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Stock code: 4526

## FY2022 Financial Results Briefing

(Fiscal Year Ended March 31, 2023)

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May 26, 2023

### Speakers:

Kazuhiko Yamaki      President, Representative Director

Takahiro Tomitori      Director

## 1. FY2022 Results

## 2. Full-year FY2023 Forecast

**Tomitori:** My name is Tomitori from Riken Vitamin. Thank you for attending our financial results presentation today.

- **Sales rose JPY9.5bn and operating profit beat forecast revised in Q3, hitting a record high of JPY7.1bn; all major numerical targets for the first year of the medium-term management plan were met**
- **Earnings growth was underpinned by overseas business, where price revisions have gained traction**
- **Both Domestic Food and Domestic Chemical businesses saw sales rise but profits fall, as price revisions failed to offset cost increases**
- **Annual dividend was JPY13 higher YoY at JPY59 per share**

I will begin by explaining the financial results for FY2022.

Four key points of performance are summarized here.

As for the first point, the Company as a whole increased revenue by JPY9.5 billion. Operating income exceeded the forecast revised in Q3 and reached a record high of JPY7.1 billion. All major target figures for the first year of the medium-term plan were achieved.

Second, Overseas business, where price revisions have progressed, is driving our performance.

Third, in the domestic business, despite our efforts to revise prices of both food products and chemical products, the price revisions could not catch up with cost increases, resulting in an increase in sales and a decrease in profit.

Fourth, the annual dividend will be JPY59 per share, an increase of JPY13 per share over the previous year.

## FY2022 Results

RIKEN VITAMIN CO., LTD.

### Operating and ordinary profit both reached record highs

(Millions of yen)

	FY2021	FY2022	YoY change		FY2022 forecast (Feb. 10)	Difference vs forecast
			Amount	%		
Net sales	79,231	<b>88,750</b>	+9,519	+12.0%	88,000	+750
Operating profit	5,840	<b>7,158</b>	+1,318	+22.6%	6,800	+358
Operating profit margin	7.4%	<b>8.1%</b>	+0.7pp		7.7%	+0.4pp
Ordinary profit	6,182	<b>7,723</b>	+1,540	+24.9%	7,200	+523
Profit attributable to owners of parent	21,582	<b>6,414</b>	-15,168	-70.3%	5,600	+814
ROE	38.3%	<b>9.3%</b>	-29.0pp		8.1%	+1.2pp

Forex impact: JPY2.9bn for net sales, JPY425mn for operating profit

Average rate: JPY113/USD for FY2021, JPY136/USD for FY2022

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I would like to explain our overall performance.

In the orange frame, sales were JPY88.7 billion, an increase of JPY9.5 billion over the previous year.

Operating income of JPY7.1 billion and ordinary income of JPY7.7 billion, both of which are record highs.

Net income for the current fiscal year was JPY6.4 billion, a decrease of JPY15.1 billion from the previous fiscal year due to the significant impact of the JPY14.3 billion in extraordinary gains in the previous fiscal year.

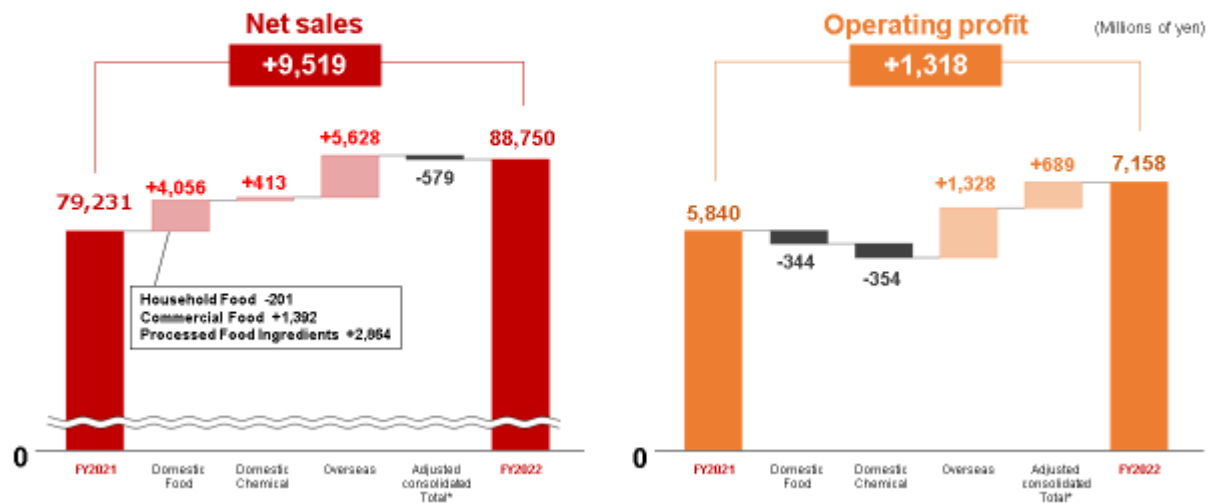
As a result, ROE was 9.3%.

The table on the lower left includes JPY2.9 billion in sales and JPY0.4 billion in operating income due to the impact of foreign exchange rates.

## Results by Segment

RIKEN VITAMIN CO., LTD.

Sales rose in all segments, with overseas business driving profits as price revisions gained traction



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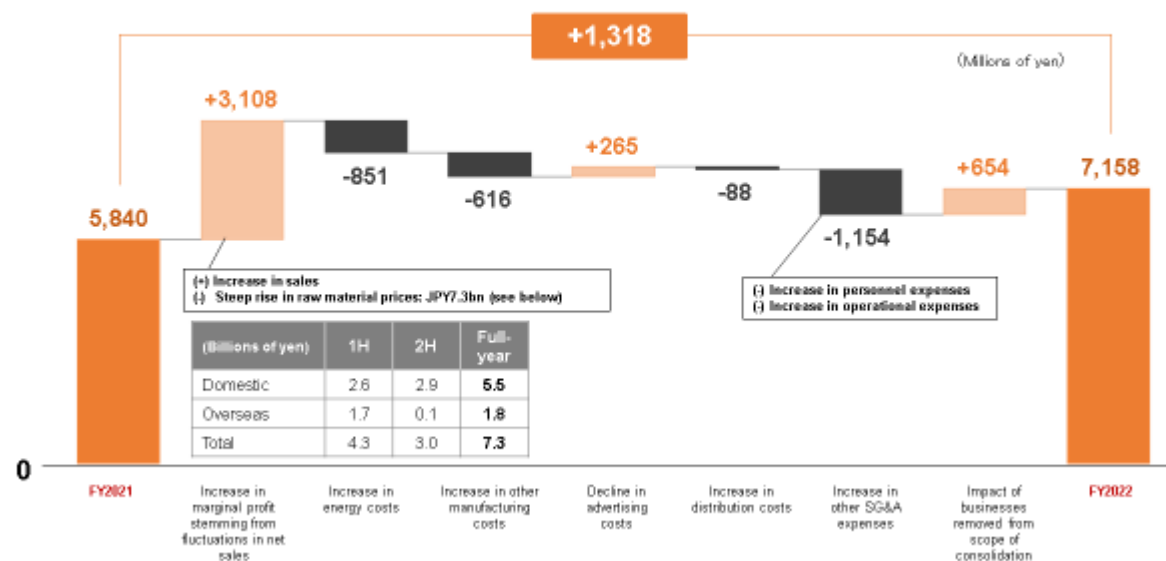
I will explain the results by segment.

The left side, sales, shows an increase of JPY9.5 billion. Sales increased in all segments: Domestic Food business, Domestic Chemical business, and Overseas business.

On the other hand, as shown in the graph on the right, operating income increased by JPY1.3 billion, as the decrease in Domestic Food business and Domestic Chemical business was more than offset by the increase in Overseas business and the effect of divesting a Chinese subsidiary that was in the red in the previous fiscal year.

## Factors Affecting Operating Profit

RIKEN VITAMIN CO., LTD.



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I would like to explain the changes in operating income by factor.

The overall increase was JPY1.3 billion.

The main reason for the increase in operating profit is the increase in marginal profit due to sales fluctuations, plus JPY3.1 billion. The table at the bottom of the graph shows the amount affected by the sharp rise in raw material prices. The total cost increase of JPY7.3 billion for the full year, both domestic and overseas, was offset by the increase in net sales.

The primary reasons for the decrease in profits were higher energy and labor costs, as well as higher activity expenses.

## Segment Highlights (1/2)

RIKEN VITAMIN CO., LTD.

### Domestic Food business: Sales up but profit down

(Millions of yen)	FY2021	FY2022
Net sales	54,130	58,186
Operating profit	4,938	4,593



- Price revisions in Commercial Food and Processed Food Ingredients were the main factor lifting sales
- It takes time, though, for price revisions to generate profit improvement
- Commercial Food earnings have recovered somewhat, albeit not to pre-pandemic levels

### Household Food: Sales down

- New product Furikakeru Zakuzaku Wakame scored a hit but price revisions depressed sales volume of other wakame products
- Sales volume of Sozaiyoku Dashi fell in the wake of a price revision, but net sales still beat prior-year levels thanks to a TV commercial



### Commercial Food: Sales up

- Demand from the restaurant industry recovered, especially in Greater Tokyo
- Sales of seaweed products to CVS increased with a boost from new orders
- NB product prices were raised for the fourth time since March 2022, including steep increases in price for items sold to manufacturers



### Processed Food Ingredients: Sales up

- Sales of vitamins, crocetin, and other health care products remained brisk over the full year
- In improving agents, sales volume fell due to change in product mix, but demand stayed firm
- Profit is seen improving from next fiscal year, buoyed by a review of low-margin products



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The following is an explanation of the key points by segment.

First, in Domestic Food business, both sales and profits increased. Net sales increased JPY4 billion, and operating income was minus JPY0.3 billion. As shown on the right, sales of Household Food decreased, while those of Commercial Food and Processed Food Ingredients increased.

The lower left-hand side shows that the main reason for this increase in revenue was due to price revisions for commercial food products and processed food ingredients. However, price revisions inevitably involve a time lag, which affects profits.

In addition, Commercial Food business is on a recovery track to a certain degree, although not as strong as before COVID-19, due to increased demand from the food service industry.

## Segment Highlights (2/2)

RIKEN VITAMIN CO., LTD.

### Domestic Chemical business: Sales up but profit down

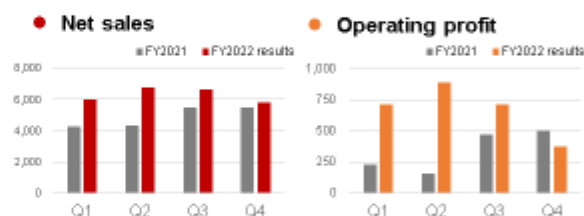
(Millions of yen)	FY2021	FY2022
Net sales	6,617	7,031
Operating profit	602	247



- Sluggish demand across industry, due to cooling Chinese economy, semiconductor shortage, etc.
- Descent into losses in Q2, amid delays in cost pass-throughs
- Stepped up cost pass-throughs since Q3 have improved operating profit but effect has been limited amid volume decline

### Overseas business: Sales and profit up

(Millions of yen)	FY2021	FY2022
Net sales	19,527	25,155
Operating profit	1,359	2,688



- Very strong in 1H on back of onetime demand boost, with the US and Europe as main earnings drivers
- Margins have normalized gradually since Q3, but were at unprecedented levels on full-year basis
- Both sales and profit were up sharply, but sales volume went down in Asia

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Next, I would like to explain our Domestic Chemical business.

Sales increased JPY0.4 billion, and operating income decreased JPY0.3 billion.

Demand was sluggish throughout the industries of our customers in Domestic Chemical business. Due to a slight delay in passing the cost onto prices, Q2 was unprofitable. However, as a result of the strong implementation of this price revision from Q3 onward, there was an improvement in Q3 and Q4, as shown in the graph. However, this effect was limited due to a slightly lower volume.

Lastly, this is our Overseas business.

Net sales increased JPY5.6 billion, and operating income increased JPY1.3 billion.

In H1, we were able to achieve high performance by firmly grasping customer needs in an unstable environment. Since Q3, the situation has changed as the environment has gradually changed, but we were able to raise a very high level for the full year, which was unprecedented in the past.

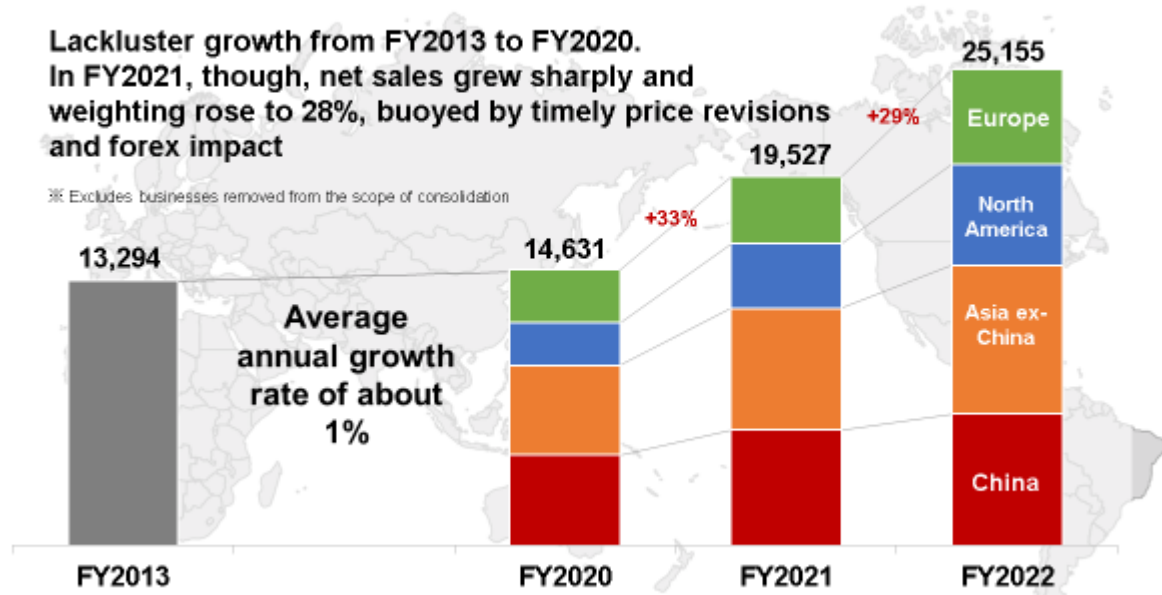


## Overseas Business: Net Sales

RIKEN VITAMIN CO., LTD.

Lackluster growth from FY2013 to FY2020.  
In FY2021, though, net sales grew sharply and  
weighting rose to 28%, buoyed by timely price revisions  
and forex impact

※ Excludes businesses removed from the scope of consolidation



The following table shows sales trends in Overseas business.

Sales growth, which was about 1% until three years ago, has become a large growth averaging about 30% in the last two years, and the percentage of overseas sales, at the bottom of the comment on the left, is 28%, approaching 30%.

**Prior-year deconsolidation of subsidiary the main factor  
affecting FY2022 profit**

(Millions of yen)

	FY2021	FY2022	YoY change	Main reasons for increase/decrease (YoY change)
Operating profit	5,840	7,158	+1,318	
Non-operating income	766	800	+34	
Non-operating expenses	424	236	-187	Absence of valuation losses on derivatives [-113]
Ordinary profit	6,182	7,723	+1,540	
<b>Extraordinary income</b>	<b>14,343</b>	<b>194</b>	<b>-14,148</b>	Absence of gains on sale of investments in capital of subsidiaries and associates (-12,076) Decline in gains on sale of investment securities (-2,017)
Extraordinary losses	213	60	-153	
Profit before income taxes	20,313	7,857	-12,455	
<b>Income taxes</b>	<b>-1,285</b>	<b>1,440</b>	<b>+2,725</b>	Income taxes were low after being negative in FY2021 due to a subsidiary's removal from the scope of consolidation
Profit attributable to non-controlling interests	16	3	-12	
<b>Profit attributable to owners of parent</b>	<b>21,582</b>	<b>6,414</b>	<b>-15,168</b>	

I would like to explain the key points of non-operating income/loss and extraordinary income/loss.

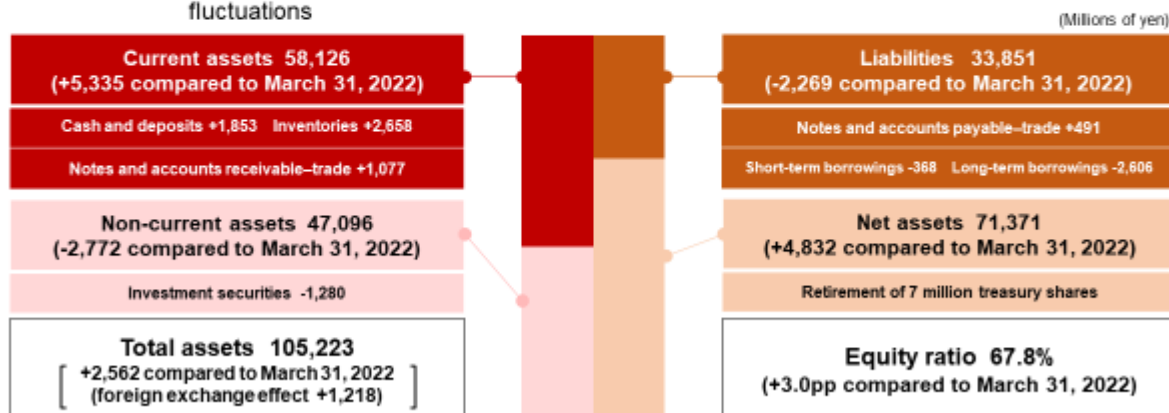
Net income for FY2022 was JPY6.4 billion. The JPY15.1 billion decrease from the previous year is mainly due to extraordinary gains of JPY14.3 billion, including a gain on the sale of a subsidiary in China in the previous year. In FY2022, there were no significant changes in extraordinary income/loss and non-operating income/loss.

## Consolidated Balance Sheet

RIKEN VITAMIN CO., LTD.

### Forex effects accounted for JPY1.2bn of increase in net assets

- Inventories increased amid sharp rise in raw material costs
- Investment securities decreased due to sale of cross-held shares, share price fluctuations



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I would like to explain the consolidated balance sheet.

Total assets increased by JPY2.5 billion. Of this amount, JPY1.2 billion is due to the impact of foreign exchange rates. Net assets increased by JPY4.8 billion due to the accumulation of periodic profit. Due to the sharp rise in raw material prices, accounts receivable, inventories, and accounts payable have increased.

As for interest-bearing debt, the Company repaid a total of JPY3 billion in long-term and short-term borrowings.

The equity ratio increased by three points to 67.8%.

## Consolidated Cashflow Statement

RIKEN VITAMIN CO.,LTD.

### Free cash flow up JPY2.6bn

- Despite increase in working capital, cash flow from operating activities on track to meet the medium-term management plan target of JPY25bn over three years
- Cash flow from investing activities shrank in absence of expenditure accompanying deconsolidation, postponement of some capex

(Millions of yen)

	FY2021	FY2022	YoY change	Main Items
Cashflow from operating activities	6,823	7,835	+1,011	Decrease (increase) in trade receivables -1,140 Decrease (increase) in inventories -2,459 Income taxes paid or refunded -327
Cashflow from investing activities	-3,661	-2,034	+1,626	Purchase of property, plant and equipment -2,112
Cashflow from financing activities	-7,565	-4,578	+2,987	Repayments of long-term borrowings -2,606
Cash and cash equivalents at end of period	15,064	16,656	+1,592	

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I would like to explain the consolidated statement of cash flows.

The table shown is for FY2021 and FY2022. Free cash flow, which is the sum of cash flow from operating activities and cash flow from investing activities, increased by JPY2.6 billion in FY2022 compared to the previous year.

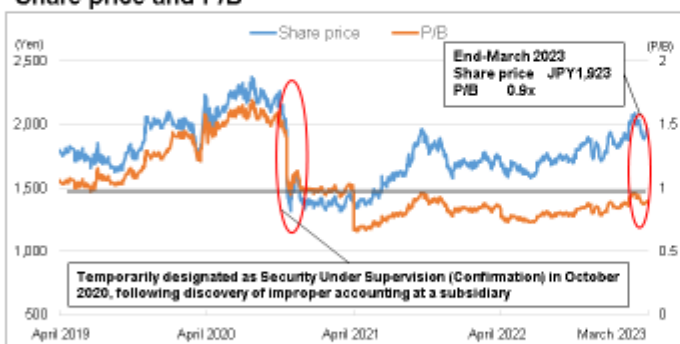
## Return on Capital and Market Valuation

RIKEN VITAMIN CO., LTD.

**P/B at end-FY2022 was 0.9x**

**Share price does not reflect return on capital exceeding cost of capital**

### Share price and P/B



### ROE

**9.3% in FY2022 vs. medium-term management plan target of 8%**

### Analysis of contributing factors

- Governance issues (discovery of improper accounting at a subsidiary)
- Slump in earnings in wake of accounting problems (two consecutive years of losses in FY2019–20)
- Lack of clarity over quantitative targets in shareholder return policy
- Insufficient information dissemination
- Not enough use of cash to sustainably improve corporate value

**Performance has recovered, but same cannot be said as yet for market valuation**

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Finally, I would like to explain our return on capital and market valuation.

As of the end of FY2022, our P/B ratio is 0.9x. Incidentally, as I mentioned earlier, the ROE is 9.3%. We believe that our return on capital is higher than our cost of capital. Unfortunately, this is not reflected in our stock price. The Company attributes this to the following factors.

To Begin, the governance issues include the accounting treatment of a subsidiary in China. The impact of this change has resulted in two consecutive fiscal years of losses for FY2019 and FY2020. In addition, regarding our shareholder return policy, we were not clear about the quantitative level. Furthermore, we may have been a little lacking in information dissemination.

As a consequence, our performance is starting to come back, but we believe that the market's assessment of our performance is still on the road to recovery. In this medium-term plan, we are in the process of creating and advancing measures to resolve these factors. Specifics will be explained on the next page.

## Strengthen governance, outline blueprint for sustainable growth, engage in dialog

	Goals, initiatives in the medium-term management plan	Initiatives to date and their effect
① Strengthen governance	<ul style="list-style-type: none"> <li>Have an outside body evaluate board's effectiveness</li> <li>Reduce cross-held shares to less than 20% of consolidated net assets</li> <li>Cooperate with outside directors</li> </ul>	<ul style="list-style-type: none"> <li>Effectiveness evaluation undertaken in March</li> <li>Cross-held shares amounted to 24.9% of consolidated net assets (-3.8pp)</li> <li>Exchange of views with outside directors at 10 work site locations (factories, branch offices, subsidiaries)</li> <li>Unqualified opinion on financial statements under Company Law</li> </ul>
② Execute medium-term management plan	<ul style="list-style-type: none"> <li>Final year targets: net sales of JPY92.0bn, operating profit of JPY8.0bn, ROE of 8% or more</li> </ul>	<ul style="list-style-type: none"> <li>Met targets set for the first fiscal year of the medium-term management plan</li> </ul>
③ Capital policy	<ul style="list-style-type: none"> <li>Determine cash flow allocation</li> <li>Change in dividend policy to specify target dividend payout ratio of 30%</li> <li>Strategic investment target set at JPY5.0bn</li> </ul>	<ul style="list-style-type: none"> <li>JPY13 increase in dividend based on dividend policy</li> <li>Considering growth investments and return of profit to shareholders as strategic investments</li> </ul>
④ Step up IR activity	<ul style="list-style-type: none"> <li>Enhance accurate and easy-to-understand disclosure; expand disclosure in English</li> <li>Strengthen dialogue with institutional and individual investors</li> <li>Issue integrated reports</li> </ul>	<ul style="list-style-type: none"> <li>Full revamp of website (Japanese and English)</li> <li>First disclosure based on TCFD</li> <li>Start of same-day release of Japanese and English consolidated results summaries, timely disclosures</li> <li>Focus on activities targeting individual investors in FY2022</li> <li>Preparing to issue integrated report at end-September</li> </ul>

We have summarized them into four categories.

First, regarding governance, we have clarified our policy to reduce cross-shareholdings, the second item from the top. We have also decided on targets and explained them in the corporate governance report in the section from explain to comply.

In addition, the audit opinion of the audit firm under the Companies Act, which used to be a qualified opinion, was changed to an unqualified opinion for FY2022.

Second, in terms of business performance, we were able to achieve the targets of the medium-term management plan for FY2022, the first year of the plan.

Third, in the area of capital policy, we have clarified our dividend policy. Based on a dividend payout ratio of at least 30%, we have decided to increase the dividend by JPY13 to JPY59, or 30.2% for FY2022.

Fourth, we are strengthening our IR activities.

For example, our website was completely redesigned in April. Additionally, we are promoting simultaneous disclosure of financial statements and timely disclosure in both Japanese and English. Moreover, we are currently preparing the integrated report for publication at the end of September this year.

This is the end of our report on the results for FY2022. Thank you.

1. FY2022 Results

**2. Full-year FY2023 Forecast**

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**Yamaki:** Hello, everyone. This is Yamaki, the President of the Company. I would now like to explain our forecast for the full FY2023.

**Responded to changes in environment in line with basic policy, met targets for the first fiscal year of the medium-term management plan, albeit with mixed performance between segments**

**[Medium-to Long-Term Vision]**

**Achieving growth by supporting  
a sustainable society with  
specialty products and services**

**[Basic Policies]**

FY2022

FY2024

FY2030

Strengthen management  
foundation (governance)

Build a new corporate culture

Accelerate expansion in Asia  
and North America

Expand specialty products overseas

Delve into the domestic market,  
enter new domains

Review portfolio strategically

Pursue sustainable management

	FY2022			FY2024 Medium-term target
	Initial forecast	Results		
Net sales	86,000	88,750 Met		94,000
Operating profit	5,400	7,158 Met		8,000
ROE	6.2%	9.3% Met		At least 8.0%

**By segment**

		FY2022			FY2024 Medium-term target
		Initial forecast	Results		
Domestic Food	Net sales	56,800	58,186 Met		61,000
	Operating profit	4,350	4,593 Met		6,200
Domestic Chemical	Net sales	7,500	7,031 Not met		8,500
	Operating profit	450	247 Not met		800
Overseas	Net sales	23,800	25,155 Met		25,800
	Operating profit	1,000	2,688 Met		1,400

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First of all, we are presenting here again the basic policies of our medium- to long-term vision and medium-term management plan, which we announced last May.

We are currently implementing our medium-term management plan in accordance with the four basic policies outlined here.

Although Overseas business greatly increased its performance in the previous fiscal year, it was largely due to price increases and external factors, and it cannot be said that the Company was able to accelerate its expansion in Asia and North America in the original sense of the word. From this fiscal year onward, we will once again aim to grow specialty products and services.

The domestic business was forced to devote much time and effort to price revision negotiations in the previous fiscal year. We will continue to make necessary price revisions in the current fiscal year, but we would like to take more opportunities to propose new value.



## Key Points of FY2023 Earnings Forecast

 RIKEN VITAMIN CO.,LTD.

- **Targeting net sales of JPY92.0bn (+3.7%), operating profit of JPY6.8bn (-5%)**
- **Overseas business expected to see a reactionary slowdown from the strong performance in the previous year, targeting stable growth through stronger sales of high value-added products**
- **Domestic Food business likely to be affected in 1H by higher ingredient costs. Margins at Domestic Chemical business expected to recover somewhat**
- **Planning same dividend as in the previous year, at JPY59**

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Here are the key points of our forecast for FY2023.

Net sales are projected to increase 3.7% to JPY92 billion, and operating income is projected to decrease 5% to JPY6.8 billion.

Although we plan to decrease profits in Overseas business in reaction to the strong performance of the previous fiscal year, we will aim for stable growth by expanding sales of high-value-added products.

Conversely, Domestic Food business will be affected by higher costs of food ingredients in H1, but we expect higher sales and profits through the penetration of price increases and sales expansion of new products.

In Domestic Chemical business, we expect a certain recovery in profit margin.

The Company plans to pay a dividend of JPY59 per share, the same amount as the previous fiscal year.

## FY2023 Consolidated Earnings Forecast

RIKEN VITAMIN CO., LTD.

### Profit seen falling YoY, but nonetheless making solid progress toward the medium-term management plan targets

- Expecting profit to decline YoY, impacted by reactionary slowdown in overseas business
- Planning price revisions for some products, even though impact of higher raw material prices should ease YoY
- Relative to the medium-term management plan targets, anticipating outperformance by overseas business, underperformance by domestic business
- Forex assumption is JPY135/USD

(Millions of yen)

	FY2022	FY2023	Change (amount)	Change (%)	Medium-term management plan targets (released May 2022)	Relative to medium-term management plan target
Net sales	88,750	92,000	+3,249	+3.7%	90,000	+2,000
Operating profit	7,158	6,800	-358	-5.0%	6,700	+100
Operating profit margin	8.1%	7.4%	-0.7pp		7.4%	-0.0pp
Ordinary profit	7,723	7,200	-523	-6.8%	6,900	+300
Profit attributable to owners of parent	6,414	5,600	-814	-12.7%	5,300	+300
ROE	9.3%	7.7%	-1.6pp		7.5%	+0.2pp

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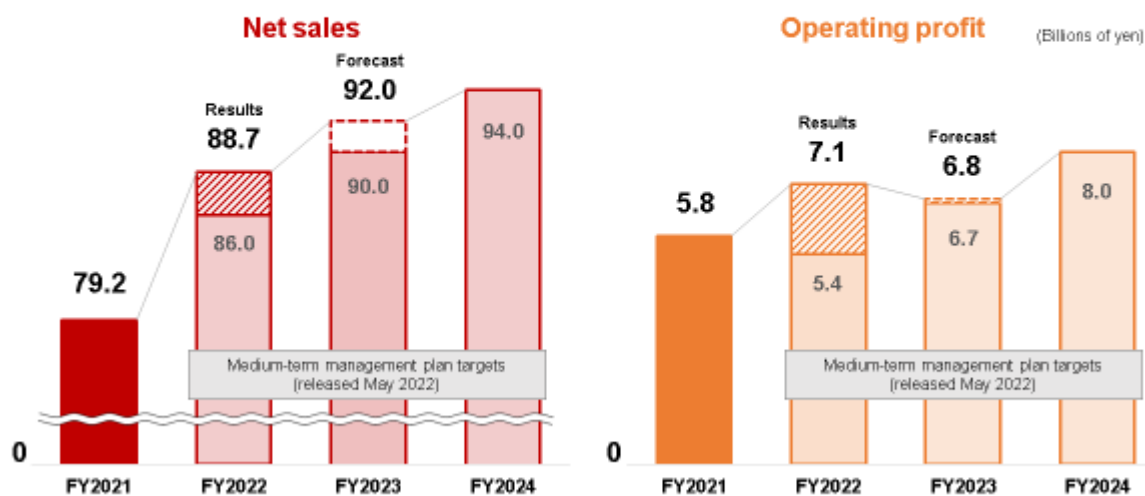
This is the consolidated financial forecast for FY2023.

Compared to the previous fiscal year when our Overseas business was extremely strong, we expect to see a decrease in profit, but we will still be above the target level set at the time of formulating the medium-term management plan. In the current fiscal year, we hope to make up for the decline in overseas operations with our domestic business and achieve the goals of the second year of our medium-term management plan. We believe that the sales plan is a sufficiently achievable figure, and although we recognize that operating income is in a slightly difficult environment, we believe that it is a figure that we can realistically reach by implementing each of our priority measures.

## Progress Toward Medium-Term Management Plan Targets

RIKEN VITAMIN CO., LTD.

**No change at present to the final year targets, despite some divergence from targets caused by changing business climate**



※ Forex rate at the time medium-term management plan was released: JPY116/USD

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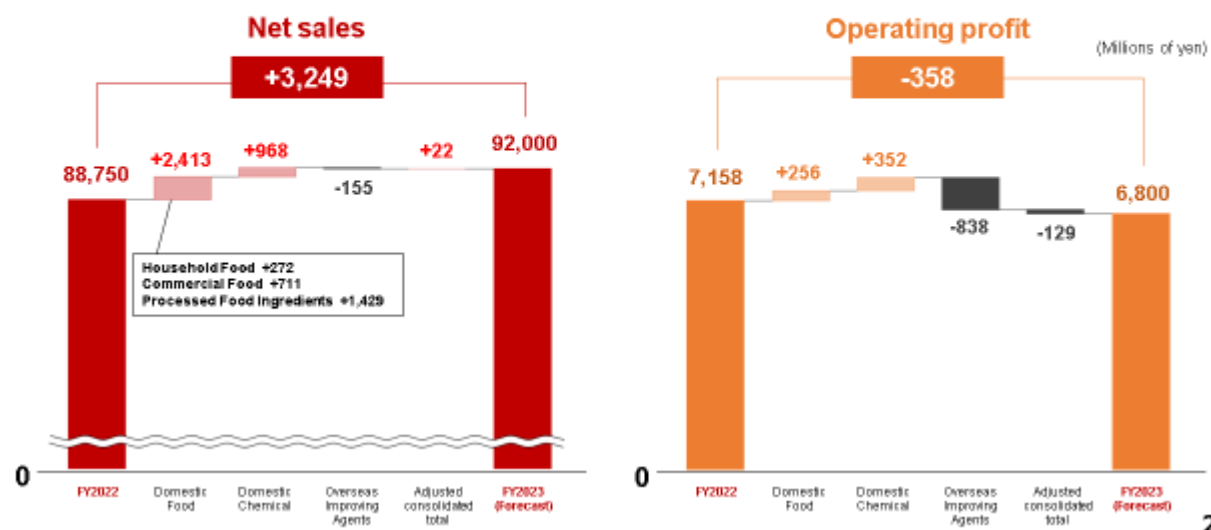
Progress toward the sales and operating income targets of the medium-term management plan is shown here in a graph.

Due in part to significant fluctuations in foreign exchange rates and raw material prices compared to the time of the plan, actual results for the previous fiscal year far exceeded the target. The business plan for this fiscal year also differs from the assumptions made when the plan was formulated, but the resulting figures are expected to be close to the plan.

If the current business environment continues, we expect to see a divergence in the balance between net sales and operating income in the next fiscal year, which will be the final year of the plan, but we have not revised the plan at this time. We would like to revise this figure if necessary once we have a clearer picture of the business environment for the next fiscal year, but we will stick to the JPY8 billion operating income figure.

## Projected YoY Change in Net Sales and Operating Profit by Segment RIKEN VITAMIN CO., LTD.

**Expecting domestic business to grow in terms of both sales and profit as price revisions gain traction, but forecasting reactionary decline for overseas business**

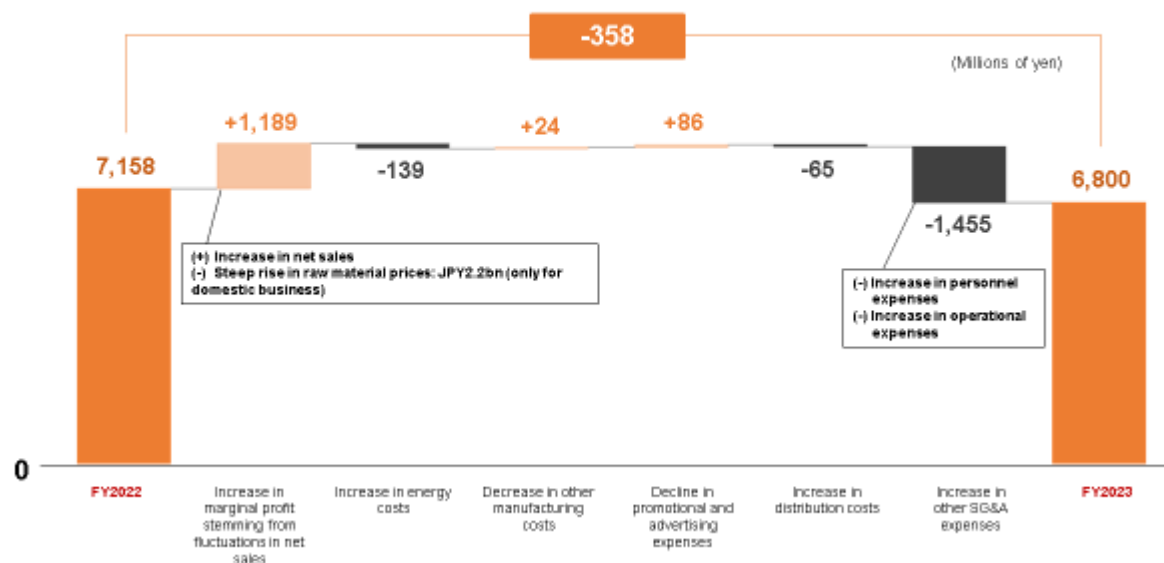


This is the projected increase or decrease by segment for the current fiscal year.

Domestic sales and profit are expected to increase due to the effect of price revision in the previous fiscal year, while overseas sales and profit are expected to decrease due to the reaction to the previous fiscal year.

## Factors Affecting Operating Profit

RIKEN VITAMIN CO., LTD.



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This is the forecast of factors that may cause operating income to increase or decrease in the current fiscal year.


There is no impact from the sharp rise in raw material prices overseas, as the market for oils and fats is calmer than in the previous fiscal year. In Japan, we expect an impact of about JPY2.2 billion, mainly in vitamin E raw materials and food ingredients. In SG&A expenses, personnel expenses are expected to increase due to wage base increases as an investment in human capital. We have reached an agreement with Riken Vitamin's non-consolidated labor union for an 8% base increase.

## Squeeze on profits from higher costs for seasonings


## Business climate

- ✓ Persistently high raw material, energy costs
- ✓ Expecting a degree of recovery in consumer spending, on back of wage increases, inbound demand

## Household Food

(Millions of yen)	FY2022	FY2023
Net sales	12,727	13,000 

## Commercial Food

(Millions of yen)	FY2022	FY2023
Net sales	19,588	20,300 

- Price revisions for mainstay oil-free dressings
- Further market penetration by differentiated products



- Rather than just waiting for demand to return, looking to grow presence in prepared meal and elderly care markets



## ◀ New products in 2023

- (Left) Indo Kareya-san no Naze Dressing, a hit on social media
- (Right) Commercial version of household product

Next, I would like to explain the outlook by segment.

Domestic Food business, which includes food products for household use and food products for commercial use. This sector is expected to face a difficult business environment due to rising prices of food ingredients, such as salt and soy sauce.

In Household Food, we will raise the price of our mainstay non-oil dressing for the first time in four and a half years in August. We expect that the price increase will reduce the volume to some extent, but we hope to compensate for this by penetrating other categories of the market.

In the commercial market, a return of demand from the food service industry is greatly expected due to the increase in foreign tourists and other factors. On the other hand, we will continue to focus on the market for home replacement meal and the market for health care for the aged, which are our priority areas, in order to capture new customers.

## Creating opportunities out of resolving issues plaguing industry

## Processed Food Ingredients

(Millions of yen)	FY2022	FY2023
Net sales	25,870	27,300

## Business climate

- ✓ Higher costs squeezing profits industrywide
- ✓ Supply chain constraints, including egg shortage

- Focus on solutions likely to generate new business, such as cost-cutting via productivity improvements, lower loss rate
- Devising solutions for issues plaguing industry as a whole (e.g., suggesting cake recipes using fewer eggs)
- Adapting health care products for sale as general processed foods
- Planning to complete production transfer to new Pharmaceutical MC building
- Products subject to price revisions fewer than in previous year  
Vitamin E and gardenia pigment are subject to price revisions



Next is Processed Food Ingredients in our Domestic Food business.

In this area, we spent a lot of time negotiating price increases in the previous fiscal year, but this fiscal year, we intend to strengthen our original solution business and make various proposals.

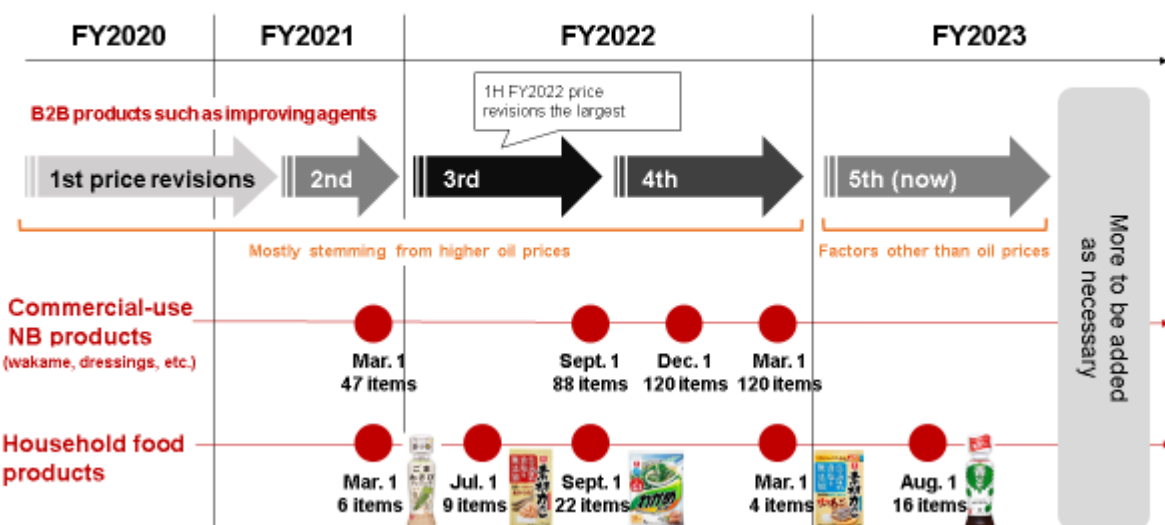
With our improving agents, we can, for example, reduce costs, and we can also offer suggestions to help counter the egg shortage. We believe it is our role to support dietary lifestyles by proposing solutions that address such social issues.

In addition, demand for health care products, which was strong in the previous fiscal year, is expected to remain strong in the current fiscal year.

## Domestic Food Business: Price Revisions

RIKEN VITAMIN CO., LTD.

Price revisions ongoing, but targeting different products each time



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This shows the price revisions in Domestic Food business in chronological order.

For B-to-B products, such as improving agents, we have already completed the fourth price increase and are currently in the process of raising prices for the fifth increase. In the past, we have raised prices mainly for oils and fats, but this fiscal year, we will revise prices for vitamin E and gardenia raw materials, as they have gone up.

We have been raising the prices of NB products for commercial use, such as wakame seaweed and seasonings, as well as products for home use, in this sequential manner. The price increase we have announced for this fiscal year is the non-oil dressing for home use, as I mentioned earlier. However, we will continue to respond speedily to any raw material price increases.



## Modest improvement in business climate relative to previous year

Domestic Chemical Business		
(Millions of yen)	FY2022	FY2023
Net sales	7,031	8,000 
Operating profit	247	600 

## Business climate

- ✓ Demand has been slow to recover across chemical industry as a whole, but is improving gradually as Chinese economy resumes
- ✓ Heightened interest in environmentally friendly products

## Recent earnings improvement measures

- Contributions from previous year's price revisions
- Strengthened proposals to makers of cosmetics (especially skin care products)

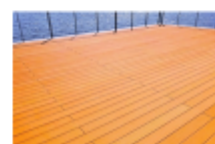


## Longer-term structural reforms

- Expanding sales of compatibilizers and other environmentally friendly products
- Continuing to consider practical application of pollen dispersal suppressant

## Compatibilizers

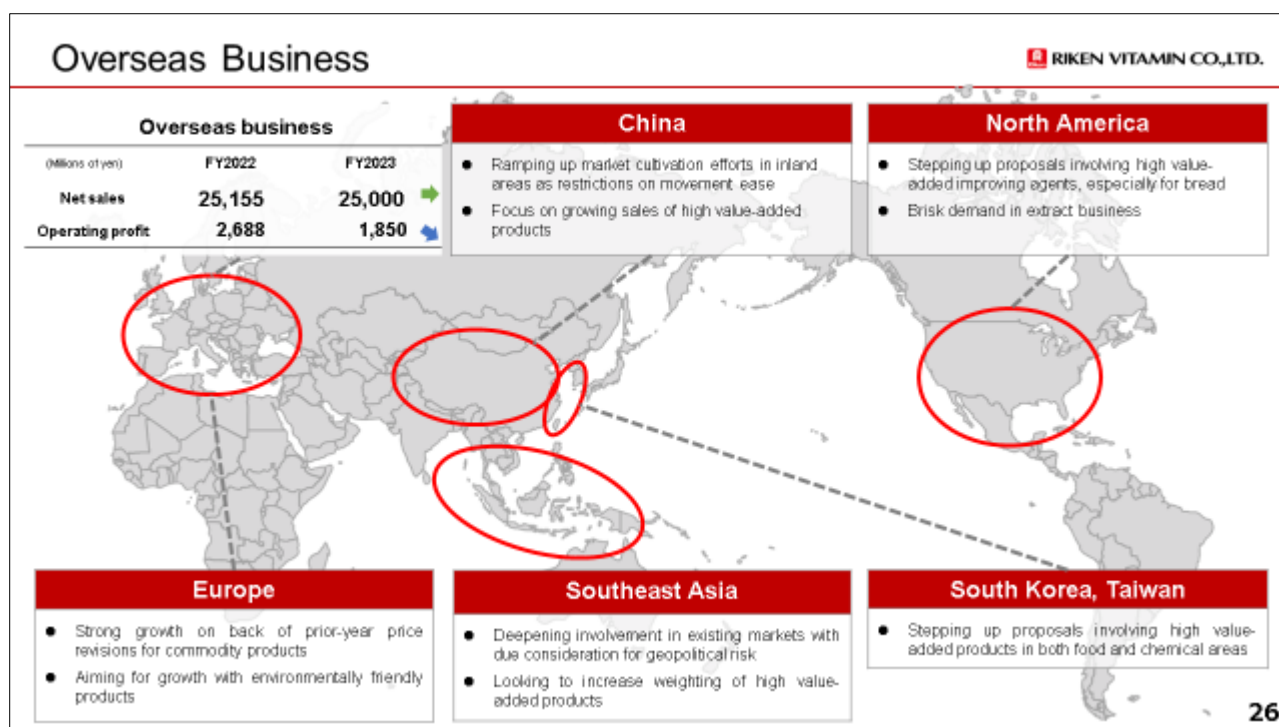
Improving agents that mix biomass (e.g., cellulose nanofibers) with resins, which do not usually mix.  
Contribute to improving biomass content and physical properties



Next is Domestic Chemical business. This business is still in a difficult situation due to the still sluggish demand for resin-related products. However, with the resumption of the Chinese economy, we expect the business environment to improve compared to the previous fiscal year.

In terms of business performance, the effects of price revisions that were strongly promoted in H2 of the previous fiscal year have been realized, and profits have been improving. We expect that the cosmetics industry will be boosted by people taking off their masks and inbound sales, and we hope to achieve a V-shaped recovery by focusing on this area.

At the same time, we will continue to work on medium- and long-term themes, such as modifiers for bioplastics.



Next is Overseas business. Net sales are expected to remain mostly unchanged, while operating income is expected to decrease. However, the operating margin of 7.4% is still above the target of the medium-term plan.

While demand for commodity products increased in the previous fiscal year, partly due to the buildup of wartime safety stock, sales of high-value-added specialty products were sluggish. From this fiscal year onward, we intend to once again expand sales of specialty products.

Our priority areas are Asia and North America, but there are geopolitical risks in some parts of Asia, so we will carefully select which markets to focus on as we proceed. In North America, we would like to expand sales by focusing on the West Coast, where Asian food culture is relatively well established.

### Participation in NanoTerasu Coalition

#### Next-generation synchrotron radiation facility, NanoTerasu



▲ NanoTerasu under construction  
(within the premise of Tohoku University Aobayama New Campus in Sendai)  
Source: Photon Science Innovation Center

- A huge microscope-like facility using light more than a billion times brighter than sunlight to study nanoscale structures
- Under construction by five regional partners in a public-private regional partnership, including National Institutes for Quantum Science and Technology and Photon Science Innovation Center
- Scheduled to start operation in FY2024

- Using facilities under joint research arrangement with Tohoku University
- Enables visualization of action mechanism for food and chemical improving agents



- Development of new technologies and products through industry-academia collaboration
- Human resource development through exchanges between researchers
- Potential for future expansion into research in areas other than improving agents

I would like to introduce a topic on research and development for our improving agents business.

In March of this year, we participated in a public-private regional partnership project called NanoTerasu, a next-generation synchrotron radiation facility. We have participated in this coalition. NanoTerasu is a huge microscope-like facility that uses synchrotron radiation to observe materials at the nano-level.

We would like to use this facility in collaboration with Tohoku University, which has this facility on its premises to visualize the mechanism of action of our improving agents. If we can visualize how improving agents work on foods and chemical products, I believe it will be useful for the development of new technologies, and I expect that human resource development will also be promoted through exchanges among researchers.

## Collaborating with fishing enterprises and fishery cooperatives to support large-scale aquaculture using vacant fishing grounds

### Our challenge

- Unstable procurement due to decrease in wakame production

### Issues in Ryori district of Ofunato City, Iwate Prefecture

- **Local fishing enterprise**  
Instability of fish catches and income due to changes in marine environment
- **Ryori Fishery Cooperative**  
Increase in vacant fishing grounds due to decrease in wakame producers, and increase in management costs

### Started providing support in 2020

- **Riken Foods (our group)**  
Seedling supply  
Rental of boiling equipment  
Purchase of full amount
- **Local fishing enterprise**  
**Entry into wakame farming**  
\*Persons exercising fishing rights are individuals
- **Ryori Fishery Cooperative**  
Provide vacant fishing grounds

### Great results this season (third year), with further expansion planned



- **Our company**  
Stabilization of procurement
- **Local fishing enterprise**  
Stable source of income
- **Ryori Fishery Coop**  
Decrease in vacant fishing grounds, management costs

The second topic, which I would like to introduce, is our seaweed business initiatives.

In recent years, domestic production of wakame has been declining due to the aging of the fishing industry. Stable procurement of raw materials is a major issue for the Company. To this end, the Group is working with local fishing companies and fishery cooperatives in Iwate Prefecture to support the large-scale cultivation of wakame seaweed by utilizing idle fishing grounds. By providing wakame seedlings and production know-how and by purchasing all the wakame cultivated by the employees of the fishing companies, we are able to stably procure raw materials, the fishing companies are able to generate stable income, and the fishing cooperatives are able to effectively utilize vacant fishing grounds, making this a three-way win-win situation.

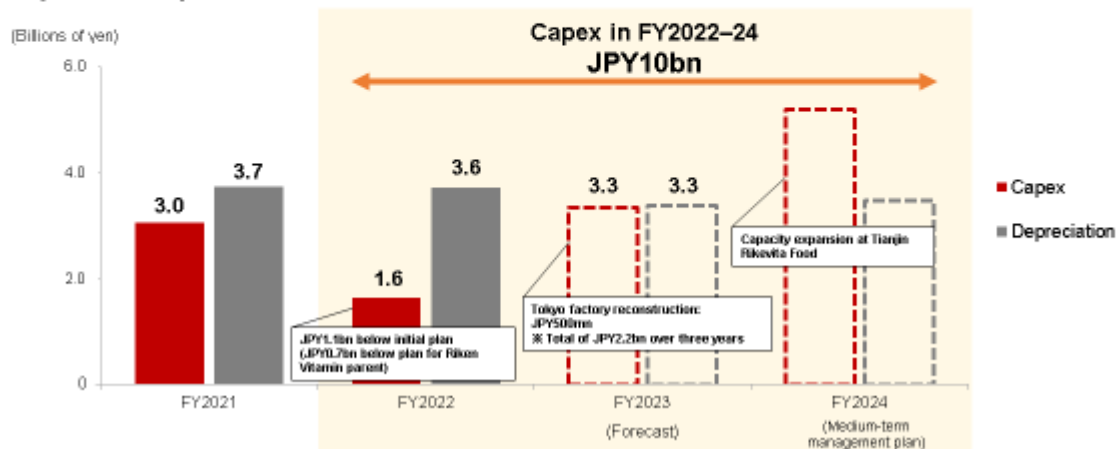
Our group will continue to contribute to the revitalization of the seaweed industry.

## Capex and Depreciation

RIKEN VITAMIN CO., LTD.

- FY2022 capex well below plan due to postponement of some investment
- Planned FY2023 investment in Tokyo Factory JPY0.3bn greater than called for in the medium-term management plan

### Capex and depreciation



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I would like to explain the actual results of capital investment and depreciation for the previous fiscal year and the forecast for the current fiscal year.

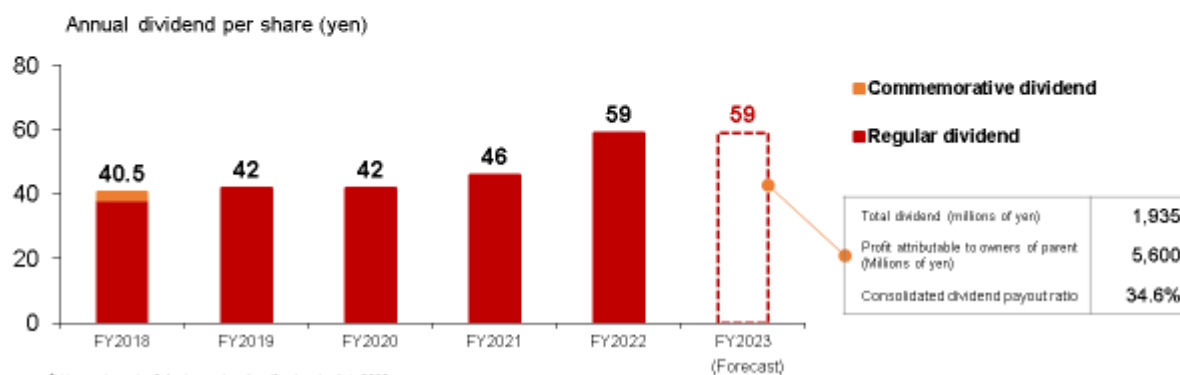
As you can see, capital expenditures were at an extremely low level of JPY1.6 billion in the previous fiscal year. Causes and factors include a slight delay in the timing of investment as a result of the decision for additional construction work in the Tokyo Factory's facility plan, as well as the delay in the timing of some renewal investments. Capital investment of JPY3.3 billion is planned for the current fiscal year.

## Dividend Forecast

RIKEN VITAMIN CO., LTD.

### <Dividend policy>

We regard the return of profit to shareholders as one of the most important management issues. Our basic policy is to continue to pay stable dividends with a **consolidated dividend payout ratio of at least 30%** as we comprehensively consider our business environment, earnings, financial condition, shareholder return ratio, and internal reserves for strengthening the management base.



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Next, we report on dividends.

Based on the policy of maintaining a stable dividend payout ratio of 30% or more, we paid an annual dividend of JPY59 per share on the previous fiscal year, an increase of JPY13 from the fiscal year before that. As I explained earlier, we forecast reduced profits this fiscal year, but we will not reduce the dividend and would like to maintain the annual dividend of JPY59 per share.

**Environmental-load reduction**

- Gradual shift to indicating year and month of product expirations
- Helping to reduce food loss and streamline logistics



【Items targeted】  
Furu Wakame-chan series, 11 items  
Wakame Soup series, 12 items

**TCFD**

- Planning to disclose financial impact of risks and opportunities in integrated report due out in September

**Reduction in GHG emissions**

- Starting to calculate Scope 3 emissions

**Reduction in cross-held shares**

- A total of 10 stocks sold in FY2022 (including partial sale)
- Cross-held shares / net assets ratio  
End of FY2021: 28.7%  
End of FY2022: 24.9%

**Effectiveness of Board of Directors**

- Effectiveness evaluation by external body in March
- Planning to increase number of female directors by one in June 2023  
(two female directors out of 11)

**Health management**

- Recognized as "Certified Health & Productivity Management Outstanding Organization" for second consecutive year



Finally, I would like to explain our ESG-related initiatives.

First, as one initiative to reduce environmental impact, we will change the best-before dates on some products from year and date to year and month. Currently, 23 items have been determined, but we would like to expand the number of items in the future.

As for cross-shareholdings, the ratio of net assets to total assets was 24.9% as of the end of the previous period. We will, of course, achieve the 20% target of the mid-term plan, but we would also like to further reduce the amount to an appropriate level.

In addition, to strengthen governance, an evaluation of the effectiveness of the Board of Directors was conducted by an external organization in March of this year. We plan to hold this evaluation every few years.

**Achieving growth by supporting a sustainable society with specialty products and services**



Forecasts and other forward-looking statements included in this document are not guarantees of future achievements because they are based on information currently available and certain assumptions that the Company deems reasonable. Actual results may differ significantly from the forecasts due to various factors.

Under our mid- to long-term vision of achieving growth by supporting a sustainable society with specialty products and services, we will continue to promote our business to achieve our goals in the current fiscal year. We appreciate your continued support. Thank you for your attention.



## Supplementary Material

## FY2022 Results by Segment

RIKEN VITAMIN CO., LTD.

(Millions of yen)

	Net sales				Operating profit			
	FY2021	FY2022	YoY change		FY2021	FY2022	YoY change	
			Amount	%			Amount	%
<b>Domestic Food business</b>	<b>54,130</b>	<b>58,186</b>	<b>+4,056</b>	<b>+7.5%</b>	<b>4,938</b>	<b>4,593</b>	<b>-344</b>	<b>-7.0%</b>
					<b>9.1%</b>	<b>7.9%</b>	<b>-1.2pp</b>	
Household Food	12,928	12,727	-201	-1.6%				
Commercial Food	18,196	19,588	+1,392	+7.7%				
Processed Food Ingredients	23,005	25,870	+2,864	+12.5%				
<b>Domestic Chemical business</b>	<b>6,617</b>	<b>7,031</b>	<b>+413</b>	<b>+6.3%</b>	<b>602</b>	<b>247</b>	<b>-354</b>	<b>-58.9%</b>
					<b>9.1%</b>	<b>3.5%</b>	<b>-5.6pp</b>	
<b>Overseas business</b>	<b>19,926</b>	<b>25,155</b>	<b>+5,228</b>	<b>+26.2%</b>	<b>705</b>	<b>2,688</b>	<b>+1,982</b>	<b>+281.1%</b>
					<b>3.5%</b>	<b>10.7%</b>	<b>+7.2pp</b>	
Overseas Improving Agents	19,527	25,155	+5,628	+28.8%	1,360	2,688	+1,328	+87.6%
Qingdao Fusheng Foodstuffs*	399	-	-	-	-654	-	-	-

\* The Company transferred its share of ownership in Qingdao Fusheng Foodstuffs in June 2021.

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## FY2023 Forecasts by Segment

RIKEN VITAMIN CO., LTD.

(Millions of yen)

	Net sales				Operating profit			
	FY2022	FY2023 Forecast	YoY change		FY2022	FY2023 Forecast	YoY change	
			Amount	%			Amount	%
<b>Domestic Food business</b>	<b>58,186</b>	<b>60,600</b>	<b>+2,413</b>	<b>+4.1%</b>	<b>4,593</b>	<b>4,850</b>	<b>+256</b>	<b>+5.6%</b>
					<b>7.9%</b>	<b>8.0%</b>	<b>+0.1pp</b>	
Household Food	12,727	13,000	+272	+2.1%				
Commercial Food	19,588	20,300	+711	+3.6%				
Processed Food Ingredients	25,870	27,300	+1,429	+5.5%				
<b>Domestic Chemical business</b>	<b>7,031</b>	<b>8,000</b>	<b>+968</b>	<b>+13.8%</b>	<b>247</b>	<b>600</b>	<b>+352</b>	<b>+142.7%</b>
					<b>3.5%</b>	<b>7.5%</b>	<b>+4.0pp</b>	
<b>Overseas business</b>	<b>25,155</b>	<b>25,000</b>	<b>-155</b>	<b>-0.6%</b>	<b>2,688</b>	<b>1,850</b>	<b>-838</b>	<b>-31.2%</b>
					<b>10.7%</b>	<b>7.4%</b>	<b>-3.3pp</b>	

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## Consolidated Results

RIKEN VITAMIN CO., LTD.

(Millions of yen)	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 Forecast
Net sales	77,568	85,419	85,603	88,072	87,181	89,515	89,024	82,974	77,722	79,231	88,750	92,000
YoY change(%)	2.9%	10.1%	0.2%	2.9%	(1.0%)	2.7%	(0.5%)	(6.8%)	(6.3%)	1.9%	12.0%	3.7%
Operating profit	3,600	5,027	4,610	6,007	6,820	5,424	4,580	5,307	1,367	5,840	7,158	6,800
YoY change(%)	40.3%	39.6%	(8.3%)	30.3%	13.5%	(20.5%)	(15.6%)	15.9%	(74.2%)	327.2%	22.6%	(5.0%)
Operating profit margin	4.6%	5.9%	5.4%	6.8%	7.8%	6.1%	5.1%	6.4%	1.8%	7.4%	8.1%	7.4%
Ordinary profit	3,741	5,294	4,645	5,321	6,248	4,587	4,388	5,045	1,652	6,182	7,723	7,200
Ordinary profit margin	4.8%	6.2%	5.4%	6.0%	7.2%	5.1%	4.9%	6.1%	2.1%	7.8%	8.7%	7.8%
Profit attributable to owners of parent	2,406	3,590	3,755	4,107	4,089	4,800	2,623	(8,903)	(1,618)	21,582	6,414	5,600
Net profit margin	3.1%	4.2%	4.4%	4.7%	4.7%	5.4%	2.9%	-	-	27.2%	7.2%	6.1%
Total assets	94,257	102,345	114,049	109,030	109,342	110,994	109,706	101,853	106,535	102,660	105,223	
Net assets	60,728	67,253	76,006	74,341	53,611	58,919	59,229	46,789	46,674	66,539	71,371	
Shareholder equity ratio	63.9%	65.1%	66.1%	67.7%	48.5%	52.7%	53.5%	45.5%	43.3%	64.8%	67.8%	
Cashflow from operating activities	3,064	6,908	5,941	8,377	8,126	5,753	6,689	5,850	7,625	6,823	7,835	
Cashflow from investing activities	(5,697)	(3,578)	(5,690)	(6,389)	(3,080)	(1,617)	(3,388)	(4,282)	(2,288)	(3,661)	(2,004)	
Cashflow from financing activities	(1,334)	(861)	(1,222)	(3,140)	(1,881)	(5,899)	(2,490)	(3,061)	(180)	(7,565)	(4,578)	
ROE	4.1%	5.7%	5.3%	5.5%	6.4%	8.6%	4.5%	(17.0%)	(3.5%)	33.8%	9.3%	7.7%

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## Quarterly Results by Segment

RIKEN VITAMIN CO., LTD.

	(Millions of yen)	FY2021				FY2022				FY2023 Forecast	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	H1	Full-year
Net sales	Domestic Food business	13,503	13,465	14,255	12,905	14,303	13,927	15,741	14,214	30,200	60,600
	Household Food	3,419	3,239	3,145	3,124	3,264	3,104	3,313	3,044	6,400	13,000
	Commercial Food	4,559	4,528	4,822	4,285	4,858	4,558	5,245	4,927	10,000	20,300
	Processed Food Ingredients	5,524	5,698	6,287	5,495	6,180	6,264	7,183	6,242	13,800	27,300
	Domestic Chemical business	1,616	1,661	1,750	1,589	1,690	1,802	1,822	1,716	4,000	8,000
	Overseas business	4,659	4,302	5,485	5,479	5,987	6,788	6,603	5,776	12,100	25,000
	Overseas Improving Agents	4,260	4,302	5,485	5,479	5,987	6,788	6,603	5,776	12,100	25,000
	Quindao Fusheng Foodstuffs*	399	-	-	-	-	-	-	-	-	-
	Adjustments(intersegment eliminations)	(278)	(327)	(507)	(329)	(411)	(455)	(495)	(259)	(800)	(1,600)
	Consolidated total	19,500	19,102	20,983	19,644	21,569	22,061	23,672	21,446	45,500	92,000
Operating profit	Domestic Food business	1,291	1,209	1,627	810	1,312	827	1,648	804	2,300	4,850
	Domestic Chemical business	211	124	176	89	97	(20)	67	102	300	600
	Overseas business	(421)	158	468	500	711	888	711	377	850	1,850
	Overseas Improving Agents	232	158	468	500	711	888	711	377	850	1,850
	Quindao Fusheng Foodstuffs*	(654)	-	-	-	-	-	-	-	-	-
	Adjustments(intersegment eliminations)	(71)	(105)	(119)	(109)	(98)	(161)	(18)	(91)	(250)	(500)
	Consolidated total	1,009	1,386	2,153	1,290	2,023	1,533	2,409	1,192	3,200	6,800

\* The Company transferred its share of ownership in Quindao Fusheng Foodstuffs in June 2021.

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