizai-sha, 2017). Other appointments include having served as a member of the Expert Panel on Government Service Continuity Evaluation of the Cabinet Office of Japan.

I have once again had the pleasure of reading the Dexerials Integrated Report this year. I found that the content was well-structured, with a pleasing flow from the introduction through to the data section, which serves to effectively summarize your value creation story. The following points merit special mention.

First, there is a clear account of the factors behind your achievements over the past decade since becoming a listed company, as well as your future direction, in the Message from the President. Furthermore, you explain the expansion into new domains aligned with your purpose and demonstrate the potential for sustainable growth.

Second, this report provides an explanation of Dexerials' business model based on the concept of Design-in, using the automotive industry as an example to illustrate its global expansion. The aim is to promote understanding of a business model that can be somewhat difficult for the general public to grasp. Furthermore, the overview of the Mid-Term Management Plan 2028, "Achieving Evolution," highlights initiatives for expanding businesses in growth domains, enhancing the quality of existing businesses, and strengthening the management foundation. In particular, the plan emphasizes the expansion of the photonics business, a theme that attracts strong interest from investors and adds credibility to the report.

Third, in the features there are details about a workshop on the Stock Grant Plan (J-ESOP), which is indicative of your focus on enhancing engagement by involving employees.

Additionally, you indicate that the updated governance system incorporates new directors to enable the Company to enhance oversight and monitoring, while offering support for steady risk-taking, even in uncertain environments. Besides the above, the disclosure of KPIs relating to initiatives on ESG Key Issues, where fiscal 2024 results and KPIs and targets through fiscal 2028 are presented side-by-side, is also commendable.

Meanwhile, the below points could be noted for future consideration. While the report shows evidence of an ingenious approach to KPI setting throughout, further refinement would be desirable regarding the linkage with respective materialities and the mid-term KPIs. Going forward, the necessity of a response to developments from the International Sustainability Standards Board (ISSB) should also be considered likely.

The establishment of the Corporate Risk Management Head position clearly conveys your intent to enhance your response capacities from a risk management perspective. There is also likely potential to further increase a sense of security for your broad range of stakeholders by seeking to deepen your risk scenarios and enhance your capacity to adapt to environmental changes.

The development of human resources who will support Design-in is highlighted throughout your various communications, including the message from the Human Resources Division Head. You have also championed the establishment of system design at a global level, and it would be desirable that you steadily proceed with its implementation going forward.

The importance of integrated reports that demonstrate relationships with various stakeholders continues to grow in the context of intensifying uncertainty in the environment. This report presents the future direction of the Company centered on your Purpose, the convergence of technical and social value centered on Design-in, and your robust governance system, in a visually coherent and highly definitive way.

Continuing to ensure that Purpose-driven goals permeate within the Company is likely to remain crucial going forward. Strengthening these efforts can be expected to further enhance the strategic communication functions of the report, to thereby facilitate increased corporate value.

Response to Third-Party Opinion

We would like to extend our sincere gratitude to Professor Noda for again providing his broad-perspective evaluation of the Integrated Report this year, as well as for the expectations and valuable opinions he has expressed regarding our initiatives to enhance corporate value.

This year, we are focusing on the connection between our business model and Purpose as well as Human Capital Strategies to support sustainable growth, as the central nexus of our narrative.

Against this backdrop, questions are sometimes asked as to whether this growth is sustainable as we steadily proceed with our Mid-Term Management Plan, which is entering its second year. We believed that we could secure understanding on this front by focusing on the continuation of our proprietary business model, with its foundation in proven technology, and the implementation of our Human Capital Strategies to support this.

Specifically, we added case studies of Design-in activities, the outlook for our photonics business, the deployment of J-ESOP to enhance employee engagement, and a message from the outside directors who are tasked with monitoring our overall management. Your understanding and appreciation of the intentions underlying these pieces is extremely encouraging.

Meanwhile, we also received valuable hints toward achieving improvements going forward, including clarifying the link between materiality and KPIs, refining medium-term KPI setting, deepening risk scenarios, and implementing global human resources systems. We will earnestly take these suggestions on and leverage them when creating future reports.

We will continue to drive value creation centered on technology and human capital to realize our Purpose in the context of major shifts in the social and economic landscape. We aim to engage in repeated dialogues with our stakeholders and further disseminate mutual understanding and identification with our vision to ensure that our path forward is decisive. From now on, we will also continue to communicate our initiatives and evolution through the Integrated Report and would sincerely appreciate your ongoing support as we strive to achieve sustainable growth on the foundation of your trust.

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