



## Human Capital Strategy

Since our foundation, we have always aimed to be “trusted people” under the slogan of “Trust.” While our goal will never change, it is quite important that we disseminate our corporate philosophy of “We will answer society’s call with trust” together with our purpose throughout the company. We believe that it is essential to make every effort to get all employees to wholeheartedly agree with this corporate philosophy and to say, “Yes, that’s our corporate culture.”

We engage in our business toward the management vision: With “trust” as our slogan and we aim to become a company in which all employees work with hope while nurturing the spirit of valuing “connections between people.” We aim for all employees to work with hope with independence and vigor. For them to do so, we believe the key points are “helping them clarify what they want to do,” “aligning what they want to do with the corporate philosophy and purpose in a way that satisfies each of them,” “having them realize that each of their efforts and achievements contribute to the company and society,” and “motivating them to have a desire to keep improving themselves.”



People are not truly motivated by the words of others. People have different personalities, and each has their own strengths. What are your strengths? What do you want to do, and how do you make the most of them in your company? In order to truly motivate employees, we believe it is important to help them find the answers to all these questions and improve their job satisfaction by allowing them to work with pleasure. On the other hand, we also consider it essential to improve work conditions by establishing a system to allow employees to work with peace of mind and by providing a safe and comfortable work environment, as well as to ensure that they work with comfort.

We believe that our human capital can be maximized if each employee aims to become “trusted people” by working with a company where all employees are independent and self-motivated with a focus on the two aspects of “work with pleasure” and “work with comfort.”

However, merely having everyone work in their expertise is, of course, not enough for an organization to accomplish its mission. This is because there are some pieces that cannot be filled by combining the strengths of all employees.

"If no one is good at it, I will do it myself." "I'm not able to do it now, but I want to be able to do it." "I want to train this person to be able to do this." We believe that it is essential to improve the integrity, which is the fairness and seriousness to act for the organization and team, and to create a challenging environment to expand employees' expertise. To make this happen, we need to solve the following three challenges:



## Integrity envisioned by DAISHINKU

People with integrity often refer to those who can comply with laws and regulations and practice ethical behavior. In other words, people with integrity are those who can act correctly even if others do not see them. However, we believe that this alone is insufficient. Our definition of integrity is the combination of "seriousness," which is a commitment to carrying through with members with unwavering belief and devotion, and "sincerity," which is a virtue of helping others with no ulterior motive. To ingrain integrity into the organization, we will promote the following initiatives to build a relationship of trust as "Team DAISHINKU," aiming to become a strong organization with a sense of unity.

- **Conduct integrity education for all employees,**
- **Make them fully aware of the importance of integrity by referring to it at the beginning of various internal training programs, and**
- **Have leaders and managers themselves act as a role model and educate their subordinates to improve their level of integrity**



If what we want to do, what we want to achieve, and what we want to take on as challenges are connected to our corporate philosophy and purpose, everyone's energy will move in the same direction. By implementing various ideas generated by each individual, we can share a sense of unity and a sense of achievement, leading to improve motivation. As a result, we will be a team that grows and moves forward with each other while working hard with trusted colleagues.

In other words, we believe that the positive spiral created by everyone working with pleasure will continue to increase individual growth and team strength and produce more excellent results.

### Personal growth and self-realization

Know your strengths and what you want to do

- Obtain opportunities to demonstrate your ability
- Seek support for further growth and career realization

### Respect diverse personalities

Show respect for the individual and consider how to make the most of each other's potential

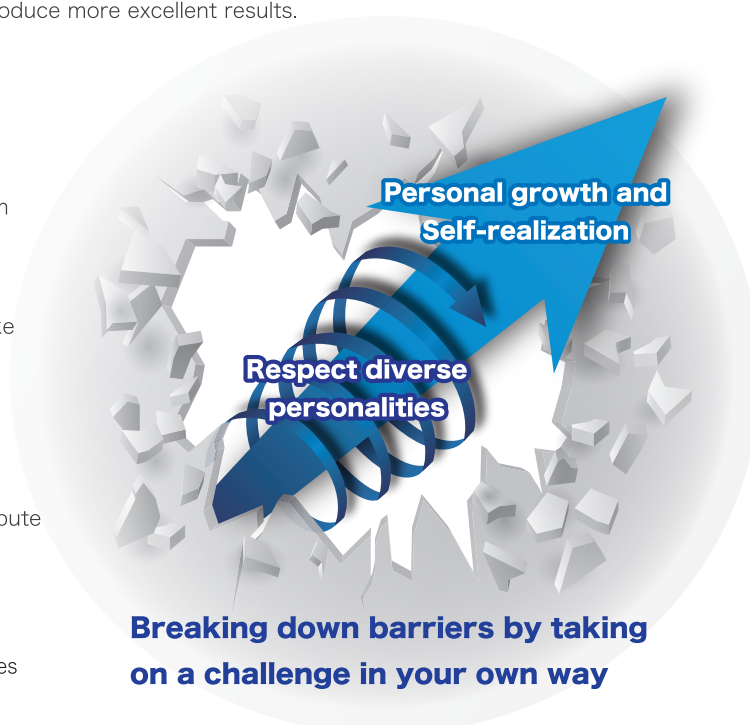
- Developing a mutually trustworthy relationship

### Take on a challenge in your own way

Have self-confidence that you are recognized and contribute to the development of society and the company

- Develop positive thinking that drives you to take on a new challenge

This way, we aim to create a corporate culture that encourages mutual trust and challenges while valuing communication.



# Human Capital Strategy

## Initiatives to work with pleasure

### Course Change System

We believe providing a place for self-realization to work with pleasure is essential. The course change system enables employees to take on tasks beyond the conventional course's role, expanding the degree of freedom in their career development. We will continue to support our employees' career development to support their self-realization.



#### < Promoting career development through the flexible internal career-tracking system >

- Limited job scope and work location track** Employees on this track are assigned to a specific job scope and work location and are responsible for routine tasks assigned under the employment contract.
- Local employment track** Employees on this track are assigned to relatively a small job scope, for which no relocation is required, and engaged mainly in supportive or routine tasks.
- Main career track** Employees on this track have no limitation for their job scope and are responsible mainly for non-routine tasks that requires creativity and ingenuity. Accordingly, they may experience a job transfer that may relocation, including relocation to an overseas country.

#### < Track change results >

##### Local employment track >>> Main career track

|        | FY2019 | FY2020 | FY2021 | FY2022 |
|--------|--------|--------|--------|--------|
| Male   | 1      | 0      | 1      | 1      |
| Female | 1      | 2      | 2      | 2      |
| Total  | 2      | 2      | 3      | 3      |

##### Limited work >>> Non-management position

|        | FY2019 | FY2020 | FY2021 | FY2022 |
|--------|--------|--------|--------|--------|
| Male   | 11     | 8      | 16     | 13     |
| Female | 0      | 6      | 6      | 2      |
| Total  | 11     | 14     | 22     | 15     |

### In-house Internship Program

This program helps employees gain awareness for themselves and their related departments by experiencing the work of other departments for a certain period. This program allows employees to understand the meaning of their work and the relationship with other departments to link them to cooperation among departments and overall optimization. Employees can apply for this program at their request and be recommended by their manager or the HR department.



### Top Executives Listen to Young Employees' Voices

In fiscal 2022, 87 younger employees, most under the age of 35, gave presentations to the president. They expressed their desire to use their strengths to implement and solve tasks and issues that they found through their daily work. Once the president agrees and gives a "go" sign, employees can take the tasks and issues back to their department, implement and solve them with their supervisors and other team members. There is no need for internal coordination or procedures. In a positive way for the Company, employees will have their strengths recognized and be able to do what they want. We believe this program will motivate team members, create a win-win situation for the Company and its employees, and foster a culture of taking on new "challenges".



### Strengthening New Employees Training

As the working population declines, early training and retention of new employees is essential. Accordingly, we have extended the support from the HR department (follow-up training, interviews, etc.) from one year to four years for new employees hired regularly, mainly university graduates.

We will also promote creating an environment where new employees can work with peace of mind without being isolated, by introducing a mentor system and increasing opportunities to interact with senior employees of similar age.



## Expanding Measures to Strengthen the Team

It is natural that what everyone wants to do and what everyone can do is different. We should work on strengthening the team performance so that the work required by the company matches the work required by employees by properly combining their individuality and maximum performance can be achieved. Working in their area of expertise is rewarding and motivating for employees. We believe this is an ideal situation for the company, where each employee is at their maximum potential, and the organization is at its maximum strength.

In addition, the managers who manage the team aim to maximize team performance by building a work environment where all team members can take on challenges through two-way communication with their subordinates while keeping a clear vision of the mid- to long-term organizational design.



## Talent Portfolio and Database

Optical placement of talents (the right person in the right place) to maximize organizational strength is not easy. However, we are promoting initiatives such as setting up a talent portfolio and building a talent database to achieve this goal.

Clarify what kind of talents are required (what they should be). Clarify what kind of people your employees are. Combining the two allows us to visualize whether talents are appropriately allocated. We will aim for optimal allocation to supplement insufficient personnel and eliminate mismatches, enabling us to hire, train, and allocate employees based on our medium- to long-term plan. To prevent such strategic use of talents from turning out to be a pie in the sky, we will newly establish the Strategic Human Resources Management Department to take the initiative in finding and recruiting human resources and promote it from a new approach.

### Talent portfolio envisioned by DAISHINKU



# Human Capital Strategy

## Work with comfort



It is important to work while feeling a sense of job satisfaction; in other words, to work with pleasure to thrive in working. However, we believe there is another important factor. It means working with comfort. To this end, a safe and comfortable working environment is essential. We are improving the environment by expanding various systems and taking initiatives such as health and safety. We will continue to work to create a safe and comfortable working environment for all employees.

## Initiatives to work with comfort

### Providing work options to make employees thrive



Sudden events, such as injury, illness, childcare, caregiving, and spouse's job transfer, force employees to take a leave of absence or quit their jobs.

To provide options for working in such cases, we have reviewed the systems of staggered working hours, shortened working hours, and teleworking to create systems that are easy to use. We will promote further expansion of such systems so that our employees thrive in a safe and satisfactory environment. These systems allow our employees to use the staggered or shortened working hour system for hospital visits, childcare, and caregiving, or work from home after accompanying their spouses on a job transfer.



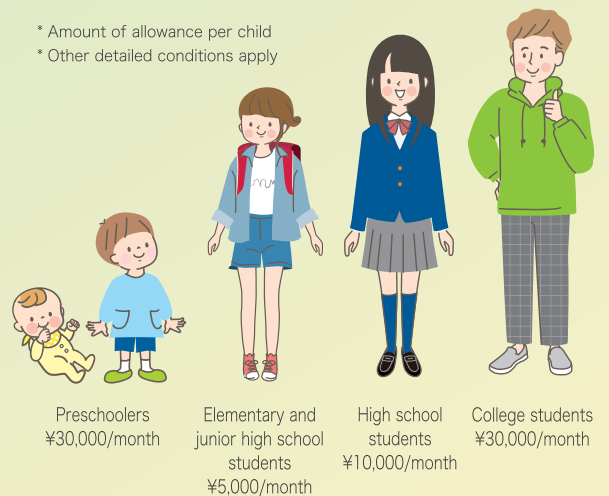
### Financial support according to the life cycle



We pay family allowance to dependents who meet certain conditions. The family allowance itself is not an uncommon system. Still, the unique feature of our system is that the amount of the

allowance varies depending on the age and educational background of the children. The system is designed to allow families to work peacefully by changing the amount according to when financial support is required. Using the system, young employees can raise their children with peace of mind even if their wages are not yet growing, and their children can go on to university with peace of mind.

\* Amount of allowance per child  
\* Other detailed conditions apply



In addition to childcare, for dependents who meet certain conditions and require nursing care, we provide caregiver allowances depending on the level of nursing care needed. For example, the system is designed to allow our employees to work comfortably even when their parents are at an advanced age.

## Expanding fields where employees can play an active role even after retirement by utilizing their experience and knowledge

We have added a category of senior experts to the existing post-retirement employment system and have created a field where people with rare knowledge and skills as position holders and specialists can play an active role by utilizing their experience and knowledge.

In addition to the roles as employees after retirement, such as mentoring younger employees, they can work side by side with younger members by utilizing their experience and knowledge, free from the conventional way, rather than thinking that older people should not be involved. We aim to develop such a work environment and promote further expansion of the system.



## Creating a safe and healthy work environment

Learning from the lessons of recent natural disasters such as earthquakes, heavy rain, and fires at other companies, in fiscal 2022, we reviewed our safety and health activities and strengthened our system. Our focus had been on activities at each base. Still, we have moved to a system where the top management is the most responsible person, and the entire company can actively engage in activities. We are also strengthening the Occupational Safety and Health Office and promoting global horizontal deployment among bases to raise

the level of the entire Group. Specifically, we have implemented measures to prevent shelves from falling over company-wide by installing anti-falling metal fittings on all shelves over 1.5 m high or stacked in two levels and reviewing our disaster prevention manual to enhance effectiveness. We also conduct company-wide evacuation drills with a sense of tension.

In addition, to prevent accidents, we thoroughly conduct risk assessments during equipment installation and layout changes. At the same time, to eliminate potential hazards in daily operations, we started near-miss suggestion activities in which employees immediately improve on near-misses they have encountered. Nevertheless, if accidents unfortunately occur, we thoroughly investigate the true causes and take fundamental measures to prevent recurrence.

At the same time, we also promote activities to raise employees' awareness of safe behavior and hold a monthly safety morning meeting. During Safety Week or in the event of past disasters, the top management directly sends out messages on safety.

Through these activities, we strive to thoroughly implement the 3S (Seiri, Seiton, and Seiso, meaning Organize, Put in Order, and Clean) activities that form the basis of safety and strengthen safety awareness. For example, each department establishes its own 3S rules and conducts self-inspections and mutual patrols by third parties to conduct score evaluation, thereby clarifying each department's strengths (good points) and weaknesses (issues/points to be improved). This system is operated so that all employees participate by horizontally spreading the good points to other departments and bases and improving the weaknesses in their departments. Activating these 3S activities enhances each employee's awareness and leads to safe operations.

We will continue these activities, firmly establish them company-wide, and strive to realize a safe and healthy work environment where anyone can work peacefully.

< Number of industrial accidents >

|                                | FY2019 | FY2020 | FY2021 | FY2022 |
|--------------------------------|--------|--------|--------|--------|
| Number of industrial accidents | 6      | 4      | 2      | 2      |
| Absence from work              | 0      | 0      | 0      | 0      |

\* There were no accidents involving absence from work or fatal accidents.



< Evacuation drill >



< Measures to prevent shelves from falling over >

# Human Capital Strategy



We have established a system that exceeds legal requirements for the period of childcare and caregiver leave to support a balance between family lives and work. The rate of employees taking childcare leave and returning to work has been high. The return-to-work rate has achieved 100% for consecutive years since 2013. In addition, based on the Act on Childcare Leave/Caregiver Leave revised in October 2022, we have designed a more flexible system regarding the number of splits and the period of childcare leave, as well as the timing of starting the period, so that married couples can cooperate while raising their children. As a result of these initiatives, the number of male employees taking childcare leave has been on the increase as shown in the table below. In addition, we have developed a system that allows employees to use shortened working hours after returning to work until March of the year when their children are in the third grade of elementary school so that they can balance childcare and work.

### < Childcare leave taken >

|        | FY2019 | FY2020 | FY2021 | FY2022 |
|--------|--------|--------|--------|--------|
| Male   | 0      | 0      | 1      | 3      |
| Female | 3      | 4      | 5      | 4      |
| Total  | 3      | 4      | 6      | 7      |

### < Outline of the childcare leave system exceeding statutory requirements >

| Details of the system               |                                  | Statutory requirements<br>(from October 1, 2022)   | Our system<br>(from October 1, 2022)   |
|-------------------------------------|----------------------------------|--|--|
| Eight weeks after birth             | Parental leave                   | Up to a total of four weeks within the first eight weeks after child's birth   | Within the first eight weeks after child's birth   |
|                                     | Splitting parental leave         | Leave can be split into two leaves   | Leave can be split into two leaves (Each leave may exceed four weeks)  |
|                                     | Employment during parental leave | Workers may work during leave to the extent agreed upon, provided that a labor-management agreement has been concluded | Workers may work (provided that a labor-management agreement has been concluded)<br>* Employees will be less worried about work and will be more likely to be absent from work |
| Under one year old                  | Childcare leave period           | Period of raising a child who is less than one year of age   | Leave can be taken during the period when raising a child under one year and six months<br>Leave can be split into three leaves  |
|                                     | Splitting childcare leave        | Leave can be split into two leaves   |  |
| One year to one year and six months | Childcare leave period           | Leave can be taken when conditions are met   | * The third leave can be included in the period after the child reaches one year of age  |





## Promoting Health & Productivity Management

In addition to creating a healthy working environment for our employees, we are also working together with the DAISHINKU Health Insurance Association to implement various initiatives so that their families can live in good health. We provide a wide range of support, including tumor marker tests for cancer at regular health check-ups, support for sports events such as bowling tournaments, and subsidies for

influenza vaccinations and medical screening. Accordingly, we received the Excellent Company Award for Promoting Cancer Control in fiscal 2022.

Going forward, we will continue to promote various initiatives with the aim of becoming a company where employees and their families can live in good health.



## Ensuring diversity in the company, including promoting women's activities

As a global company, we believe we will be a strong company because diverse human resources can play an active role by leveraging their strengths. As part of such measures, we promote the hiring of foreign nationals and mid-career employees, and create a comfortable workplace to promote the active

participation of women.

In particular, by creating a working environment where women can play an active role over a long period of time, we will continue to develop role models for our employees in order to promote them to position holders, managers, and executives and foster executive candidates. As of March 31, 2023, the ratio of women in career positions was 4% (target: 7%) and that of women in management positions was 3% (target: 7%).





General Manager of Finance &  
Accounting Division

## Kuniharu Hayashi



## Financial Capital Strategy

### Achieving the 10-year Long-term Business Plan “OCEAN+2 Strategy” (the “Business Plan”) and balancing “stable supply” and “environmental initiatives.”

We believe aggressive investments in plant and equipment in addition to investments in R&D and human resources is essential to achieving the Business Plan, which started in April 2020, and to balancing “stable supply” and “environmental initiatives” in the face of ever-increasing demand. In fact, we plan to make investments totaling 60.0 billion yen over the next decade. The Finance Division will move forward with financing and investments for growth from various perspectives, primarily through generation of cash flows from operating activities, to achieve the plan.

### Our basic approach to financial strategy

To maximize cash flows generated from business activities and to ensure sustainable investment for growth and stable shareholder return, the Company has placed emphasis on capital efficiency. In the 1st Medium-term Plan released in June 2021, we selected ROIC (return on invested capital) as a management indicator in addition to net sales and operating income. Although we aimed to achieve an ROIC of 6% or more in the fiscal year ending March 31, 2024, the final year of the 1st Medium-term Plan, we find it difficult to achieve the target by the fiscal year as the environment of the markets, such as the telecommunications and consumer equipment markets, have been sluggish. We also aim to achieve an ROE (return on equity) of at least 10%. We have estimated that ROE will come in at close to 10%, given that the Company’s cost of capital tends to move in line with the business cycle peculiar to the industry. By achieving the ROE target of 10% or more, we can secure a positive equity spread (ROE – cost of equity). We therefore believe that our continued achievement of the target will result in PBR of 1x or more.

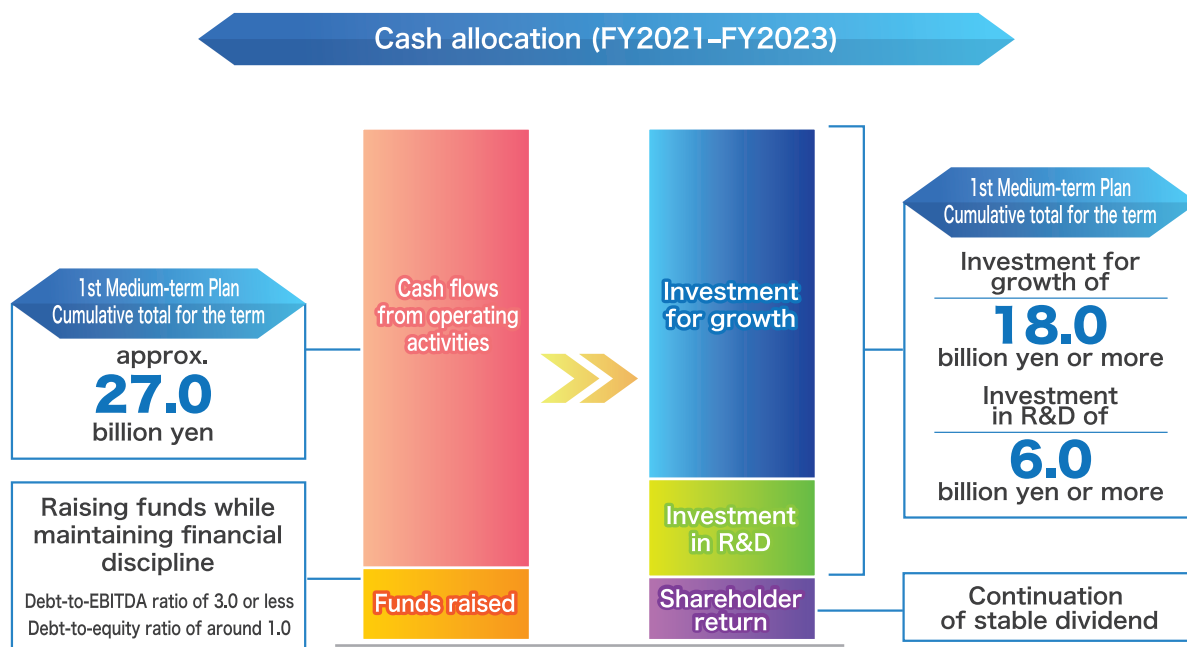
In addition, as a solid financial base is a prerequisite for the sustainable growth and improvement in capital efficiency, we have sought to further strengthen and maintain the solid financial base with a debt-to-EBITDA ratio of 3.0 or less and a debt-to-equity ratio of around 1.0 in mind. We, therefore, will control the amount of borrowings so these ratios fall within the above levels.

In the wake of the supply chain disruption and the trend toward working style reform in recent years, which have come to the fore since after the COVID-19 pandemic, we are increasingly urged to review and revise our business plan. This way, cash flows from operating activities, which are susceptible to unforeseeable business risks, could affect our financial soundness. To address these challenges, we will strive to solidify our financial strength by generating free cash flows through inventory control, improved investment efficiency, etc., and by optimizing our capital structure through the reduction of cross-shareholdings and other measures. We will push forward with efforts to enhance our corporate value, such as strengthening our financial strength, while promoting the growth of our business by improving capital efficiency. Specifically, we will promote our business growth by raising our profitability primarily in accordance with the OCEAN+2 Strategy, and by improving our capital efficiency through the balance sheet-focused management.

## Cash allocation

Over the long term, we are planning to invest 60.0 billion yen for 10 years under the Long-term Business Plan. Over the medium term, we are investing 18.0 billion yen for three years under the 1st Medium-term Plan, of which 9.9 billion yen, more than half the total investment during the term, is the investment related to photolithography, a main driver of our business performance in the future. We will continue to assess potential investments for growth as a top priority, which include investments in photolithography and other next-generation businesses and in R&D. As noted above, we have set ROIC as one of the metrics to assess whether we have generated a return that is commensurate with the capital invested for growth and to use it as a basis for investment and other decision-making. We have set a range of KPIs as components of an ROIC tree, such as operating margin and cash conversion cycle (CCC). We seek to enhance the return on investment by improving operating margin and shortening CCC. We will also work to earn a return exceeding the cost of capital, or in other words, continuously increase the EVA spread, which is the difference of ROIC minus WACC (weighted average cost of capital), to enhance our corporate value.

Further, we are committed to a stable and consistent payment of dividends based on our shareholder return policy and will consider a flexible shareholder return. Moreover, we will consider raising funds through borrowings while maintaining our financial discipline set out in the Basic Approach to Financial Strategy. During the fiscal year ending March 31, 2024, we plan to spend 5.0 billion yen in capital expenditure and 2.3 billion yen in R&D.



## Shareholder return

Recognizing that a stable and consistent payment of dividends is an important part of its management policy, the Company is committed basically to paying dividends twice a year, i.e., interim dividends and year-end dividends. To maintain/improve our corporate competitiveness and maximize our corporate value, we will inject our funds in growth drivers, such as R&D and production facilities, strengthen our management foundation for future business development, and comprehensively assess our business environment as well as financial performance, aiming for stable return of profits commensurate with our financial performance.