



### Overview of Value Creation

## Message from the Officer in Charge of Financial Affairs

**Fully Utilize Our Strengths as a Challenger to Aim for Sustainable Improvement of Corporate Value**

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RIKEN TECHNOS CORPORATION

### Looking Back at FY2022

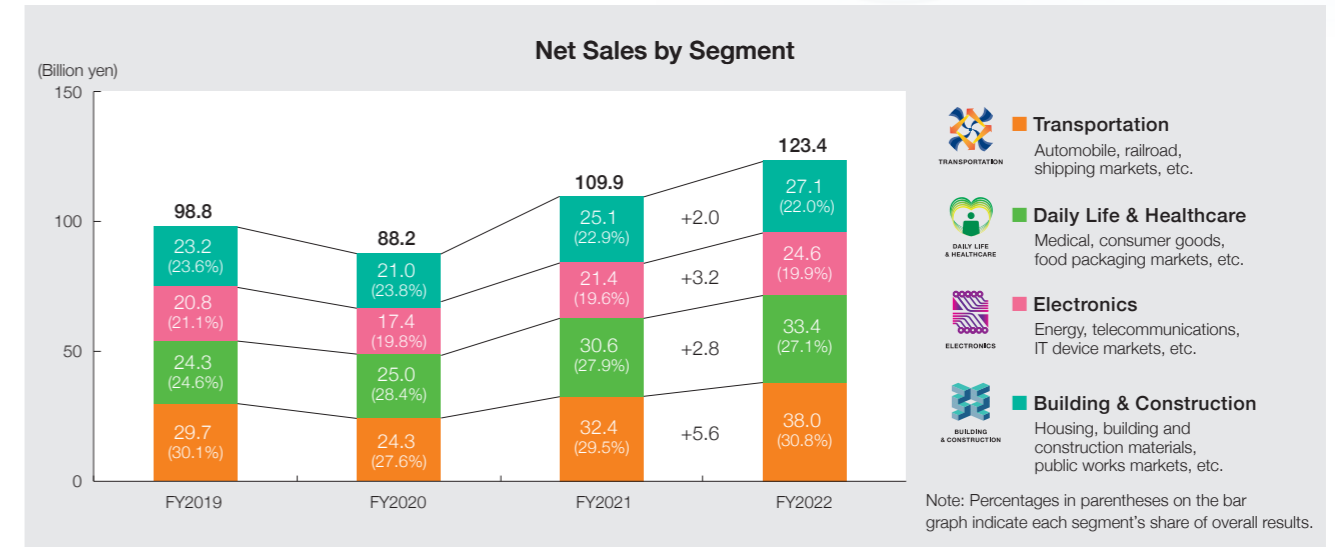
#### Achieved a new record high in profits amid taking great pains in stable procurement of raw materials

Besides not seeing an end to the impact of COVID-19, FY2022 was a year in which we took great pains in stable procurement of raw materials due to their high prices. Although we passed on the increase in prices after carefully explaining to customers and obtaining their acceptance, looking at the profits and losses during this period, there were certain segments that were affected in terms of profits and losses as prices of raw materials increased before they were passed on. Going into 2023, raw material prices look to be settling down slightly, but they continue to remain high. In addition, from January 2023, high utility costs started to show substantial negative impact. However, looking at our consolidated performance for the full fiscal year, there were also many positive changes in the external environment. As a result, our consolidated operating profit for the fiscal year ended March 31, 2023 was 7.5 billion yen—an increase of approximately 1.2 billion yen from the previous fiscal year—and we achieved a new record high in profits.

### Portfolio Management

#### Implement portfolio management that fully utilizes RIKEN TECHNOS's strengths

In the three-year medium-term business plan that began in fiscal 2022, our consolidated targets are set as net sales of 135 billion yen and an operating profit of 8.5 billion yen in the fiscal year ending March 31, 2025, the plan's final fiscal year. To achieve these targets, we will steadily execute our mission of "being a challenger" and the basic strategies stated in the medium-term business plan—"Intensify global management and generate synergies" and "Stay ahead of customers' expectations"—as well as further improve our portfolio management centered on our strengths, which are the creativity of our employees and our excellent technologies. We hope to secure our superiority in the functional aspect by providing the market with products that have value not found in our competitors' products and enhance our competitiveness in the industry. In the medium-term business plan, we also stated "Actively consider technology acquisitions, equity investments, and M&A to pursue new businesses" as our financial strategy.



At the same time, we will work on enhancing our R&D structure and strengthening our intellectual property strategy. Regarding the strategy for future growth "Take on the challenge toward new businesses and products" in our medium-term business plan, we established the Start-up Office for New Business Development in April 2022 as a specific measure. Together with recruiting engineers that have skills necessary for new businesses, we have also embarked on academic-industrial partnerships to search for themes and seeds for joint research.

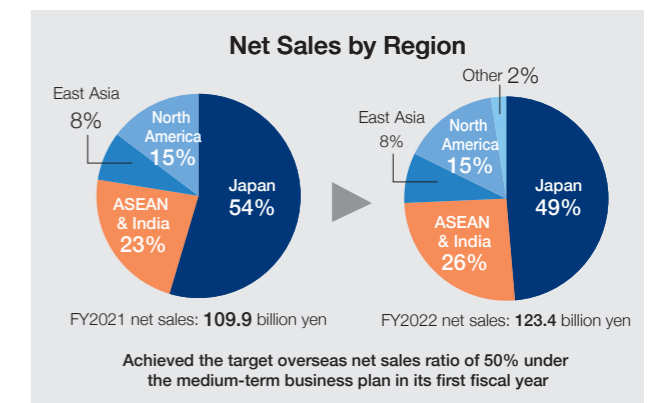
Our segments of Transportation (automobile, railroad, shipping markets, etc.), Daily Life & Healthcare (medical, consumer goods, food packaging markets, etc.), Electronics (energy, telecommunications, IT device markets, etc.), and Building & Construction (housing, building and construction materials, public works markets, etc.) are adopted by market with a user perspective. The key to our portfolio management lies in defining the focus markets—the specific markets out of these four segments where we can expect future potential and global growth—to concentrate our management resources on hand. We have made the automobile, medical, and consumer goods markets in Japan and overseas our priority markets. At the same time, we will also focus efforts on the construction materials markets—given the expectation of vibrant construction demand centered on the ASEAN region—and the telecommunications markets. Particularly, in the ASEAN region where there is a rush to establish infrastructure such as power plants and telecommunication cables and not just

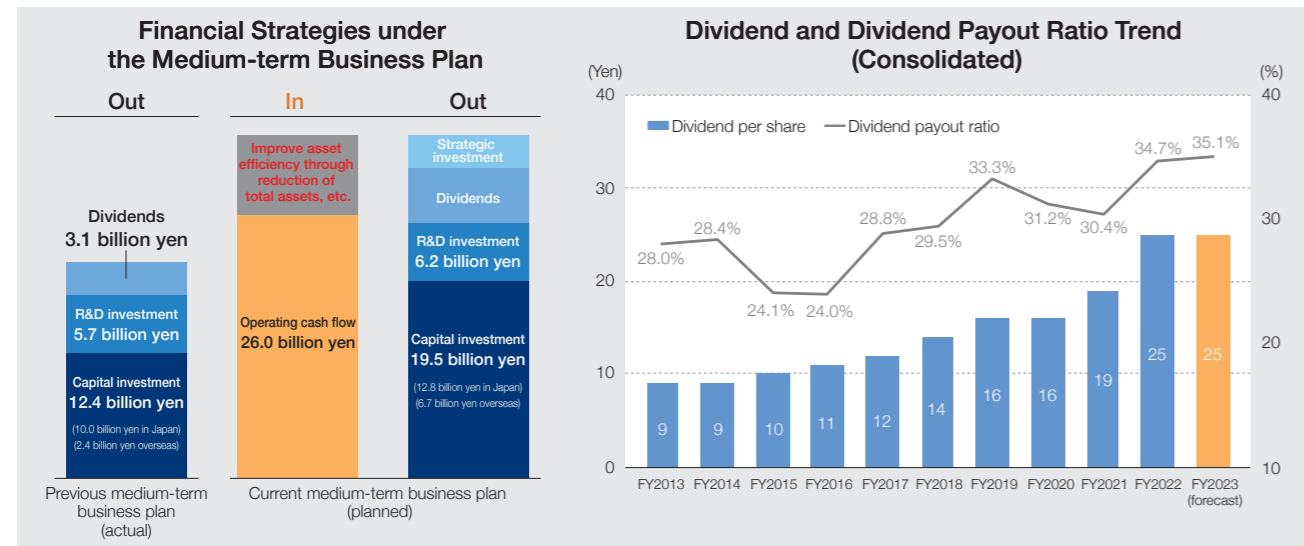
residential and other buildings, due to the high demand for power cable and other electric wires and electrical materials, we will strive to expand our share of covering materials for such products. We have already obtained the number one share for covering materials in Indonesia, and we will take on the challenge of further growing our shares in other regions.

### Investment Plan

#### Undertake aggressive investment in preparation for post-COVID-19 demand recovery and labor shortage

In the three-year medium-term business plan, we are planning a total capital investment of 19.5 billion yen. The investment will be mainly for building manufacturing facilities and systems in Japan and overseas. Our financial strategy also includes investment in R&D, shareholder





returns such as dividends, and strategic investments for promoting M&A and joint projects with partners, and we believe that it will lead to further improvement of our corporate value.

For capital investment, as the stagnant demand within and outside Japan due to COVID-19 has been largely resolved, our production volume in FY2022 recovered to around 90% of its level before the pandemic, and it is a pressing issue to increase our production lines in line with this recovery in demand. We will accelerate capital investment centered on overseas factories for polyvinyl chloride (PVC) compounds such as in the ASEAN region and North America. Meanwhile, we are also adding a new elastomer manufacturing line in Japan due to the ongoing switch from synthetic rubber to elastomer resin—which is lightweight and has less impact on the environment—arising from the increasing needs for eco cars in Japan. We will execute capital investment with a sense of speed that seems to exceed 19.5 billion yen so that we do not lose business opportunities because our establishment of manufacturing lines cannot keep up with the demand.

As for the building for systems, we recognize the necessity of investment for labor saving, manpower saving, and streamlining to prepare for the shortage of manpower in Japan in the near future. In particular, we think it is necessary to promote digital transformation (DX) and use artificial intelligence (AI) to make up for the shortage of human resources. We intend to continue investing aggressively in the building of systems that serve as replacement for human labor.

Recently, investment in human capital is also gaining attention. Since before, I had the idea of accounting for human resources on the balance sheets under the item of human capital. Human resources are important assets to the Company, and it is important to find ways to develop them into human resources with high potential for growth. Therefore, we also establish key performance indicators (KPIs) for investment in our people, and particularly in the education aspect, plan to raise training costs per employee from around 30,000 to 40,000 yen per year to a level exceeding 100,000 yen.

### Capital Efficiency and Profit Returns

#### Pursue stable profit returns that match the improvement of corporate value

At RIKEN TECHNOS, our basic policy is to pay stable dividends to our shareholders and investors while seeking a balance between financial standing and business. From the fiscal year ended March 31, 2023, we have increased our consolidated dividend payout ratio from around 30% to 35%. In addition, we paid a dividend of 25 yen for the fiscal year ended March 31, 2023, an increase of 6 yen compared to 19 yen in the previous fiscal year.

Behind the conduct of such profit returns was performance in the first fiscal year of the medium-term business plan that exceeded expectations, including the setting of new records in net sales and all profit measures. Each segment still has room for growth, and if we can create value not found in our competitors centered on technology as well as stay ahead of customers' expectations and

develop new businesses and products in both aspects of function and price, it may be possible to develop and grow our return on sales (ROS), which is currently at around 7%, to close to double digits. Our return on equity (ROE) has been staying at 7.5% of late, but if we can achieve the targets of the final fiscal year of the medium-term business plan, there is a real possibility that it may exceed 8%. Of course, we do not intend to be satisfied with this, and will also look at exceeding 10% in the near future. If we can generate such a virtuous cycle, the multiplier of our price book-value ratio (PBR) will also naturally increase, and the results will also be reflected in our share prices. To do so, we recognize that it is important to be able to apply our capabilities in innovation that utilize our strengths in people and technology. Going forward, we will continue to strive on improvement of our corporate value using our strengths, and aim to achieve long-term and stable shareholder returns that exceed our cost of equity through raising our dividends and medium- to long-term share prices.

At the same time, to optimize our assets held and enhance financial governance, we are working on to reduce our strategic holding shares, which currently exceeds 10% of our net assets, while verifying if they are shares that match the cost of equity and if there are benefits in holding onto them.

### Dialogue with Our Investors

#### Implement active investor and shareholder relations stemming from RIKEN TECHNOS to seek enhancement of opportunities for dialogue

So far, we have been practicing timely and proper disclosure of financial information—such as management indicators, growth strategies, and business overviews—as well as non-financial information in the environmental, social, and governance (ESG) areas. We have also provided opportunities for dialogue with shareholders and investors to further deepen their understanding of the Company. However, even though opportunities were provided, we did not adopt a stance of seeking active communication stemming from RIKEN TECHNOS, with briefings and such often requiring shareholders and investors to travel. Based on this point of reflection, we started holding shareholder relations (SR) sessions in April 2023 on top of the investor relations (IR) sessions that we had been conducting. We have just embarked this initiative, so we are first targeting leading institutional investors who

are our major shareholders. Being also the Senior General Manager of Administrative Division, I am at these sessions in person as the person responsible, where I explain in detail information that is thought to be of high interest to investors, including our growth strategy and business deployment as well as our 70-year history of value creation since our establishment, ESG initiatives, the environmental contributions of our products, and the roles being played by outside directors in our Board of Directors. These sessions were largely well-received by the attendees, with feedback such as “I could understand RIKEN TECHNOS better than before” and “I think there are more areas that you can draw attention to.” Going forward, our basic stance for both IR and SR sessions is to actively explain to shareholders and investors to strengthen our engagement with them.

RIKEN TECHNOS's strength is that we are a company that is always searching for product development that provides beneficial technologies and functions to customers. In addition to the field of environmentally friendly products, in which we excel, we will also pursue innovation that can help to solve the various social issues raised by the Sustainable Development Goals (SDGs). We will focus management resources on them for continuous improvement of our corporate value from both financial and non-financial aspects. At the same time, we will accelerate active communication stemming from the Company to further enhance our dissemination of information to external parties. I will take the lead and strengthen our commitment, and I am determined to meet the expectations of all stakeholders, including our shareholders and investors.

