

Special Feature 1: Riken Vitamin's Specialties

Leveraging Strengths for a Sustainable Society

In our medium- to long-term vision, our goal for 2030 is to achieve growth by supporting a sustainable society with specialty products and services. For us, specialty means original products and services that are created based on our unique capabilities (technological, product development, raw material procurement, quality assurance, etc.). The Group has a wide array of businesses as well as specialties in each of its markets and fields. We are also capable of adapting these specialties in response to changes in the business environment. Area-specific specialties and key features follow below.



Specialties	Features
Research on seaweed seedlings	Under the slogan "From wakame to seaweed," this unique initiative helps contribute to the stable procurement of raw materials and the revitalization of communities.
Seasoning blending technologies	Our unique seasoning blending technologies that utilize naturally derived ingredients help to make consumers healthy and happy at the dining table.
Development and procurement of original raw materials	Delicious taste derived from natural materials is our goal for products such as scallop extract that has the top share of its market in Japan and Sozairyoku Dashi made with the finest ingredients.



Specialties	Features
Resolving food-related issues	We contribute to reducing food loss as well as energy and labor savings with solutions for extended best-before dates and enhanced production processes. (See page 32)
Resolving chemical product-related issues	We support the widespread use of environmentally responsible products by developing and proposing improving agents for bio plastics.
Discovery of new issues	We discover new issues by looking at changes in society and information we gain by providing value to customers in a wide range of fields.



Specialties	Features
Microcapsules	Our microcapsules have the ability to stabilize unstable materials and preserve fresh aroma. In addition, we have GMP-compliant production equipment and our microcapsules can be used as raw materials for pharmaceuticals.
Research on naturally derived ingredients	We research the active ingredients contained in seaweed and naturally derived pigments that we handle in the food and improving agent fields, and supply them as raw materials for health foods.
Vitamin production and formulation	We use the technologies we have developed since our founding to supply various vitamin products and vitamin premixes for general foods, health foods and pharmaceuticals.

Initiatives to Create Specialties

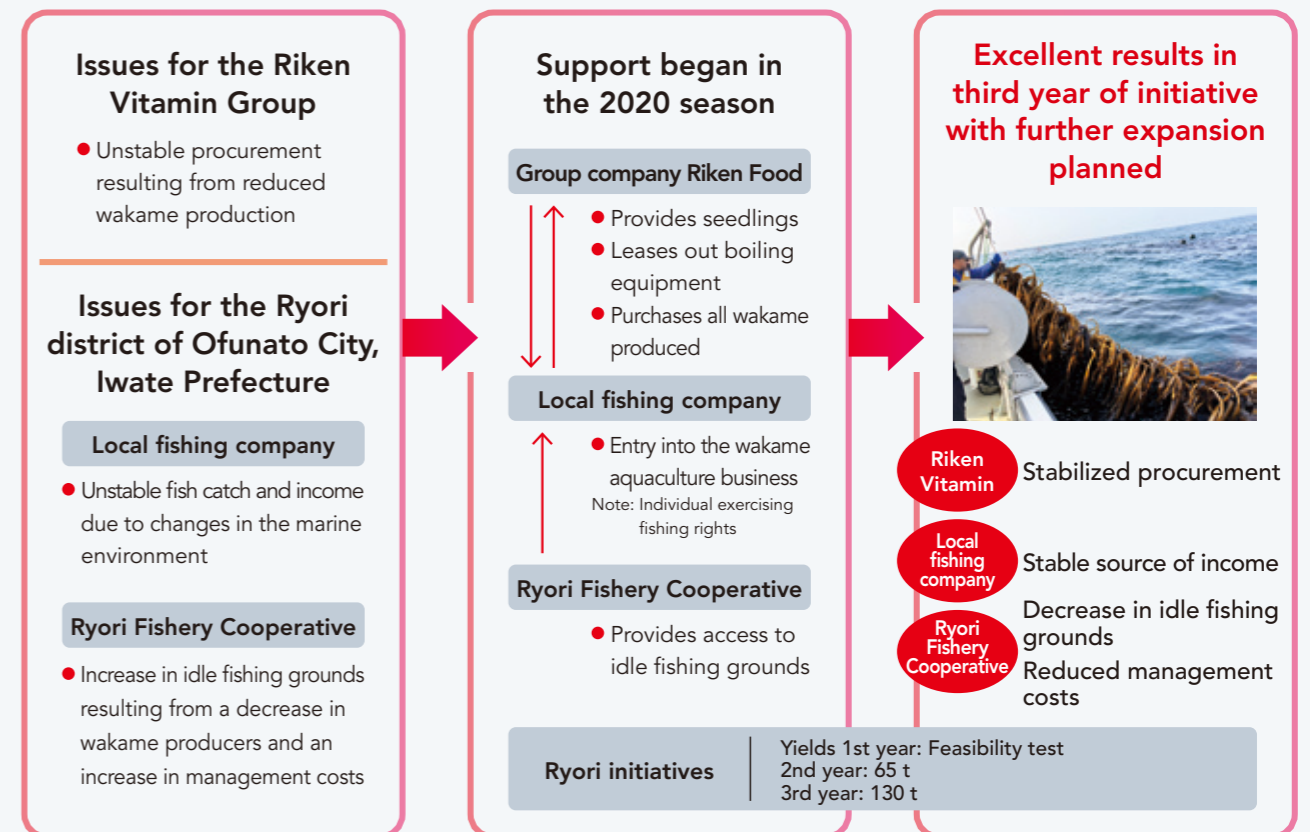
In March 2023, Riken Vitamin joined a coalition related to the next-generation synchrotron radiation facility NanoTerasu—a state-of-the-art giant microscope that can visualize matter at the nano level. We have concluded a joint research agreement with Tohoku University for the use of NanoTerasu, and we expect that it will support the development of new technologies and products, as well as human resource development through exchanges among researchers. NanoTerasu is scheduled to begin operation in 2024.



Source: Photon Science Innovation Center

Highlight | Contributing to the Stable Procurement of Wakame and Revitalization of Communities

Production of wakame has decreased in Japan over the past several years due to the aging of fishermen and changes in the marine environment. Stable procurement of raw materials has therefore become a key issue for the Group. In Iwate Prefecture, the Group collaborates with a local fishing company and fishery cooperative to support large-scale wakame aquaculture using idle fishing grounds. We provide wakame seedlings and production expertise, then purchase all of the wakame that the fishing company produces. This enables the Group to procure a stable supply of raw materials. Our approach also enables the fishing company to generate stable income, and the fishery cooperative to make effective use of idle fishing grounds. The Group will continue to help revitalize the seaweed industry.



Medium- to Long-Term Vision

Since our founding, we have focused on making effective use of natural materials and have contributed to society based on one of the main points of our Management Philosophy, which is to provide health and a rich dietary life to society through foods. We established our medium- to long-term vision in May 2022 in light of these policies and the shifting business landscape.

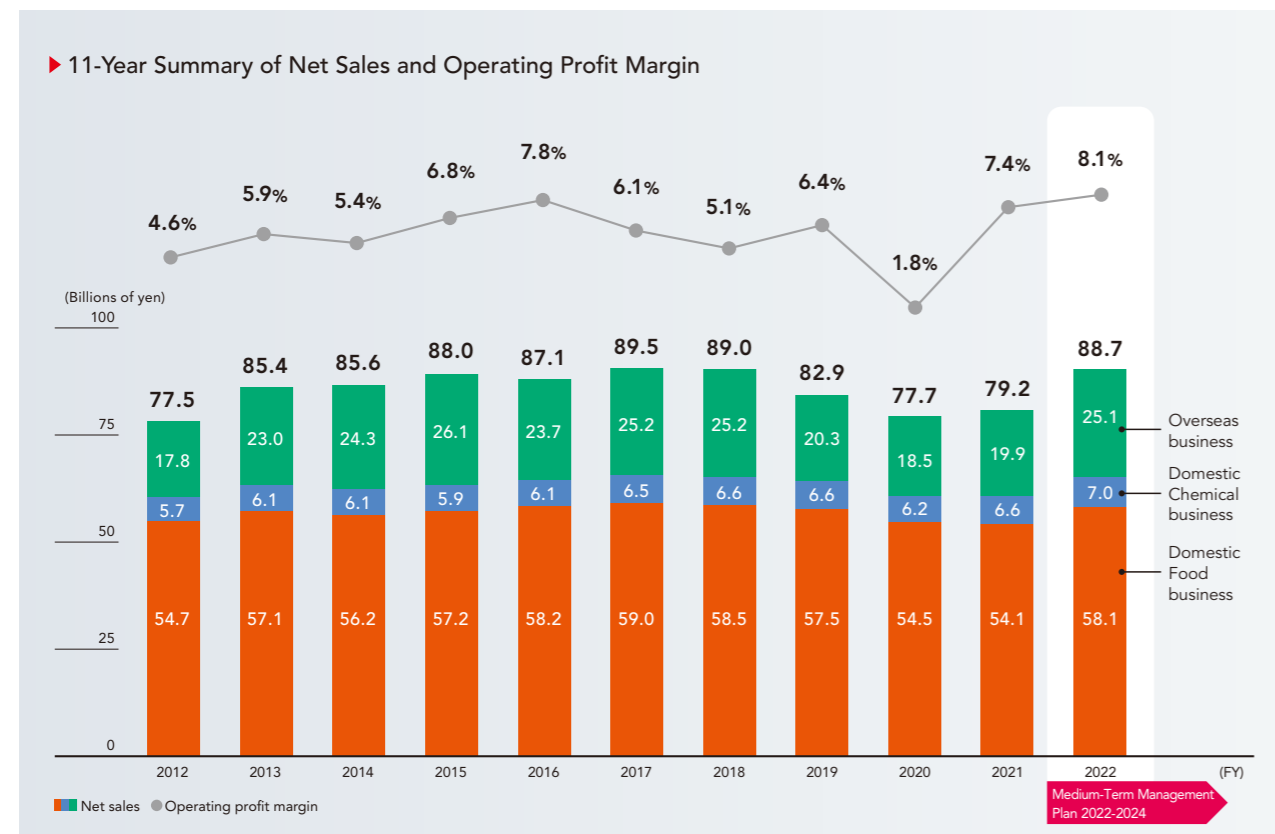
Medium- to Long-Term Vision (FY2022–FY2030)

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

Through the lens of sustainability, we will take a new look at the specialty products and services that utilize our unique strengths, and aim for growth to support a sustainable society by providing solutions to challenges in a wide range of fields.

Business Landscape and Challenges

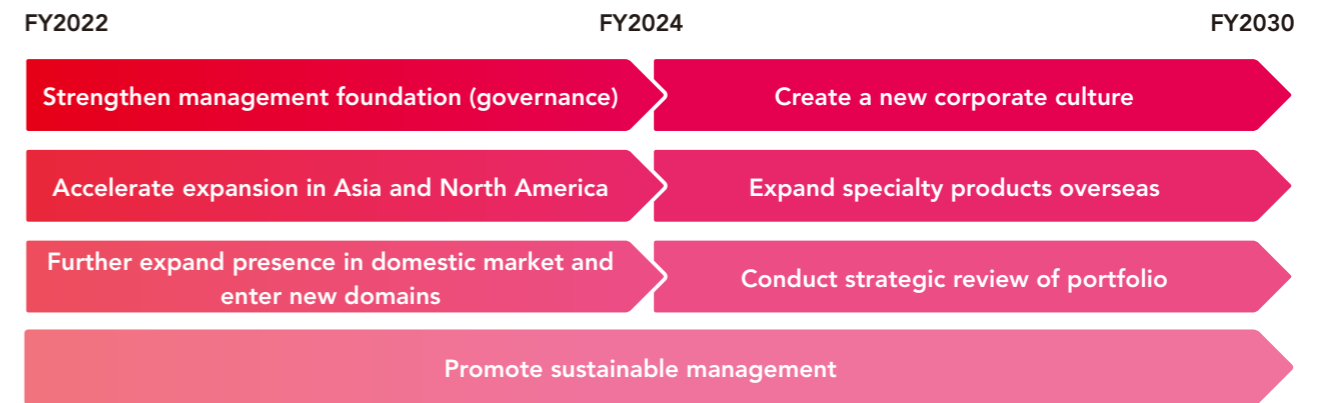
The key challenge in our business landscape is adapting to the changes in demographics, climate, and lifestyles. In addition, rising uncertainty makes predictions even more difficult, so we need to build a new corporate culture that is not an extension of the past. Looking at the 10 years beginning in FY2012, we generated moderate growth in the first half, but not as much in the second half. We positioned the Overseas business as a growth driver, but we have not scaled it up and must rectify this situation. We formulated the current medium-term management plan based on our recognition of the above issues.



Medium-Term Management Plan

Positioning and Basic Policies of the Medium-Term Management Plan

Our medium- to long-term vision covers the nine years through FY2030. Our current medium-term management plan covers the three years through FY2024, and is positioned as a period for strengthening our foundation and making investments for future growth. The basic policies for FY2022 through FY2024 and up to FY2030 are as follows.



Medium-Term Management Plan (FY2022–FY2024) Financial Indicators

Performance Targets

(Billions of yen)	FY2021	FY2022	FY2024 Target
Net sales	¥79.2	¥88.7	¥94.0
Operating profit	¥5.8	¥7.1	¥8.0
Ordinary profit	¥6.1	¥7.7	¥8.2
Profit attributable to owners of parent	¥21.5	¥6.4	¥6.5
ROE	38.3%	9.3%	8.0% or higher

Average forex rate: ¥113/USD 1 for FY2021 and ¥136/USD 1 for FY2022

Capital and Financial Policies

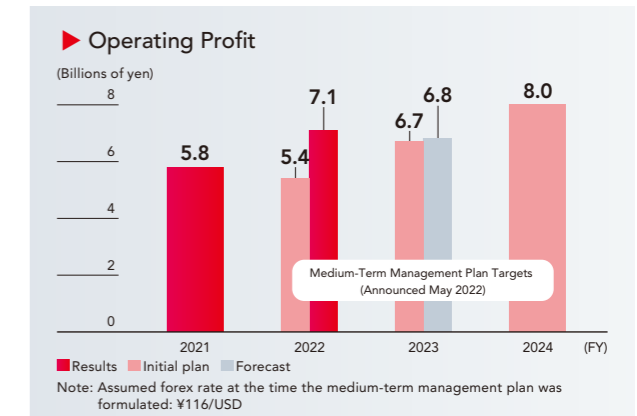
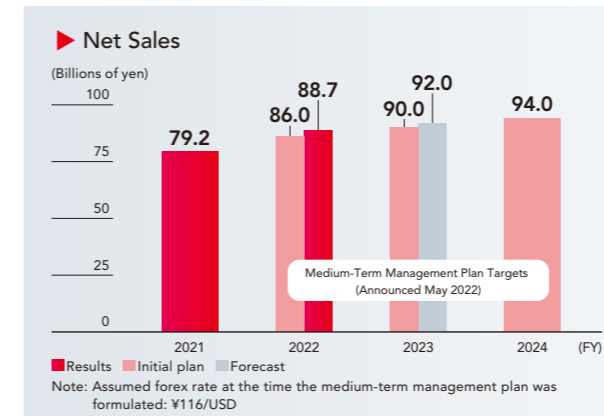
	Policies for FY2022 to FY2024
Cash allocation	Source: Approx. ¥30 billion (including approx. ¥5 billion from reduction of cross-shareholdings) Uses: Capital investment: approx. ¥10 billion; Dividends: approx. ¥5 billion; Interest-bearing debt repayment: approx. ¥10 billion; Strategic investment (investment in human resources, additional capital investment and shareholder returns): approx. ¥5 billion
Shareholder returns	Maintain stable dividends with a payout ratio of 30% or more
Cross-shareholdings	Reduce cross-shareholdings to less than 20% of consolidated net assets by March 31, 2025
Cancellation of treasury shares	Cancellation of 7 million shares (out of approximately 7.7 million shares) in May 2022

Medium-Term Management Plan

Medium-Term Management Plan (FY2022–FY2024)

The graph on the right presents progress toward the sales and operating profit targets of Medium-Term Management Plan (FY2022–FY2024). Actual results for FY2022 significantly exceeded targets due in part to substantial variance in foreign exchange rates and raw material prices compared with initial plan assumptions. The business environment for FY2023 also differs from our assumptions when we formulated the plan, but we expect results to be close to plan. If the current business environment continues, we expect to see a divergence between our initial targets and results for net sales and operating profit in FY2024, which will be the final year of the plan. However, we have not revised the plan at this time.

We will revise our targets for FY2024 if necessary once we have a clearer picture of the business environment.



Medium-Term Management Plan (FY2022–FY2024): Progress in FY2022

Strengthen management foundation (governance)

Target	Progress
1) Have an external organization evaluate the effectiveness of the Board of Directors	<ul style="list-style-type: none"> April 2023: Implemented evaluation by an external organization (details on page 44)
2) Strengthen and promote a succession plan	<ul style="list-style-type: none"> In December 2022, the Board of Directors considered the selection and training plan for successor candidates. This is scheduled for every December in the future.
3) Reduce cross-shareholdings	<ul style="list-style-type: none"> Net assets ratio as of March 31, 2023: 24.9% (down 3.8 percentage points from a year earlier)
4) Establish an organizational structure to strengthen cooperation between the Head Office and domestic and overseas subsidiaries	<ul style="list-style-type: none"> Reviewed the division of duties in the management and supervision departments of subsidiaries Added two people to the Internal Audit Department in April 2023 Strengthened cooperation between the Internal Audit Department, Audit and Supervisory Committee members and the Group Business Management Division Scheduled to conduct overseas inspections from FY2023 onward
5) Strengthen audit system	<ul style="list-style-type: none"> Initiated disclosure based on TCFD recommendations in July 2022 In FY2023, began disclosing a summary of financial results and certain time-sensitive information on the same day in Japanese and English
6) Enhance disclosure of accurate and easy-to-understand financial and non-financial information	

Further expand presence in domestic market and enter new domains

Target	Progress
1) Develop new products for markets adjacent to existing products	<ul style="list-style-type: none"> Furikakeru Zakuzaku Wakame, a new household product, became a hit
2) Approach existing customers with proposals for new product categories	<ul style="list-style-type: none"> Develop sales personnel with broad product knowledge through interdepartmental personnel transfers
3) Focus on the elderly care and prepared meal markets	<ul style="list-style-type: none"> Promote product development that contributes to nutritional enrichment Strengthen ability to make proposals through collaborative menu development with other manufacturers
4) Strengthen proposals for healthcare products such as vitamins, microcapsules and functional food product ingredients	<ul style="list-style-type: none"> Better sales results for crocetin and vitamins Decided to invest capital to increase production capacity
5) Propose products for reducing food loss	<ul style="list-style-type: none"> Two approaches for proposals: Reduction of loss during production and reduction of final product disposal
6) Research for revitalizing the seaweed cultivation industry	<ul style="list-style-type: none"> Supporting large-scale wakame aquaculture in cooperation with a fishing company and fishery cooperative Considering the profitability of the land-based seaweed farming business
7) Expand products for biomass plastics and biodegradable plastics	<ul style="list-style-type: none"> Strengthen proposals for improving agents that help enhance the biomass content of resins
8) Transform our production system so that it supports global supply chains	<ul style="list-style-type: none"> Strengthened cooperation with overseas factories by deploying technology developed in Japan Established a division within the Quality Assurance Department in April 2023 dedicated to addressing global issues

Accelerate expansion in Asia and North America

Target	Progress
1) Grow our businesses, especially food-improving agents for bakeries, chemical-improving agents, and extracts and seasonings in North America	<ul style="list-style-type: none"> Focus on expanding transactions with major manufacturers for improving agents For extracts and seasonings, strengthen proposal activities using our website Decided to strengthen the ability to propose improving agents in North America
2) Raise production capacity at overseas plants	<ul style="list-style-type: none"> Decided to invest capital in Tianjin Rikevita Food Co., Ltd. (China; scheduled for completion in FY2024) Decided to invest to increase production capacity of extracts and seasonings in North America

Promote sustainable management

Target	Progress
1) GHG emissions	<ul style="list-style-type: none"> Expand the use of solar power generation at locations in Japan and overseas Started purchasing green power
2) Reduce environmental impact	<ul style="list-style-type: none"> Added the Packaging Subcommittee to the Sustainability Committee in January 2023 In July 2023, launched a year/month format for the best-before date on some household food Ratio of female managers as of March 31, 2023: 3.8% (down 0.9 percentage points from a year earlier) Ratio of global talent as of March 31, 2023: 6.8% (up 1.5 percentage points from a year earlier)
3) Promote diversity and inclusion	<ul style="list-style-type: none"> April 2023: A woman was appointed general manager for the first time June 2023: Increased the number of female directors by 1 (2 female directors out of 11 directors)
4) Promote health management	<ul style="list-style-type: none"> Recognized as a Certified Health and Productivity Management Organization for two consecutive years

Financial and Capital Strategy

We will invest in growth while maintaining financial discipline.



Takahiro Tomitori
Director

FY2022 Results in Retrospect

The impact of COVID-19 eased during FY2022. At the same time, the business environment changed significantly due to factors including sharp increases in raw material and energy prices and exchange rate fluctuations. The rise in raw material prices had a particularly significant impact on the Riken Vitamin Group, but net sales increased 12% year on year to ¥88.7 billion because of higher sales in the Domestic Food business, the Domestic Chemical business, and the Overseas business. The Group also revised prices to accommodate the impact of higher costs associated with the price of raw materials such as oil and imported ingredients. Price revisions in the Overseas business had a particularly significant impact, as did initiatives to streamline advertising expenses in household foods (BtoC). As a result, operating profit increased 22.6% year on year to ¥7.1 billion, and ROE was 9.3%, exceeding our target for the final year of the medium-term management plan of 8.0%.

Progress of Capital and Financial Policies

Our progress in implementing the four capital and financial policies of Medium-Term Management Plan (FY2022–FY2024) presented on page 19 is as follows (excluding those related to treasury shares).

Cash Allocation

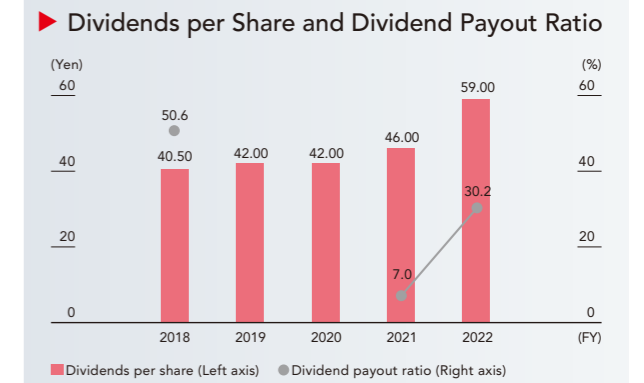


Operating cash flow and sales of cross-shareholdings are the sources of cash for allocation. Operating cash flow is stable.

We plan to make capital investments of ¥10 billion over three years. Investments in growth will include expansion of the Tianjin Factory for improving agents and the vitamin-mix wing of the Tokyo Factory, as well as investments in equipment maintenance and renewal. Capital investment during FY2022 was comparatively low at ¥1.6 billion. This was due to a delay in the timing of investment because we decided to make an addition investment in the Tokyo Factory and we reviewed the timing of some renewal investments. In FY2023, we plan to make capital investments of ¥3.3 billion. In addition, we will balance investment and financial discipline and plan to repay ¥10 billion in debt as a means to address changes in our operating environment and add stability to our financial base. Furthermore, we will allocate ¥5 billion for strategic investments in human capital, additional capital investments, sustainability investments, and shareholder returns.

Shareholder Returns

We increased dividends by ¥13 per share year on year in FY2022 to ¥59 per share, and the dividend payout ratio was 30.2%. We will maintain the dividend payout ratio at 30% or more as we comprehensively consider our business environment, earnings, financial condition, shareholder return ratio, and internal reserves for strengthening the management base.



1. Dividend payout ratios are not available for FY2019 and FY2020 because of net losses in those years.
2. The Company conducted a 2-for-1 stock split of its common stock, effective April 1, 2020. Dividends per share data above is adjusted for the stock split.

Cross-Shareholdings

We sold cross-shareholdings in 10 companies during FY2022, which decreased the ratio of cross-shareholdings to net assets to 24.9% from 28.7% in FY2021. Our target for this ratio is 20% or less, and we will continue to reduce cross-shareholdings to achieve it. Once we do, we will continue to reduce this ratio to an appropriate level. See page 45 for details.

Cost of Capital Issues

ROE in FY2022 was 9.3% as a result of initiatives to improve profitability and balance sheet management centered on the sale of cross-shareholdings. Our performance indicators are starting to show the positive impact of our initiatives, and ROE has averaged around 6% over the last five years (excluding the period when it was significantly impacted by the discovery of improper accounting practices at a Chinese subsidiary*). ROE is now above 8%, which is the baseline target for Japanese companies. However, our price-book ratio was 0.9 times, so this market valuation indicator was below our dissolution value. Given our ROE of 9.3% for FY2022, our return on capital exceeds our calculated cost of capital, but our share price does not reflect this, for five main reasons:

- (1) Inadequate governance and improper accounting practices at the subsidiary in China;
 - (2) Poor performance with two consecutive years of net losses due to the issues at the subsidiary in China;
 - (3) Our shareholder return policy was not clear;
 - (4) Weak investor relations and lack of communication with investors; and
 - (5) Our policy for growth investments has not been clear.
- In other words, our business performance is recovering but our market valuation is not, and that means we have room for improvement. We take these issues very seriously and will continue to steadily implement the measures set out in the medium-term management plan in order to regain the trust of the market and meet its expectations.

* The subsidiary was removed from the scope of consolidation in the first quarter of FY2021.

Sustainable Increases in Corporate Value

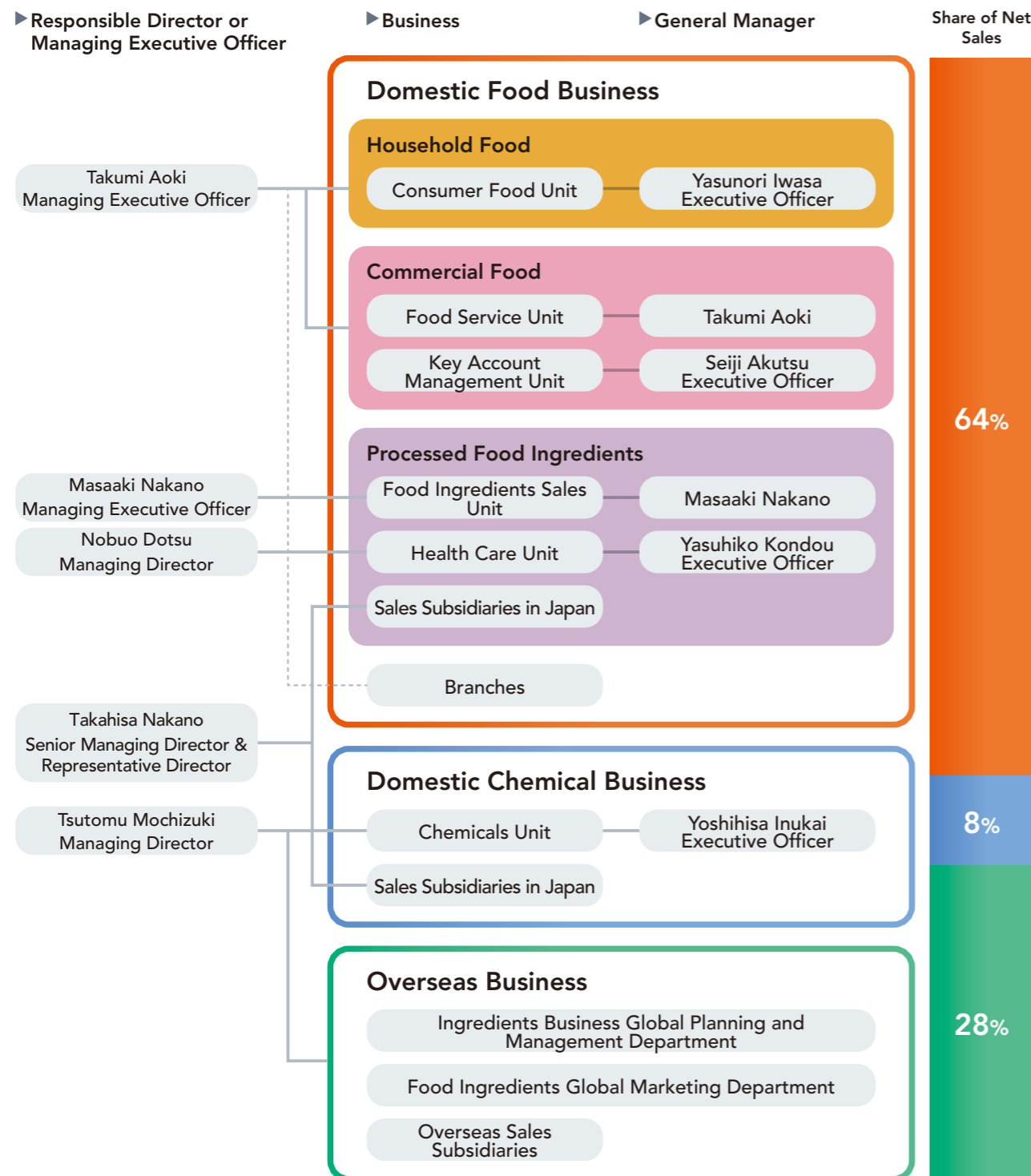
We will address the above issues by presenting a roadmap for strengthening governance and generating sustainable growth, and by maintaining communication with investors and shareholders. In addition to our capital and financial policies, our main initiatives include strengthening the effectiveness of the Board of Directors, internal controls, and IR activities. In April 2023, an external organization evaluated the effectiveness of the Board for the first time. We are also working with outside directors to create opportunities for communication with employees at factories, branches, and subsidiaries. In addition, we strengthened internal controls by enhancing the Audit Division and supervision of subsidiaries. Regarding enhancing IR activities, we are committed to improving the accuracy and clarity of information and expanding English disclosure. In FY2022,

in addition to focusing on individual investors, and we also held 54 one-on-one meetings with institutional investors. I attended 15 of the IR/SR meetings and received numerous comments about issues such as cross-shareholdings and improving capital efficiency. Feedback was reported to the Board of Directors. We will continue to engage in such dialogue as one way to improve our corporate value. In addition, in April 2023, we completely renewed our website and launched an IR site in English. The publication of this integrated report is another important step, and we hope it will be a tool for communicating with shareholders and investors to improve our corporate value. We look forward to hearing your thoughts on our initiatives.

Business Strategy

Business Segment Overview

In Japan, we have a sales structure organized around each product market in which units formulate strategies and develop business activities for their respective products. Overseas, a business unit formulates strategies for products manufactured in Japan and products manufactured by overseas production subsidiaries, and overseas sales subsidiaries market those products. We therefore have two geographical business areas—Japan and overseas—and three reportable business segments: the Domestic Food business, the Domestic Chemical business, and the Overseas business. An overview of each business segment is as follows.



Domestic Food Business | Household Food

Our objective is to achieve renewed growth by enhancing the profitability of existing products while providing new value that addresses changes in customer needs.



Yasunori Iwasa
Executive Officer and General Manager of Consumer Food Unit

Business Overview

We manufacture and sell dressings including Riken Non-Oil and Riken Salad Duo, seaweed products including Fueru Wakame-chan and Wakame Soup, Japanese-style seasonings including Sozairyoku Dashi, retort pouch foods, and other general household products.

Opportunities

- Growing consumer health consciousness, including reduced salt intake
- Formation of markets receptive to high-value-added products
- Increased social awareness of environmental issues

Risks

- Thriftier consumers due to rising prices
- Procurement instability and rising costs
- Dressing market contraction due to diversification of vegetable intake
- Fewer at-home cooking opportunities due to the expansion of the market for prepared meals
- Impact on sales of Sozairyoku Dashi from revision of additive-free labeling regulations

Initiatives to Address Opportunities and Risks

- ✓ Introduce new products in potential new markets adjacent to existing markets
- ✓ Steadily revise prices and restructure product mix in line with market changes
- ✓ Provide information that addresses health consciousness
- ✓ Conduct marketing to capture at-home cooking opportunities
- ✓ Revamp products to help resolve environmental problems

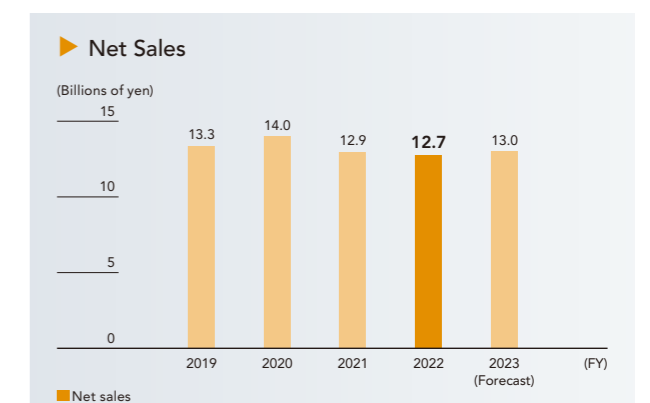
FY2022 Results

Food companies including Riken Vitamin increased their prices in FY2022 to address soaring raw material prices. Yet higher prices made consumers extremely thrifty, which negatively impacted results. We increased prices of seaweed products and soup stock, and sales volume for Fueru Wakame-chan and Wakame Soup declined after the price increases and did not recover. Sales of Sozairyoku Dashi increased year on year after the price increase because we used TV commercials and other marketing tools to stimulate demand and expand the customer base. Sales volume for non-oil dressings decreased due to the proliferation of private brand products* that appeal to cost-conscious consumers. In this environment, new product Furikakeru Zakuzaku Wakame, which features the flavor of Korean-style sesame oil, became a hit product that sold 1.2 million bags by March 2023 because of its texture and flavor.

* Private brand products: Products planned and developed by retailers and wholesalers, and sold under their own brand

FY2023 Outlook

The prices of food raw ingredients such as soy sauce, vinegar, and sweeteners have risen sharply along with manufacturing costs. As such, we will raise the prices of Riken Non-Oil products and flexibly restructure the product mix to improve profitability. In addition, we will review advertising centered on TV commercials to maximize synergies with strategic PR, digital advertising, promotions, and other measures. In addition, we will start displaying the month and year of expiration dates for some products to reduce food loss and lower the environmental impact of our entire supply chain.



Domestic Food Business | Commercial Food

We will respond to changes in lifestyles and create new growth opportunities by restructuring our product portfolio and offering multifaceted proposals.



Takumi Aoki
Managing Executive Officer and General Manager of Food Service Unit

Seiji Akutsu
Executive Officer and General Manager of Key Account Management Unit

Business Overview

We provide processed foods such as dressings, seaweed products, Japanese, Western and Chinese seasonings and soups, and rice seasonings for school lunch programs and the restaurant industry. We also propose a broad array of food ingredients and food-improving agents to processed food manufacturers and prepared meal market players including convenience stores.

Opportunities

- Expansion of the prepared meal and side dish markets due to deep-seated needs for time-saving and convenience
- Recovery of the tourism and restaurant industries due to an increase in the number of tourists
- Expansion of the elderly care and prepared meal markets as society ages
- Growing popularity of nutritionally balanced ready-to-eat products
- Productivity improvements driven by labor shortages in food-related industries

Risks

- Profit pressure due to rapidly rising raw material and energy prices and rising labor costs
- Intensifying competition in the growing elderly care and prepared meal markets
- Structural market changes and declining growth potential in Japan's food market

Initiatives to Address Opportunities and Risks

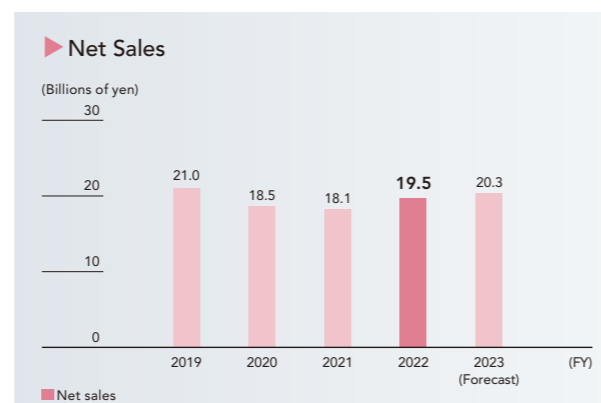
- ✓ Revise prices in line with raw material procurement conditions and continue to improve productivity
- ✓ Enhance solutions in terms of both food products and improving agents to address issues in the prepared meal market
- ✓ Address diversification in the business-to-consumer (BtoC) market by developing similar versions of household products and collaborating with partners to enhance our ability to make proposals
- ✓ Strengthen relationships with existing business partners by leveraging the advantages of our broad product lineup and network of business partners

FY2022 Results

Demand recovered in the food service and restaurant industries as COVID-19 restrictions eased and we enhanced our proposals in new prepared meal and elderly care markets. As a result, both net sales and sales volume increased even though we raised prices four times due to soaring raw material prices. Sales to convenience stores increased as new seaweed products gained traction. In addition, we raised prices throughout the year for processed food manufacturers and implemented multifaceted marketing that included proposing vitamins and improving agents to business partners who were mainly selling seasonings.

FY2023 Outlook

We will revise prices for products in the food service and restaurant industries as needed to address the rising costs of food ingredients. As in FY2022, inbound demand is expected to grow in the restaurant industry. However, needs are changing due to labor shortages and rising costs, and we must develop products that address those needs. We will also strengthen our ability to make proposals in line with diversification in the BtoC market. For convenience stores and processed food manufacturers, we will target the prepared meal and ready-to-eat food markets, which are growing despite the declining population.



Domestic Food Business | Processed Food Ingredients

In the market for food-improving agents, our goal is to be the partner of choice for customers. In the healthcare market, we aim to provide value by helping to extend healthy life expectancy and improving quality of life.



Masaaki Nakano
Managing Executive Officer and General Manager of Food Ingredients Sales Unit

Yasuhiko Kondou
Executive Officer and General Manager of Health Care Unit

Business Overview

We offer a wide range of products including food-improving agents, colorants and vitamins for processed food manufacturers, and vitamins and other healthcare product ingredients and functional food product ingredients for pharmaceutical and health food manufacturers.

Opportunities

- Growing interest in addressing food loss
- More diverse issues brought on by changes in eating habits
- Increased demand for pharmaceuticals and health foods due to Japan's aging population and heightened health consciousness

Risks

- Fluctuations in raw material prices, mainly oils
- Reduced ingredient use due to population decline and food loss countermeasures
- Heightened raw material procurement risk due to geopolitical factors and climate change
- Demand fluctuations due to the health food boom

Initiatives to Address Opportunities and Risks

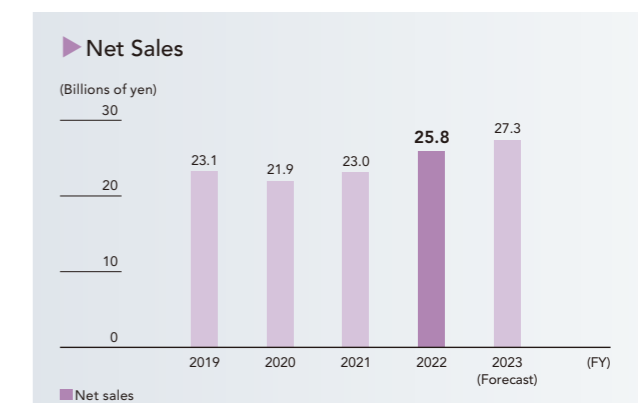
- ✓ Create an internal organization that excels at resolving issues
- ✓ Reduce food loss by extending best-before dates and improving production efficiency
- ✓ Propose alternative ingredients for items such as eggs that are in short supply and rising in price
- ✓ Ensure stable supply by strengthening procurement capabilities and coordinating among relevant units
- ✓ Develop new products and new functions for functional food product ingredients
- ✓ Sell healthcare products as ingredients for general processed foods

FY2022 Results

Healthcare product sales increased year on year. As in FY2021, we continued to increase food-improving agent prices in line with rapidly rising prices for oils, and reviewed low-margin products. As a result, net sales increased despite a marginal decrease in sales volume. In addition to raising prices, we also made proposals that address diversifying customer needs, including concerns about the supply of raw materials and the problem of food loss. In the healthcare market, sales of functional food product ingredients, vitamins, and microcapsules were strong.

FY2023 Outlook

For food-improving agents, we will continue to make necessary price revisions for some products that use increasingly expensive raw materials. New issues have emerged in the food industry due to rising costs and shortages of raw materials. Sales, development and production departments will work together to provide solutions that offer value customers appreciate. For healthcare products, we will increase sales of existing items while conducting R&D of raw materials for pharmaceuticals and functional foods, which require longer development periods than food. The transfer of microcapsule manufacturing operations to a new facility is underway and scheduled for completion during FY2023.



Highlight Healthcare Business

Riken Vitamin's Healthcare Ingredient Solutions

The healthcare business mainly handles raw materials for health foods and pharmaceuticals. We deploy unique technologies to develop products with added value and focus on proposing solutions that resolve customer issues.

Ingredient-driven Manufacturing



We emphasize stable procurement of quality raw materials. We are committed to high-quality ingredients, including vitamin E that is naturally derived from vegetable oil by-products, crocetin derived from gardenias that we market as Crovit, and the fertile leaves of wakame that are the raw material of Riken Mekabu Fucoidan. This commitment means we will go to the source to procure raw materials if necessary.

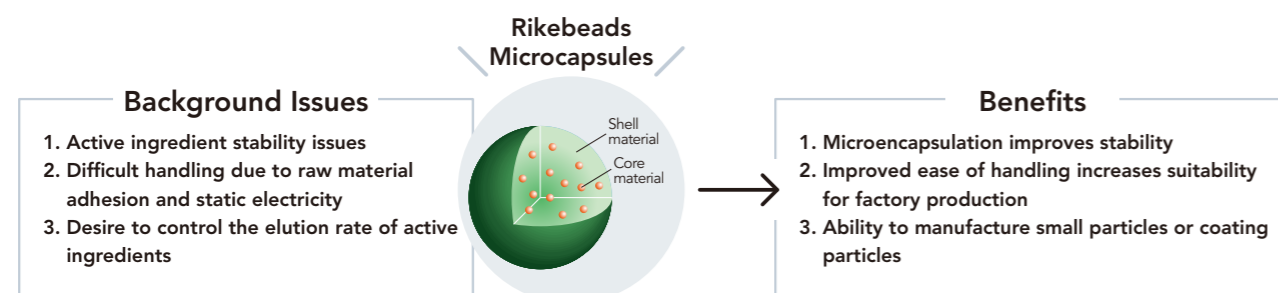
Unique Products and Development Capabilities



Our unique product lineup that other companies cannot imitate and the development capabilities that enable that lineup are strengths. We focus on developing products and ingredients unique to Riken Vitamin that support health, including microencapsulation processing technology and the functional food product ingredients Crovit, Riken Mekabu Fucoidan, and Papricarotene.

Microcapsules Resolve Issues related to Food and Pharmaceuticals

Rikebeads microcapsules are made up of fine particles coated with fragrances or functional materials sprayed onto a base hydrophilic gelling agent such as gelatin or agar using our proprietary spray cooling technology. Manufactured using GMP-compliant production equipment, this product can also be used as raw materials for pharmaceuticals.



Domestic Chemical Business

We will contribute to a sustainable society by increasing sales of environmentally responsible products for which markets will expand over the medium and long term.



Yoshihisa Inukai
Executive Officer and General Manager of Chemicals Unit

Business Overview

We provide chemical manufacturers with improving agents that effectively impart functionality and enhance processability for products ranging from plastics, rubber, and cosmetics to agricultural films and food packaging materials. Other businesses include the sale of feed oil.

Opportunities

- Growing market for decarbonization
- Popularity of ethical consumption
- Move to electric vehicles in the automobile industry

Risks

- Contracting markets for existing chemical products due to more stringent environmental regulations
- Intensifying competition in sustainability-related markets

Initiatives to Address Opportunities and Risks

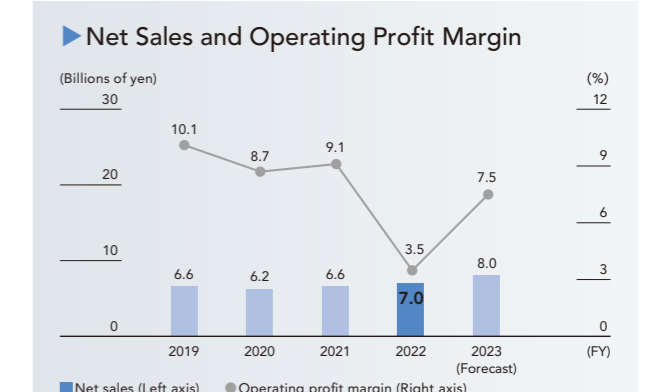
- ✓ Propose improving agents that leverage our strength in plant-based products
- ✓ Shift to high-value-added products in existing industries
- ✓ Enhance proposals for environmentally responsible products such as compatibilizers for natural materials and resins and improvers for bioplastics

FY2022 Results

Strongly impacted by soaring raw material prices, we focused on raising prices in the second half and net sales increased year on year. However, operating profit decreased significantly year on year because we restructured sales strategies in areas where profitability has deteriorated significantly due to rising costs. Sales volume decreased due to reduced demand in the chemical industry, and capital investments in the previous fiscal year incurred depreciation expenses. In other businesses, sales of feed oil increased year on year.

FY2023 Outlook

We anticipate that performance will recover due to the impact of the price increases in FY2022 and a gradual recovery in the industries of our business partners. In addition, we will address rising energy and other costs and review our product mix in line with the realities of raw material procurement to strengthen our profit structure. In sales activities, we will focus on acquiring new projects that had stalled due to price increase negotiations, develop the automobile and light electronic appliance markets (priority areas) and enhance proposals in the cosmetics market. In addition, we will promote the development of environmentally responsible products with the objective of creating a profitable cycle over the medium and long term.



Overseas Business

We will leverage our management resources developed in the Japanese market to provide comprehensive value as a sustainable growth driver in overseas markets.



Tsutomu Mochizuki
Managing Director

Business Overview

We produce and sell improving agents, extracts, and seasonings for food and chemical products at our overseas locations. We have customers in dozens of countries worldwide, mainly in Asia and North America.

Opportunities

- Global population growth and economic growth in emerging countries
- Growing appreciation of Japanese food culture
- Growing environmental awareness and interest in reducing food loss

Risks

- Fluctuating raw material prices and intensifying competition for commodities
- Increasing geopolitical risks that impact supply chains
- Compliance with the laws and regulations of countries
- Delays in hiring and training global talent

Initiatives to Address Opportunities and Risks

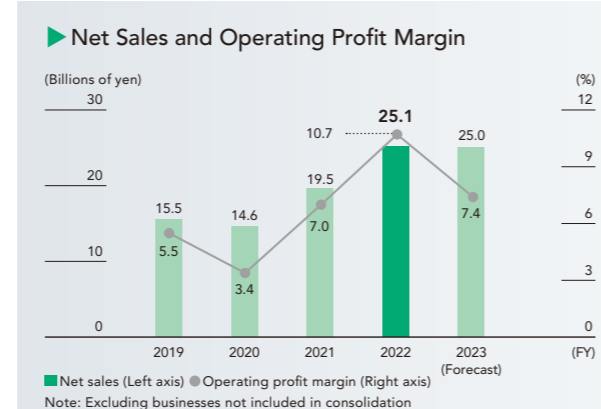
- ✓ Emphasize solutions-based sales that bring together Group sales, development, and production departments
- ✓ Optimize the balance between specialty and commodity products
- ✓ Strengthen global quality assurance capabilities
- ✓ Strengthen proposals for improving agents for food and chemical products to address heightened environmental awareness
- ✓ Upgrade production facilities

FY2022 Results

Raw material prices and ocean freight rates rose sharply in the first half of FY2022, but price increases progressed steadily amid special demand as customers secured inventory in response to global supply chain disruptions. Demand declined in the second half as monetary tightening in Europe and the United States caused concern about an economic slowdown. In addition to inventory adjustments, market prices declined due to falling raw material prices and competition intensified. We worked to maintain profitability in a challenging operating environment. During the second half, technical staff at the Application & Innovation Center in Japan resumed making direct proposals to customers outside Japan and took part in strengthening relationships with overseas customers. Although demand for specialty products declined due to market factors, net sales and operating profit increased significantly for the second consecutive year due in part to the impact of the weaker yen. By region, net sales and operating profit increased year over year in Asia, North America, and Europe.

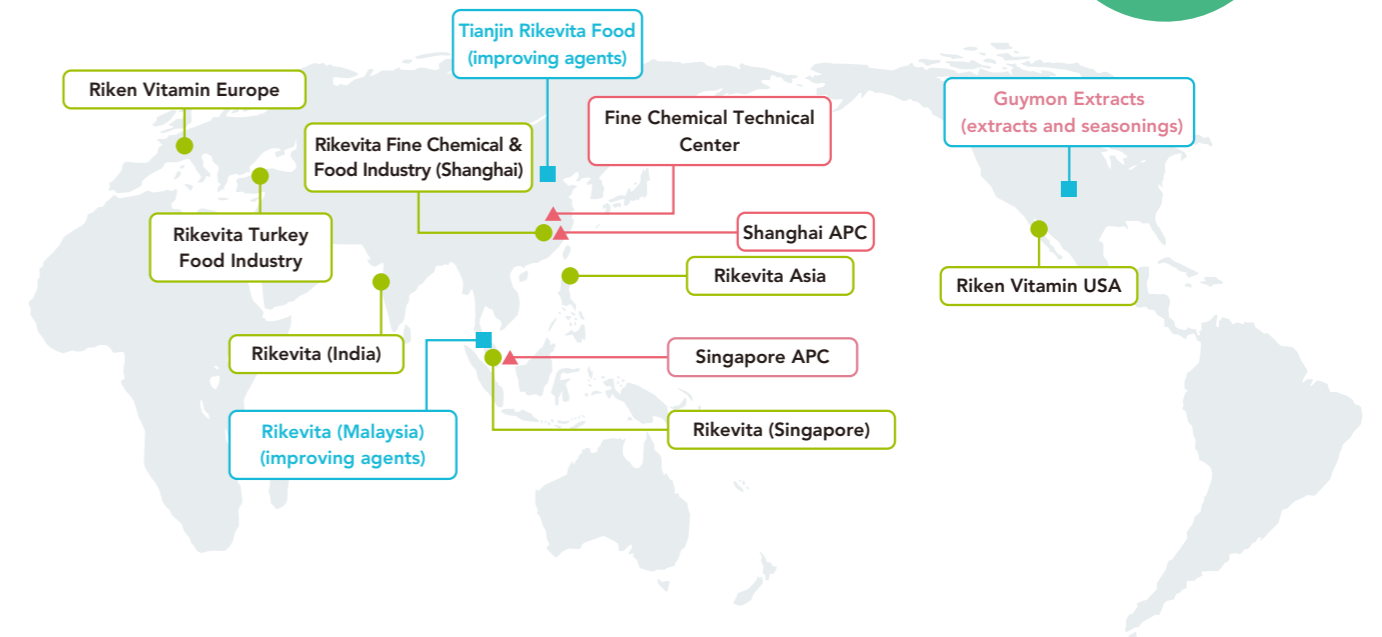
FY2023 Outlook

Higher prices for commodity products led to significant growth in FY2022, so we expect the opposite to occur in FY2023. In addition, economic stagnation overseas may be an obstacle to expanding sales of specialty products. In Asia, we will address these issues by intensifying market development in inland China, enhancing our presence in existing markets and cultivating new markets in Southeast Asia. In North America, we will enhance proposals with an emphasis on bakery products and expand extract and seasoning sales. We will also enhance proposals for improving agents for chemical products to address heightened environmental awareness. Furthermore, we will consider upgrading and strengthening overseas facilities to achieve medium- to long-term growth.

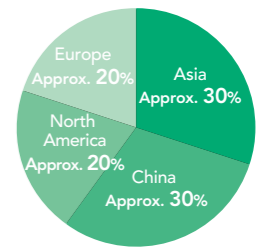


Overseas Network

- ...Sales location
- ▲ ...Application Center (APC)
- ...Production facility (improving agents, extracts, and seasonings)



Composition of Overseas Sales



Highlight

Our Evolution from Commodity to Specialty Products



Wataru Minami
Managing Director
Rikevita (Singapore) Pte Ltd

Rikevita (Singapore) is a sales company that operates in Southeast Asia, Oceania, India, and Pakistan. We mainly sell improving agents manufactured in Malaysia in the regions where we operate. Our primary market is Southeast Asia, which is exposed to global economic risk and country risk including political instability. However, the region has a large population, and we believe that the market has significant growth potential.

Our sales policy emphasizes increasing sales of specialty products. Since entering the overseas market, we have worked to expand our production capacity and strengthen cost competitiveness. In the current medium-term management plan, however, we aim to shift to sales of high-value-added specialty products.

We want our proposals to offer exceptional added value, so we must properly understand customer needs and address them with a sense of urgency. Since countries in Southeast Asia have different languages, food cultures, laws, and regulations, we have been proactively assigning sales personnel who understand the local conditions in each country. We have been promoting this initiative since FY2022.

We would like to earn the trust of our customers and increase our market presence by replicating the same solutions cycle as in Japan.

Special Feature 2: Application & Innovation Center

Solutions That Address Potential Issues and Drive Progress

We have an Application & Innovation Center (A&I Center) for food-improving agent research and development. In 2019, we consolidated development bases that had been dispersed among three factories to create an environment in which we are able to quickly share our collective knowledge of basic research results, technical expertise, and market information. Connection is the theme at this A&I Center, and it is a forum for interaction that connects relevant people, companies, information, and technology to create new value that transcends simply resolving issues related to processed food.

Four Types of Connection for Resolving Issues

Customer Issues and Needs

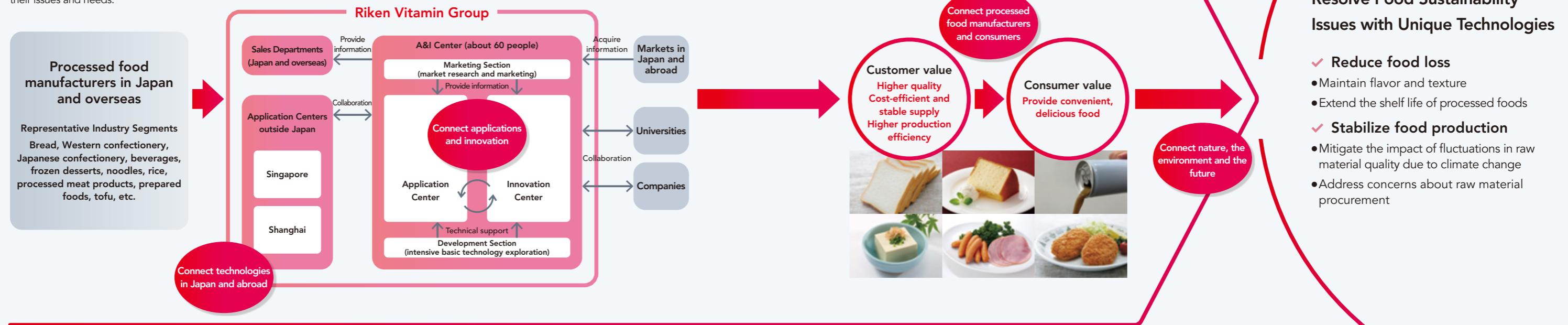
Members of our sales departments listen to processed food manufacturers in various industries to understand their issues and needs.

Members of the A&I Center Working Together to Resolve Issues and Address Needs

We aggregate the knowledge we have acquired in various industries and information from overseas bases, research institutes, and markets to provide carefully targeted, technologically sophisticated solutions.

Improving Agent Technology That Delivers New Value

Achieve both efficient production and deliciousness. Provide unique products and services that customers want.



Case Study A&I Center Value Creation

Reducing Food Loss with Products That Retain Their Deliciousness throughout a Long Shelf Life

Improved Bread Production

Bread manufacturers require mechanized mass production to supply bread at affordable prices. However, achieving both deliciousness and efficient production is a challenge. We resolve these issues by proposing improving agents that match the characteristics of raw materials and production lines.

A Solution for Mechanized Bread Production Lines

Issues: Investigate the causes that underlie needs (Raw material properties? Equipment issues? Something else?)

- ✓ Increase bread volume and softness
- ✓ Improve dough resilience
- ✓ Reduce dough stickiness

Experimental production under conditions similar to the customer's actual production line

Improvement → Value delivered

Improvement examples



Manager Comments



Developing New Food-improving Agents by Leveraging Knowledge from Prior Assignments

Ryuto Fukuda
Bakery Section
Application Center
Food Ingredients Development Department

We develop new improving agent formulations and propose recipes using existing formulations for the baking industry. Based on my experience working in a section unrelated to baking, I was able to commercialize a new formulation that used a different function than the previous baking applications. Responding to the diverse demands of customers is challenging work that requires a balance of speed and precision, but the in-depth analysis required for the process has also enhanced my own skills.