



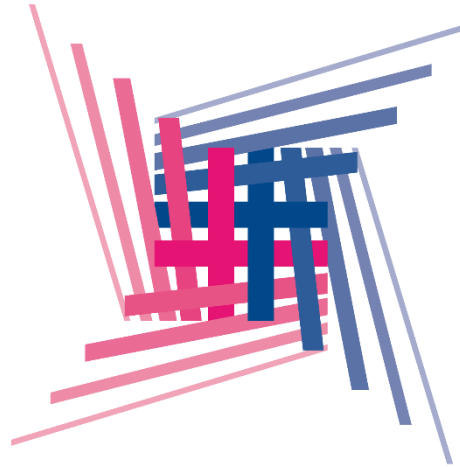
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# RIKEN TECHNOS CORPORATION

## Three-year Medium-term Business Plan

May 20, 2022

# Previous three-year medium-term business plan



**MORE VALUE TO ALL**

**2 0 2 1**

Generating Greater Value Together!



# Overview of previous three-year medium-term business plan

## Management policy

**MORE VALUE TO ALL 2021: Generating Greater Value Together!**

## Numerical targets

Consolidated basis	FY ended March 2022 (final year of the plan)
Net sales	115 billion yen
Operating profit	8.5 billion yen
Ordinary profit	8.5 billion yen
Net income	5 billion yen
ROS	7.0%
ROE	8.0%

## Five key challenges

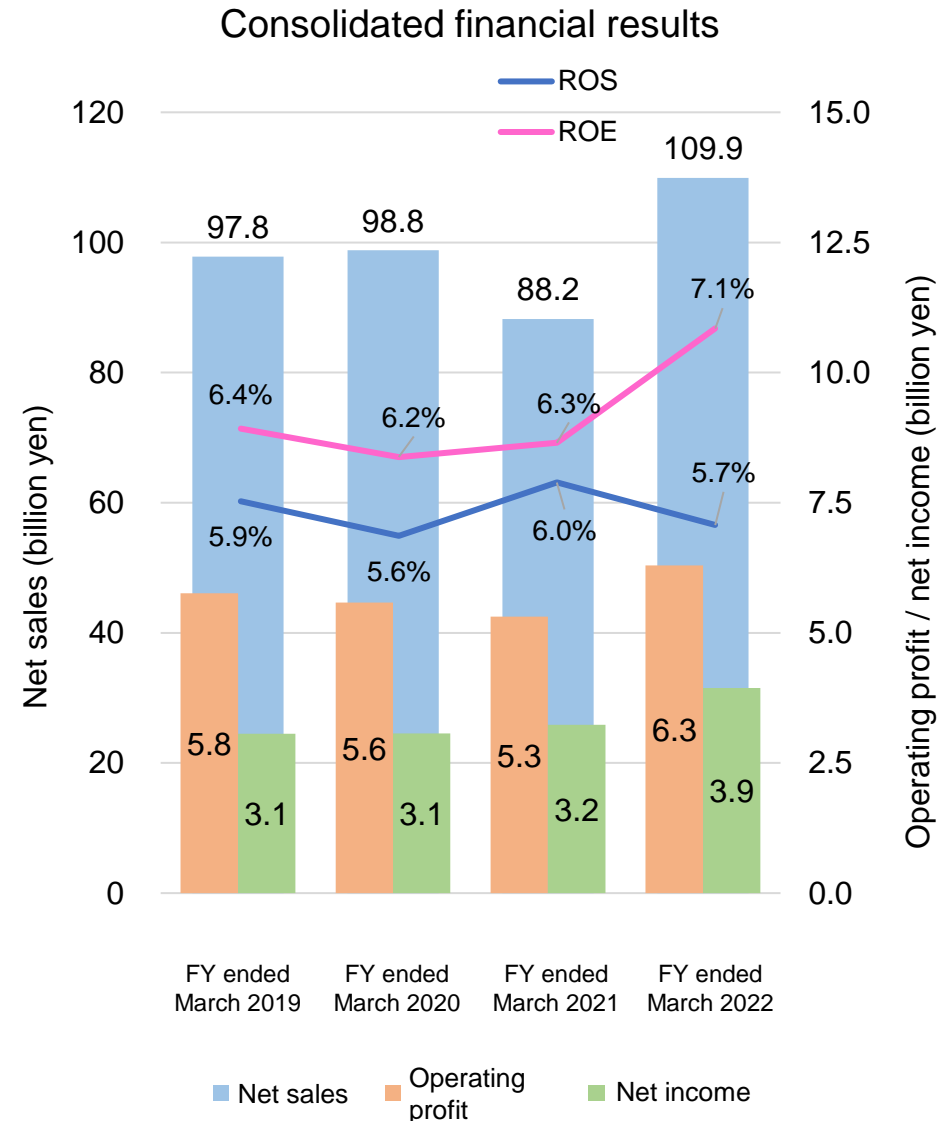
- 1 Intensifying Global Management and Generating Synergies
- 2 Improving the Capacity to Generate Revenues and Profits through Strategic Thinking
- 3 Realizing a Production Structure that Reflects the Thorough Pursuit of Efficiency
- 4 Contributing to a Sustainable Society
- 5 Strengthening Corporate Foundations through Management Emphasizing Human Resource Development and Governance



# Summary of results of previous three-year medium-term business plan (numerical performance)

	FY ended March 2022 (plan)	FY ended March 2022 (actual)	Relative to plan
Net sales	115.0	109.9	-5.1 -4.4%
Operating profit	8.5	6.3	-2.2 -26.0%
ROS	7.0%	5.7%	-1.3% -
Ordinary profit	8.5	6.9	-1.6 -19.0%
Net income	5.0	3.9	-1.1 -21.2%
ROE	8.0%	7.1%	-0.9% -

billion yen



## Summary

- Net sales and each measure of profit in the final year of the medium-term business plan were the highest ever.
- However, the plan was not achieved due to the impact of COVID-19 and soaring raw material prices.

# Five key challenges and outcomes (1)

## 1 Intensifying Global Management and Generating Synergies

### Enhanced the level of management of overseas sites

- Global administration progressed in each division based on an organization aware of global management issues.
- Rolled out the Riken Standard for manufacturing globally.
- Enhanced the sophistication of the governance of overseas subsidiaries.

### Demonstrated global synergies

- Acquired a compound business from Asian third party.
- Completed production structure optimization in ASEAN (began expanding compound production facilities in Thailand and Vietnam).
- Acquired business related to ICE- $\mu$  thermal barrier film for automobile window glass.

## 2 Improving the Capacity to Generate Revenues and Profits through Strategic Thinking

### Strengthened sales of high value-added products

- Expanded the lineup and sales of RIKEGUARD infection control products.
- Acquired ACS assets and expanded into the electrical materials field.
- Collaborated with a design subsidiary to improve marketing in new markets.

### Efficiently boosted profits

- Promoted shared administrative operations to reduce costs and pursued the integration of subsidiaries' IT systems.
- Increased Group management efficiency and strengthened development/sales capabilities through the absorption of Riken Fabro Co., Ltd.

# Five key challenges and outcomes (2)

## 3 Realizing a Production Structure that Reflects the Thorough Pursuit of Efficiency

### Enhanced production efficiency

- Expanded deployment of automatic control of production.
- Expanded deployment of predictive management systems.
- Pursued DX (digital transformation) in manufacturing.

### Strengthened global manufacturing

- Reduced production costs through Group-wide productivity improvements.
- Harnessed the Internet to generate manufacturing process innovations globally.
- Reduced energy losses by modifying utilities equipment.

## 4 Contributing to a Sustainable Society

- Revamped the CSR Report as the “Blue Challenge Report” and published an educational booklet for employees globally.
- Established a Sustainability Policy and Sustainability Committee/Environment Committee.

- Began selling RIKEGUARD film.
- Brought biomass compound RIKEBIO to market.
- Launched a recycling business.

# Five key challenges and outcomes (3)

5

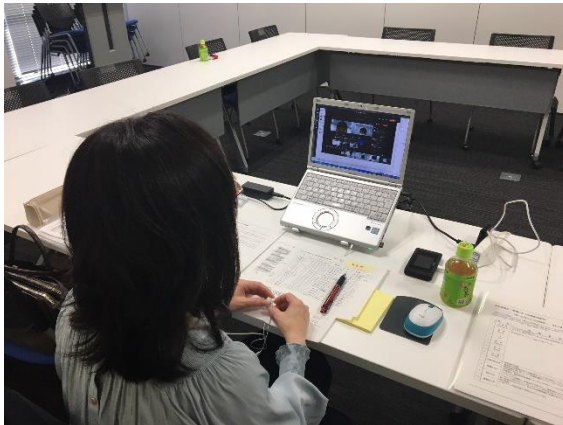
## Strengthening Corporate Foundations through Management Emphasizing Human Resource Development and Governance

Developed talent who can shine on the global stage.

Strengthened Group governance.

Realized sustainable management that takes into consideration all stakeholders.

- Promoted those with overseas business experience to management and administrative positions.
- Selected young employees for assignment to overseas offices.
- Revised the mid-level personnel training system.
- Introduced the 'Professional System' to make better use of human resources.
- Established a Corporate Governance Policy.
- Strengthened risk management.
- Strengthened Group governance.



Undertook web-based training.



Provided training for new managers.

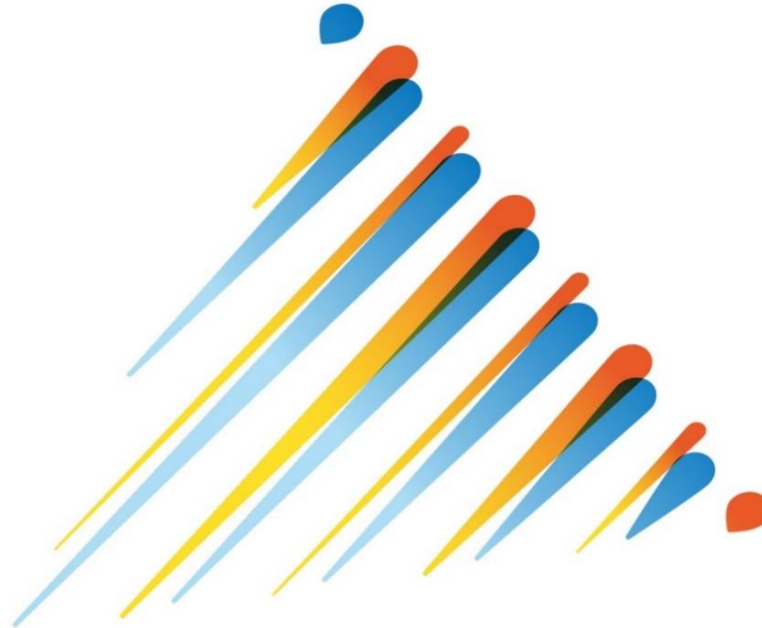
# Summary of results of previous three-year medium-term business plan (investment etc.)

Total capital investment during the period of the three-year medium-term business plan: 12.4 billion yen (medium-term plan figure: 14.5 billion yen)

Unit: billion yen (includes maintenance)

Fiscal year	Major capital investments	Total amount	R&D expenses
FY ended March 2020	Domestic elastomer facilities expansion Thailand IT system upgrade Capital investments to improve efficiency	4.3	1.5
FY ended March 2021	Expansion of R&D centers Capital investments to improve efficiency	4.4	2.3
FY ended March 2022	New plant / expansion of medical use production facilities in Thailand Commencement of installation of trial production machines at R&D centers Capital investments to improve efficiency	3.7	1.9





## Challenge Now for Change New 2024

Challenge for innovation



# Overview of new three-year medium-term business plan

## RIKEN's strengths / business model

- ◆ Ability to deliver what customers want to global, blue-chip clientele
- ◆ Strong technical capabilities
  - Formula design technology
  - Kneading technology
  - Calendering film forming technology

## RIKEN's (medium- to long-term) environment

Plastic reduction movement

Growing environmental awareness

Digitalization trend

Progress with EVs

Shrinking domestic market

Growth in Asia

## Mission (= raison d'etre)

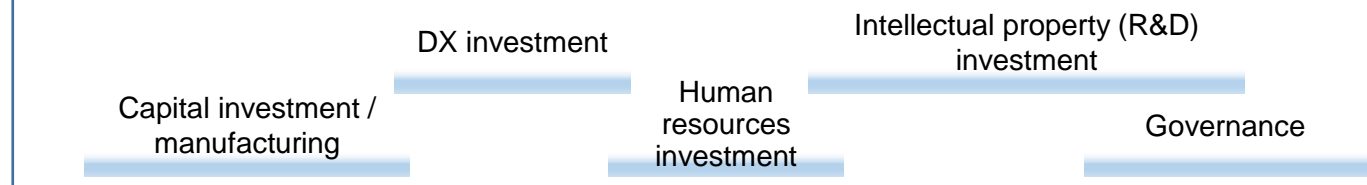
We are a challenger that harnesses the power of science to improve the quality of life and to create a safe, affluent society. We continuously provide new value and satisfaction to people, companies and society through our original and superior formulations and manufacturing technologies of multiple resins.

## Long-term vision

Aiming to become the leading producer of comfort for all living spaces



## Strategies or measures that support Strategies 1-4



# Management indicators

billion yen

	FY ended March 2022 (actual)	FY ending March 2025 (plan)
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## Consolidated

Net sales	109.9	135.0
Operating profit	6.3	8.5
Ordinary profit	6.9	8.5
Net income	3.9	5.0

ROS	5.7%	6.3%
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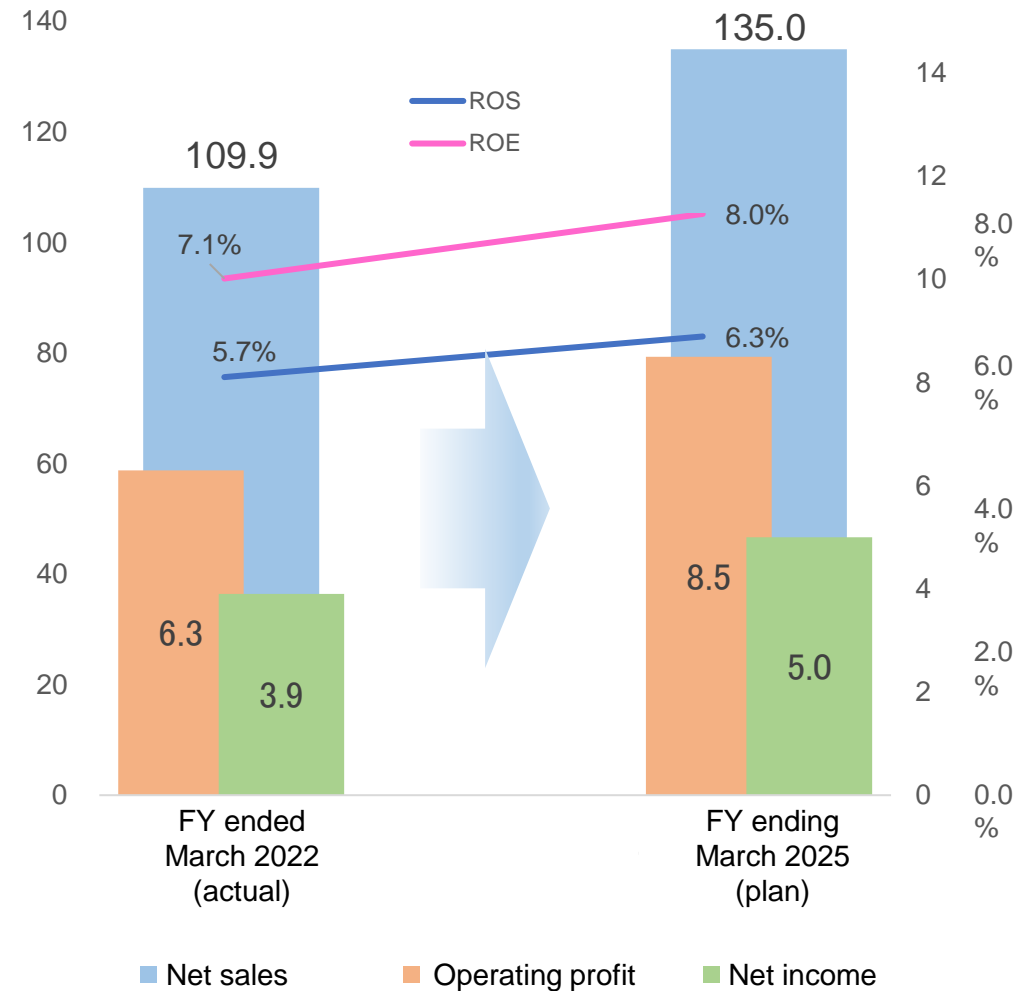
ROE	7.1%	8.0%
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Overseas sales ratio	47.8%	More than 50%
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### Assumptions

- Naphtha price: 61,000 yen planned for FY ending March 2025
- Exchange rate: 114 yen/USD

(billion yen)



# Strategy 1: Intensify global management and generate synergies.

## Region

### ASEAN (most important region)

Strive to capture an overwhelming market share in ASEAN and to increase the number of field in which we hold the leading share through targeted allocation of corporate resources.

#### Japan

Strive to be a leader in industry restructuring.

#### North America

Make capital investments targeting improving production efficiency.

#### India and westward

Develop markets in India and westward.

#### China

Optimize portfolio.

## Markets

### Global Japanese companies

- Expand globally with a focus on automotive and medical.
- Establish dominant market share among Japanese companies in ASEAN

### Local non-Japanese companies.

- Capture non-Japanese users in ASEAN by harnessing our supply chains in Thailand, Indonesia, and Vietnam.

## Measures in each division to support the global strategy

Further reinforce global cross-functional management by each division.

### Global purchasing

- Establish Global Procurement Dept.
- Build global database.

### Establish a production/supply structure.

- Coordinate purchase orders and production orders between sites.

### DX

- Implement SFA/CRM for business efficiency and information sharing.

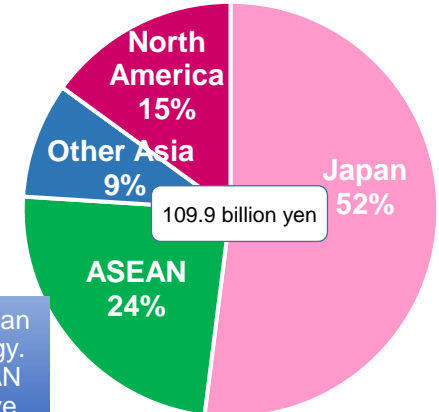
### Expand R&D centers.

### Global human resources development/hiring

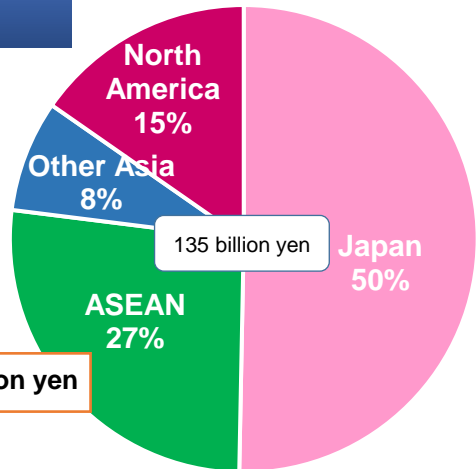
### Global quality management structure

## Portfolio by region

Net sales for the fiscal year ended March 2022



Increase sales through an ASEAN-focused strategy. (Plan to increase ASEAN ratio to 27% and achieve an overseas sales ratio of 50% in the fiscal year ending March 2025)



Net sales for the fiscal year ending March 2025

# Strategy 2: Stay ahead of customer' expectations.

## <Reinforce strengths>

Understand exactly what the customer wants and quickly provide a solution.

⇒ RIKEN TECHNOS business model

## <Advance ahead>

- Anticipate/develop potential customer needs and propose solutions.
- Analyze the market beyond the supply chain to identify future needs.

Acting *ahead* of time

Stay *ahead* of customers.

Systems/measures to support business model and its development

### Improve sales capabilities.

#### Improve sales information gathering/analysis skills.

- Conduct market analysis beyond the supply chain.
- Implement Sales Force Automation (SFA) and Customer Relationship Management (CRM) to visualize and share customer/industry data.

#### Develop sales personnel to support the business model.

- Educational measures to improve product knowledge/market analysis skills.

### Improve development capabilities.

#### Speed up solution delivery.

- Increase development speed by installing a new film trial production machine.
- Propose newly developed products by integrating materials technology and film-forming technologies.
- Employ materials informatics to speed up the establishment of optimal formulations.

### Reinforce structures.

Further improve ability to serve film customers with the establishment of the Film BU.

# Strategy 3: Take on the challenge toward new businesses and products.

## Challenge of developing *new products* and *new markets*.

- Build new business pillars that go beyond geographic expansion and meeting customer needs.
- Establish a structure that can fully utilize RIKEN's technological strengths (formula design technology, kneading technology, calendering film forming technology).
- Establish a structure, methodology, and culture that generate new products.

## Set direction for new products.

- Develop new businesses and products (e.g., biodegradable, biomass, recycled compounds) to meet the needs for carbon neutrality and SDG attainment.
- Develop environmentally friendly products in the food packaging field.
- Create markets by combining functions.
- Produce films/sheets of newly-developed compounds.

Take measures to support new product/new business development.

## Develop new products.

Perform development in house.



Reorganize R&D centers.

Invest in R&D, IP, and human capital.

Reduce formula maintenance costs through formula modularization, consolidation of raw materials, etc.

Identify and work with external partners.

Promote technology transfer and open innovation under TLOs with universities and other research institutions.

Pursue open innovation by converting some R&D centers into open laboratories.

Explore M&A opportunities targeting new businesses/IP.

Rebuild corporate culture to create new businesses/new products (i.e., establish a culture of taking on challenges).

Encourage new ideas by ensuring diversity in human resources.

- Endeavor to utilize new ideas from women, foreigners, mid-career hires, etc.
- Hire diverse talents and promote them to management positions.

# Strategy 4: Contribute to solving environmental and social issues.

## Develop and expand sales of environmentally friendly products.

### Expand sales of environmental materials.

- RIKEGUARD, RIKEBIO, etc.
- Market environmentally friendly materials such as rubber substitutes and paint substitutes.



### Expand sales of PVC (polyvinyl chloride) and TPE (thermoplastic elastomer).

- Salt (a natural material) accounts for about 60% of the raw material for PVC and has less environmental impact than other general-purpose resins made from 100% petroleum-derived raw materials.
- In contrast to rubber, TPE production does not require a vulcanization process. Molding requires less energy and generates less CO2. TPE is also lighter than synthetic rubber and can be recycled.

## Reinforce implementation structures and pursue various activities.

### Sustainability Committee

To further incorporate stakeholders' expectations into corporate activities, we have established the Sustainability Committee chaired by the President & CEO as a function linking the front lines and management.

### Respond to climate change issues.

Take action with the goal of becoming carbon neutral by 2050.

- Replace equipment with more energy efficient versions.
- Use renewable energy.

### Contribute to the realization of a circular economy.

- Acquire recycling technologies and install equipment.
- Devise a mechanism for product recalls.

### Contribute to society.

- Contribute to the local communities in which factories are located.
- Contribute to society, starting with the SDGs.

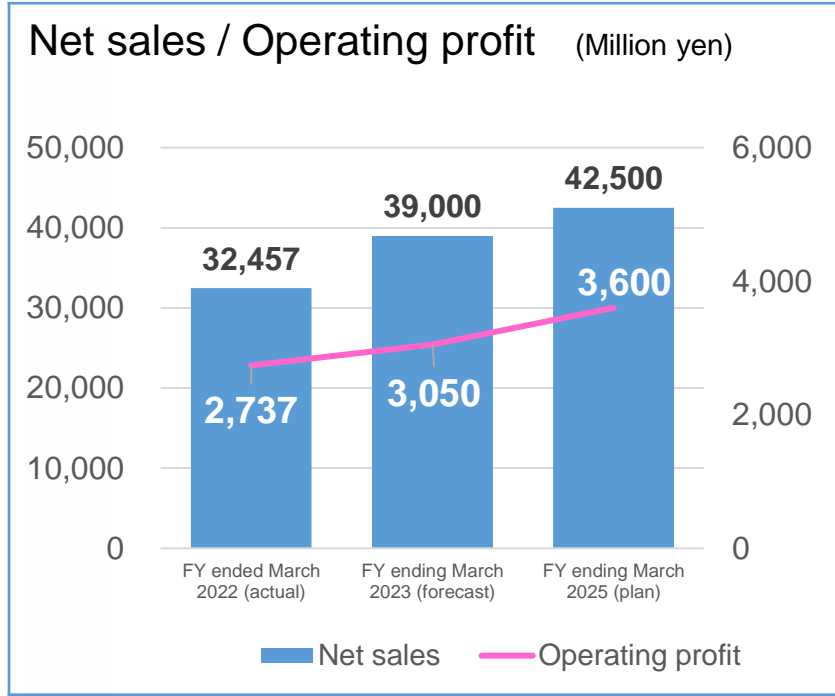
### Tackle human rights issues.

- Ensure fair and proper trading throughout the supply chain.
- Select suppliers based on criteria that encompass the SDGs.

### Respond to diversity.



# I Transportation (TR)



## Focus areas



Wire harnesses



Molded parts for automobiles

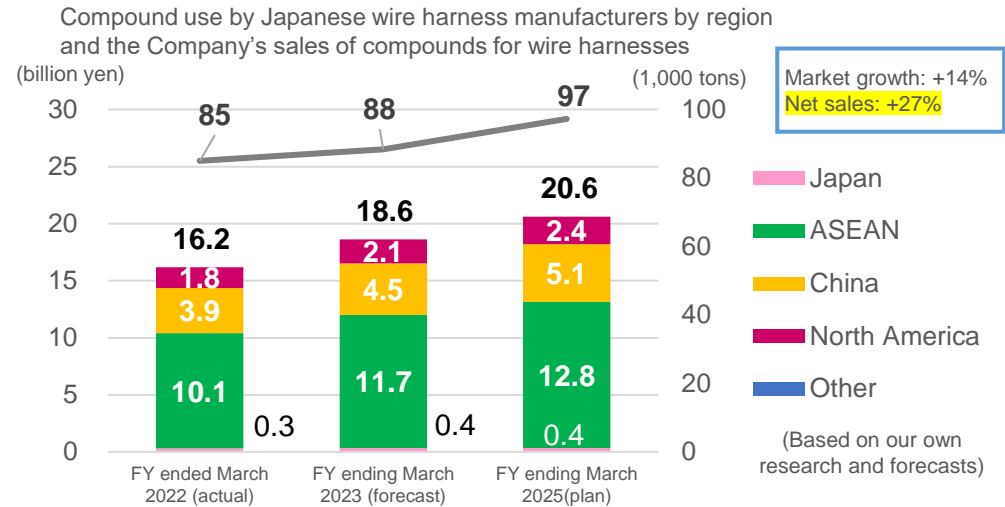




# I Transportation (TR)

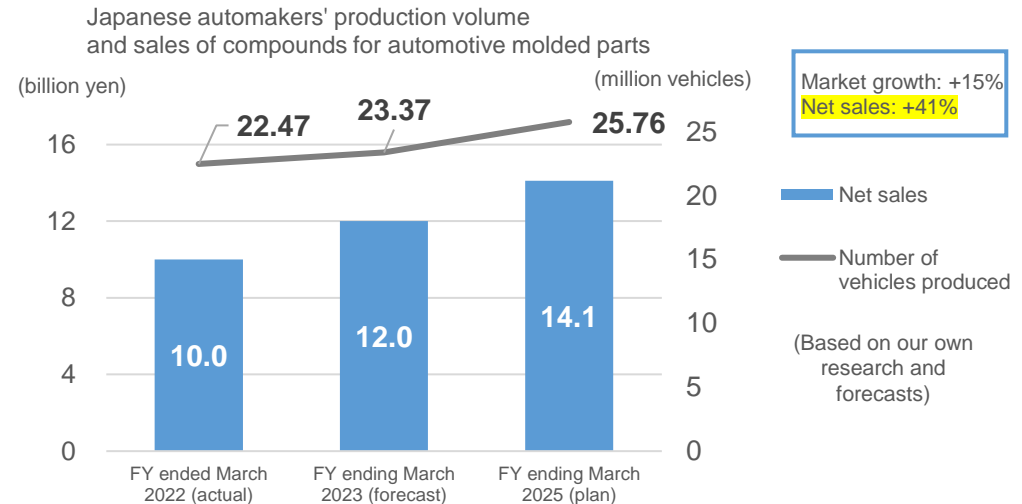
## ◆ Wire harnesses

- Secure deals with Japanese companies (secure deals in the expanding ASEAN and India markets).
- Expand sales of thin-walled electric wires.
- Bring competitive grades to market.
- Expand sales to non-Japanese companies.



## ◆ Molded parts for automobiles

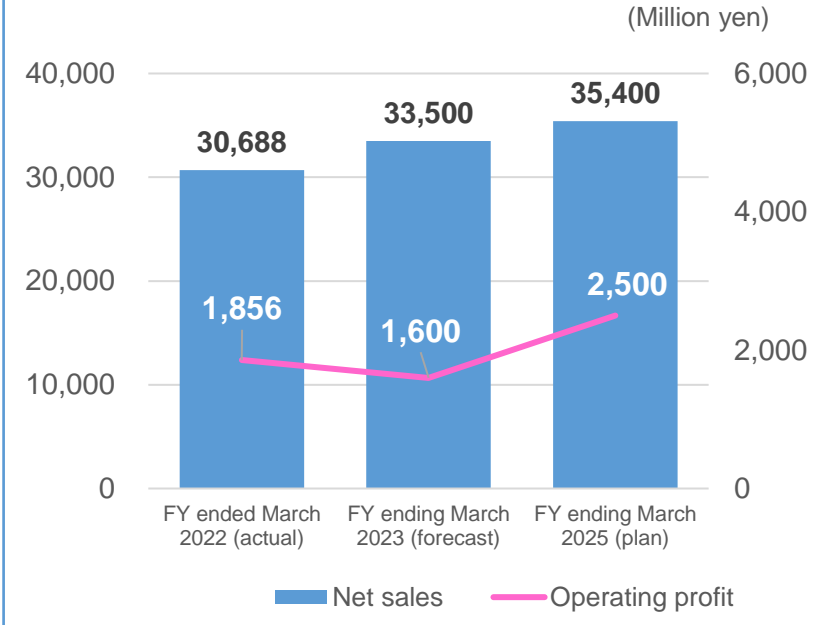
- Expand sales of molding and sealing materials (increase adoption by major Japanese parts manufacturers and expand overseas).
- Expand sales of functional materials (increase adoption in functional parts, promote material conversion and rubber substitution, and expand overseas).
- Bring biomass compounds and recycled compounds to market.



## II Daily Life & Healthcare (DH)



### Net sales / Operating profit



### Focus areas



Medical use



Rubber substitutes



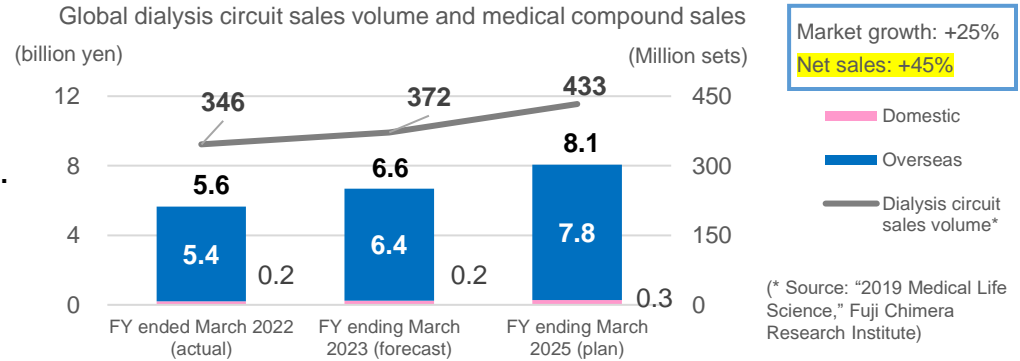
Environmental materials



## II Daily Life & Healthcare (DH)

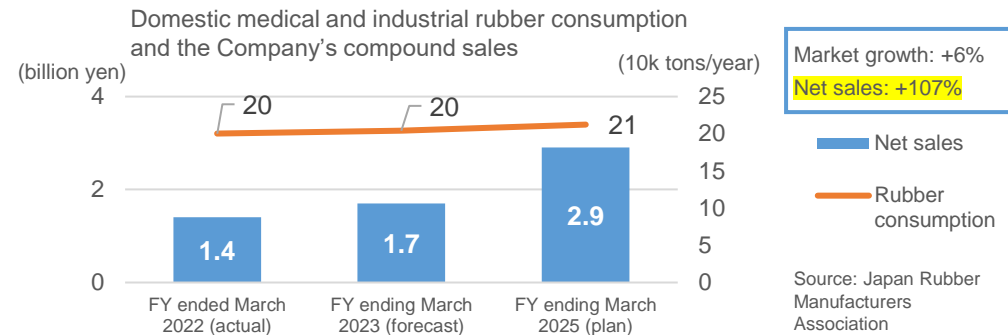
### ◆ Medical use (PVC)

- Cultivate Japanese companies as customers by drawing on the supply chains at our three ASEAN sites.
- Capture non-Japanese companies as customers by leveraging our high quality and stable supply capacity, an essential attribute for medical products.



### ◆ Rubber substitutes

- For medical applications, add functionality to the base of highly-hygienic properties, thereby promoting the adoption of rubber substitutes.
- In lifestyle and industrial materials, develop new functional materials and offer environmental friendliness, thereby promoting the adoption of rubber substitutes.

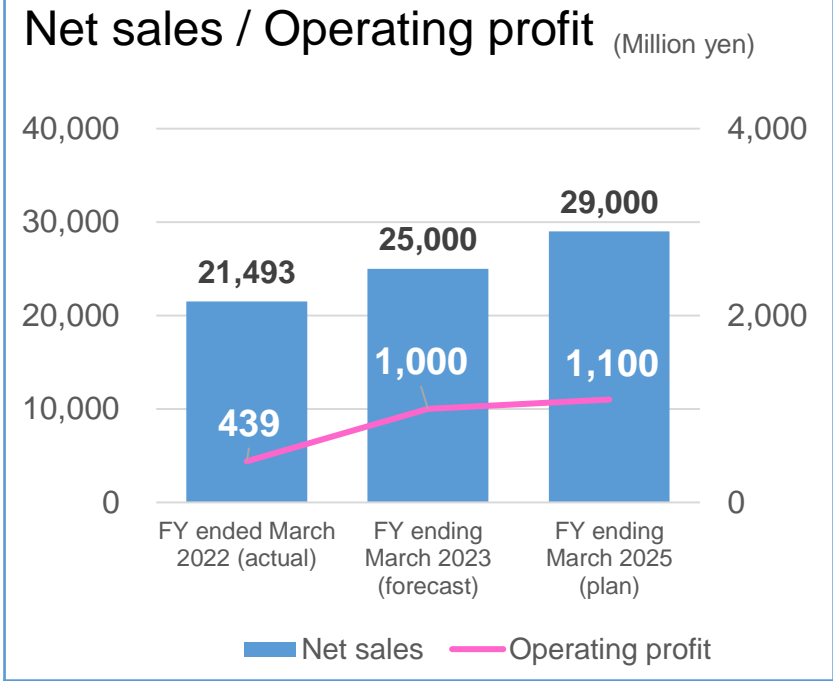


### ◆ Environmental materials

- Expand use of biomass compound RIKEBIO to multiple applications.
- Bring compounds filled with natural products to market.
- Develop and launch 3R-compliant materials.



# III Electronics (EL)



## Focus areas



Electric power and industrial wires



Telecommunications



Optical film





# III Electronics (EL)

## ◆ Electric power and industrial wires

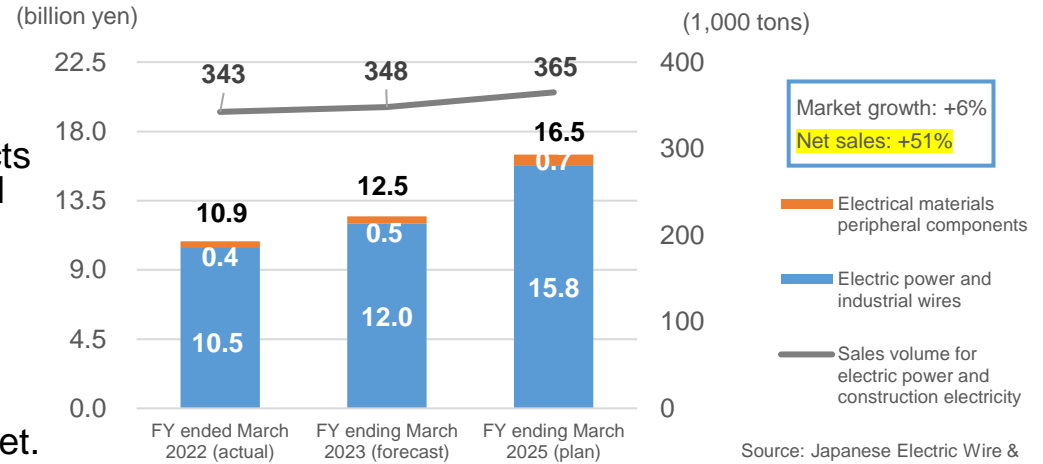
### <Domestic>

- Expand sales by leveraging our quality control, stable supply, and raw material procurement capabilities.
- Expand use of ACS resin products beyond proven products to peripheral components for electrical materials for social infrastructure.

### <Overseas>

- Expand supply of wire materials for electric power and industrial purposes in ASEAN.
- Formulate a sales strategy for the electrical materials peripheral components market and venture into that market.

Sales volume of electric wires for domestic electric power and construction electricity and the Company's sales of compounds for electric wires and electrical materials peripheral components



## ◆ Telecommunications

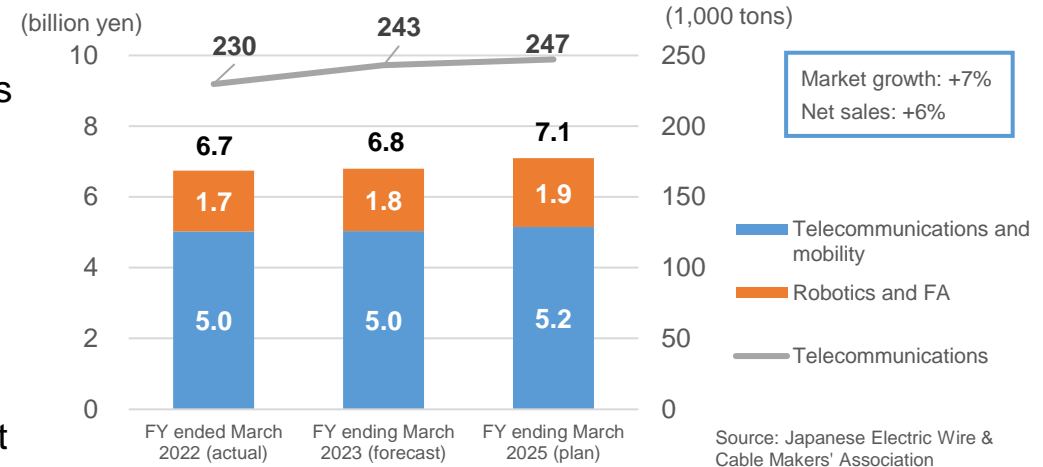
### <Domestic>

- Improve material performance and expand sales channels for robot and FA cables.
- Pursue control performance with formulation and processing technologies; develop new products.
- Seize the opportunity of increased production of eco-cars and expand sales of automotive FFCs.

### <Overseas>

- Cultivate the telecommunications and mobility markets.
- Formulate a sales strategy for the automotive FFC market and venture into that market.

Sales volume for domestic electric power and construction electricity and the Company's sales of compounds for electric wires and electrical materials peripheral components



# III Electronics (EL)

## ◆ Optical film

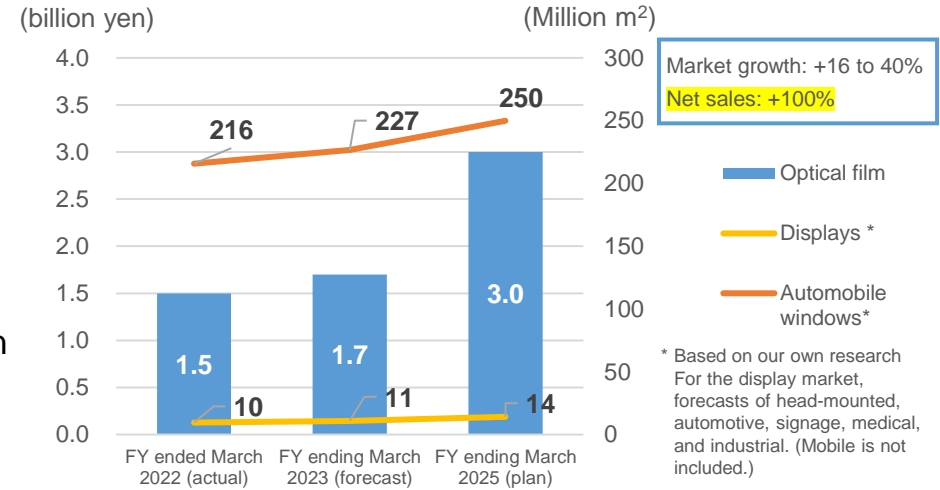
### <Displays>

- Expand sales through differentiation in quality and solutions that stay ahead of the expectations of existing customers.
- Expand adoption through new applications for large mobile signage.

### <Automotive thermal barrier film / Automobile resin windows>

- Expand sales of thermal barrier film by strengthening the sales capabilities of our distributor network in the ASEAN market through exhibitions and well-prepared provision of sales promotion tools.
- In the realm of automobile resin windows, which contribute to weight reductions, capture new adopters by offering solutions based on the integration of multiple optical technologies.

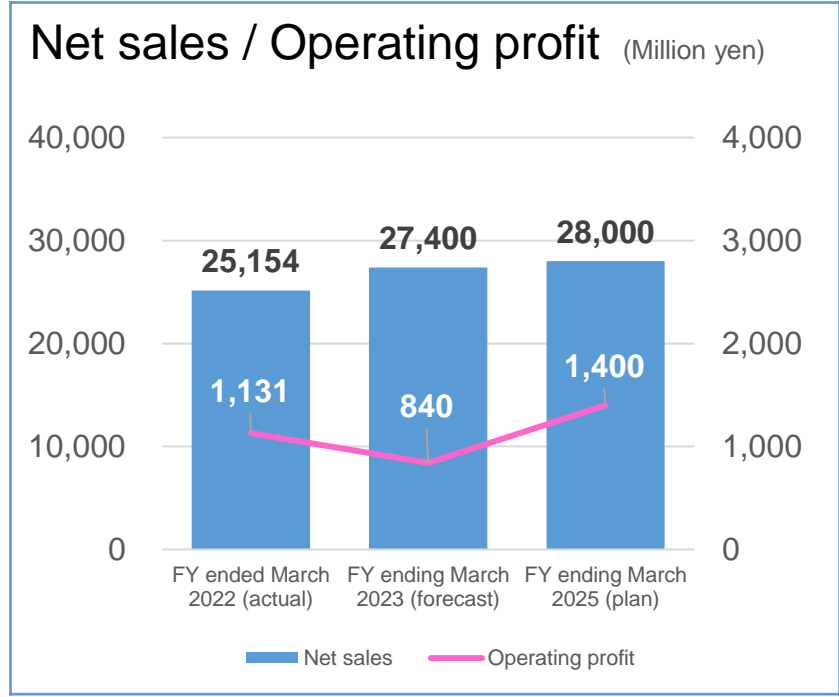
Optical film market and the Company's optical film sales



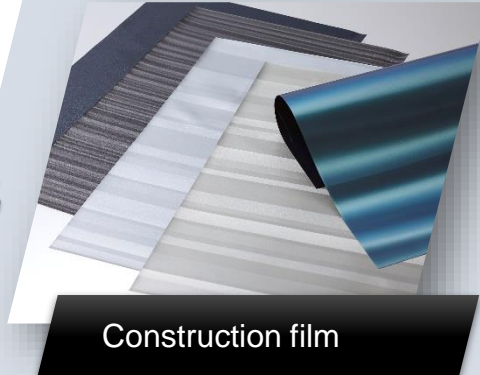
**Contributes to vehicle weight reduction**



# IV Building & Construction (BC)



## Focus areas





# IV Building & Construction (BC)

## ◆ Construction film

<PVC adhesive wall covering film>

- Increase industry share through differentiation in designs, functions, and services that stay ahead of customer expectations.
- Expand sales in the field of wrapping film for construction materials.

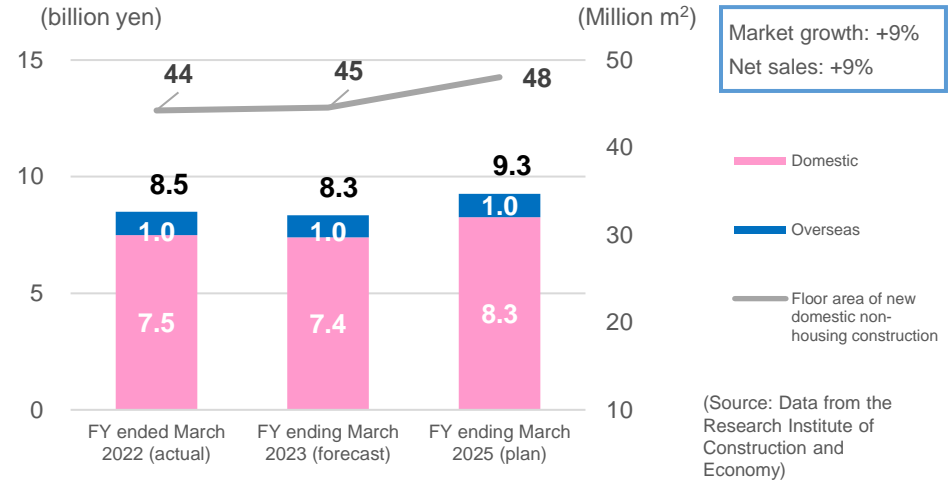
<Olefin base film for printed construction materials>

- Enhance product appeal and expand sales by anticipating end-market needs.

<Overseas>

- Capture demand through melamine matching in collaboration with a design subsidiary.

Floor area of new domestic non-housing construction and the Company's sales of construction film



## ◆ Housing and building materials

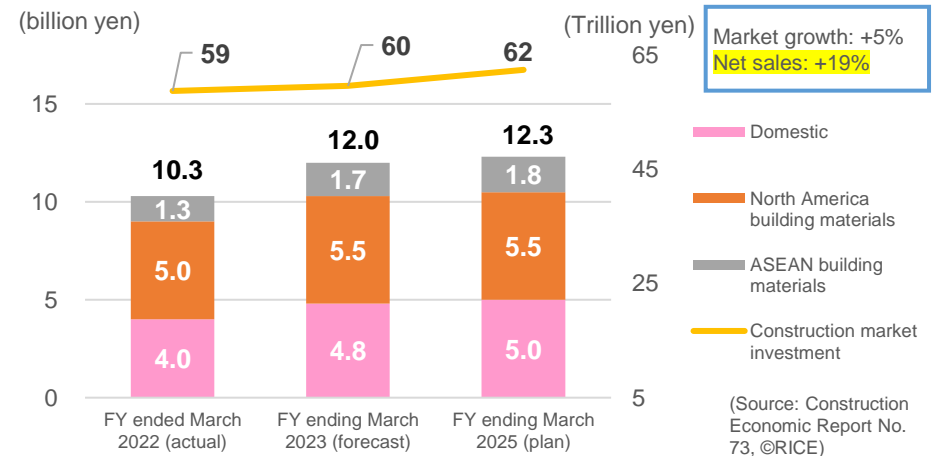
<Domestic>

- Capture increased demand for energy conservation in the housing industry.
- Promote high functionality in elastomer compounds to promote environmental friendliness and rubber substitution.

<Overseas>

- Draw on our network of sites in ASEAN to develop the market for rigid PVC; bolster our lineup in Thailand with proven rigid PVC materials.

Construction market investment and the Company's sales of compounds for housing and building materials





# All segments

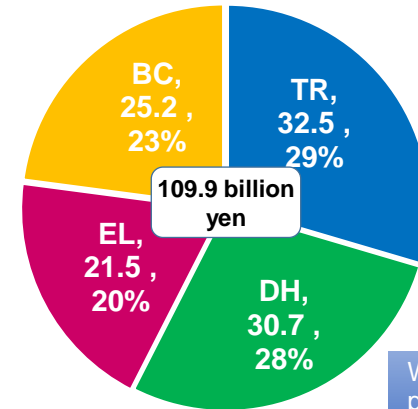
## Net sales / Operating profit / ROS

billion yen

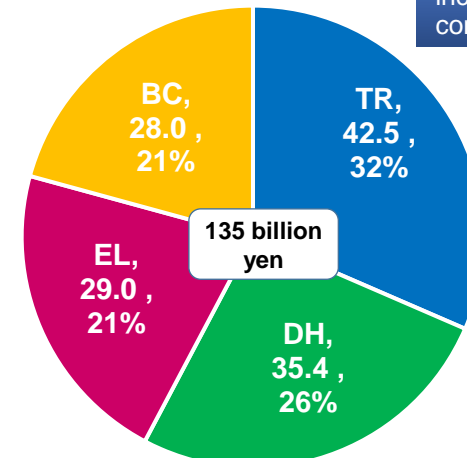
		Actual results for FY ended March 2022	FY ending March 2025		
			Plan	Variance	
TR	Net sales	32.5	42.5	+ 10.0	+ 30.9%
	Operating profit	2.7	3.6	+ 0.9	+ 31.5%
	ROS	8.4%	8.5%	+ 0.0%	-
DH	Net sales	30.7	35.4	+ 4.7	+ 15.4%
	Operating profit	1.9	2.5	+ 0.6	+ 34.7%
	ROS	6.0%	7.1%	+ 1.0%	-
EL	Net sales	21.5	29.0	+ 7.5	+ 34.9%
	Operating profit	0.4	1.1	+ 0.7	+ 150.6%
	ROS	2.0%	3.8%	+ 1.8%	-
BC	Net sales	25.2	28.0	+ 2.8	+ 11.3%
	Operating profit	1.1	1.4	+ 0.3	+ 23.8%
	ROS	4.5%	5.0%	+ 0.5%	-
Consolidated	Net sales	109.9	135.0	+ 25.1	+ 22.8%
	Operating profit	6.3	8.5	+ 2.2	+ 35.1%
	ROS	5.7%	6.3%	+ 0.6%	-

## Portfolio by segment

Net sales for the fiscal year ended March 2022



We will focus in particular on growing the relatively profitable TR segment, which includes functional components.



Net sales for the fiscal year ending March 2025

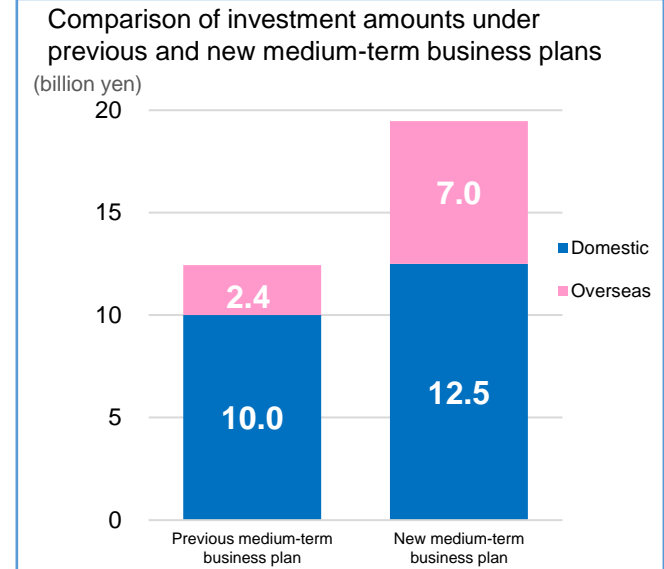
# Investment

## Strategic direction

- Allocate operating cash flow generated during the period of this medium-term business plan to investments for growth.

	Domestic	Overseas	Major projects
FY ending March 2023	2.8 billion yen	2.0 billion yen	<ul style="list-style-type: none"> <li>• Expansion of manufacturing facilities at Thai manufacturing site</li> <li>• Expansion of manufacturing facilities at Vietnam manufacturing site</li> <li>• Domestic IT system investment in IoT, RFID, etc.</li> <li>• Capital investments to improve efficiency</li> </ul>
4.8 billion yen			
FY ending March 2024	4.4 billion yen	3.3 billion yen	<ul style="list-style-type: none"> <li>• Expansion of manufacturing facilities in Thailand, Vietnam, and the US</li> <li>• Capital investments to improve efficiency</li> <li>• Addition of new elastomer line</li> </ul>
7.7 billion yen			
FY ending March 2025	5.3 billion yen	1.7 billion yen	<ul style="list-style-type: none"> <li>• Expansion of domestic and overseas manufacturing facilities</li> <li>• Domestic IT system investment</li> <li>• Overseas quality control system investment</li> <li>• Addition of new elastomer line</li> </ul>
7.0 billion yen			
Three years total	12.5 billion yen	7.0 billion yen	
19.5 billion yen			

Investment in facilities, systems, etc. over 3 years: 19.5 billion yen (previous medium-term business plan:12.4 billion yen (original plan:14.5 billion yen))



## Total R&D expenses: 5.7 billion yen

1.7 billion yen for FY ending March 2023  
1.9 billion yen for FY ending March 2024  
2.1 billion yen for FY ending March 2025

## Strategic investment

Actively consider technology acquisitions, equity investments, and M&A to pursue new businesses.

7 billion yen to be invested by overseas subsidiaries, compared to 2.4 billion yen under the previous medium-term business plan (proportion of investment will rise from 19% to 36%)

⇒ Investment focused on overseas growth

## Strengths

Ability to deliver what customers want for blue-chip clients with global operations

## Strong technical capabilities

- Formula design technology
- Kneading technology
- Calendering film forming technology

## Status of patents

- Patents held by the Company (as of March 31, 2022)  
430 in Japan, 237 overseas
- Percentage of the Company's patents subject to objections: 7.8% (Japan average: 0.57%)  
⇒ Patent with deterrence

## IP creation through in-house development

- Further reinforce strengths through reorganization of R&D centers.
- Create SDG-related IP.
- Implement measures to create IP.

## Open and closed strategies

- In the case of IP such as formulas, formulations, and trademarks, preserve rights through patent applications and trademark registrations (open).
- Create IP through open innovation (open).
- Preserve rights with a focus on ASEAN, the main battleground.
- Continue to protect production technology through secrecy (closed).

## IP acquisition through M&A

**Build an environment of competitive advantage and strengthen our pricing power.**

# Human capital

*Intensify global management and generate synergies.*

Human resources required to execute global business strategies

*Stay ahead of customer expectations.*

Human resources with analytical skills and strategic perspectives

*Take on the challenge of new businesses and products.*

Human resources with diverse viewpoints

## Secure human resources (hiring)

- Strengthen mid-career recruitment.
- Strengthen recruitment of new graduates.

## Human resources development

- Get new hires up and running at an early stage; provide additional training for select groups.
- Introduce a “post-challenge” system (i.e., make unfilled posts open to applications from employees).
- Offer overseas training, language training, and site manager education.

## Reassignment of human resources and improvement of efficiency

- Assign personnel capable of strengthening our global business.
- Pursue DX etc. to achieve labor savings.

## Proactive investment in hiring, development, and training of human resources

Fostering a corporate culture and creating mechanisms that enable diverse human resources to play an active role

### Promotion of diverse human resources to management positions

(proportion of management positions occupied by diverse human resources)

	(Current status)	(March 31, 2025)
● Women	2.0%	7.0%
● Foreigners	0.7%	3.0%
● Mid-career recruitment	30.5%	40.0%

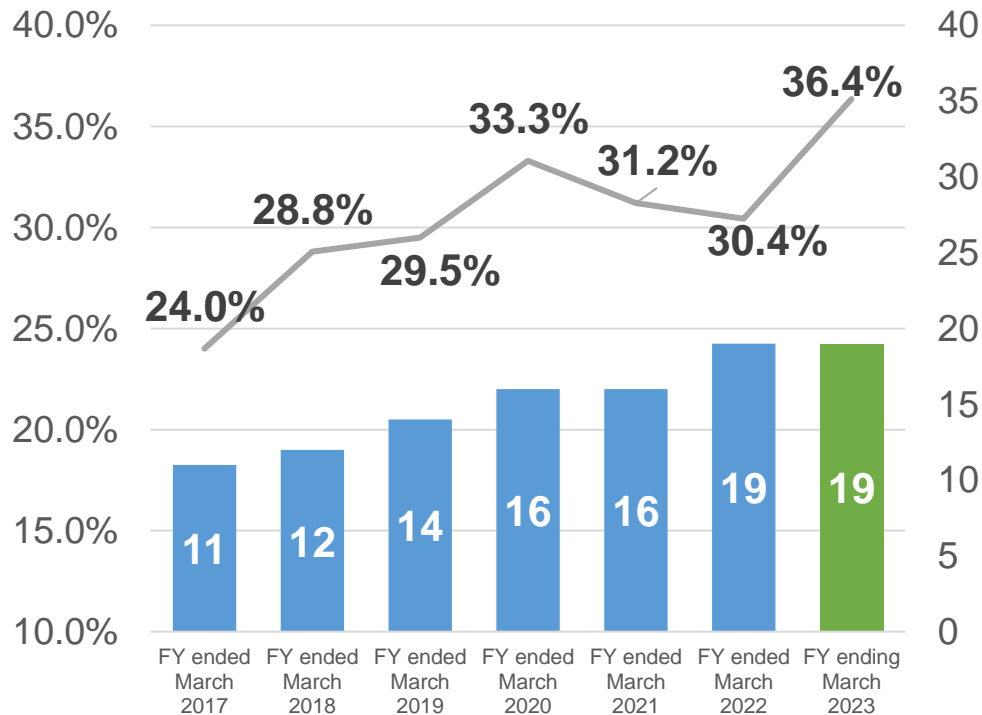


# Capital policy

## Dividend policy

We will strive to achieve a **consolidated dividend payout ratio of around 35%** and to pay stable dividends, duly accounting for future business investment and capital adequacy.

Payout ratio and dividend trend



### Review of consolidated dividend payout ratio

**30% ⇒ 35%**

\* For FY ending March 2023, in accordance with our new dividend policy, we forecast an annual dividend of 19 yen per share and a payout ratio of 36.4%.

### IR-related measures

- Enhance sustainability/environmental disclosure.
- Expand methods of dialogue with shareholders/investors.
- Also make disclosures in English.

# Disclaimer

Plans, projections, strategies, and other statements that are not historical facts presented in this document constitute forward-looking statements based on information available at the time of preparation and involve various risks and uncertainties. Actual results may differ significantly from these projections due to changes in the business environment and other factors. Furthermore, information presented in this document concerning companies other than our company or our group companies is based on publicly available information. We do not guarantee the accuracy of such information.

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