

DX Strategy Policy

1. Direction of Corporate Management and Utilization of Information Processing Technology

- **Management Vision:** Under the vision of "Contributing to a Sustainable Future Society by Creating Value through On-site Capabilities and Technological Strengths," we aim for sustainable growth.
- **Direction of Business Model:** To address social issues such as a declining working population and rapid changes in the market environment, maximize synergy as the Morioku Group, and advance structural reforms including environmental responsiveness, profitability improvement, and administrative enhancement, our basic policy for business model and corporate transformation is to **"maximize the use of data and digital technologies (IT, AI) to reform our organization and ourselves."**

2. Specific Measures for Corporate Management and Utilization of Information Processing Technology

This DX Strategy has been formulated and disclosed based on the policies of the 14th Medium-Term Management Plan approved by the Board of Directors. To actively utilize digital technology, review business processes, and build new business models, we are currently driving the following five projects:

- **① Regeneration Project (Development of a Circular Business)** We will promote the development and sales expansion of recycled products using our own recycled materials. By utilizing data from production to sales, we will develop an efficient circular business, achieving both environmental responsiveness and profitability.
- **② DX Promotion Project (Fundamental Efficiency Improvement and Cost Reduction of Internal Operations)** We will establish an environment to introduce and utilize generative AI, cloud-based systems (SaaS), and RPA tools across the company. This will reduce the workload of manual tasks, promote data-driven cost management and cost reduction, and build a structure where employees can shift to higher-value-added tasks.
- **③ Process Visualization Project (Total Optimization Based on Data)** Using digital technology, we will visualize and analyze existing business processes that have become dependent on specific individuals. By integrating data from each department, we aim for rapid decision-making based on objective data, rather than relying on experience and intuition, and the optimization of entire processes.
- **④ IoT Implementation Project (Smart Factory Transformation for Improved Quality and Productivity)** By introducing IoT to production sites, we will visualize and collect equipment operating status and quality data in real time. This will enhance anomaly detection and preventive maintenance, aiming to improve quality and maximize operational efficiency.
- **⑤ BPR (Business Process Reengineering) Project (Transformation of Business Models and Organization)** Based on digitalization, we will fundamentally review existing business

processes. In addition, we will reform our organizational management and personnel/evaluation systems to adapt promptly to changes in the business environment, creating a framework where diverse talent can thrive and grow sustainably.

This policy (the 14th Medium-Term Management Plan) was approved by the Board of Directors on March 24, 2025.

3. Structure to Effectively Drive the Strategy

- **DX Promotion Structure:** With the President and Representative Director as the Chief Executive, three divisions, the Business Promotion Division, Production Division, and Administrative Division, will collaborate to drive DX. For each project, PMs (Project Managers) and PMOs (Project Management Officers) are selected from various departments, such as the Corporate Planning Department and the Technical Development Department, establishing a cross-departmental structure to execute business reforms swiftly.
- **Human Resource Development:** We place great importance on developing talent with "entrepreneurship" (an entrepreneurial spirit) to act beyond conventional boundaries when facing difficulties or changes. In addition, we conduct e-learning and "Generative AI Training" for applicants and employees in departments where digital utilization is required. This initiative aims to improve the digital literacy of non-engineers so they can drive DX, and to share knowledge to eliminate dependency on specific individuals.

4. Specific Measures to Establish Environments for Utilizing the Latest Information Processing Technology

To establish the IT environment necessary to execute our strategy, we are advancing the following measures:

- **① Infrastructure Preparation for AI, RPA, and SaaS Implementation:** As part of promoting internal DX, we will develop a system environment that enables the company-wide utilization of generative AI tools, cloud-based systems (SaaS), and RPA tools to automate routine manual tasks.
- **② Effective Utilization of Core Systems and Data Integration:** We will effectively utilize existing core systems to build an environment that centralizes and integrates data on manufacturing, costs, inventory, etc., thereby achieving visualization and efficiency in business processes.
- **③ Strengthening Information Security Infrastructure:** Based on common security operation rules of the Group, we will thoroughly implement measures for the safe utilization of data. This includes detecting suspicious activity using EDR (Endpoint Detection and Response) solutions, conducting regular system audits by external organizations, and providing information security training for all employees.

5. Determination of Key Performance Indicators (KPIs) Regarding Strategy Achievement

To measure the degree of achievement for each DX project, we have established the following KPIs linked with the Medium-Term Management Plan, and will regularly monitor and report on

their progress:

- **① Improvement of Profitability and Productivity:** The number of business improvements achieved through the DX Promotion Project and process visualization, as well as the effects of cost reduction. Additionally, the degree of improvement in the operating profit margin of the self-sales business resulting from business reforms.
- **② Creation of New Business:** The amount of sales increase in the B2C business (new sales channels) utilizing EC platforms and other digital tools.
- **③ Improvement of Corporate Culture:** The degree of improvement in organizational revitalization metrics, such as "employee engagement," through personnel system reforms and other initiatives.