

May 27, 2019

Company Name: Dexerials Corporation
Security Code: 4980
Listing: First Section, Tokyo Stock Exchange
Representative: Takashi Ichinose, Representative Director
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Notice of the Establishment of the Nomination and Compensation Committee
and the Introduction of the Entrusted Executive Officer System

Dexerials Corporation (the Company) hereby announces that its Board of Directors resolved a meeting held on May 27, 2019 to establish the “Nomination and Compensation Committee,” which is a voluntary advisory body, and introduce the “Entrusted Executive Officer System” as part of our efforts to continuously enhance its corporate value through strengthening its corporate governance and business execution system.

[Establishment of the Nomination and Compensation Committee]

1. Purpose

The Nomination and Compensation Committee will be established as a voluntary advisory body to the Board of Directors for the purpose of further strengthening corporate governance by ensuring and enhancing the transparency and objectivity of the decision-making process of the Board of Directors regarding the decision of nomination, the remuneration and other matters for Directors.

2. Roles

In response to requests for advice from the Board of Directors, the Committee reports back to and makes proposals to the Board of Directors after discussing the following matters:

- (1) Matters concerning the appointment and dismissal of Directors and Executive Officers
- (2) Matters concerning development plans for candidates of the Directors and Executive Officers
- (3) Matters concerning the policy of structure/system, and operation for remuneration of Directors and Executive Officers

3. Members

The Committee will be comprised of six Directors (two from the Company and four from outside), and the Chairpersonship will be held by an outside Director.

4. Date of establishment

July 1, 2019

[Introduction of the Entrusted Executive Officer System]

1. Purpose

Although the Company has introduced an Executive Officer System, in order to speed up decision-making by further promoting authority transfer on business execution, to clarify business responsibility and to further strengthen the business execution system, Senior Executive Officers will be shifted from employment type to entrustment type.

2. Outline

- (1) Senior Executive Officers shall be appointed by the Board of Directors based on the report of the Nomination and Compensation Committee, and shall assume responsibility for the execution of all duties for which they are responsible.
- (2) The Senior Executive officers shall enter into an entrustment agreement with the Company. If an employee is appointed as a Senior Executive officer, the employee shall enter into an entrustment agreement with the Company upon retirement as an employee.
- (3) The term of Senior Executive Officers shall be one year.

3. Remuneration System for Senior Executive Officers

The Company's Remuneration System for Executive Officers is composed of a fixed "basic remuneration" and a "performance-linked remuneration" consisting of performance remuneration to be paid according to their performance for the fiscal year, and an incentive plan (J-ESOP) to provide them with the Company's shares in order to raise the Company's share price as well as their motivation and morale to improve their performance.

In line with the introduction of the Entrusted Executive Officer System, we have revised the remuneration system for Senior Executive Officers. Specifically, in addition to shifting from the J-ESOP to Board Benefit Trust (BBT) aimed at motivating the achievement of management goals in the medium- and long-term, we shall reduce the ratio of basic remuneration and make the ratio of stock compensation equal to that of Directors (excluding outside Directors) so that our remuneration system can enhance Senior Executive Officers' awareness in contributing to medium- and long-term business performance expansion and sustainable corporate value improvement.

* Reference: Composition ratio by type of the Company's executive remuneration (after July 2019)

Position	Composition ratio by type			Total
	Basic remuneration	Performance-linked remuneration		
		Performance remuneration	Stock compensation	
Representative Director	50%	30%	20%	100%
Directors (excluding outside Directors)	60%	25%	15%	
Senior Executive Officers (after shifting to the Entrusted Executive Officer System)	65%	20%	15%	

4. System start date

July 1, 2019