



October 30, 2023

Company name	RIKEN TECHNOS CORPORATION
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## Notice regarding Action to Implement Management that is Conscious of Cost of Capital and Stock Price

RIKEN TECHNOS CORPORATION (the “Company”) hereby announces that it has made a resolution at a meeting of the Board of Directors held today, in accordance with the request from Tokyo Stock Exchange regarding the “Action to Implement Management that is Conscious of Cost of Capital and Stock Price,” for the analysis and assessment of the current situation, policies and targets for improvement, and specific initiatives as follows.

### 1. Analysis and Assessment of the Current Situation

Our Group has formulated the long-term vision “Aiming to become the leading provider of comfort for all living spaces,” and has undertaken specific initiatives to achieve management indicators set forth in the current Three-year Medium-term Business Plan (FY2022–FY2024) “Challenge Now for Change New 2024”. In the first fiscal year of FY2022, both consolidated net sales and all profit measures set all-time highs, and in the second fiscal year of FY2023, we have seen outstanding performance that exceeds our expectations in the second quarter.

In such an environment, while our ROE (return on equity) has steadily improved, PBR (price book-value ratio) has been constantly below 1x because the stock price did not increase for the increase of BPS (book-value per share). This is considered to be caused by the fact that, even though our ROE has increased to 7.5% in the latest FY2022, due to the increase of equity capital, the Company has not achieved profitability that exceeds its cost of equity, and that shareholders and investors are not seeing enough growth potential of the Company.

	FY2018	FY2019	FY2020	FY2021	FY2022
ROE	6.4%	6.2%	6.3%	7.1%	7.5%
PBR	0.60x	0.49x	0.61x	0.50x	0.59x
Stock price	453 yen	385 yen	516 yen	457 yen	589 yen
BPS	753.31 yen	788.77 yen	852.51 yen	914.83 yen	999.00 yen

\* Stock price indicates the closing price at each fiscal-year end.

## 2. Policies and Targets for Improvement

The Company will implement management that is conscious of cost of capital and stock price as it advances the four strategies, namely, “Intensify global management and generate synergies,” “Stay ahead of customers’ expectations,” “Take on the challenge toward new businesses and products,” and “Contribute to solving environmental and social issues” in the Three-year Medium-term Business Plan “Challenge Now for Change New 2024”. Specifically, we will take on prompt measures to increase profitability through enhanced balance sheet management, and concentrate our management resources and make proactive investments in growth areas, while reinforcing engagement with shareholders and investors through IR and SR.

Through these initiatives, the Company aims to achieve ROE of 8.0% and PBR above 1x in the final fiscal year of the Three-year Medium-term Business Plan (FY2024). Further actions for increasing corporate value beyond the current period will be considered as we formulate the next Three-year Medium-term Business Plan.

## 3. Specific Initiatives

### (1) Financial Strategies

#### (i) Strengthening Shareholder Returns (treasury shares and dividends)

The Company will seek for the optimized capital structure that is conscious of capital efficiency and limit unnecessary increase of equity capital. If the Company, as a result of these measures, determines that it is appropriate to purchase treasury shares, it will proceed with the purchase/disposal of treasury shares promptly and in a timely manner.

\* Please refer to the “Notice Concerning Determination of Matters Related to Acquisition of Own Shares” dated today for the details of the acquisition of own shares resolved today.

<https://www.rikentechnos.co.jp/e/ir/news/>

For dividends, the Company has increased the consolidated dividend payout ratio from about 30% to about 35% from FY2022, and paid a total dividend of 25.00 yen per share for the fiscal year, an increase of 6 yen per share from 19.00 yen for the previous fiscal year. We will continue to strive for an increase of the

level of dividends and consider reexamining the basic policy for dividends, when necessary, taking into consideration the future progress of the measures for increasing corporate value.

(ii) Reducing cross-shareholdings

For cross-shareholdings, the Company has annually reviewed the rationality of holding each company's stocks including the cost of equity and the benefits of holding, and has reduced the ratio of cross-shareholdings. In the future, we will proceed with immediate reduction based on our policy to reduce the balance of cross-shareholdings to reach less than 10% of consolidated net assets. In addition, cash generated by the reduction will be utilized for investment in growth so that we can accelerate future growth by realizing new value creation.

(2) Growth Strategies

(i) Completion of the Three-year Medium-term Business Plan "Challenge Now for Change New 2024"

As announced in the current Three-year Medium-term Business Plan, we will reinforce our initiatives to achieve the numerical targets (consolidated net sales of 135.0 billion yen and consolidated operating profit of 8.5 billion yen) and the management indicators (ROS of 6.3%, ROE of 8.0%, and the overseas sales ratio above 50%).

\* For the progress of the current Three-year Medium-term Business Plan, please refer to the material of the "Financial and Management Results Briefing" posted on the Company's website.

[https://www.rikentechnos.co.jp/e/ir/library/briefing\\_materials/](https://www.rikentechnos.co.jp/e/ir/library/briefing_materials/)

(ii) Enhancing investment for growth

With a focus on investment in growth, we will implement cash allocation that is balanced with shareholder returns, and make energetic efforts to study technological investments, equity investments, and M&A activities, targeting new businesses. In order to strengthen our competitiveness, we will also implement capital investments with a sense of urgency that exceeds our plan of 19.5 billion yen in total as stated in the current Three-year Medium-term Business Plan, making sure to seize business opportunities.

Furthermore, to increase efficiency and profitability, we will strengthen portfolio management and concentrate our management resources in promising markets where global growth can be expected.

### (3) Non-Financial Strategies

#### ( i ) Enhancement of IR and SR

We will further enhance the disclosure of both financial and non-financial information, including disclosure in English, and will accelerate proactive communication with shareholders and investors to reinforce our engagement. Moreover, we will further expand disclosure of the implementation status of dialogues, etc.

The Company will also strive to eliminate information asymmetry with shareholders and investors as much as possible, and enhance the disclosure of information, including in relation to sustainability, to resolve uncertainty in the mid- to long-term. These efforts will lead to reducing the cost of equity and expanding the equity spread.

\* In September 2023, we have published our first Integrated Report with updated content of our previous Sustainability Report. Please refer to the “Blue Challenge Report 2023” posted on the Company’s website.

<https://www.rikentechnos.co.jp/csr/report/> (available only in Japanese)

#### ( ii ) Strengthening human resource strategy

We will execute a human resource strategy with a focus on succession planning, and build a human resource portfolio that is necessary to execute the management strategies by securing, nurturing, and reallocating personnel with high growth potential. The Company will also make proactive investments in human capital as necessary to that end.

Furthermore, we will study the introduction of a stock-based compensation plan for our employees, with the aim to raise awareness among employees about participating in management and about stock price, which is intended to contribute to increasing corporate value.

#### ( iii ) Reexamining compensation plan for officers

We will review the details and weight of performance-linked indicators in the compensation plan for officers in order to strengthen its functionality as a sound incentive for sustainable growth, which will lead to the enhancement of our profitability and corporate value. Additionally, the Company will consider the introduction of a mid- to long-term performance-linked compensation and expand the use of stock-based compensation.

\* Please refer to the attachment titled “Action to Implement Management that is Conscious of Cost of Capital and Stock Price (supplementary document).”



(Securities code: 4220, TSE Prime)

Note : This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

# RIKEN TECHNOS CORPORATION

Action to Implement Management that is  
Conscious of Cost of Capital and Stock Price  
(supplementary document)

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October 30, 2023



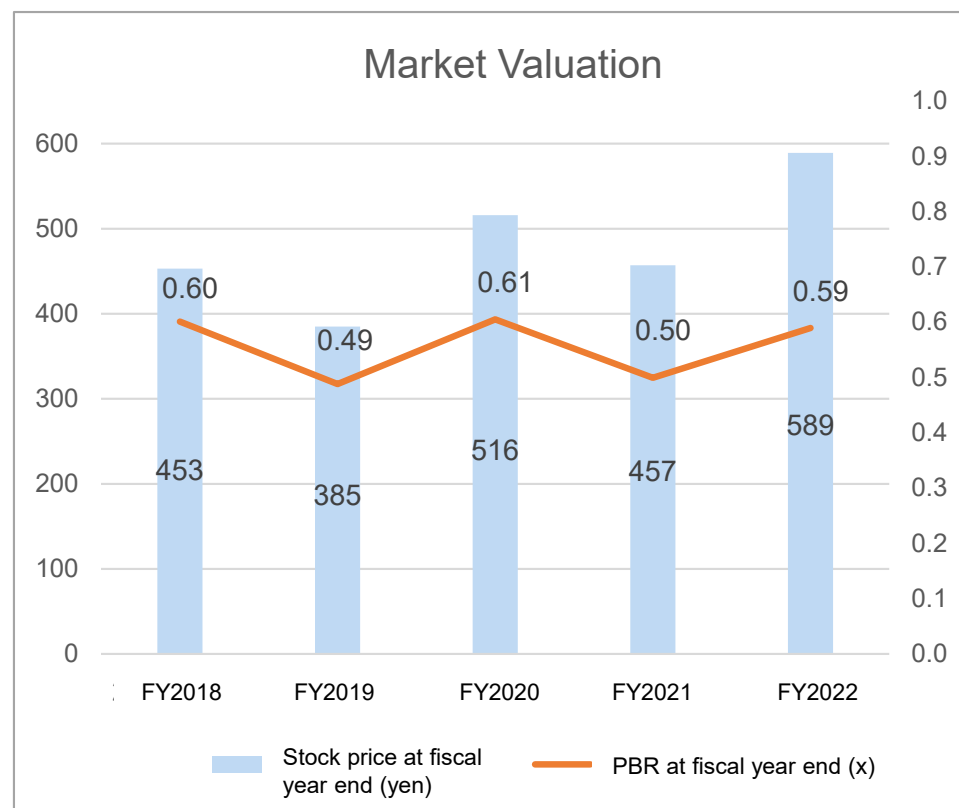
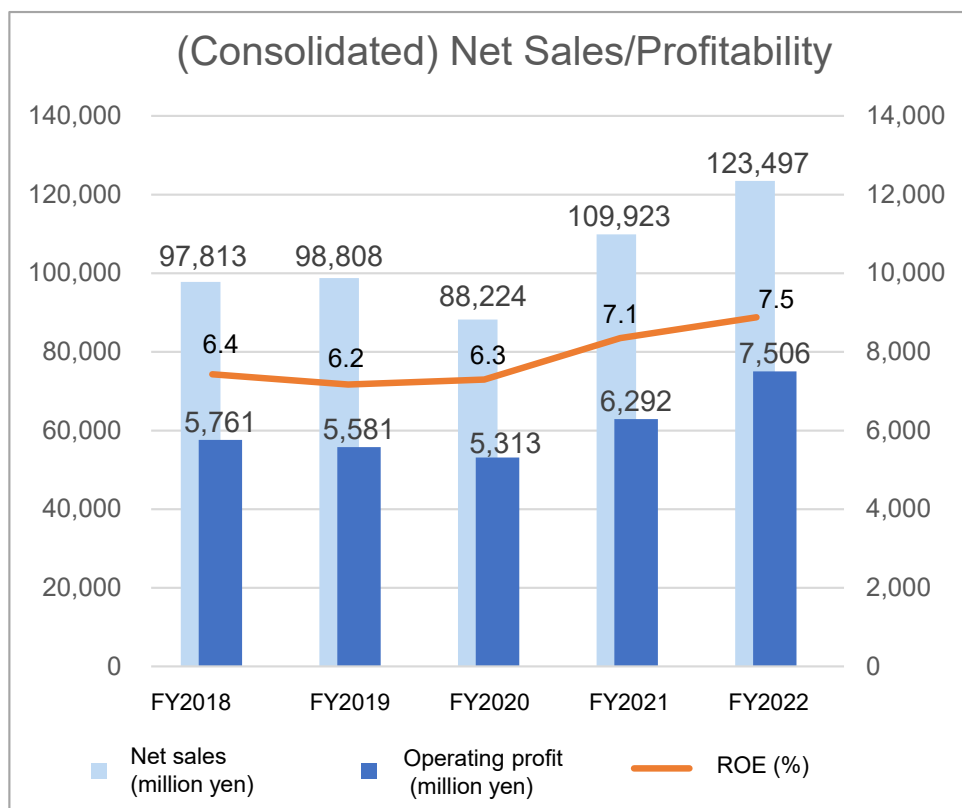
**RIKEN TECHNOS**

# Analysis and Assessment of the Current Situation

Although net sales and all profit measures of the fiscal year ended March 2023 set all-time highs, PBR has been constantly below 1x.

## [Potential Causes]

- Even though the recent ROE has improved to 7.5%, due to increase of equity capital, the Company has not achieved profitability that exceeds its cost of equity.
- Shareholders and investors are not seeing enough growth potential of the Company.



# Policies and Targets for Improvement

Implement management that is conscious of cost of capital and stock price, along with the Three-year Medium-term Business Plan

- Improve profitability through enhanced balance sheet management and make proactive investments in growth areas
- Reinforce engagement with shareholders and investors through IR and SR

$$\text{PBR} = \frac{\text{Stock price}}{\text{Shareholders' equity per share}} = \text{ROE} \times \text{PER}$$

Capital Efficiency/Profitability
Company's Growth Potential



▶ Further actions for increasing corporate value will be considered in the formulation process of the next Three-year Medium-term Business Plan

# Specific Initiatives (Financial Strategies)

Implement balance sheet management focused on strengthening shareholder returns and reducing cross-shareholdings

⇒ Cash generated by the reduction of cross-shareholdings will be utilized for investment in growth, leading to new value creation

## (Consolidated) FY2022 Balance Sheet

### Current assets and Liabilities

- Reduction of net cash (enhancement of investment in growth and shareholder returns)
- Reduction of trade receivables

### Non-current assets

- Reduction of cross-shareholdings (less than 10% of consolidated net assets)

### Net assets

- Strengthening shareholder returns (treasury shares and dividends)

**Current assets**  
71.7 billion yen

Cash and deposits  
23.4 billion yen

Trade receivables  
28.4 billion yen

**Non-current assets**  
40.3 billion yen

Investment securities  
8.8 billion yen

**Liabilities**  
39.8 billion yen

Interest-bearing debt  
10.0 billion yen

**Net assets**  
72.1 billion yen

Share capital  
8.5 billion yen  
Capital surplus  
6.5 billion yen  
Retained earnings  
41.4 billion yen  
Treasury shares  
(400 million yen)

Total assets 112.0 billion yen  
Financial leverage 1.77x  
ROE 7.5%

## Ideal Balance Sheet

Reduction of total assets

**Current assets**

Reduction

Cash and deposits

Reduction

Trade receivables

**Non-current assets**

Reduction

Investment securities

**Liabilities**

Interest-bearing debt

Appropriate financial leverage

**Net assets**

Share capital  
Capital surplus  
Retained earnings  
(Treasury shares)

Reduction of net assets

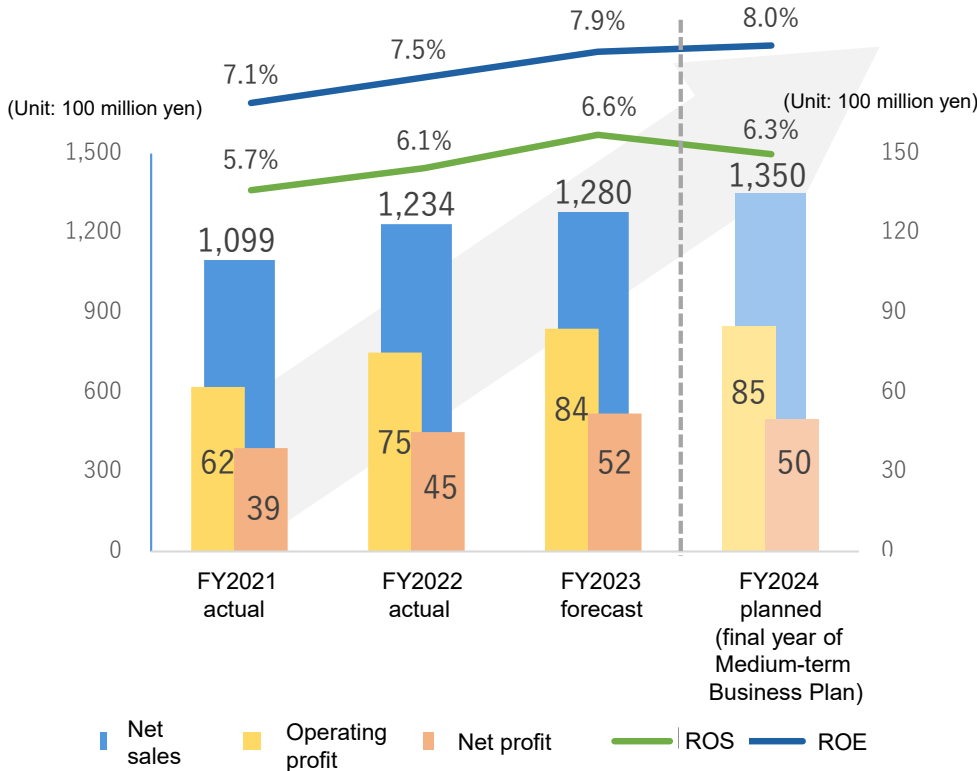
Limited increase of equity capital

Seek for optimized capital structure that is conscious of capital efficiency  
**Keep ROE above 8.0%**



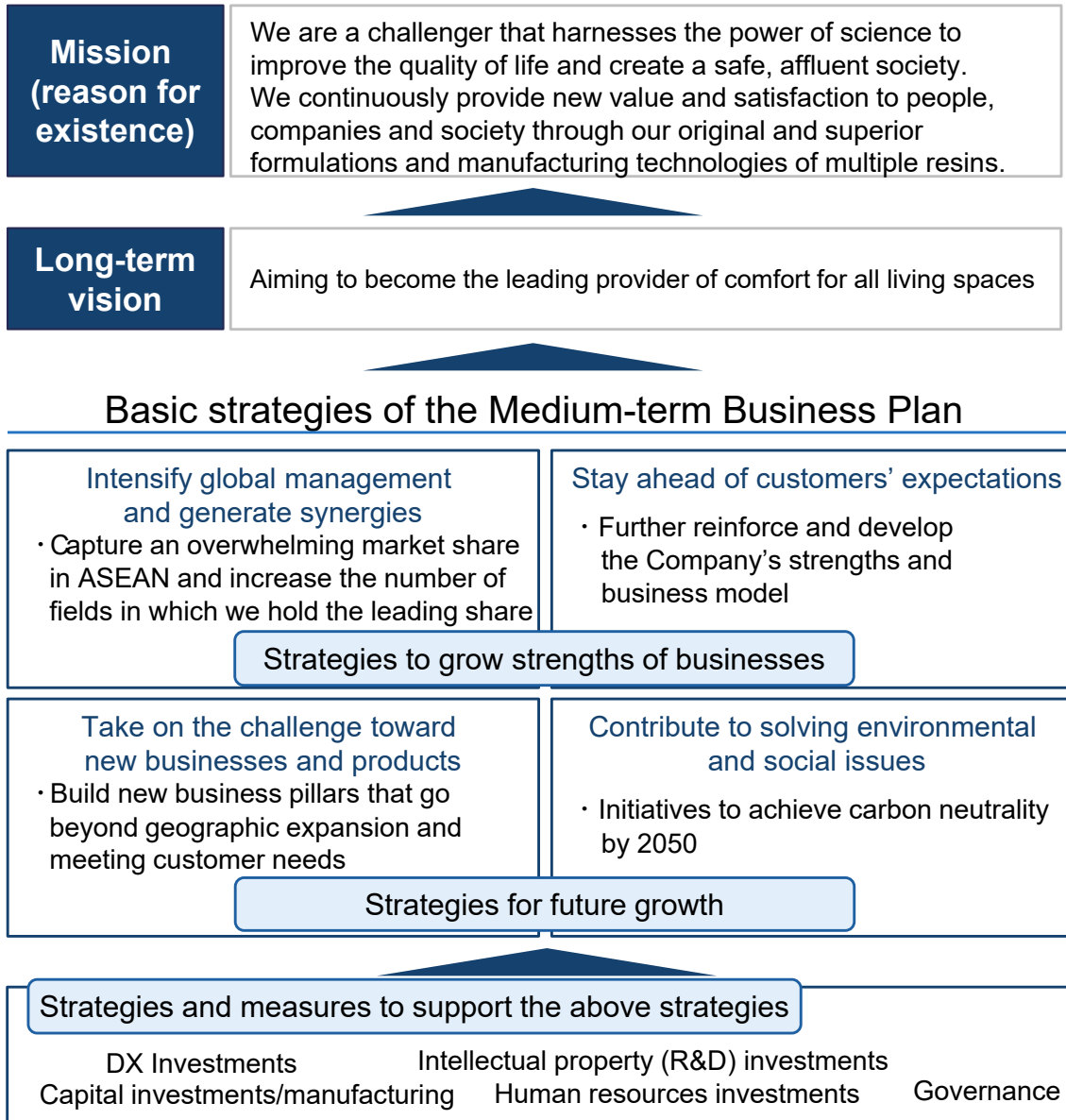
# Specific Initiatives (Growth Strategies)

## (1) Completion of the Three-year Medium-term Business Plan “Challenge Now for Change New 2024”



### RIKEN TECHNOS' strengths and business model

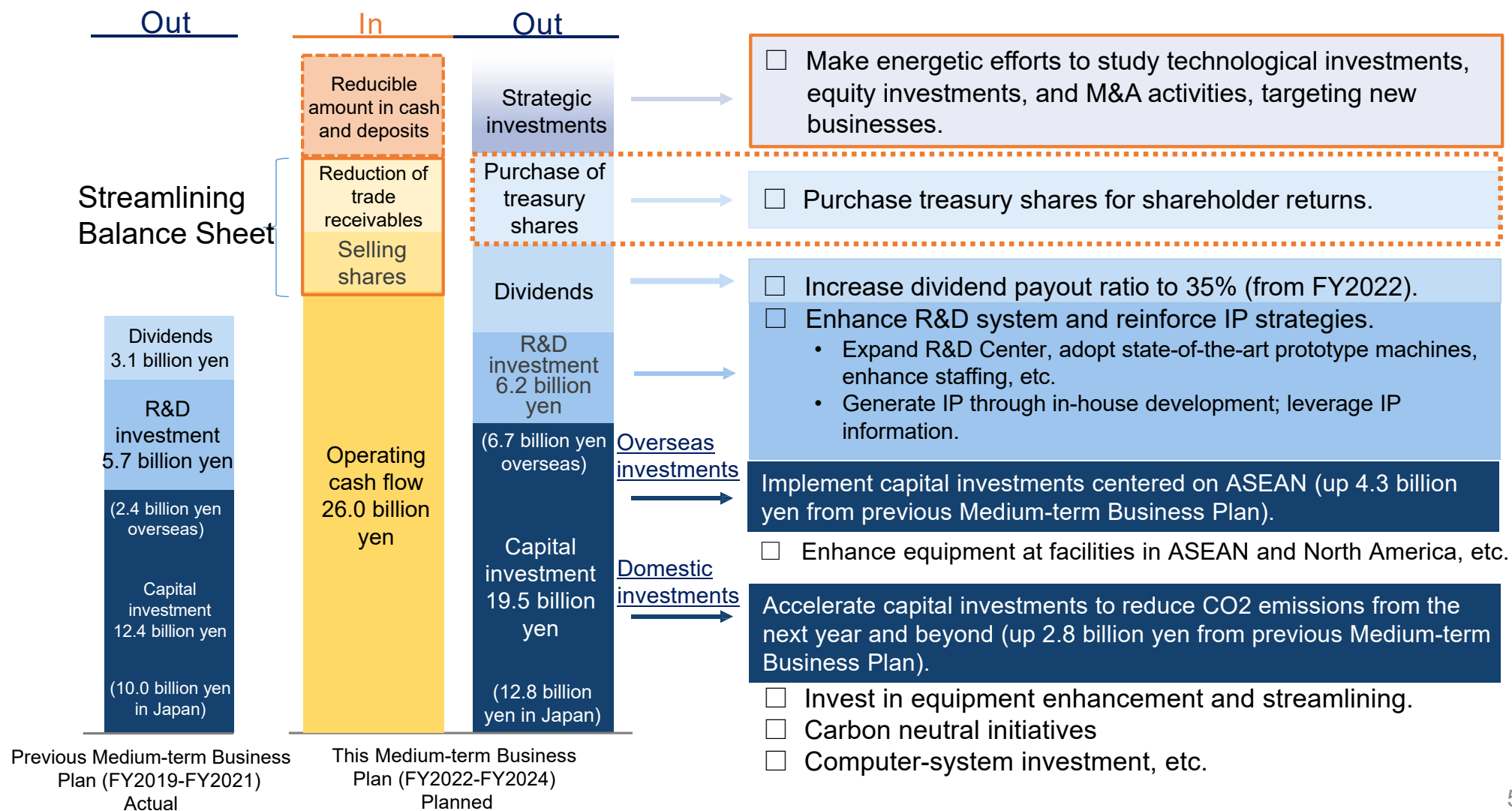
- The capacity to meet the needs of leading global customers
- Strong technical capabilities
  - Formulation design technology
  - Kneading technology
  - Film formation and processing technology



# Specific Initiatives (Growth Strategies)

## (2) Enhancing investment for growth

- With a focus on investment in growth, implement cash allocation that is balanced with shareholder returns
- Strengthen the portfolio management and concentrate management resources in promising markets



# Specific Initiatives (Non-Financial Strategies)

## (1) Enhancement of IR and SR

- Enhance the disclosure of financial and non-financial information, including disclosure in English
  - Engage in proactive IR and SR activities
- ⇒ Reduce the cost of equity by eliminating information asymmetry



Our first Integrated Report published in September 2023

## (2) Strengthening human resource strategy

- Execute human resource strategy with a focus on succession planning
  - Make proactive investments in human capital
  - Study introduction of a stock-based compensation plan for employees
- ⇒ Build a human resource portfolio that is necessary to execute the management strategies

## (3) Reexamining compensation for officers

- Review the details and weight of performance-linked indicators
  - Introduce a mid- to long-term performance-linked compensation plan and expand use of stock-based compensation
- ⇒ Lead to enhancement of profitability and corporate value



# 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 the Company or its group companies is based on publicly available information. The Company does not guarantee the accuracy of such information.
- This document is not intended to solicit any investment in the Company. Any investment decision shall be made only at your own discretion and on your own responsibility.

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