Blue Challenge Report

Overview of Value Creation

Value Creation Process

Plastic reduction Shrinking domestic Digitalization trend Industrial realignment **RIKEN TECHNOS's** Demands from the Tokyo Growing environmental External Environment Progress with EVs Growth in Asia Stock Exchange

The RIKEN TECHNOS GROUP recognizes that responding to issues surrounding sustainability is one of our key corporate challenges. By incorporating these issues into management, we seek to contribute to the development of a sustainable society and also enhance our corporate value.

Based on changes in the external environment and demands from stakeholders, we will continue to take on the challenges of providing new value by leveraging the Group's strengths in order to realize our long-term vision of "Aiming to become the leading provider of comfort for all living spaces."

> Long-term Vision → p. 25 iming to become the leading provider of comfort for all living spaces

Inputs

Financial Capital

115.6 billion yen



Manufacturing Capital

Property, plant and equipment & Intangible assets: 30.7 billion yen

Production sites: 15 (Japan: 7, overseas: 8)



Intellectual Capital

R&D expenditure: 1.8 billion yen



Human Capital

Number of employees:



Social Capital

Overseas sites: 12 Overseas net sales ratio: 49.8%



Natural Capital

Raw materials: 314,000 tons Total energy input: 1,983 thousand gigajoules Water resources input: 1,094 tons

(FY2023)

Business Activities



Strong Technical Capabilities

● Formula design technology

We make full use of various raw materials and create designs that respond accurately to diversifying and increasingly sophisticated needs.

Mixing and kneading technology

To enhance the suitability of processing by customers, we provide compounds with the optimal kneading conditions.

Film manufacturing and processing technology

We provide high-value-added functional films through the comprehensive pursuit of film manufacturing, lamination, and coating technologies.

The Capacity to Meet the Needs of **Leading Global Customers**

Global business activities

We have production sites in Japan and many countries around the world including in ASEAN countries, creating a structure that enables us to provide optimal solutions that meet customer

Customer base

We have built good relationships with and supply various products to competitive Japanese companies that conduct business globally and are continuously growing.

Technology that supports customers

Our manufacturing, sales, and technology functions work together seamlessly to respond to customer requests with care and provide products customized for each customer.

Outputs

Transportation

- **⇒** p. 35
- Wire harnesses
- · Molded parts for automobiles

Daily Life & Healthcare

- **⇒** p. 36
- Medical products
- Rubber substitutes
- Wraps for food packaging

Electronics → p. 37

- · Electric power and industrial wires
- Telecommunications Optical films



Building & Construction

- ⇒ p. 38
- Construction films
- · Housing and building materials



Outcomes

Providing Economic Value → p. 19

- Net sales: 125.7 billion yen
- Operating profit: 8.7 billion yen
- Net profit: 6.8 billion yen
- Capital ratio: 55.7%
- Dividend payout ratio: 28.0% (FY2023)



Providing Social Value

⇒ p. 20

Providing comfort (quality, speed, solutions, resolutions to social issues) for all living spaces







Stakeholders

Stakeholders Shareholders and

investors

Customers



Business partners



Employees



Local communities



Nurturing the Corporate Culture / Corporate Governance / Risk Management / Compliance ⇒ pp. 51 – 54, pp. 59 – 76

Materiality / Medium-term Business Plan ⇒ pp. 25 – 28

RIKEN TECHNOS WAY (Mission / Core Value / Basic Action) → pp. 9 – 10

RIKEN TECHNOS GROUP Integrated Report 2024 14 13 RIKEN TECHNOS GROUP Integrated Report 2024

Blue Challenge Report

Overview of Value Creation Value Creation Process

Business Activities Rolled Out from Management Capital

Capital (FY2023)

For Capital Enhancement



Financial Capital

- Stable financial foundations that have been built up • Total assets: 115.6 billion yen
- Capital ratio: 55.7%
- D/F ratio: 0.19



- ■Achievement of a PBR of 1.0 through creation of a fund for growth investment by reducing cross-share holdings, as well as cash allocation
- ■Pursuit of asset efficiency (Target ROE of 8.0% or higher)* The target value for the final fiscal year of the current three-year medium-term
- Optimization of financial leverage



Manufacturing Capital

- ■Diversification of risk through collaboration of global sites and prompt responses to customers
- Property, plant and equipment: 28.4 billion yen
- Intangible assets: 2.2 billion yen
- Production sites: 15 (Japan: 7, overseas: 8)



■Enhancement of production facilities Adoption of state-of-the-art equipment and facilities and stable production and provision of products Expansion of production facilities for polyvinyl chloride compounds (Vietnam, the United States) Expansion of production facilities for thermoplastic elastomer compounds (Japan)
Investment in labor-saving and streamlined operations through DX



Intellectual Capital

- ■Accumulated expertise in formulations and manufacturing technologies and production technologies
- ■Business superiority secured through the holding of patents
- Number of patents held (in Japan and overseas): 692
- Numbers of collaborations with external parties (nonconsolidated): a total of 13 cases (FY2022 to FY2023)



- ■Promotion of open innovation (joint research through collaboration with academia and other companies)
- ■Development of a data-driven research environment by utilizing DX (AI and MI) in R&D
- ■Adoption of state-of-the-art prototype machines



Human Capital

- ■Global human resources embodying the RIKEN TECHNOS WAY
- Number of employees: 1,904 (in eight countries across the world) (Japan: 972, overseas: 932)



- ■Implementation of human resources development plans based on growth strategies
- ■Promotion of diversity, equity & inclusion
- ■Improvement of employee engagement



Social Capital

- ■Global business activities
- ■Relationship of trust with communities and local governments
- Overseas sites: 12
- Number of suppliers: about 900 companies



- ■Strengthening and expansion of supplier engagement that focuses on human rights due diligence
- ■Implementation of social contribution activities especially in areas where factories are located



Natural Capital

- ■Development of products that contribute to energy
- conservation and environmentally friendly products ■Reduction of waste through in-process recycling
- Raw materials: 314,000 tonsTotal energy input: 1,983 thousand gigajoules
- Water resources input: 1,094 tons
- Recycling rate*: 85.40%
 *Volume of waste, excluding simple (landfill and incineration) waste, per total waste volume



- ■Contribution to decarbonization through businesses
- ■Switch of purchased electricity to renewable energy-based electricity, renewal to energy-saving facilities
- Reduction of environmental loads by reducing waste
- ■Promotion of Responsible Care

The RIKEN TECHNOS GROUP's Business Activities

- •We anticipate potential needs and conduct R&D in response. To meet the diversifying needs of customers, we have introduced materials informatics (MI) into the development of new formulations for compound products and film products, increasing the efficiency and speed of new product development. We are also developing products that use raw materials with
- •We leverage the supply network that we have built to date and conduct stable procurement of raw materials through collaboration among our sites located around the world.
- •We promote the establishment of sustainable supply chains using requests for cooperation concerning the environment and various communication tools based on our Environmental Policy and Green Procurement Standard.

Procurement

Production

and quality

control

Logistics



- Our Product Quality Policy calls for us to always focus on customers first and quality first to supply highly reliable products and services, and we undertake "the spirit of manufacturing" in compliance with ISO 9001.
- •We perform chemical substance management to reduce environmental loads. In addition, we are working to reduce CO2 emissions and industrial waste by designing products that can be processed with low energy and by conducting production in the manufacturing process that generates few losses.

- Our products are processed for diverse applications and are used throughout everyday life including automobiles, construction, healthcare, information devices, electric wires, and food packaging.
- •We will continue to develop, manufacture, and sell products with the aim of becoming the leading provider of comfort for all living spaces including various areas of society in which we will likely become involved in the future.
- We make customer requirements into realities and deliver products globally in a timely manner.

Sales and

marketing

R&D

Product

disposal and

recycling

Product use

- •We handle compound and film products made from various resins including polyvinyl chloride resins and thermoplastic elastomers. We will respond to the changes of the times together with customers and fulfill our mission as a Material Solution Supplier.
- •We aim to continue to conduct reliable, safe, and stable product supply to all stakeholders, and we respond to changes in markets and the business environment by building partnerships based on mutual trust with our business partners.
- •We work to enhance product delivery efficiency and perform periodic quality audits that include environmental matters of our transportation partners

RIKEN TECHNOS GROUP Integrated Report 2024 16 15 RIKEN TECHNOS GROUP Integrated Report 2024