

DX Promotion

Initiatives to promote DX

One of the key policies in the Medium-Term Management Plan is to advance digital transformation (DX) through the deployment of digital technologies across all areas of our operations. Accordingly, we are promoting DX with a focus on five areas: research and production, which are the core of the manufacturing industry, along with sales, indirect operations, and the development of DX talent.

As for the DX promotion system, we established a dedicated DX organization in 2020 and have assigned dedicated personnel in the DX Planning Section of the Information System Department since 2023 to continuously promote DX. The DX Planning Section acts as a company-wide driver, working alongside each department on its DX initiatives, and promotes collaboration among departments through issue identification and organization, information sharing, and support for the development and introduction of common platforms. Furthermore, we established a specialized informatics team within the Fundamental Core Technology Laboratory to provide research and development support through materials informatics (MI) and computational science. In the production departments, we are also promoting digitalization and automation centered on the Productive Technology Innovation Center, and these organizations are working together to promote company-wide DX.

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| Manufacturing DX | ● Realizing Smart Factories |
| Research DX | ● Advancing R&D through Materials Informatics and Computational Science |
| Sales DX | ● Strengthening customer touchpoints through digital marketing, utilizing SFA |
| Business DX | ● Business innovation through company-wide projects
● Promoting corporate transformation |
| Talent Development | ● Developing human capital capable of utilizing generative AI
● Enhancing Digital Literacy |

Enhancing the DX environment

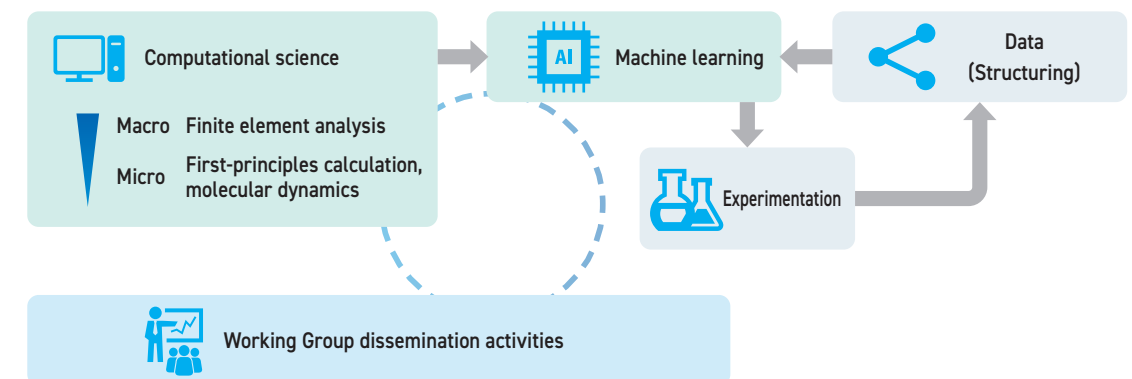
As part of efforts to improve the IT system environment necessary to promote the DX strategy, we are renewing core systems and working to improve the efficiency of indirect operations. In addition, the company-wide replacement of PCs and migration to Windows 11 have been completed to improve security and usability. Furthermore, we are migrating from legacy collaboration tools to Microsoft 365, which is expected to improve operational efficiency and enhance data integration through the use of cloud services. Through these measures, we are developing the IT platforms necessary for DX promotion and continuously improving the IT environment.

DX achievement indicators

DX is positioned as a key policy in the Medium-Term Management Plan, and we will promote DX in all areas, including production, quality management, research and development, and indirect operations, to achieve the 2028 operating income target of 18.0 billion yen and improve profitability. For progress and achievement, we will establish KPIs in stages in the three areas of (1) realizing smart factories (productivity, quality, cost), (2) digital utilization in R&D (speed and sophistication), and (3) operational efficiency improvement (including core system renewal), and monitor them regularly.

Research DX

In R&D, we are promoting materials informatics (MI). Computational science has been extended from the microscale (first-principles calculations, molecular dynamics) to the macroscale (finite element analysis), and we are also working to support the structuring of data, including experimental data and accumulated knowledge. In addition, by analyzing and modeling these data and utilizing them for exploration of promising conditions and prioritization, we are improving the quality of R&D and shortening development time. Furthermore, we are continuously conducting awareness-raising and training activities related to MI and computational science through working groups to improve the efficiency of R&D.



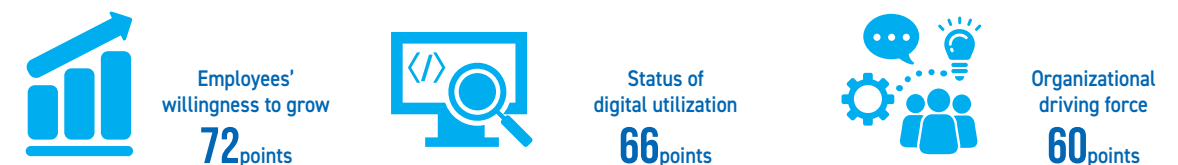
Business DX

The internal generative AI system "Chatoa" is now used by more than 60% of employees and contributes to efficiency in a wide range of tasks, including idea generation, information verification, and document preparation. Furthermore, we have newly introduced an AI-powered tool for speech-to-text transcription and meeting-minutes generation to streamline business processes through efficiency in creating meeting minutes and clearer action items. We will continue to expand its capabilities, aiming for further productivity improvements.



Talent Development

We have defined the desired talent profile as "employees who can solve business issues and drive transformation using data and digital technologies (including generative AI)," with three focus areas: (1) data/AI literacy, (2) business process improvement, and (3) the ability to drive change. Under this policy, while continuing the DX talent development program for all employees, we held company-wide "Skill Up Lab" workshops that provided practical training in the use of generative AI to encourage the use of generative AI. Furthermore, we conducted a digital utilization assessment and found that employees' willingness to develop their skills and status of digital utilization were good, but there were issues with organizational capacity to drive change. We will utilize these results in future measures to further enhance DX talent development which is the key to advancing DX.



Production DX

We are promoting DX with a focus on digitalization and automation with the aim of realizing highly profitable, safe, and stable smart factories. With information visualization, automation, and the advancement of operational technology as the main DX objectives, we are working on specific measures such as automation of production planning, introduction of systems for detecting signs of abnormalities, robotic automation and factory-wide integrated monitoring. Through these measures, we aim to improve efficiency at production sites, enhance quality, and strengthen safety.

