



RIKEN KEIKI Medium-term Management Plan (From FY2023 to FY2025)

June 2023

RIKEN KEIKI Co., Ltd.

Securities Code: 7734

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1. Medium-term Management Vision

1-1. Management Philosophy and Management Policy

Management Philosophy

We are a pioneer in creating safe working environments for workers.

Management Policy

RIKEN KEIKI endeavors for its operations to be in full legal compliance, to strive for preservation of the environment, and to maintain our high level of social responsibility as a good corporate citizen.

- Manage our research and development in an efficient manner, to create useful and needed products that will be suitably profitable, to assure excellent and sustainable company growth.
- Contribute to society by producing high-quality products and enhanced services to assist our customers in creating safe working environments.
- Reward stockholders by operating in a profitable manner to continually increase our corporate value.
- Develop mutually beneficial bilateral cooperative relations with vendors by providing stable business transactions.
- Create a rewarding working environment, to provide challenge and satisfaction for all employees, and also provide adequate compensation for their work efforts to assist in providing comfort and stability to their personal lives.

1. Medium-term Management Vision

1-2. Direction of the Medium-Term Management Plan

[Medium-term Management Vision]

In response to sustainable social and customer needs such as for the IoT and decarbonization, the RIKEN KEIKI Group will develop new technologies and expand overseas markets to aim for a global company that achieves sustainable growth by utilizing the power of 'people' and 'technology'

Direction of the Medium-term Management Vision

1

Which customer industry to focus on?

- Sales for the electric and semiconductor industries account for about 45% of the total sales (non-consolidated). We will expand to other industries while maintaining and improving the sales for these segments that account for a large share.
- Vision: In the domestic market, we will consolidate our base by maintaining the sales level in the semiconductor industry, which has been our main strength, while strengthening sales for the infrastructure industry (gas, electric power industry, etc.), the petrochemical industry (decarbonization and new energy industry), and the machinery industry (especially manufacturing of lithium-ion batteries), where demand is forecasted to increase due to the expected stable trend in the market.

2

Which overseas market to focus on?

- Which areas and segments we will focus in terms of sales in order to expand sales in overseas markets, and strategies therefor
- Vision: In overseas markets, we will aim to further expand the market share of the semiconductor industry in Asia and expand sales to North America and Europe. In North America, we will continue to expand the market share of portable products, which are currently the mainstay, and will strengthen sales of stationary products and maintenance associated with them.

3

Response to new technological developments

- Strategies for focusing on technology development in response to changes across the industry (decarbonization, IoT)
- Vision: In order for the gas detection industry to respond to changes such as decarbonization, carbon neutrality, and the IoT, RIKEN KEIKI group will lead the development of technologies and commercialization, including basic development, and secure the safety of customers to realize a sustainable society.

2. Surrounding Environment

Internal Environment

Growth in net sales

- ✓ The average annual growth rate had been 3–4% until FY2020. However, the sales growth rate in the last two periods achieved double-digit growth due to the rapid expansion of capital expenditure for the semiconductor industry and lithium-ion battery factories, and the large increase in demand for gas detectors.

Increase in percentage of overseas sales

- ✓ Overseas sales have been increasing year by year, and the ratio of overseas sales to total sales has grown to over 40%. Focusing on overseas markets will become even more important for RIKEN KEIKI in the future.

Changes in percentage of sales by device type

- ✓ The percentage of sales of stationary gas detection alarms has been increasing year by year, and maintenance sales associated with the sales of stationary products have been strong, thus maintaining stable sales results.

Changes in sales by product and maintenance

- ✓ Although the ratio of maintenance sales has relatively been on a downward trend due to rapid growth in product demand and sales in recent years, maintenance sales have steadily increased in line with sales of stationary products, and stable performance improvement is expected in the future.

Growth in operating income

- ✓ Along with the growth in sales, operating income is steadily increasing every year. In particular, in the last three years, we have achieved high productivity, with operating income margin exceeding 20%.

Results of shareholder returns

- ✓ The basic policy is to provide continuous and stable dividends by comprehensively taking into consideration the dividend payout ratio, the ratio of dividends to shareholders' equity, financial conditions, etc.

External Environment

PEST analysis of the environment surrounding RIKEN KEIKI

- ✓ The environment surrounding the overall manufacturing industry has changed rapidly in recent years. Examples include measures to address carbon neutrality with a view to realizing a sustainable society, a worldwide chip shortage, increased export and investment restrictions due to the U.S.-China conflict destabilizing the situation, soaring raw material prices, introduction of smart factories and the use of AI and data. These changes represent both risks and opportunities for RIKEN KEIKI group.

Changes in the overall market size of the manufacturing industry

- ✓ The number of manufacturing establishments in Japan decreased in the four years from 2017 to 2021. On the other hand, although the size of the manufacturing industry fluctuated due to the impact of COVID-19 in 2020, it is expected to remain stable in the future.

Changes in overseas market by area in the semiconductor industry

- ✓ The overseas semiconductor industry has surged since 2020. As semiconductor production in the United States has been strengthened since 2020, production in the United States and Europe has increased.

Changes in overseas market by area in the lithium-ion battery industry

- ✓ The production volume of lithium-ion batteries is expected to increase globally from 2022 to 2030. This is because the use of lithium-ion-batteries for renewable energy and plug-in vehicles is spreading and wider applications may emerge due to declining prices, and the market is expected to continue to expand.

We will continue to meet customer demand and achieve sustainable growth by accurately grasping the environment surrounding RIKEN KEIKI described above and flexibly responding to various internal and external environmental changes.

3. Group Strategic Priority

3-1. Business Growth Strategy for Achieving the Vision

We will aim to expand the market through three strategies and become a global company for industrial gas detection and alarm equipments by leveraging the advanced technological capabilities of RIKEN KEIKI group.

1. Domestic Market Strategy



Strengthening of sales and product development to increase market share in the domestic market

- In response to the recent surge in demand and in order to establish a reasonable production system, we will rebuild the supply system through workforce investment and capital expenditure.
- We will enhance price competitiveness by improving productivity brought about by cost reduction.

2. Overseas Market Strategy



Promotion and enhancement of global expansion of the Riken Keiki brand

- We will develop various systems including workforce investment and educational one at overseas subsidiaries.
- In order to accelerate the sales expansion, we will accelerate the cycle from product planning to overseas market and standard certification and develop the market ahead of competitors.
- In addition to product sales, we will strengthen the overseas maintenance structure.

3. New Domain Strategy (Sustainability Strategy)



Creation of markets by developing new technologies in response to industry changes

- We will work to strengthen the marketing system, including market research, across the entire organization to improve our ability to collect demand information.
- We will enhance our ability to propose new products based on market requirements of the entire industry such as decarbonization and carbon neutrality.

3. Group Strategic Priority

3-2. Group Management Base for Achieving the Vision

We will focus on laying the groundwork for implementing our business growth strategy through five strategies to strengthen the foundation of RIKEN KEIKI group.

1. Workforce Investment Strategy

Further promotion of workforce investment management for globalization

- We will further promote workforce investment management that values all the people of RIKEN KEIKI group.
- With the passing on of the technological capabilities of RIKEN KEIKI group in mind, we will establish an education system to commit ourselves to improving the skills of each employee and raise the technological capabilities overall.
- We will achieve corporate growth centered on the people of RIKEN KEIKI through the development of educational and working environments.

2. Supply Chain Strategy

Restructuring of the production system and supply chain

- We will develop and review BCPs to ensure a stable supply of products even during a pandemic or natural disaster, and will make efforts to reduce production risks.
- In order to deal with a short supply of parts, we will work to build sustainable relationships with subcontractors and restructure the supply chain, including a review of production capacity.

3. DX Strategy

Aggressive and defensive DX by using data

- We will work to promote defensive DX and also further improve quality and productivity by enhancing our data management capabilities through the use of the electronic maintenance form system (SmartREAS) and the introduction of ERP and sales support systems (SFA) for maintenance and management.
- We will strive to create new business opportunities through aggressive DX, including the use of data attached to gas detectors.

4. IoT Strategy

5. Governance Strategy

3. Group Priority Strategy

3-2. Fundamental Strategy for Achieving the Vision

We will focus on laying the groundwork for implementing our business growth strategy through five strategies to strengthen the foundation of RIKEN KEIKI group.

1. Workforce Investment Strategy

2. Supply Chain Strategy

3. DX Strategy

4. IoT Strategy

5. Governance Strategy

From selling goods to providing services

- In recent years, due to the development of IoT technologies and smart security initiatives, preventive maintenance and data utilization using data obtained from products (hardware) are required.
- We will strive to generate revenue through a new business model from selling goods to providing services based on communication technology, the use of apps, and cloud support.

Review of the governance structure as a global company

- We strive to improve corporate value through risk management, compliance, stricter governance, and enhanced IT security.
- We will review the control system of not only entities in Japan but also overseas subsidiaries as RIKEN KEIKI group, and strengthen governance as a global company.

4. Key Management Index

4-1. Management Plan

STEP 1: FY2023 Strengthening of the Management Foundation

- ✓ We will establish a management foundation centered on human resources of RIKEN KEIKI and prepare for new segments.
- ✓ While maintaining the sales level in the semiconductor industry, we will strengthen sales for the infrastructure industry (gas, electric power industry, etc.), the petrochemical industry (decarbonization and new energy industry), and the machinery industry (manufacturing of lithium-ion batteries), where demand is forecasted to increase due to the expected stable trend in the market.

STEP 2: FY2024 Response to Changes and Strengthening of Overseas Markets

- ✓ We will strengthen our marketing system and work to enter new segments while maintaining existing sales.
- ✓ In order for the gas detector industry to respond to changes such as decarbonization, carbon neutrality, and the IoT, we as RIKEN KEIKI will lead the development of technologies and commercialization, including basic development, and develop new markets to realize a sustainable society.
- ✓ In overseas markets, we will aim to further expand the market share of the semiconductor industry in Asia and expand sales to North America and Europe. In North America, we will continue to expand the market share of portable products, which are currently the mainstay, and will strengthen sales of stationary products and maintenance systems associated with them.

STEP 3: FY2025 Evolution to a Global Company

- ✓ We will maintain the top market share in the domestic market and become a global company of top-class gas detection alarms in the overseas market, boasting the technologically advanced RK brand.
- ✓ We will lead the development of new technologies and new markets such as for carbon neutrality and decarbonization in order to raise brand awareness of RIKEN KEIKI in overseas markets.

Sales
image

46.4 billion yen

Operating
income
image

11.6 billion yen



50 billion yen or more

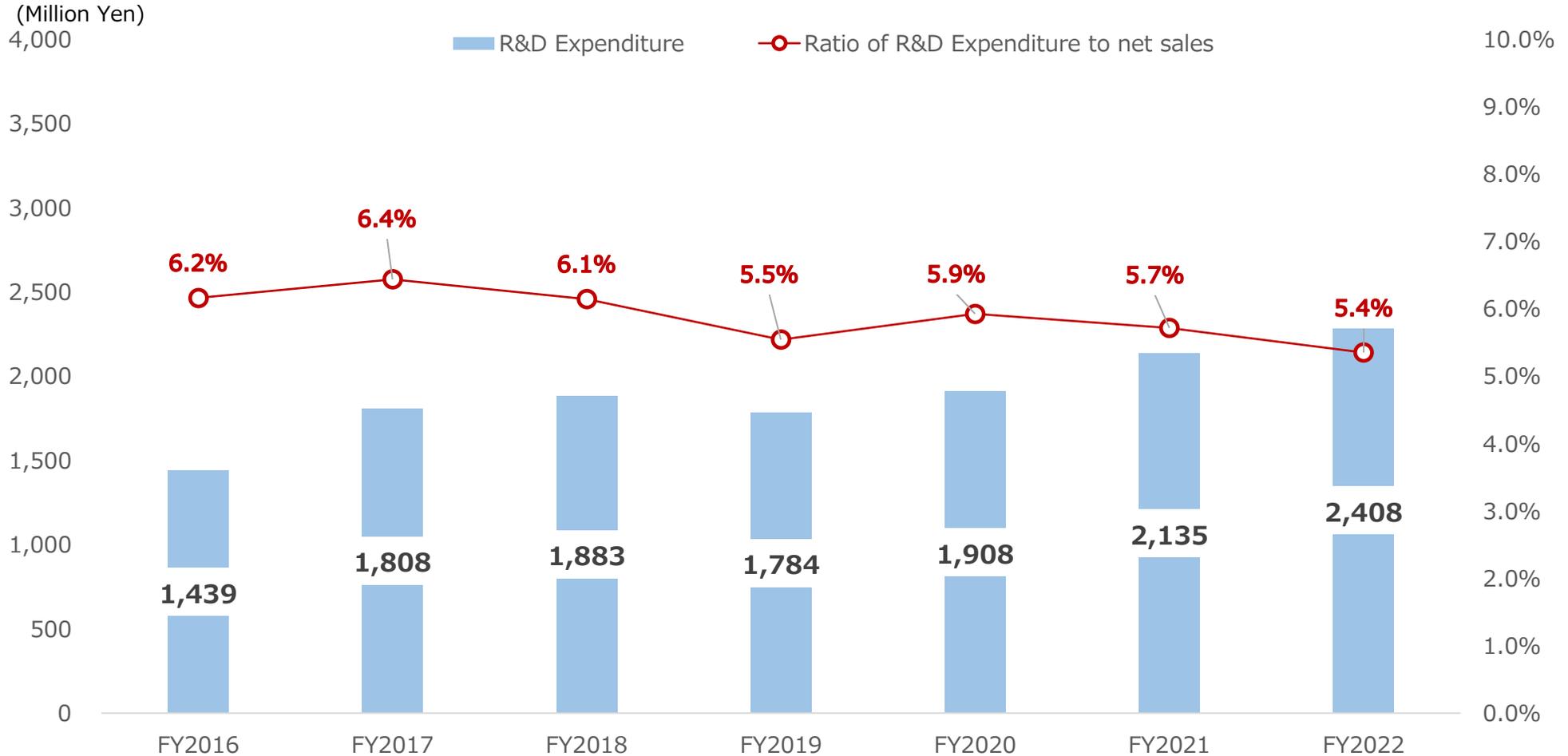
12 billion yen or more

4. Key Management Index

4-2. R&D Expenditure

- We will keep the R&D expenditure, the core of the Group Strategic Priority, at a level of around 6% in the ratio of R&D expenses to net sales

R&D Expenditure

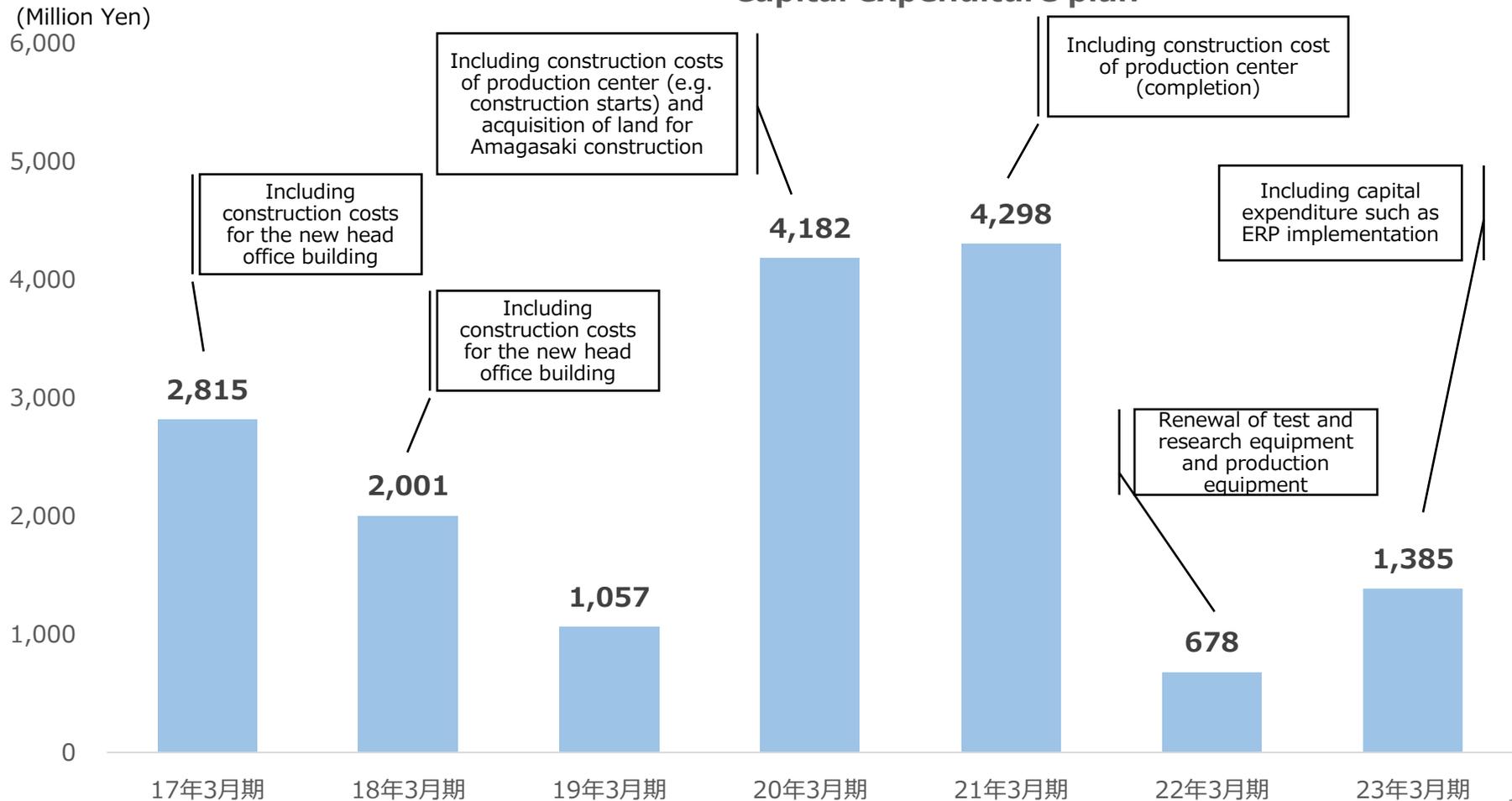


4. Key Management Index

4-3. Capital Expenditure

- In recent years, there has been some large-scale capital investment, such as the construction of the head office building and the production center, but capital expenditure is expected to be around 2 billion yen
- From FY2023 onward, we plan to increase production capacity in order to cope with the increase in sales in recent years (installation of floors of the production center and introduction of production equipment) and to invest in equipment for the introduction of ERP. In addition, we may develop bases to expand sales and maintenance in Japan and overseas

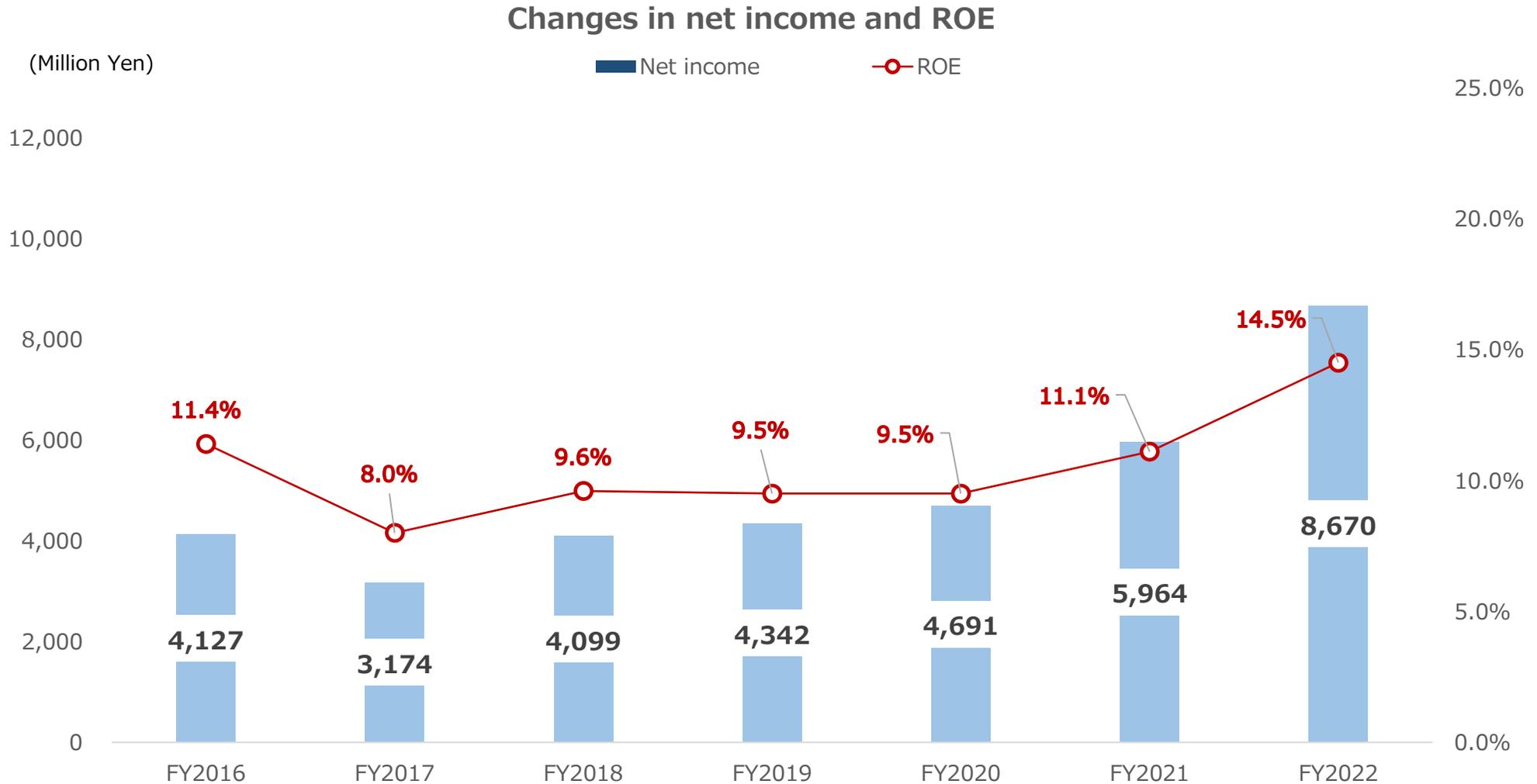
Capital expenditure plan



4. Key Management Index

4-4. Changes in ROE

- ROE is one of the key indicators for shareholders, and we will aim to maintain the level above double digits while assuming a stable net income level.

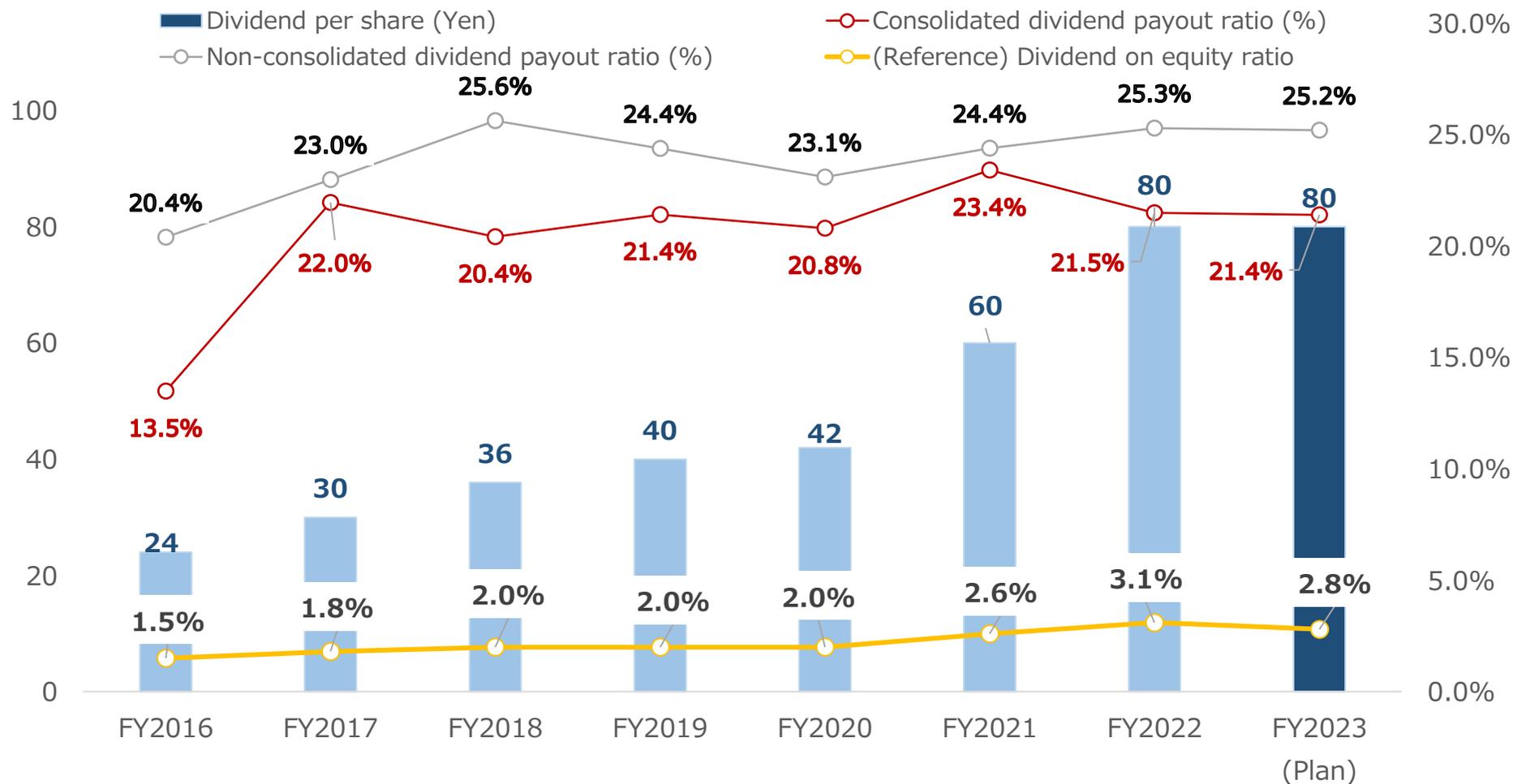


4. Key Management Index

4-5. Shareholder Return

- The basic policy is to provide continuous and stable dividends by comprehensively taking into consideration the dividend payout ratio, the ratio of dividends to shareholders' equity, financial conditions, etc.

Changes in dividend payout ratio (consolidated and non-consolidated)





RIKEN KEIKI Co.,Ltd.

The earnings forecasts and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions deemed reasonable by the Company. The Company does not promise the achievement thereof. Actual results may differ significantly due to various factors.