

Promotion of Operational Excellence

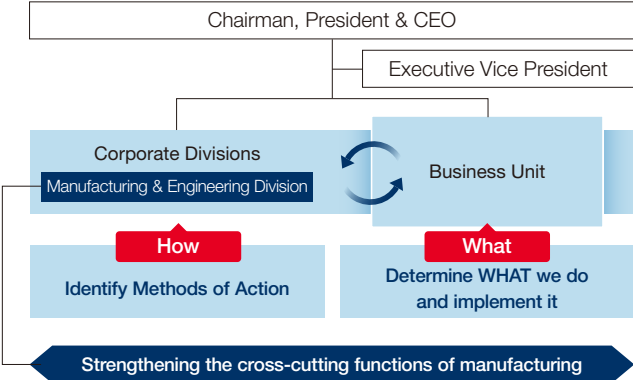
Proterial has practiced outstanding manufacturing on an individual product, business, and site basis. In order to further advance this manufacturing, we transitioned to a business unit structure in 2023 and established the Manufacturing & Engineering Division. These reforms will enable us to precisely capture market changes and needs on a global basis, as well as to better address market needs through standardized and optimized manufacturing practices across the globe. Working in concert, the business units and corporate departments will achieve operational excellence and deliver high-quality products to more customers throughout the world than ever before.

1 Coordination between Business Units and the Manufacturing & Engineering Division

Proterial is involved in a wide range of business domains, which are respectively facing rapid and ongoing changes in the intentions and needs of the customers with whom the Company directly engages, the end users of products, and society as a whole.

The business units are directly overseen by the CEO, while each unit addresses its respective market and competitive environment, customer needs, and technology trends, and executes growth strategies by allocating resources more rapidly and flexibly. Moreover, the business units will engage more fully in communication with customers than ever before, and enhance their proposal capabilities and speed, all while energizing collaborative creation with customers.

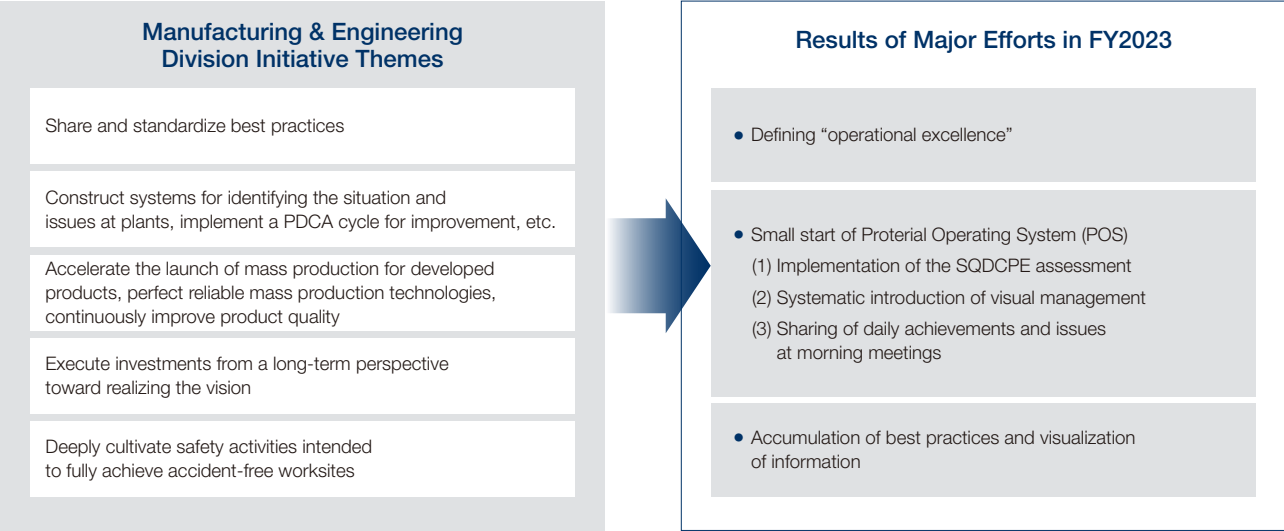
The corporate divisions are divided by function. Each division has expertise in their respective function and support the autonomous business operations of each business unit, while also promoting the efficiency and sophistication of management across the company as a whole through cross-cutting initiatives.



2 Standardizing and optimizing manufacturing

The Manufacturing & Engineering Division will go beyond manufacturing itself to play a role that horizontally links the manufacturing activities of each business unit from every facet involved in manufacturing, including safety, capital investment, and environmental compliance. The Manufacturing & Engineering Division will therefore take the lead in sharing best practices and

promoting the standardization and optimization of manufacturing process control, improvement methodologies, and other aspects on an international scale. In addition, it will establish a structure for implementing a PDCA cycle that includes identifying issues at each manufacturing site, while formulating and executing action plans for improvements.



Message from the General Manager, Manufacturing & Engineering Division

We will refine our plant operations to the cutting edge in order to achieve operational excellence.

At Proterial, we refer to the state of having various indicators for plant operations properly managed and ensuring competitive superiority as "operational excellence," and we are promoting the introduction of the "Proterial Operating System (POS)" to achieve this. POS is a mechanism designed to ascertain and confirm the situation in which each plant is placed and the direction that they should ideally be taking, and to take action to improve the issues faced by each site by means of standardized procedures. We manage plant operations using numerical targets (KPIs), and take corrective action for KPIs that require improvements, always aiming to maintain a competitive advantage in the market.

We began creating this system by identifying the components of excellence and organizing the KPIs that needed to be ascertained. When trying to improve a plant, it is first necessary to recognize our current situation. We created a check sheet for the SQDCPE assessment that includes "safety", which is the top priority in plant operations, "quality", "delivery", and "cost", in addition to "people", "environment" and "equipment", and conducted trials at multiple plants.

As the next step, we are working on visual management that everyone can share and see, in order to set KPIs necessary for self-management on shop floors. We are promoting the visualization of plant operations by setting goals that have been broken down into layers such as plants, divisions, and workplaces, and sharing information in a one-stop manner from the entire plant through to each division and each person in charge. We started small at the Yasugi Works, Ibaraki Works, and Yamazaki Works. We are constantly refining our activities with the aim of firmly linking the goals of plants with the goals and activities

of each division, and of making them activities that can be shared across the company while also responding flexibly to the situation at each site.

As the trial progresses, changes are also being made on shop floors. Now that the results are visible, various improvement activities are being carried out more efficiently. Being able to see the connections between the activities you are currently engaged in and what they lead to is also rewarding for employees and I think provides a driving force for corporate growth.

Going forward, we will refine POS and create conditions where each plant is managed on a common platform, with the aim of achieving "operational excellence" as soon as possible.

* SQDCPE: Safety, Quality, Delivery, Cost, People, Environment, Equipment



Constituent Elements of Proterial Operating System (POS)

SQDCPE assessment		Evaluate the current conditions and formulate an improvement plan
Systematic visual management		Define and implement the content to be managed for each level
Implementation of visual management	(1) Goal map	Top-down deployment of plant policies and goals to clarify priorities, and link plans to departments, sections, and shop floor activities
	(2) KPI tracking	Track the status of activities using numerical values and manage them until the goal is achieved
	(3) Project tracking	Share the progress of improvement project plans and manage them until they are achieved
	(4) Morning meetings	Share and manage daily achievements and issues
Best practices		Deploy leading-edge cases at other sites
Reorganizing the company-wide and plant education system		Promote continuous human resource development