May 10, 2021

Company Name:	Dexerials Corporation
Security Code:	4980
Listing:	First Section, Tokyo Stock Exchange
Representative:	Yoshihisa Shinya, Representative Director and President
Contact:	Naoyuki Sanada, Senior Executive Officer, CFO
Phone:	+81-3-5435-3941

Notice of Shift to a New Corporate Governance System

Dexerials Corporation (the "Company") hereby announces that it has decided to change its organizational design from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee, strengthen its executive officer system and revise its officer remuneration system to strengthen its corporate governance system, which will enhance corporate value. Details are as follows.

The change of the organizational design is intended to more clearly separate the executive function and the supervisory function in management and thereby to improve the monitoring model. The Company will also promote the delegation of authority to Executive Directors to expedite decision making and aims to advance sustainable growth and enhance corporate value. The Company will add EBITDA and TSR (Note) to its evaluation criteria to determine remuneration for Directors to encourage in management the sharing of common interests with shareholders. A revision to the officer remuneration system will come into force by resolution of the 9th Annual General Meeting of Shareholders to be held on June 18, 2021 (the "Shareholders' Meeting") and a resolution of the Board of Directors to be held immediately after the close of the Shareholders' Meeting.

(Note) TSR is an abbreviation for total shareholder return. Total return for shareholders which includes capital gains and dividends.

1. Change to a company with an Audit and Supervisory Committee

At a Board of Directors meeting held on May 10, 2021, the Company has decided to change its organizational design from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee on the condition that the related agenda item is approved at the Shareholders' Meeting. Details are as follows.

(1) Purpose of change

As the Company's business environment is changing drastically, the Company will change to a company with an Audit and Supervisory Committee to achieve sustainable growth and enhance corporate value by implementing the following:

(i) To expedite management decision making and make clear management responsibility by promoting delegation of authority for more active business execution.

(ii) To enhance the supervisory function of the Board of Directors as it delegates part of its authority and stimulate strategic discussions at the Board of Directors.

(iii) To replace the Audit and Supervisory Board Members with Audit and Supervisory Committee Members, who have voting rights at the Board of Directors, and establish an internal audit section as an organ under the direct control of the Audit and Supervisory Committee and thereby to further strengthen the supervisory and auditing functions.

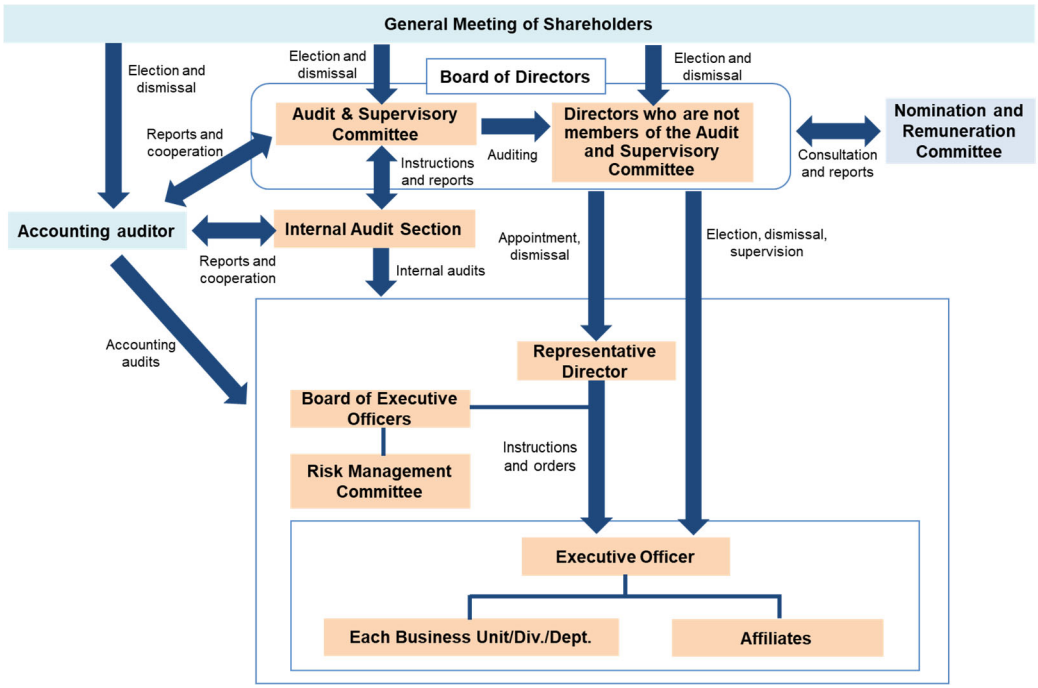
The Nomination and Remuneration Committee, an optional committee, will survive after the Company changes to a company with an Audit and Supervisory Committee. The committee will continue to be chaired by an Outside Director and Outside Directors will continue to have a majority in the committee. Audit and Supervisory Committee Members will join the committee as new members. In this way, the Company will improve the objectivity and transparency of management.

(2) Timing of transition

The Company will change to a company with an Audit and Supervisory Committee after a revision to the Articles of Incorporation, etc. is approved at the Shareholders' Meeting.

The details of the revision to the Articles of Incorporation for the transition is disclosed in “Notice of Partial Revision of the Articles of Incorporation,” which is published on May 10, 2021.

For reference: New corporate governance system



(3) Directors after the change to a company with an Audit and Supervisory Committee

(i) Candidates for Directors (excluding Directors who are Audit and Supervisory Committee Members)

(They will take office at the close of the Shareholders' Meeting.)

Name	New position	Current position
Yoshihisa Shinya	Representative Director and President Nomination and Remuneration Committee Member	Same as on the left
Toshiya Satake	Representative Director and Senior Managing Executive Officer Nomination and Remuneration Committee Member	Same as on the left
Takashi Yokokura	Lead Outside Director Chairperson of the Nomination and Remuneration Committee	Outside Director Nomination and Remuneration Committee Member
Satoshi Taguchi	Outside Director Nomination and Remuneration Committee Member	Newly appointed *Former Senior Vice President of ENEOS Holdings Inc. (responsible for Secretariat,

		Human Resources, General Administration, Legal & Corporate Affairs, Crisis Management and Procurement)

(Note) Mr. Takashi Yokokura and *Mr. Satoshi Taguchi are Outside Director candidates.
The two persons will be designated as independent officers stipulated by the Tokyo Stock Exchange if the appointment of them is approved.

(ii) Candidates for Directors who are Audit and Supervisory Committee Members (They will take office at the close of the Shareholders' Meeting.)

Name	New position	Current position
Rika Sato	Outside Director and Chairperson of the Audit and Supervisory Committee Nomination and Remuneration Committee Member	Outside Director Nomination and Remuneration Committee Member
Masahiro Kuwayama	Director and Standing Audit and Supervisory Committee Member	Standing Audit and Supervisory Board Member
Tetsuyuki Kagaya	Outside Director and Audit and Supervisory Committee Member Nomination and Remuneration Committee Member	Newly appointed *Professor, Hitotsubashi University Graduate School of Business Administration

(Note) Ms. Rika Sato and Mr. Tetsuyuki Kagaya are Outside Director candidates.
The two persons will be designated as independent officers stipulated by the Tokyo Stock Exchange if the appointment of them is approved.

(iii) Retiring officers (who will retire at the close of the Shareholders' Meeting)

Name	Current position	(Position after retirement)
Masao Hirano	Outside Director	—
Takao Tsuji	Outside Director	—
Masahiro Kuwayama	Standing Audit and Supervisory Board Member	Director and Standing Audit and Supervisory Committee Member
Toshifumi Takada	Outside Audit and Supervisory Board Member	—

John C. Roebuck	Outside Audit and Supervisory Board Member	— *

*Mr. John C. Roebuck is planned to be appointed as a substitute Outside Director who is an Audit and Supervisory Committee Member.

2. Strengthening the executive officer system and a revision to the officer compensation system

(1) Purpose and details of the revision

(i) Strengthening the executive officer system

The Company has an executive officer system. In July 2019, the Company changed certain Executive Officers (Senior Executive Officers) from employed Executive Officers to contract Executive Officers to expedite decision making through the delegation of part of authority over business execution and clarify their responsibility for business execution.

The Company has decided to change all employed Executive Officers to contract Executive Officers on July 1, 2021, after it changes to a company with an Audit and Supervisory Committee, to strengthen the business execution system.

(ii) Revision to officer remuneration system

The Nomination and Remuneration Committee, which is chaired by an Outside Director and where Outside Directors represent a majority, has held discussions from an objective perspective about what the direction of corporate governance and the direction of the officer remuneration system that contributes to sustainable growth and enhancement of corporate value.

The committee decided that the officer remuneration system should satisfy three basic conditions: (i) The system is designed to reflect medium- to long-term management strategies, creates a strong motivation to achieve medium- to long-term growth and reflects roles, responsibilities and results; (ii) The compensation level is adequate for finding and retaining good human resources; and (iii) The decision-making process for remuneration is highly objective and transparent. Based on this decision, the committee continued to discuss a revision of the policy for determining officer compensation.

Considering the discussion, at a Board of Directors meeting held on May 10, 2021, the Company resolved to revise its basic policy on determining compensation for the Executive Directors (Note) in a new corporate governance system as described below.

The Company will add EBITDA to its evaluation criteria to determine performance-linked pay for the Executive Directors to motivate them to execute management strategies and be committed to achieving results by enhancing earning power. To the evaluation criteria for stock-based compensation (BBT), the Company will add TSR to share a common awareness of profit with the shareholders and for the directors to share with the shareholders the risk of falling stock prices as well as the benefit from rising stock prices and raise awareness to contribute to sustainable growth and the enhancement of corporate value.

(Note) The revision will come into force by resolution of the Shareholders' Meeting and a resolution of the Board of Directors to be held immediately after the close of the Shareholders' Meeting.

(Policy for the determination of remuneration for Executive Directors)

(Changes are underlined.)

	Current policy	Revised policy
Policy on determining remuneration	・Remuneration is determined in a comparison, in terms of compensation system and compensation level, with companies similar to the Company in terms of scale, industry and business category, based on officers' remuneration data of an external research agency. ・The amount of remuneration is determined according to the job title and results in a fiscal year, among other factors, and the determination is left to the Representative Director and President by a resolution of the Board of Directors through discussions at the Nomination and Remuneration Committee.	(Basic policy for determining remuneration) ・Remuneration for the directors is determined according to their roles and responsibilities. ・Remuneration is designed to reflect medium- to long-term management strategies and gives a strong motivation to achieve medium- to long-term growth. ・Remuneration is set at a level that is adequate for finding and retaining good human resources. ・The decision-making process for remuneration is objective and transparent. ・Remuneration is determined in a comparison, in terms of remuneration system and compensation level, with companies similar to the Company in terms of scale, industry and business category, based on officers' remuneration data of an external research agency. ・The amount of remuneration is determined according to the job title and results in a fiscal year, among other factors, through discussions at the Nomination and Remuneration Committee and by resolution of the Board of Directors.

Concept of each compensation category and evaluation indices	・Base remuneration is fixed monthly remuneration according to positions and duties. ・Performance-linked pay is compensation to motivate the Directors to execute management strategies and be committed to achieving results. ・Stock-based compensation is compensation to motivate the Directors to create corporate value according to the medium- to long-term strategy and share common interests with the shareholders. ・Evaluation indices for determining performance-linked compensation (performance-linked pay and stock-based compensation) Performance-linked pay: Net sales, operating profit, ROE Stock-based compensation: Net sales, operating profit, ROE	・Base remuneration is fixed monthly remuneration according to positions and duties. ・Performance-linked pay is compensation to motivate the Directors to execute management strategies and be committed to achieving results. ・Stock-based compensation is compensation to motivate the Directors to create corporate value according to the medium- to long-term strategy and share common interests with the shareholders. ・Evaluation indices for determining performance-linked compensation (performance-linked pay and stock-based compensation) Performance-linked pay: Net sales, EBITDA Stock-based compensation: TSR, ROE ・The Nomination and Remuneration Committee determines individual evaluation, which is reflected in the calculation of the amount of remuneration.
Share of each compensation category (Note 1)	Base remuneration, performance-linked pay and stock-based compensation account for 50%, 30% and 20%, respectively.	(No change)
Payment method (Note 2)	Base remuneration is a fixed amount paid monthly from the month after the close of the Annual General Meeting of Shareholders. Performance-linked pay is determined after the end of every fiscal year, and a twelfth of the amount is paid every month from the month after the close of	Base remuneration is a fixed amount paid monthly from the month after the close of the Annual General Meeting of Shareholders. Performance-linked pay is determined after the end of every fiscal year, and a twelfth of the amount is paid every month from the month after the close of

	the Annual General Meeting of Shareholders. For stock-based compensation, points are given every fiscal year. Points are given according to performance indices for every fiscal year. One point is converted to one share. When the Directors retire, shares according to points and the amount of money equivalent to the market price of shares are paid.	the Annual General Meeting of Shareholders. For stock-based compensation, points are given every fiscal year. Points are given according to performance indices for every three fiscal years. One point is converted to one share. For every three years, shares according to points and the amount of money equivalent to the market price of shares are paid.

(Note 1) The share of each compensation category is the share in the case where each evaluation index set as a performance target is achieved.

(Note 2) The changes to stock-based compensation are disclosed in “Notice of Partial Revision of Performance-Linked Stock Compensation Plan for Directors of Dexerials Corporation,” which is published on May 10, 2021.