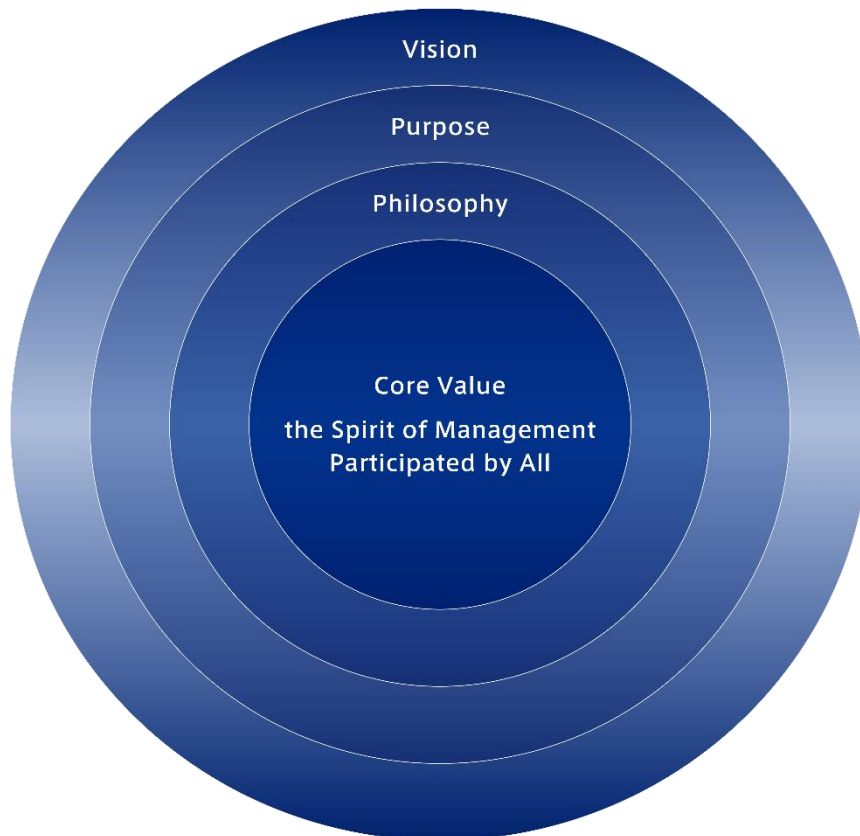


Tokyo Boeki Group

Management Axis



(Attachment)

Action Guidelines to Embody Management Participated by All



TOKYO BOEKI GROUP

April, 2023

Introduction

I joined Tokyo Boeki Ltd. in 1969 and will celebrate 54 years of service this year. During that time, many things have happened to the company. While the life span of a company is said to be 30 years, Tokyo Boeki celebrated its 75th anniversary last year, and when I think about the fact that we have been able to continue to do so, I believe that there is a core of management that is unique to Tokyo Boeki.

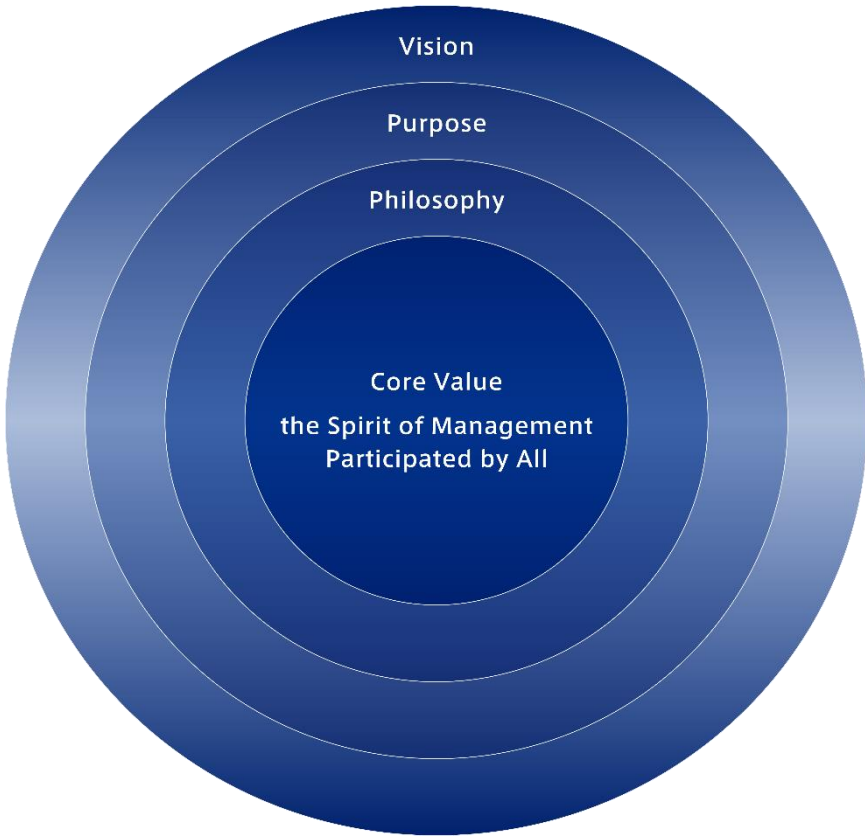
I myself have faced many difficulties over the past 54 years and have overcome each and every one of them. In the process of launching the TB-eye Ltd., and developing it into one of the core businesses of the Tokyo Boeki Group, I felt as if there was a one core axis that ran through my mind as to what I should think and act upon most importantly in order to ensure the survival and growth of the Tokyo Boeki Group. This is to create a culture of freedom and open-mindedness and a culture that aims for the happiness of our employees.

In July 2022, I became Chairman and Mr. Tsubouchi became President of Tokyo Boeki Holdings Corporation, and the group entered a new chapter. I would like to share with you what I consider to be the core and axis of Tokyo Boeki Group management. I sincerely hope that you will take this axis as your own, use it as your daily compass, and pass it on to the next generation to continue the growth and survival of the Tokyo Boeki Group.

Tokyo Boeki Holdings Corporation
Chairman and Representative Director, Sanshiro Kato

Management Axis of Tokyo Boeki Group

Conceptual Diagram



Core Value (the Spirit of Management Participated by All)
Philosophy
Purpose
Vision

The management axis of Tokyo Boeki Group, as I see it, is a four-layered concentric circle as shown in the diagram above. In the center is our "Core Value," outside of which are our "Philosophy," "Purpose," and outermost is our "Vision". In other words, Core Value is central to the Tokyo Boeki Group's management and run through all of its operations. Therefore, please keep in mind that the Philosophy, Purpose, and Vision that I will explain hereafter will always return to our Core Value, "the Spirit of Management Participated by All".

1. Core Value

The Spirit of Management Participated by All

We believe that the core value of the Tokyo Boeki Group is “the Spirit of Management Participated by All” advocated by Yasuo Matsumiya, the founder of Tokyo Boeki.

*In the long history of Tokyo Boeki Group, “the mindset of a pioneer” and “the Spirit of overcoming any obstacles and to never reduce our efforts” have been derived from “the Spirit of Management Participated by All” and these were combined to form “the Three Founding Spirits,” but the first two are only derivations and they will surely come to mind when you think deeply about “the Spirit of Management Participated by All,” so I will return to the starting point and summarize it as “the Spirit of Management Participated by All”.

-What is “the Spirit of Management Participated by All”?

It is the awareness that all executives and employees of Tokyo Boeki Group love the company and the group, and participate in the management of the company and the group from their own standpoints. It is also a spirit of contributing to the sustainable development of society and growing ourselves along with the growth of the company and the group.

-Origin and how it evolved

Yasuo Matsumiya does not explain the spirit of the company in detail. However, my guess is that it was **“all employees should feel the same way as the president and work for the company.”**

Later, Hiroshi Machida, the second president, said, “It is usually impossible to ask employees, for example, new employees, to feel the same way as the president. In order to ask them to feel the same way, the president must first show respect and esteem for the employees. This will create communication between the group company presidents and employees, and employees will come to understand the presidents’ feelings and feel close to them”. He defined the spirit as the one management, especially group company presidents, should have at first.

Later, Sanshiro Kato, the sixth president, said, “the Spirit of Management Participated by All” must first be possessed by group presidents. At the same time, however, it is also necessary for the employees to try to understand their feelings. In other words, it should not be possessed only by the president or the employees, but by the entire management team and all employees, including the president, from the beginning.

Today, “the Spirit of Management Participated by All” is understood as the one all management and all employees should share.

-Why is “the Spirit of Management Participated by All” the core value of Tokyo Boeki Group?

This is the first time that the Tokyo Boeki Group clearly positions “the Spirit of Management Participated by All” as the core value. A core value is the most important thing in running a company, and it is at the center of every decision we make. Why is the most important value “the Spirit of all management”?

-What kind of condition does “the Spirit of Management Participated by All” emerge from?

It will come from a state in which all executives and all employees work with autonomy, freely expressing their opinions as equal partners in front of the work, and striving for a higher level of perfection in their work. It will come from such a culture (environment) where everyone “mutually acknowledges each other,” “respects each other,” and “communicates with each other,” and from a culture (environment) that is free and open-minded.

-How are “the Spirit of Management Participated by All” and the Purpose of Tokyo Boeki Group related?

I place in the Purpose, which you will see in later pages, two items. The first is **“the contribution to the development of a sustainable society (SDGs),** and the second, **“the pursuit of the happiness of employees both materially and spiritually”.**

So, what does mean by “employees’ happiness”? First of all, employees need to be compensated for their work. But even if they do, will that be enough to make them happy? If “the work” itself, which is the most time-consuming part of the day, is not enjoyable, then perhaps they will not be able to feel happiness. Then, what kind of “work” do we find enjoyable?

1) Autonomy (intrinsic motivation)

We do not enjoy our work if we feel that we are being forced to do it by others. I believe that by thinking for ourselves and participating in work on our own initiative, we can expand the possibilities of enjoying our work. This is not something to be pushed by others, but is truly a step forward on one's own initiative. This is the essence of “the Spirit of Management Participated by All.

2) Culture (Environment)

Even if you try to work with initiative, you cannot do it if the atmosphere is one that stifles it. All of management and employees acknowledge each other, respect each other, communicate and exchanges their dreams each other. Intrinsic motivation can be nurtured and protected from work stress in such a

culture (environment). (The Tokyo Boeki Group aims to create such a culture (environment) by uniting individuals who are “bright, honest, smart, and tough.”)

3) Fair evaluation

If the work we do is not evaluated properly and fairly, and if it is not reflected in our compensation and promotion, we will lose our motivation. We can only work hard when we are evaluated fairly. I believe fairness is very important not only in personnel evaluation but in everything.

In other words, “the Spirit of Management Participated by All” is the foundation and core of realizing Tokyo Boeki's “raison d'etre (Purpose)” and “the happiness of employees” and thus, the bases of “the Spirit of Management Participated by All” are : 1) autonomy (intrinsic motivation), 2) a Culture (environment), and 3) Fair evaluation. “The Spirit of Management Participated by All” is not merely a tool for improving the Group's performance, but is the core of realizing “the happiness of employees”, which is the raison d'etre (purpose) of our group.

We are always faced with difficult decisions. At such times, we must make decisions with “the Spirit of Management Participated by All”, the core value of Tokyo Boeki Group, in mind.

Under “the Spirit of Management Participated by All”, let's unite the power of all executives and employees to grow the Group.

2. Philosophy

Tokyo Boeki's management philosophy was formulated in April 1995.

Tokyo Boeki Group will be a creative company where each and every employee can realize their dreams through their work. We will be a company in which each individual takes pride and contributes to the world. (established April, 1995)

However, you may not be sure what one word “philosophy” means. Well, if you look it up in the dictionary...

It says, “philosophy is an idea, which is the highest thought deriving from reason.” Then, I looked up the “idea”, it says, “it is a Greek word. An eternal and immortal existence that can be known only by reason beyond the senses and is thought to govern the entire universe. Generally, a conception and philosophy”. The Japanese-English dictionary says, the philosophy is cause, or philosophical construct.

The term “philosophical construct” according to the English-Japanese dictionary,

is a philosophical concept.
Like this, it becomes more and more confusing.

Dr. Collins, the author of The Visionary Company, explains that a philosophy should fill every corner of an organization and influence the decision making and policies and serve as an action guideline for the organization and together with the its purpose (purpose) and near-term goals (mission) provide the starting point for a vision for the future.

If we follow this explanation, the Tokyo Boeki **Group's Philosophy is "the principles that the Group should absolutely adhere to, centering on our core value, "the Spirit of Management Participated by All"**. Therefore, we would like to review the philosophy formulated in 1995 and establish the following one, which incorporates the principles that the Group should absolutely adhere to.

<Philosophy of Tokyo Boeki Group>

Tokyo Boeki Group will be a group where all group employees participate in management from their own standpoints under a free and vigorous culture, always contributing to the sustainable development of society, and the success of our customers, being recognized as a necessary part of society, and appreciated by our customers. We will be a group in which employees feel happy and proud by working in such a group.



3. Purpose of Tokyo Boeki Group

-Contribute to the development of a sustainable society (SDGs)

At Tokyo Boeki Group, the importance of social contribution has always been one of our most important values, as “social contribution - conducting business that contributes to local communities and international society”. However, it was a value of rather low priority. Furthermore, it seemed that it was believed that the group should contribute to society as long as the business performed well and it was not anti-social. This was partly because the social climate was not very interested in social contribution (SDGs), and partly because the Tokyo Boeki Group was not achieving satisfactory results in terms of performance and could not afford to actively pursue social contribution.

This time, since we have placed “the Spirit of Management Participated by All” as our core value, we newly place the social contribution at the top of our raison d'etre (Purpose). This means, we position “contributing to sustainable social development (SDGs)” as the raison d'etre of the company (Tokyo Boeki Group), and our business is the means to realize this raison d'etre. This is the biggest difference from the past.

Due to the changing times, companies that cannot contribute to society are no longer recognized for their existence. Moreover, Tokyo Boeki Group's business performance has improved as debt-free, increasing its stability. Therefore, we would like to place “contributing to the sustainable development of society (SDGs)” at the forefront of the Tokyo Boeki Group's raison d'etre (Purpose).

And if we “work” with the desire to “contribute to the sustainable development of society” and actually do so, we can be proud of the Tokyo Boeki Group and of ourselves.

Let me rephrase that the Tokyo Boeki Group's raison d'etre (Purpose) is to “contribute to the development of a sustainable society (SDGs)”. With a strong sense of this purpose, let's “work” and contribute to “the sustainable development of society (SDGs)”.

-Pursue the happiness, both materially and spiritually, of Tokyo Boeki Group employees.

The Tokyo Boeki Group's goal has always been “employee happiness”. However, while this has been frequently stated by the management to the employees, it ranks surprisingly low in our existing values and stated, “Self-realization- Love people, work and live a rich life.” in the past.

This time, we have placed it in the second position of the raison d'etre (Purpose). From a conventional viewpoint, we would have placed it at the top of the list. However, **this time, with the strong determination that “Tokyo Boeki Group is going to make a breakthrough in society and the world,” we have placed “Contribution to sustainable development of society (SDGs)” first and “Pursuit of the happiness of Tokyo Boeki Group employees, both materially and spiritually” second.** However, there is

little difference between the two, and should be considered almost parallel.

So, what does “employee happiness” mean? I have already explained this in 1, but I will repeat it again. Please think it again and again so that it becomes the axis of your mind.

What is employee happiness?

Employees need to feel happy materially and spiritually. For the material aspect, it will be necessary to receive compensation commensurate with their work. However, this alone may not fill nor satisfy the spiritual aspect. I believe that “the work” itself, which is the most time-consuming part of your day, must be enjoyable.

So, what kind of “work” do we find enjoyable?

1) Autonomy (intrinsic motivation)

We do not enjoy our work if we feel that we are being forced to do it by others. I believe that by thinking for ourselves and participating in work on our own initiative, we can expand the possibilities of enjoying our work. This is not something to be pushed by others, but is truly a step forward on one's own initiative.

2) Culture (Environment)

Even if you try to work with initiative, you cannot do it if the atmosphere is one that stifles it. All of management and employees acknowledge each other, respect each other, communicate and exchanges their dreams each other. Intrinsic motivation can be nurtured and protected from work stress in such a culture (environment). (The Tokyo Boeki Group aims to create such a culture (environment) by uniting individuals who are “bright, honest, smart, and tough.”)

3) Fair evaluation

If the work we do is not evaluated properly and fairly, and if it is not reflected in our compensation and promotion, we will lose our motivation. We can only work hard when we are evaluated fairly. I believe fairness is very important not only in personnel evaluation but in everything.

I believe we can expand the possibility of feeling secure and the work enjoyable by 1) having autonomy (intrinsic motivation, 2) creating a free and vigorous culture (environment), and 3) being evaluated in a fair manner.

With these ideas in mind, let us pursue **“the happiness of Tokyo Boeki Group employees, both materially and spiritually”**.

We believe that Tokyo Boeki's two raison d'etre, **contributing to the**

sustainable development of society (SDGs) and pursuing the happiness of Tokyo Boeki Group employees, both materially and spiritually, will be realized through implementing the Tokyo Boeki Group's core value, "the Spirit of Management Participated by All".

4. Vision

The vision of the Tokyo Boeki Group is "a group that maintains a balanced business portfolio (multiple growth businesses) under a challenging and free-spirited culture, is recognized by society as an essential part of its existence, and makes all group employees proud.

-A Group that maintains a balanced business portfolio (multiple growth businesses) to respond to changes in society.

Characteristics of a group that originate from a trading company - conglomerate management

Unlike the manufacturing industry, which is selective and concentrated on a relatively small number of businesses, a trading company is involved in a relatively large number of businesses perhaps because it can and need to start business without much capital investment and its profit is not as large as manufacturing counterparts. Today, some trading companies expand into the field of manufacturing. Tokyo Boeki Group is no exception as a corporate group originating from trading business and is involved in multiple businesses and has also expanded into the manufacturing sector.

When considering the future vision of the Tokyo Boeki Group, we believe that conglomerate management, which encompasses multiple businesses, needs to determine and maintain an appropriate number of businesses based on concentration and selection. Of course, it may be expanding into brand-new businesses that are not adjacent to existing one, or into manufacturing businesses that are not trading, after analyzing and responding to changes in the world and various other circumstances. And it must maintain a well-balanced business portfolio that includes profitable, well-developed existing businesses and new businesses that could be profitable in the future.

<Deepening existing businesses and developing new businesses>

Use creativity and ingenuity to deepen, grow, and develop our existing business. However, it is also true that no business can last forever. We should develop new businesses that will support the next generation. By completing these two tasks, we will create a Tokyo Boeki Group that will last forever.

<Business differentiation>

When conducting business, the important thing is to be differentiated from other companies. Without differentiation, the business will become commoditized and margins will be thin. For differentiation, the Tokyo Boeki

Group must add value. It is created by listening to our customers, considering their needs, and solving their problems (providing business solutions).

<Customer first>

In order to adopt our customers' requests and conduct differentiated problem-solving (solution) business, we must communicate with our customers and be loved by them and we must be valued and trusted by our customers. This is where differentiated problem-solving (solutions) begins.

<Specific business portfolio>

The specific business portfolio that the group should maintain will change in response to changes in the world, and I would like to leave it to the group management and group employees at each time.

-A group with a free and vigorous corporate culture that can challenge innovation and talk about dreams.

We will nurture a free and vigorous corporate culture full of "bright, honest, smart, and tough" people who can challenge innovation and talk about their dreams for the future, who respect others under "the Spirit of Management Participated by All," and who can freely express their opinions as equal partners. In such a corporation, employees feel that they will grow along with the growth of the group.

-A group that contributes to the development of society and the success of our customers, is recognized as a necessary part of society, and makes all employees proud of.

By contributing to the sustainable development of society as well as the success of our customers we shall be acknowledged as an indispensable part of our society. Let us create a Tokyo Boeki Group of which all employees can be proud.

(Attachment)

Action Guidelines to Embody “Management Participated by All”

Take good care of your colleagues (communicate with each other)

- Greet each other (Greetings are the first step in communication).
- Respect and honor your colleagues
(respect is the first step in communication).
- Listen carefully to what the other person is saying
(listening carefully is the first step in communication).

■ Think and act independently

- Think everything with your own mind, and challenge and act with passion.
- When making mistakes, humbly admit them and learn from them for the future success.
- Always keep BS/PL (numbers) in mind (profitability is determined by operating profit, not sales).

■ Feel free to express your opinions

- Speak and discuss freely and humanly correct opinions without too much consideration to others.
- Work as equal partners.

■ Act properly as a human being (act without embarrassment to your peers and family)

- Observe laws.
- Contribute to the realization of a sustainable society.
- Be in good physical and mental health conditions.

■ Move forward with the Company

- Let's grow ourselves as the company grows.
- Act with pride as an employee of Tokyo Boeki Group