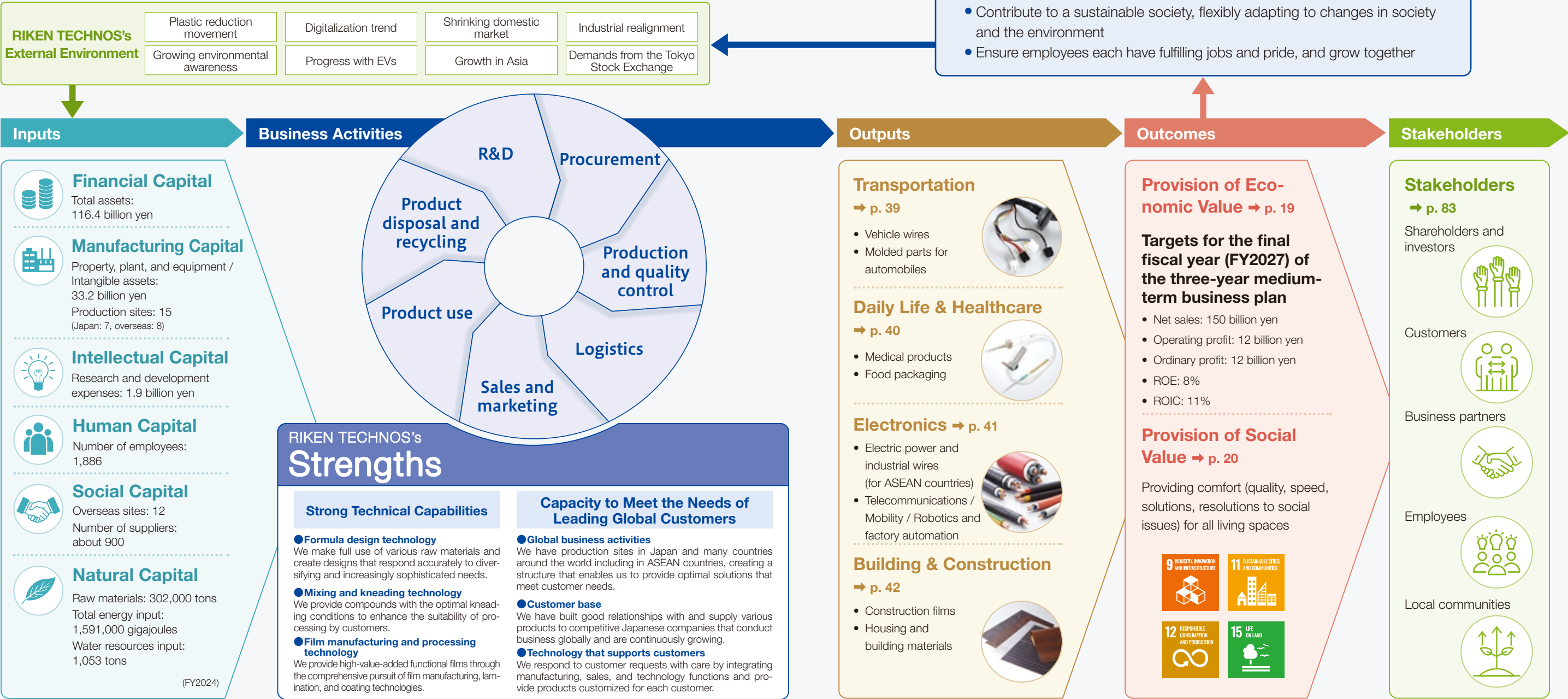


Overview of Value Creation

Value Creation Process

The RIKEN TECHNOS GROUP recognizes that responding to issues surrounding sustainability is one of its key corporate challenges pertaining to its medium- to long-term existence. Based on this recognition, we implement various measures 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."



Stakeholders

→ p. 83

Shareholders and investors

Customers

Business partners

Employees

Local communities

Nurturing of the Corporate Culture / Corporate Governance / Risk Management / Compliance → pp. 57 – 60, pp. 65 – 82

New Three-year Medium-term Business Plan "One Vision, New Stage 2027" / Materiality Topics → pp. 25 – 30

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

Business Activities Rolled Out from Management Capital

Capital (FY2024)	For Capital Enhancement										
<div><h3>Financial Capital</h3><p>■ Stable financial foundations that have been built up</p><p>Total assets: 116.4 billion yen</p><p>Capital ratio: 55.7 %</p><p>D/E ratio: 0.21</p></div>	<div><p>RIKEN TECHNOS will maintain the stable financial foundation it has built through management so far. At the same time, we will work on improving the efficiency of our asset utilization through balance sheet reforms, such as reducing cash and deposits, improving our cash conversion cycle, reducing cross-shareholdings, and securing loans. The generated funds will be actively allocated for growth and strategic investments as well as shareholder returns.</p><div><p>Key themes</p><ul style="list-style-type: none">■ Achievement of a PBR of 1.0 through creation of funds for growth investment by reduction of cross-shareholdings, as well as cash allocation■ Pursuit of asset efficiency (target ROE of 8.0% or higher)■ Optimization of financial leverage</div><div><p>The Company's PBR Trend</p><table border="1"><thead><tr><th>Fiscal Year</th><th>PBR (Ratio)</th></tr></thead><tbody><tr><td>FY2022 result</td><td>0.59</td></tr><tr><td>FY2023 result</td><td>0.86</td></tr><tr><td>FY2024 result</td><td>0.85</td></tr><tr><td>FY2025 target</td><td>1.0 or higher</td></tr></tbody></table></div></div>	Fiscal Year	PBR (Ratio)	FY2022 result	0.59	FY2023 result	0.86	FY2024 result	0.85	FY2025 target	1.0 or higher
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<div><h3>Manufacturing Capital</h3><p>■ Diversification of risk through collaboration of global sites and prompt responses to customers</p><p>Property, plant and equipment: 30.5 billion yen</p><p>Intangible assets: 2.6 billion yen</p><p>Production sites: 15 (Japan: 7, overseas: 8)</p></div>	<div><p>The RIKEN TECHNOS GROUP is reinforcing initiatives based on the RIKEN Standard, its global manufacturing process guidelines that serve as the foundation of its manufacturing. These initiatives seek to improve our manufacturing and quality as well as share and solve manufacturing-related issues at a Group level. In Japan, we also actively introduce automated equipment, as well as predictive management systems that deal with equipment failures, along with deliberations regarding the rebuilding of our factory utilities equipment.</p><div><p>Key themes</p><ul style="list-style-type: none">■ Enhancement of production facilities in Japan and overseas■ Adoption of state-of-the-art equipment and facilities and stable production and provision of products<ul style="list-style-type: none">• Expansion of production facilities for polyvinyl chloride compounds (Vietnam and the United States)• Enhancement of production facilities for thermoplastic elastomer compounds (Japan)• Investment in labor-saving and streamlined operations through DX</div></div>										
<div><h3>Intellectual Capital</h3><p>■ Accumulated expertise in formulations and manufacturing technologies and production technologies</p><p>■ Business superiority secured through the holding of patents</p><p>Research and development expenses: 1.9 billion yen</p><p>Number of patents held (in Japan and overseas): 650</p><p>Numbers of collaborations with external parties (cumulative total): 13</p></div>	<div><p>RIKEN TECHNOS ensures business superiority by obtaining patents for its expertise accumulated in formulations and manufacturing technologies. We have also positioned the creation of intellectual property through open innovation as an key development strategy, and we will use the knowledge gained through new discoveries and innovation from collaboration with external parties to enhance our ability to develop new products and technologies.</p><div><p>Key themes</p><ul style="list-style-type: none">■ 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</div></div>										

The RIKEN TECHNOS GROUP has been creating new value using its management capital—developed since its establishment—as the foundation. We will continue to strategically and systematically strengthen our six types of management capital (financial capital, manufacturing capital, intellectual capital, human capital, social capital, and natural capital), which are the sources of our value creation through our business activities, to seek sustainable growth.

Capital (FY2024)	For Capital Enhancement
<div><h3>Human Capital</h3><p>■ Global human resources embodying the RIKEN TECHNOS WAY</p><p>Number of employees: 1,886 (in eight countries across the world)</p><p>Training costs per employee: 133,000 yen</p></div>	<div><p>RIKEN TECHNOS provides the optimal work and environment that enable individual employees to demonstrate their abilities. At the same time, we actively develop (invest in) human resources who can succeed in the face of global competition. Through these efforts, we support the growth and active participation of employees. In addition, seeking further value creation, we are promoting diversity, equity, and inclusion (DE&I) to encourage the active participation of diverse human resources.</p><div><p>Key themes</p><ul style="list-style-type: none">■ Implementation of human resource development plans based on growth strategies■ Promotion of DE&I■ Improvement of employee engagement</div></div>
<div><h3>Social Capital</h3><p>■ Global business activities</p><p>■ Careful dialogue with stakeholders</p><p>Overseas sites: 12</p><p>Number of suppliers: Approx. 900</p><p>Meetings with investors and existing shareholders: 169 companies</p></div>	<div><p>The RIKEN TECHNOS GROUP engages in business globally. We build sustainable supply chains based on relationships of trust with business partners around the world. We deepen mutual understanding through dialogue with shareholders and investors and activities contributing to local communities. We will contribute to the realization of a better society by continuing to grow steadily while building and maintaining relationships of trust with all stakeholders.</p><div><p>Key themes</p><ul style="list-style-type: none">■ Strengthening and expansion of supplier engagement that includes human rights due diligence■ Reinforcement of customer response capabilities■ Enhancement of dialogue with shareholders and investors</div></div>
<div><h3>Natural Capital</h3><p>■ Development of products that contribute to energy conservation and environmentally friendly products</p><p>■ Reduction of waste through in-process recycling</p><p>Raw materials: 302,000 tons</p><p>Total energy input: 1,591,000 gigajoule</p><p>Water resources input: 1,053 tons</p><p>Recycling rate*: 86.42 %</p><p><small>* Volume of waste, excluding simple (landfill and incineration) waste, per total waste volume</small></p></div>	<div><p>The RIKEN TECHNOS GROUP recognizes that it is conducting business using limited natural resources. We strive to carry out corporate activities that are conscious of harmony with nature. We will continue to reduce environmental loads through business, including the development of products that contribute to the environment, and implement decarbonization initiatives and such toward carbon neutrality by 2050. In this way, we will contribute toward the realization of a sustainable global environment.</p><div><p>Key themes</p><ul style="list-style-type: none">■ 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 activities</div></div>