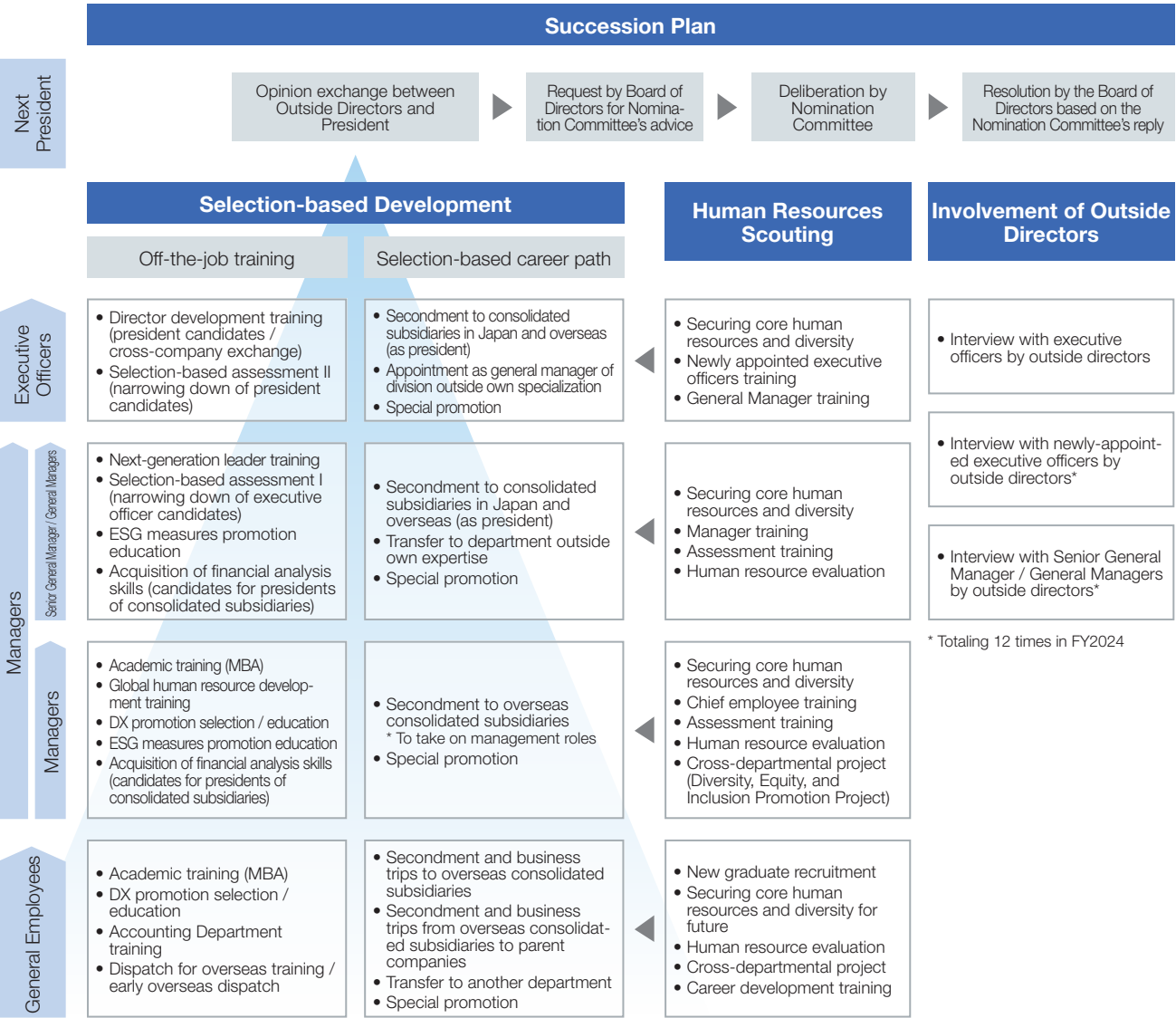


Strengthen Business Foundations Sophisticate Corporate Governance

Succession Plan

We formulate our succession plan to secure a pool of human resources for the group of management candidates. Taking into consideration our corporate philosophy, management policy, and other factors, so that the development of successor candidates is carried out systematically with adequate time and resources, the Board of Directors and the Nomination Committee will continue to take the initiative to intervene in the plan's implementation and carry out regular supervision.



Ensuring Transparency and Objectivity in Successor Selection Process

The Nomination Committee supports the decision-making of the Board of Directors when nominating candidates for directors and selecting executive officers. Independent outside directors comprise a majority of the committee to incorporate more diverse perspectives. In FY2024, the Nomination Committee held four meetings and conducted deliberations, including the review of the executive officer system, matters related to the selection of candidates for directors and executive officers, and succession plans.

In addition, outside directors interview executive officers,

executive officer candidates, senior general managers, and general managers to better evaluate the qualities of management candidates and enhance the appropriateness of selection. These interviews serve as opportunities to understand the candidates—such as their personality, leadership, and values—from multiple perspectives. Fairness in decision-making is further heightened by involving outside directions from the initial stages of successor selection. A total of 12 interviews were conducted in FY2024.

Strengthen Business Foundations

Outside Directors' Roundtable Talk



Outside Directors on the Growth Strategies of RIKEN TECHNOS and Recommendations for the Future

Besides internal expertise, the viewpoints of outsiders are essential to achieve sustainable growth in a rapidly changing business environment. At RIKEN TECHNOS, four outside directors use their diverse backgrounds to carry out frequent management discussions and interactions with the front lines to offer a wide range of recommendations. In this roundtable talk, they evaluated the processes for formulating the long-term vision and medium-term business plan, as well as touched on key issues, such as growth strategies in a global market, human capital investments, and diversity promotion. They also exchanged frank opinions about the evolution of governance and the vision for stakeholder dialogue.

Long-term Vision and Medium-term Business Plan Formulated with the Participation of Employees

—Gathering opinions from a wide range of generations and departments for agreement and motivation

**Nakamura** This time, a key feature of the long-term vision and medium-term business plan is that they were formulated with the active participation of employees. For example, when you look at the theme of sustainability, different generations look at climate change and other environmental issues in different ways. There is great significance in gathering opinions from a wide range of generations and positions and reflecting them in management. Such an open process should increase employees' agreement and ownership in the plan's implementation stage and enhance motivation.

**Suemura** I share these sentiments. In general, there is an

impression that the business plan comes from the top management, but in this medium-term business plan, members from the chief classes and above were involved from the initial stages of discussions, allowing them to experience the process of having their own opinions reflected in the plan. I think the measures became more realistic and agreeable by incorporating viewpoints from the front lines. It also served as an opportunity for employees to confront the plan with ownership.

**Ehara** The Corporate Planning Division diligently worked to create opportunities for discussions. Instead of feeling that they were being allowed to participate, I think the participants—from young employees to general managers—were given a sense that they themselves polished the plan. Such a process will also lead to changes in their attitudes and behaviors toward achieving the targets in the medium-term business plan. In the future, it may be even



Strengthen Business Foundations Outside Directors' Roundtable Talk

better if a system can be developed to involve the officers and employees of overseas sites, especially those in ASEAN countries and the United States, at an early stage.

**Nakamura** Yes, for the entire RIKEN TECHNOS GROUP to move in the same direction, besides sharing figures and measures, it is also essential to take a further step and convey the background and intentions. Only when these are shared will the front lines be able to move with initiative.

**Kinugawa** I was only appointed recently and did not directly see the process this time. However, I was surprised at the meticulous manner it was carried out when I subsequently saw the materials. Amid many companies just going through the actions, it is clear that RIKEN TECHNOS repeatedly carried out substantial discussions. I feel this truly demonstrates the philosophy of the RIKEN TECHNOS WAY. This culture where the management properly takes in employees' opinions and reflects them is very appealing.

Toward a Virtuous Cycle of Earning Power and Sustainability

—A balanced medium-term business plan with both earning power and social value

**Ehara** RIKEN TECHNOS has set record-high profits for four consecutive years, and its operating profit has exceeded 10 billion yen. Although performance is strong, the Company still has a lot of room to expand in scale. This time, the medium-term business plan focused on the development of new markets based on technologies that are strengths of the Company, selection and consolidation of business investments, and the strengthening of financial strategies. As a plan that accurately grasps the current situation and issues, it is extremely convincing.

**Suemura** The two main pillars of the medium-term business plan are "Sustainability" and "Earning Power." Earning Power is demonstrated through sales and business activities and eventually manifests as financial results. Meanwhile, sustainability develops social value and long-term trust. By combining these two, RIKEN TECHNOS can balance both enhancement of corporate value and securing of social trust. I feel that this medium-term business plan strikes such a balance.



**Nakamura** When talking about sustainability, we immediately think about environmental issues of a global scale.

For companies to achieve sustainable growth under such circumstances, it is necessary to carry out business while overcoming social issues. The new businesses of RIKEN TECHNOS aims to balance them, clearly conveying the approach that solving social issues lead to earning power.

**Kinugawa** I was also briefed on the new businesses the other day. RIKEN TECHNOS has the technological capabilities to provide proper solutions for the global sustainability movement. The Company can develop new sources of income by combining these technologies with sustainability. These are topics filled with hopes, and I feel excited to think about how I can support as an outside director.

**Nakamura** The concept of a "Global One Company" stated in the medium-term business plan feels to me like it is the only option. Today, the ratio of overseas sales has exceeded that of domestic sales, and if you think about the superiority of RIKEN TECHNOS's formulations and manufacturing technologies, the way to survival lies in overseas markets. So far, RIKEN TECHNOS has mostly been doing business with Japanese companies, but we can only truly call it globalization if the Company trades with non-Japanese companies. In the area of polyvinyl chloride (PVC) resins, there are still many markets that have not been developed by Japanese companies. In this area, the Company has major opportunities, being in a globally strong position. Meanwhile, RIKEN TECHNOS is in the midst of developing human resources with overseas experience and English skills. A major issue for the period of this medium-term business plan is how to put in place the capabilities and take on this challenge.

**Ehara** I feel the same way. As RIKEN TECHNOS has production and sales sites centered in ASEAN countries and the United States, it is important to use them as a foundation to develop new fields and regions and secure new markets. While investments are also needed in Japan, the population continues to shrink in the domestic market, and it is difficult to expect any significant expansion in scale. Eventually, expansion will be centered overseas, and I hope the Company can take a major step forward during these three years.

**Kinugawa** When engaging in business globally, I think success depends on human capital investments. Today, a view of the global market is required from the stage of research and development. The most important point is how to develop human resources that can work at the global level, including looking at alliances with external parties and resource utilization. Looking at the medium-term business plan, I keenly felt this need.

Strong Governance Born from Open Discussions and Information Sharing

—An environment that allows outside directors to participate in management discussions from the start

**Suemura** A feature of RIKEN TECHNOS is that outside directors can participate in various meetings. Besides Board of Directors meetings, there are many opportunities for communication with people on the ground, including executive officer meetings, meetings with factory managers, and sessions for exchanging opinions with employees. In particular, the people responsible for each business or position provide briefings on performance and activities each month at the

Management Committee. This is extremely helpful in understanding the overall state of the Company, and such information sharing is a feature of RIKEN TECHNOS.

**Ehara** Talking about the Management Committee, there are truly many opportunities—formal and informal—in place for sharing the state of the Company on a daily basis. At Board of Directors meetings, we can also precisely discuss short- and medium-term issues. It is an environment that makes it extremely easy for us to perform our roles as outside directors.

**Nakamura** The biggest change in these 10 years is the transition from a company with board of company auditors to a company with audit and supervisory committee. Accordingly, I went from being an outside corporate auditor to becoming an outside director. I was surprised when I was asked to attend Management Committee meetings. However, when I attended them, I was able to directly understand the decision-making process of departments delegated with authority and the appropriateness of resource allocation. In a company with audit and supervisory committee, more things are left to the executive side, but attending Management Committee meetings can compensate for this weakness. It is also proof that the Company is operating with confidence.



**Kinugawa** I also appreciate being able to participate in discussions from the start. I can directly obtain information that cannot be gained from minutes and email reports alone, and I can offer opinions before the final decision is made. This is an experience that is not often found at other companies. It is hard work but also satisfying.

**Nakamura** At RIKEN TECHNOS, we have several roundtable discussions of directors and executive officers each year. Key projects, such as those being announced externally in six months, are discussed by all officers from an early stage. At most other companies, the CEO or CFO would have decided before an item is raised at a meeting, but at the roundtable discussions, issues are discussed with everyone present. This is proof that the president trusts everyone and practices the corporate philosophy. Actually, I have been proposing that RIKEN TECHNOS should publish an integrated report for a while in the past. At first, the president was not keen, but after the roundtable discussions, the policy switched to "let's give it a try." A major strength of the Company lies in providing such opportunities for discussions.

**Ehara** RIKEN TECHNOS's strengths are seen as its resin material formulations and manufacturing technologies and its ability to meet customer needs. I think we should also see an open and jovial corporate culture as one of its strengths. This open culture that loves to debate is very much influenced by the character of the president.

The Growth of People Is Corporate Growth Itself

—Accelerating measures with the top management clearly stating that "education is an investment"

**Suemura** Investment in people is essential for a company's sustainable growth. In particular, when engaging in business globally, it is indispensable to have human resources who are versed in the local market and culture. It is also necessary to develop leaders who can liaise between the Head Office and local sites. RIKEN TECHNOS is working to let young and mid-level employees gain overseas experience, but it is necessary to expand this effort in a more systematic and organized manner. Instead of simply assigning personnel, it is important to undertake human resource development with a perspective of long-term career development. It is also an urgent task for society to develop diverse human resources who can perform at the global level. By clearly stating this policy in the medium-term business plan this time, it becomes a target for the entire RIKEN TECHNOS GROUP, and I look forward to seeing further acceleration of its initiatives.

**Kinugawa** The development of global human resources is a very big theme. However, looking at the medium-term business plan, I felt that RIKEN TECHNOS is still in the process of defining the kind of people that it wants and the necessary skill sets. I look forward to specificity of measures in future discussions. While a culture of placing importance on people has taken root at RIKEN TECHNOS, I think there is still room for improvement for creating an environment where everyone can better take on challenges. In particular, if women and young employees can take on roles with responsibilities at an early stage, diverse perspectives will be reflected in management and on-site decisions, leading to enhancement of corporate value as a result.

**Nakamura** In my many years of experience working in the financial sector, human resources who deliver results at overseas sites do not necessarily have outstanding specialized skills. Rather, the key to success is to understand other cultures and be capable of bringing in other people to work on tasks. In this sense, intentionally creating opportunities for overseas experience and better cross-cultural communication skills is directly linked to the development of future top management. Creating an environment where diverse human resources can perform is an important pillar of human capital investments, and clear commitment from the top management is necessary to achieve this. I think the greatest responsibility of veteran staff is to nurture future generations. I hope to create a culture where people share their experiences without hesitation and feel happy when the next generation outperforms them.

**Ehara** Investment in human capital is an issue not just for



RIKEN TECHNOS but society in general. There is no doubt that the securing and development of human resources who can be entrusted with the future is the most important theme. The executive side understands this importance and is implementing measures in rapid succession. The top management has also clearly stated that education is an investment, not a cost. Engagement will surely increase if this thinking spreads through its employees. In addition, human capital investments include not only training systems but also the creation of opportunities for growth in daily work. For example, if RIKEN TECHNOS gets young employees to actively participate in cross-departmental projects, their perspectives will also widen. When managers on the ground assign human resources with an awareness of the people they want to develop, it will help to raise the organization's overall level. I strongly agree with the thinking that the foundation of an organization's strengths lies in the strengths of its individuals, and I hope to support further human resource development based on this approach.



Diverse Viewpoints Essential for Becoming a Global One Company

—Promoting Group-wide DE&I that also covers overseas sites and foreign human resources

**Suemura** When talking about diversity, equity, and inclusion (DE&I), the spotlight tends to be on women's empowerment, but the promotion of foreign human resources is also important. In particular, it is crucial that excellent human resources with multilingual skills—such as those from ASEAN countries—are made to want to work in Japan. At the same time, it is a structural issue that Japan in general has few women in management positions. While systems have been established, the total number of women in science and engineering is small, and there are difficulties in recruitment itself. Therefore, for DE&I, instead of seeking results in the short term, we need an attitude of taking time to steadily work on this initiative.

**Nakamura** It is not enough to target employees at the Head Office in Japan; this is also applicable to the discussion on human capital. As RIKEN TECHNOS is a global company, it should also, for example, think about the female employees working at the factory in the United States. There are also excellent, knowledgeable human resources at overseas sites, and the Company should actively promote and capitalize on them.

Cross-border meetings and information exchange between people in the same line of work are also possible even with language barriers. RIKEN TECHNOS can expect significant results just by factory managers sharing technological and operational expertise. Since Global One Company is stated in the medium-term business plan, the Company should keep attempting such exchange without fear of failure. Regarding DE&I, there are not many companies where the concept of inclusion has become instilled. RIKEN TECHNOS is not an exception, and needs to start by steadily working on diversity. I hope the management will recognize this issue more deeply.

Within the Company, there are still many capable human resources who can perform. For example, at the automobile parts manufacturer that I was previously involved in, women were working in tasks—such as pressing and painting—that were traditionally deemed as men's jobs. The flexible thinking of upper management is needed for such change. At RIKEN TECHNOS, the promotion of diversity should also greatly accelerate if the Company makes progress in promoting foreigners and female employees.

**Ehara** My opinion is very similar to Mr. Nakamura's, but let me add that currently, there are hardly any opportunities for members of overseas subsidiaries to participate in discussions regarding the medium-term business plan. It is important to first bring them into the discussions. This will help to improve motivation.

To encourage organizational vibrancy by incorporating different values and ideas, RIKEN TECHNOS should work on recruiting human resources of different nationalities and have them participate in management discussions.

**Kinugawa** As a woman, I feel that, while the promotion of foreigners is important, RIKEN TECHNOS should first advance the employment of women in Japan. There are many female employees with high potential, but it seems that the Company is not putting that potential to full use. RIKEN TECHNOS has a corporate culture that makes people feel at home, but it can also lead to unconscious bias. For example, there may be cases where decisions are made on the presumption that "This employee has children." Half the population is female, and in this era where it is difficult to secure excellent human resources, it is extremely effective to capitalize on the capabilities of female human resources. If the Company can accelerate their promotion to management positions and officers, it can develop competitive advantage ahead of its competitors.

Today's young men are also diverse in values and work styles. Companies that cannot capitalize on women are also incapable of handling such a new generation of men. As a whole, the chemical industry is still behind in this aspect, and creating a company where women can perform will certainly help to expand the group of human resources that can be recruited. Here, I have high expectations as the president has a lot of overseas experience and is flexible in his thinking.

Improvement of the Quality of Dialogue with Stakeholders

—Further bringing technologies and corporate value to society

**Nakamura** Every year, when evaluating the effectiveness of

the Board of Directors, I ask for vibrancy in overseas investor relations (IR). This has been conveyed to the president and executive vice president, but it is still being implemented in a limited manner.

I myself have experience in overseas IR activities, in which I acutely felt the importance of frequency in overseas IR. RIKEN TECHNOS has finally taken action toward an attempt this year, but it would have been better if the Company had started slightly earlier.

Meanwhile, IR and stakeholder relations (SR) activities in Japan are conducted extremely well, and RIKEN TECHNOS is very active in building relationships with investors and business partners. This is something to be recognized. In addition, RIKEN TECHNOS's employees are of course part of its stakeholders. Although the Company has good welfare and health support systems, it is a pity that their advantages are not quite being conveyed. Furthermore, its health insurance union is also very financially sound. I think the Company can improve engagement by promoting the understanding of its employees.

**Ehara** It is as you said. RIKEN TECHNOS has proper human capital investments and welfare, but there are cases where employees do not fully understand this value. There will be more employees who feel that this is a good company if there is better understanding. It is an area that can be improved by working on internal publicity.

**Suemura** Instead of IR, from the perspective of SR, RIKEN TECHNOS's products are rarely seen by general consumers, and there are limited opportunities for them to directly recognize the Company's name and technologies. While its integrated report is becoming easier to understand each year, the Company needs to improve recognition of its products and technologies. If its products are recognized, people will remember its name too.

**Ehara** This may be so, but in Japan, RIKEN TECHNOS is very active in IR and SR activities as a whole. The Company is also eager in approaching investors. Here, I can say it has a full score.

**Kinugawa** I have experience in arranging such activities overseas, but given RIKEN TECHNOS's market capitalization, it is not easy to gain more overseas investors. Even so, it is important to continue these activities from a long-term perspective and gradually let them take root.



The Roles We Envision for the Future

—Expectations on realization of Global One Company, technological innovation, and strengthening of governance

**Nakamura** As mentioned, I think the most important thing is how to become a Global One Company. A system where overseas sites can move as one with the Head Office is the key to further growth.

As for my involvement as an outside director, I come from the market department of a bank, and I am really happy that Ms. Kinugawa has joined us as it seems she will be able to do more in this area than me. We need outside directors who understand the market, as they are valuable for being able to provide third-party viewpoints.

**Kinugawa** You speak too highly of me. Given that this is my first year as an outside director, I hope to first treasure this fresh feeling and see and experience various aspects of RIKEN TECHNOS. I intend to convey my honest questions and suggestions that arise in the process to those in the executive side without hesitation and discuss them in depth.

While upholding the current good culture, I will also actively share my thoughts if I find anything that can be improved. I also hope to spread such a positive atmosphere within RIKEN TECHNOS.

**Suemura** Mr. Nakamura has already talked about the importance of engaging in business at the global level, so I will speak from a different perspective. We have also talked a lot about human resources, but technological innovation is just as important. RIKEN TECHNOS is a technology company, and given that the Company has called itself a "challenger" under its mission in the RIKEN TECHNOS WAY, it is its mission to continue to create new value. As an outside director, there is no greater joy than being able to witness the moment when RIKEN TECHNOS launches a new product or technology. I hope to continue giving my frank opinions toward achieving such moments.

**Ehara** Once again, RIKEN TECHNOS is currently performing strongly. However, a company is a going concern, and there is the responsibility to maintain this flow and further enhance it. Its business is expanding, both in Japan and overseas, and management is improving in both quality and quantity. While the top management is able to oversee everything now, as the Company expands further in the future, it will need to strengthen autonomous governance for the RIKEN TECHNOS GROUP as a whole.

As an outside director, I hope to check both offensive and defensive aspects of its system and keep participating in management discussions so that RIKEN TECHNOS can continue with sound risk-taking, the final goal of governance.