

Overview of Value Creation

Message from the CEO

Move onto a New Stage Outside
an Extension of the Past and
Continue to Take on Challenges

Kazuaki Tokiwa

Representative Director
President & CEO
RIKEN TECHNOS CORPORATION

Review of the Previous Three-year Medium-term Business Plan and the Business Environment of RIKEN TECHNOS

In FY2024, which was the final year of the previous three-year medium-term business plan, the RIKEN TECHNOS GROUP achieved net sales of 128.1 billion yen and an operating profit of 10.4 billion yen. Although net sales did not reach our target of 135.0 billion yen, for profits, operating profit, ordinary profit, and net profit all exceeded the plan, continuing to set record-high profits for the fourth consecutive year. There were delays in some of the four basic strategies of the previous medium-term business plan, but global management steadily progressed, and overall, we performed well during these three years.

There were two main factors behind these results. One is the growth of our people, and the other is the unity of management.

Since before, I believe that the growth of people is corporate growth itself, and I have continued to convey this belief to our employees. We are delivering results because there are many employees responding to this expectation. The management builds a management foundation that increases profits by nurturing employees, and the profits generated in this way are properly distributed to the employees. We have also improved employee treatment to reward their hard work, and I tell them, "Let's do first-class work that is more worthy than ever before."

Regarding the unity of management, every Monday, we

conduct information sharing and opinion exchange with all executive officers and senior general managers, including those from overseas consolidated subsidiaries. Management issues are shared with and discussed by all participants at these meetings. It is because of this unity that we could achieve the targets and such in our previous medium-term business plan.

The unity of management also had a positive effect on the basic strategy of "Intensify global management and generate synergies" in the previous medium-term business plan. I express it in a slightly more straightforward way, calling it "cross-functional linkage ." I think we are able to share issues and good examples at a global level and have also evolved significantly in global procurement optimization.

In the new medium-term business plan, we still have outstanding issues from "Stay ahead of customers' expectations," one of the basic strategies of the previous plan. This is the same for "Take on the challenge toward new businesses and products." Three years ago, we established the Start-up Office for New Business Development and embarked on new value creation that is outside an extension of the past. We have made some progress in industry-academia collaboration, and we intend to undertake commercialization during the three-year period of the new medium-term business plan. Although net sales of new products as a ratio of all RIKEN TECHNOS products continue to remain at the 10% level, we have set a specific target to increase this ratio to 23% during the new plan's three-year period.





Overview of Value Creation Message from the CEO

We continue to have an unclear situation in the external environment. Tariffs and other policies changed after the change in administration in the United States, and although RIKEN TECHNOS GROUP companies practice local production for local consumption in principle, there may still be a negative impact on our business. This is the same for China's economy, which remains stagnant. In addition, the electric vehicles of Chinese manufacturers are entering ASEAN countries and increasing their share of sales, bringing greater uncertainty about the future. Turning our attention to Japan, as a result of product integration by Japanese raw material manufacturers, there are cases where some raw materials are being discontinued. It is a concern that we will have fewer options for raw materials, but I tell our engineering side that we will overcome this issue with our formulations and manufacturing technologies.

Thinking Incorporated in the Slogan of the New Three-year Medium-term Business Plan

"One Vision, New Stage" is the management policy of the new three-year medium-term business plan that started in April 2025. Given the opportunity presented by the revision of our long-term vision, we intend to move onto a new stage using a new concept—outside an extension of the past—based on this vision. Personally, I think RIKEN TECHNOS is achieving excellent growth as a company, but we have incorporated our thinking of pursuing an even higher stage without being satisfied with the current situation. In today's era, when the external environment changes rapidly, we cannot expect growth through continuing with our past work. The moment we think, "It is fine as it is now," it becomes an extension of the past. We can move up to the next stage if our mindset is one where we see the present as an issue and that there is still room for improvement. I myself will lead by example to motivate all employees toward aiming higher, nurture human resources with ambitions, and have the desire to be a group that takes on challenges to improve oneself. I think this is my most important mission as the president.

The specific details of the new medium-term business plan can be found on other pages in the report. Together with the formulation of this medium-term business plan, we have established a new Monozukuri Headquarters. We integrated the technology, manufacturing, and quality control divisions, which were somewhat siloed organizations in the past, into a single headquarters. I take pride in that it has changed into an organization that can move up one stage and deliver better products for customers in a timely manner. A particular step unique to us is that we have included the Procurement Division under the Monozukuri Headquarters. Instead of our past "defensive" procurement, such as stable procurement and low costs, I hope to embark on "offensive" procurement that seek our new materials on our own and actively propose better materials to our engineering side. By taking the opportunity of the establishment of the Monozukuri Headquarters to bring the Procurement Division

under it, we hope to unite technology, manufacturing, and quality control, accelerate monozukuri, and contribute toward product development that stays ahead of customers' expectations.

In the three-year period of the new medium-term business plan, I personally hope to work on two things: increase our earning power, and undertake sustainability management that includes governance and risk management. Particularly, I will demonstrate leadership toward achieving a value-creating balance sheet. We will not hold back on investments for growth. At the same time, we will not hesitate to clear up assets that do not contribute to value creation. Furthermore, I am determined to take the lead and rally everyone so that an awareness of sustainability takes firm root Company-wide and contributions toward solving social issues lead to the growth of RIKEN TECHNOS.

There are two ways to spread my desire to every corner of the Company. One method is to be thorough in discussions with employees, and the other is to personally confirm the things happening at our sites. I am not the type that stays cooped up in my office. Even now, I want to fly to different places overseas and meet directly with people as far as possible. Given this personality, I think the key to spreading my desire as the president and CEO, all the way to the very front lines, lies in the number of opportunities for direct discussions with employees that can be created.

"Ideal Image for 10 Years' Time" to Be Sought by All Employees Aligning Their Vectors

Nine years have already gone by since we established "Aiming to become the leading provider of comfort for all living spaces" as our long-term vision. During this time, the environment surrounding us has changed significantly. I felt the need to use the opportunity of the formulation of the new medium-term business plan to stop and review the ideal image that we seek. Therefore, I asked our employees if we should revise our long-term vision.

As mentioned in this message, my basic stance in corporate management is to be thorough in discussions to arrive at conclusions. Similarly, I did not want to make decisions in a top-down manner this time. Instead, I wanted employees to be thorough in discussions among themselves and revise the vision using their combined opinions. Specifically, besides general managers and managers, we also asked chief classes—who are in a position to pick up feedback from employees at the very front lines—to discuss among their own levels about the long-term vision together with discussions about the medium-term business plan. The general managers were asked to consolidate the results and propose to the management. This method was chosen to bring about motivation and ownership by having them discuss and decide on their own the vision they seek. It led to effects beyond our expectations, with a further proposal from employees about wanting to create an "ideal image for 10 years' time" to supplement the long-term vision. This was

something that even I did not anticipate. In the end, we kept the existing long-term vision as our ideal image for the future. We also added our "ideal image for 10 years' time" from the three perspectives of (1) to customers, (2) to society, and (3) to employees.

Be thorough in discussions to arrive at a conclusion. After arriving at a conclusion, move forward with everyone aligning their vectors. To me, who had continued to be particular about these two approaches, the revision of our long-term vision this time was truly based on an ideal process. All that remains is for everyone to take ownership and aim for the "ideal image for 10 years' time" that was decided by all employees themselves. I think we arrived at an excellent vision as our starting point.

"Growth of People Is Corporate Growth Itself" — RIKEN TECHNOS's Human Capital Management

I am particular about the two approaches of "be thorough in discussions to arrive at a conclusion" and "everyone aligning their vectors" because of my own past experiences. When I was a young employee, I felt that the medium-term business plan was something decided solely by people in the top management, and the goal was to create the plan rather than the details of the plan. Another impression I had was that, during implementation, things were left to the front lines without Company-wide control. I thought it was a real pity. Meanwhile, the process of revising the long-term vision this

time can be said to be a way of telling employees to be responsible for their own decisions. At the same time, we executive officers need to focus our efforts on management that allows everyone to align their vectors.

Above all, we can expect people with ownership and responsibility to grow, compared to those without. I have kept conveying to our employees that the growth of people is corporate growth itself. There will not be corporate growth without the growth of people. That is why I hope every employee will become human resources that can raise their voices and convince the people around them. You may say that this goes beyond being something that I am particular about; it can be called my philosophy for management.

In recent years, we have launched many meeting frameworks, such as the global meetings for sales. This was an initiative to allow people in all kinds of positions to state their opinions at meetings, be thorough in discussions on those opinions to arrive at conclusions, align their vectors in regard to the decisions, and embark on implementation with a sense of unity. Now, we are beginning to realize this approach, and I think this is probably the biggest reason why the RIKEN TECHNOS GROUP set record-high profits for four consecutive years.

Of course, I recognize that "the growth of people is corporate growth itself" is easier said than done. Therefore, as part of human capital management that fully draws out human resource value, going forward, we will actively invest in people who are able to step forward and volunteer themselves.

Take training as an example. Even if we invest funds, we



Overview of Value Creation	Contribution through Core Business	Environmental Protection	Coexistence with Society	Strengthen Business Foundations	Stakeholders	Data Section
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cannot expect good results if employees participate reluctantly. We intend to invest in people who have ambitions and can act on their own, and we will assign challenges to them and expand opportunities for them to think on their own. For example, currently, the participants of the global meetings for sales and those for manufacturing departments are all Japanese employees. Even the participants from overseas sites are employees dispatched from Japan. In the near future, we hope to get local staff members of overseas sites to participate in these meetings. There are many people with ambitions among our staff at overseas sites, and I hope to create opportunities for them to perform. We call ourselves a “challenger,” and we intend to actively provide ambitious employees with opportunities for them to accumulate experience, even if they fail.

Increasing the Number of People Who Can Think of Solutions to Issues from an ESG Perspective

In today’s corporate management, the common knowledge of the past no longer applies, and the strengthening of governance and risk management is an important issue for all companies. Since before, we have been strengthening the monitoring of management by outside directors. At the

same time, we have been working on assignments and systems that increase the diversity of our directors. Recently, at the general meeting of shareholders held in June 2025, we received approval for another female outside director. As a result, half of our outside directors are women. We look forward to their supervision of management from more diverse perspectives and values in the future. We also changed our executive officer evaluation criteria, and in our director compensation system, we introduced a compensation framework that is linked to medium- and long-term corporate value enhancement, such as the degree of achievement of medium-term business plan targets and materiality topic key performance indicators (KPIs).

A characteristic of our governance is that we show everything—including the state of our executive side and our sites—to outside directors without hiding anything from them. We also ask them to attend all meetings of the Management Committee so that they can understand the kind of discussions held by the executive side as well as participate in discussions. We also allow them to see our sites, such as holding Board of Directors meetings at factories and the laboratory. They provide valuable feedback on our management after such exposure.

In risk management, with rising uncertainty in the business environment in recent years, we are strengthening our

business continuity management (BCM) system. So far, due to the Great East Japan Earthquake, we have formulated our business continuity plan (BCP) in preparation for large-scale disasters. To allow us to properly function during emergencies, we have embarked on reconstructing our BCM, including anticipating a wider range of scenarios and even adding a process that continues to improve the formulated BCP. We have also set this as a materiality topic KPI, and we will work toward being able to stably supply products to our customers under all situations.

As measures against climate change, we set our targets as a decrease of 46.2% in CO₂ emissions by 2030 from the levels in FY2019 and to achieve carbon neutrality by 2050. Currently, we are working to reduce CO₂ emissions through the introduction of solar power generation facilities and boiler fuel conversion. However, while an extension of our current initiatives may achieve our 46.2% reduction target by 2030, it will be difficult to achieve carbon neutrality by 2050. We recognize that an issue going forward is to develop more specific measures toward decarbonization.

To solve various environmental, social, and governance (ESG) issues from such long-term perspectives, it is essential to have human resources with excellent sustainability-related knowledge and skills. In today’s corporate management, we cannot enhance corporate value just with human resources for practical work such as research and manufacturing. Human resources that can understand social situations on a global scale, compare them against our ESG issues, and act accordingly—in particular, those who can think of measures that help to solve issues—are indispensable. I will continue to follow my philosophy for management, that the growth of people is corporate growth itself, viewing human resource development as my most important mission. I also intend to focus on the development of human resources who can think about solutions to issues from an ESG perspective.

Pursuing Profits That Allow for Both Sufficient Growth Investment and Shareholder Returns

In March 2023, Tokyo Stock Exchange requested listed companies to take action to implement management that is conscious of cost of capital and stock price. In response, we are working to improve our key management indicators. Our return on equity (ROE) for FY2024, excluding gain on sale of investment securities, was 9.7% and did not reach 10.0%. It is also regretful that our price-to-book ratio (PBR) remains at a level below 1.0, the standard. We will aim for a ROE that consistently exceeds 10.0% and implement further improvement measures so that our PBR reaches 1.0. In the new medium-term business plan, we have added return on invested capital (ROIC) and earnings before interest, taxes, depreciation, and amortization (EBITDA) as key management indicators. ROIC is important for us in discerning future focus areas in our portfolio. Meanwhile, EBITDA is an indispensable indicator to us as we are planning active growth

investment going forward. In the new medium-term business plan, cash allocation is sorted into three categories: basic investment, growth investment, and strategic investment. Besides adding production lines and such, we plan to actively work on factory automation and digital transformation (DX). We are making investments that properly lead to revenue, such as setting return on investment (ROI) exceeding weighted average cost of capital (WACC) as one of the standards. The Board of Directors and Management Committee also monitor whether past investments are increasing revenue as initially planned.

As a basic policy, we will also not hold onto unnecessary shareholders’ equity. The cash that we earn will be prioritized for growth investment, with the remaining used for shareholder returns. Meanwhile, there is no change to our thinking about maintaining a dividend payout ratio of at least 35%. We will generate profits that allow for both sufficient growth investment and the promised shareholder returns. I recognize this as my responsibility and role as top management. At the same time, to increase engagement with shareholders and investors, it is also important to actively create opportunities for investor relations (IR) and stakeholder relations (SR) to properly explain such our policies and approaches. Last year, for IR and SR, we conducted meetings with approximately 170 companies, receiving a variety of opinions and advice. We take all these recommendations seriously and they help in our growth and transformation. At the general meetings of shareholders and various other briefings for our stakeholders, all officers keep in mind to meticulously explain using our own words instead of reading model answers.

Carefully Communicating the Significance and Appeal of Investing in RIKEN TECHNOS

With everyone’s support, this is my 10th year as the president and CEO. As the president, I have implemented medium-term business plans three times, and I have embarked on the fourth time with the new plan that started in FY2025. During this time, I advanced various reforms of my own, including the development of human resources who can perform globally, the establishment of new meeting frameworks, and sustainability management. Looking back at these 10 years and across our current business environment, there are still a mountain of issues. However, as can be seen by how we kept setting record-high profits consecutively over the past four years, I take pride that the RIKEN TECHNOS GROUP has become an organization that can solve any kind of issue. I intend to continue making the Group an organization where all employees align their vectors and attempt to solve various issues with a sense of unity.

In addition, to communicate the significance and appeal of investing in RIKEN TECHNOS to shareholders and investors, we promise to further enhance our integrated reports and work tirelessly to convey the information that everyone wants. We hope that you will continue to give us your unwavering support.