

IT and Digital Strategies

Mission for Value Creation

In order for us to continue contributing to the sustainable development of global society, we must continue to create new value through co-creation with internal and external stakeholders. We will evolve and refine our business operations both internally and externally through advanced and utilization of IT and digital technologies and data. In addition, through the development of core digital human resources, we will contribute to continuous business improvement and transformation, competitive enhancement, co-creation with all stakeholders, and the creation of social value.

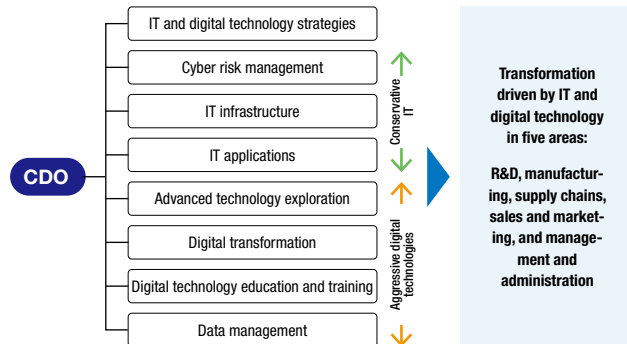
Policies and Management

We conduct our business under the basic digital transformation policy of contributing to the enhancement of competitiveness and the creation of social value through industry-leading IT and digital utilization.

This means that by thoroughly utilizing IT and digital technology, we will strengthen our innovation and business development capabilities, competitiveness and profitability, and human resource development capabilities, thereby contributing to the realization of our vision of becoming a company that compete globally, a company that contributes to a sustainable global society, and a company that develops co-creative talent which represents Japan's manufacturing industry.

To accomplish these objectives, we will reform our operating processes in a manner that enables faster and more sophisticated management decisions and operations, reinvent business models to develop solutions and businesses that create new value for customers and society by connecting business chains through data, and explore and apply innovative IT and digital technologies that transform society and the Company.

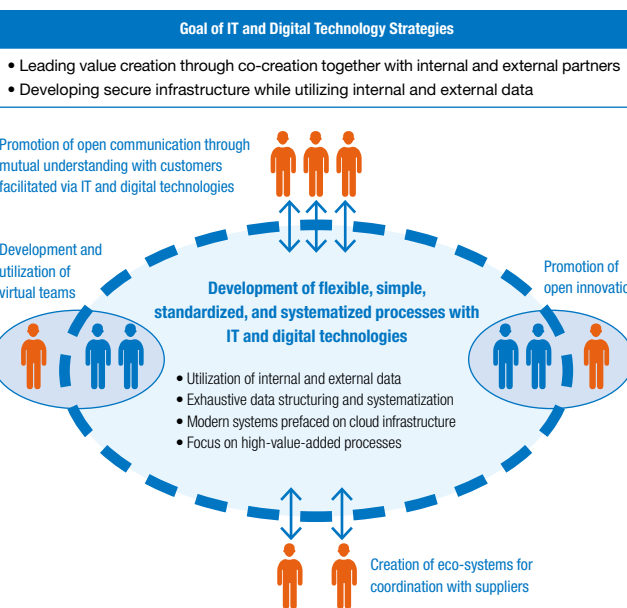
At the same time, we will support these initiatives by supplying comfortable and safe IT and digital platforms that can be used by anyone to access the information they need, anytime and anywhere. We are also developing human resources that can utilize these platforms along with a corporate culture that facilitates these efforts.



Strategies

To achieve these goals, we will (1) reform business processes to speed up and enhance management decision-making and business operations, (2) reform business models to create solutions and business models that provide new value to customers and society by connecting all business chains with data, and (3) explore and apply innovative IT and digital technologies to bring about major changes in society and the Company.

At the same time, we will provide a safe and comfortable IT and digital infrastructure that supports these efforts, connecting people to necessary information anytime, anywhere, and with anyone, and promote the development of human resources and an organizational culture that will enable them to make full use of this infrastructure. At the same time, we will need to develop digital-proficient human resources while rolling out digital transformation measures to create new businesses, improve value in existing businesses, and promote increased co-creation with customers.

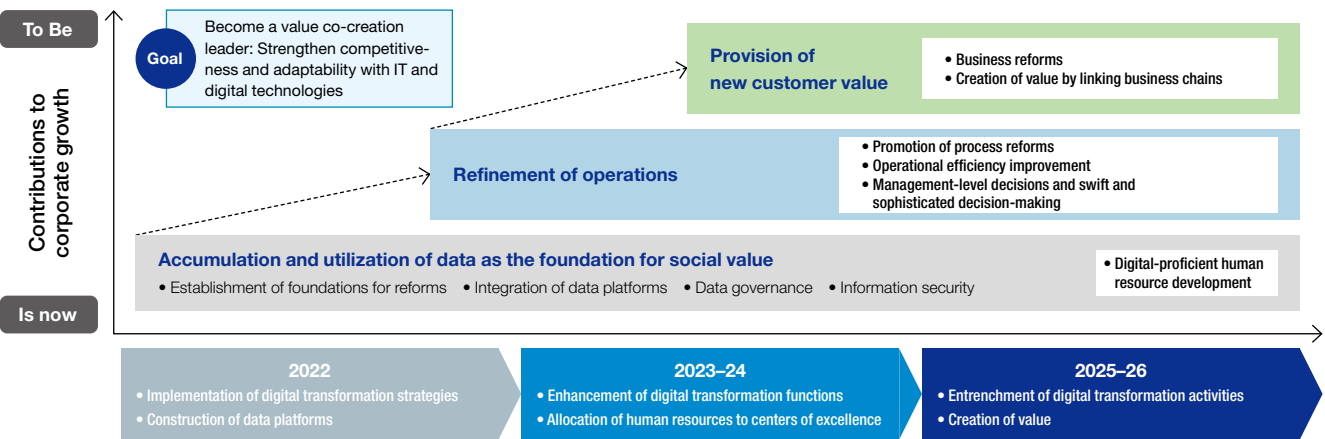


Progress toward the Long-Term Vision and Roadmap

We are currently moving forward with measures for integrating systems and infrastructure in preparation for the complete integration of Showa Denko and Showa Denko Materials scheduled for January 2023. The consolidation and standardization of the operating processes of both companies will be an essential part of the integration. However, we do not intend to simply have one company conform to the other's existing systems. Rather, our top priority will be to examine, through a concerted effort, the approach toward digital transformation that will allow the newly integrated company to utilize IT and digital technologies in the manner that is best suited to realizing the processes deemed ideal.

By reinforcing our operating platforms and promoting ongoing digital transformation, we aim to create three business chains comprised of information on items along the supply chain, information on technologies along the engineering chain, and the circular chain that contributes to society. These three chains will be linked to facilitate the Company's efforts to become a leader in value co-creation activities for a changing society with the power of chemistry. IT and digital technologies will be used to support these efforts.

Initiatives Founded on Basic Digital Transformation Policy



Measures and KPIs to Address Material Sustainability Issues

The newly integrated company must provide value to society in order to continue growing and improving its corporate value. Digital technologies will be imperative to this undertaking.

Material sustainability issues related to digital technologies include improving the efficiency of the process of identifying social and customer needs through digital marketing, accelerating R&D activities for contributing to the resolution of social issues through digital transformation, and utilizing big data-powered IP analyses in management strategies. Looking more broadly at our corporate activities, we also must develop and utilize the digital platforms necessary to support our business activities in relation to data-driven management made possible through data linkage, digital supply chains, smart factories, digital sales, and digital offices. Accomplishing these objectives will require that we embrace the latest IT technologies while heightening the digital maturity of our organization from the perspective of overall optimization. Accordingly, ongoing efforts are being made to supply employees with digital infrastructure and to provide education and training related to such digital technologies.

Two KPIs have been defined to gauge our level of digital maturity: the maturity of data management and analysis on a team and division basis, and the digital literacy of employees.

Initiatives to Resolve Social Issues as a "Co-creative Chemical Company"

Inventory Management through Introduction of T-AI

Products must be delivered within the timeframe indicated by the customer, and this requires that we secure inventories matched to customer requests and based on our production capacity. At the same time, however, inventories must be maintained at an appropriate level to prevent surpluses. To address these contradictory requirements, we introduced the T-AI system, which is based on the ARIMA model. Having input historic inventory, production, and shipment data, this system can predict future demand, including how seasonal or other factors may cause demand to fluctuate. These predictions make it possible to improve the accuracy of production plans, which were previously dependent upon the experience and intuition of our staff, while reducing the amount of work needed to formulate these plans. Production representatives are thus now able to accelerate the cycle of revising production plans in response to changing trends and to increase the frequency of such revisions. This greater ease in planning has better equipped us to respond to customer requests while maintaining appropriate inventory levels.

The T-AI system is applied to varnish, acrylate, and other product lineups.

