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Company Name:	Dexerials Corporation
Security Code:	4980
Listing:	First Section, Tokyo Stock Exchange
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Notice of Mid-Term Management Plan Update and New Management Targets

Dexerials Corporation (hereinafter called the "Company") hereby announces that at a Board of Directors' meeting held today, it decided to update its Mid-term Management Plan "Challenges for Evolution," which was announced on April 25, 2019. Details are as follows.

1. Overview of Mid-Term Management Plan Update

(1) Changes in management targets

The Company revises its performance plans from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024 and revises its management targets for the final fiscal year ending March 31, 2024, up to **net sales of 85.2 billion yen and an operating profit of 16.8 billion yen.** In addition to ROE and EBITDA, we have introduced ROIC as a new performance index.

Management targets and performance indices (after and before the revision) (100 million yen)

	Fiscal year ended March 31, 2021 (Actual)	Management targets after revision			(Reference: before revision)	
		Plan for fiscal years ending March 31			Plan for fiscal years ending March 31	
		2022	2023	2024	2022	2024
Net sales	658	725	783	852	665	800
Operating profit	113	119	140	168	80	100
Net Profit*	53	70	89	95	48	70
Performance indices						
EBITDA	176	182	205	239	147	160
ROIC	11.4%	12.1%	-	Approx.15.0%	-	-
ROE	10.4%	12.7%	-	Approx.15.0%	9% or more	10% or more

*Net profit shall be read as profit attributable to owners of parent

EBITDA = Operating profit + Depreciation expense recorded as operating expenses + Amortization of goodwill

ROIC = (Operating profit x (1 - Effective tax rate)) / (Net assets + Interest-bearing debts) x 100

ROE = Profit attributable to owners of parent / Net assets x 100

(2) Positioning of the Mid-Term Management Plan Update

- Corporate objective (unchanged)

  To be a company that achieves sustainable growth by addressing social issues through the delivery of high value-added products and technological solutions

- Positioning of Mid-Term Management Plan Update (new)

  Build a base for sustainable growth and enhancement of corporate value through growth strategies and corporate reforms

In recent years, the market for consumer IT devices (primarily smartphones, laptop PCs and tablet PCs) has been maturing, and demand for these products has been slowing chiefly due to a shift in consumption from the consumption of goods to experience-oriented consumption. That trend had significant effects on the Company's results, and the Company developed the Mid-term Management Plan "Challenges for Evolution" in April 2019 to expand business in new domains (including automotive, 5G, the IoT and AI) and evolve into a company that will achieve sustainable growth.

From December 2019, the novel coronavirus pandemic began to spread worldwide, and the social environment and the business environment changed dramatically. Demand for consumer IT devices expanded as digitization progressed rapidly due to changes in people's values and behavior. In this environment, the Company achieved its operating profit target for the final year of the Mid-term Management Plan in the fiscal year ended March 31, 2021, three years ahead of plan, by reducing fixed costs through building a lean structure, improving productivity, as well as capturing increased demand noted above.

Following the earlier achievement of the management target, the Company is updating the Mid-term Management Plan to achieve further growth. The Company positions the renewed Mid-term Management Plan as a plan to "Build a base for sustainable growth and enhancement of corporate value through growth strategies and corporate reforms." The Company will strive to further enhance its earning power as well as to lay a foundation for the next Mid-term Management Plan, aiming to become a company that can achieve sustainable growth.

2. Three basic policies and key initiatives

The three basic policies remain unchanged: accelerate business growth in new domains, qualitatively change businesses in the existing domains, and strengthen the management base. The Company has updated the initiatives under the basic policies and will execute the Mid-term Management Plan. The key initiatives are as follows.

(1) Accelerate business growth in new domains: full-scale growth of the automotive business

- Expand the adoption of anti-reflection films for the in-vehicle display worldwide.
  - Make an investment to increase the production capacity of anti-reflection films in the fiscal year ending March 31, 2024 in anticipation of growing demand. This investment will enable the automotive business to achieve sustainable growth from the fiscal year ending March 31, 2025 onwards.
- The global automotive projects that have been disclosed will start from the fourth quarter of the fiscal year ending March 31, 2022 as scheduled and the Company will advance proactive sales promotion activity through collaboration with business partners in Europe.

(2) Qualitatively change businesses in the existing domains: improvement of earning power through investment in production increases and the launches of new products

- The Company anticipates successful expansion of anti-reflection films due to commencement of mass production for a new customer of laptop PCs from the fiscal year ending March 31, 2022 and an increase in sales for in-vehicle displays.
- Phosphor films, a new product now in mass production, are expected to make a significant contribution to results in the fiscal year ending March 31, 2022 by the vertical launch of the business.
- Invest in increasing production in response to rising demand for products with differentiated technologies: surface mounted type fuse and particle-arrayed anisotropic conductive film (ACF). Also enhance production efficiency to achieve growth in the business.

(3) Strengthen the management base: taking on the challenge of transforming into a new company that coexists with all stakeholders (ESG / DX / BCP)

- Corporate governance: becoming a company capable of sustainable growth
  - Change from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee to advance the separation between execution and supervision, as well as to expedite decision making.(Note 1)
  - Headquarters functions will be consolidated at Tochigi Technology center, the core site of the business operation, and the location of the head office will be changed to Shimotsuke-shi, Tochigi to integrate operation of management and sites.(Note 1, Note 3)
  - Reflect EBITDA and TSR(Note 2) in the calculation of remuneration for directors to promote the sharing of the benefits and risks of stock price linkage with our shareholders, and further incentivize directors to contribute to sustainable growth and enhancement of corporate value.(Note 1)
- Engagement with society and employees: reform for coexistence with the current generation
  - Changing the work style: The Company introduced the teleworking system, and will develop a new personnel system to further promote diversity in work style.
- Initiatives to protect the environment: reform for coexistence with future generations
  - Reduce the environmental impact at the Company to achieve the CO_2 emissions reduction target for the fiscal year ending March 31, 2031 ahead of schedule and set a new target for the fiscal year ending March 31, 2031: zero CO_2 emissions from electricity consumption for businesses by using renewable energy.
  - Strive to develop and provide materials to reduce the environmental impact at customers and in society.
- Enhancement of BCP (business continuity plan): reform to increase resilience
  - Planning to introduce in-house power generation using renewable energy such as solar power and install electricity storage facilities in the case of large-scale outage due to natural disasters, among other causes.
- Accelerate DX (digital transformation): reform to coexist with customers
  - A dedicated organization will lead a company-wide initiative to achieve more agile management and reform customer value so that the Company can grow with customers.

(Note 1) That is on condition of approval at the 9th Annual General Meeting of Shareholders to be held on June 18, 2021.
Reference: Notice of Shift to a New Corporate Governance System (announced on May 10, 2021)
(Note 2) TSR is an abbreviation for total shareholder return. Total return for shareholders which includes capital gains and dividends.
(Note 3) Reference: Notice of Partial Revision to the Articles of Incorporation (announced on May 10, 2021)

3. Financial strategy and shareholder return

The financial strategy is building a financial base that will support sustainable improvements in corporate value. The Company will strive to improve earning power that places greater emphasis on capital efficiency, maintain financial soundness, invest in new fields, stabilize shareholder return and optimize the capital structure.

Under current shareholder return policy which aims for a total payout ratio of approximately 40% to profit attributable to owners of parent before amortization of goodwill, the Company will raise dividends according to financial results.

(Disclaimer)
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