

## ■ Message from the President

**Based on our policy of effectively using natural materials, we aim to be a unique company that provides products and services with outstanding added value.**

**Kazuhiko Yamaki**

President & Representative Director



## ■ Message from the President



Furikakeru Zakuzaku Wakame and  
Indo Kareya-san no Nazo Dressing

### Year Two of Our Medium-Term Management Plan in Retrospect

**Sales and profits increased in FY2023, with record net sales, operating profit, and ordinary profit.**

In 2022, Riken Vitamin committed to a medium- to long-term vision of achieving growth by supporting a sustainable society with specialty products and services. Our policy of effectively using natural materials is part of our DNA, and we aim to be a unique company that contributes to a sustainable society through business activities that provide products and services with outstanding added value.

During our current medium-term management plan (FY2022–FY2024), which is the first step toward realizing our vision, we are strengthening our foundation and investing in future growth. Our business performance is progressing smoothly, as FY2023 sales and profits increased year over year with record net sales, operating profit, and ordinary profit. We also achieved our profit targets for the final year of our medium-term management plan ahead of schedule.

Sales and profits increased in the Domestic Food business due to a recovery in restaurant industry demand, the impact of

“ Food-improving agent technology that can help preserve the deliciousness of food for longer provides value to customers and reduces food loss. ”

price revisions for improving agents for processed food manufacturers, and the success of household foods Furikakeru Zakuzaku Wakame and Indo Kareya-san no Nazo Dressing. In the Overseas business, sales and profits in FY2023 decreased compared with the strong performance in FY2022, which was driven by special demand resulting from supply chain disruptions and the impact of price revisions implemented due to rising raw material prices. However, our intention to grow our top line using the Overseas business as a growth driver remains unchanged.

📖 **Page 25: Medium-Term Management Plan**

### Achieving Our Medium- to Long-Term Vision

**We will strengthen sales, production, and management systems to expand our lineup of specialty products and services.**

The ratio of overseas sales to net sales in FY2023 was 24%, and we aim to increase it to 40% over the next 10 years and then eventually to 50% or higher.

One of the basic policies of the medium-term management plan is to accelerate expansion in Asia and North America. Until now, sales of commodity products have been our main focus in North America, but we would like to increase sales of

specialty products such as high-value-added food-improving agents for bakeries in particular. By using our technology to preserve the deliciousness of bread and confections—especially important given the vast size of the American continent—we can provide significant value to processed food manufacturers as well as to consumers, and also help to reduce food loss.

In June 2024, North American sales subsidiary Riken Vitamin USA, Inc. opened a new application center that employs full-time engineers to enhance its ability to make customer proposals. In the next phase of the medium-term management plan, we will also consider building a formulation factory in North America and expanding the scale of our application centers.

Similarly, our goals in Southeast Asia and China are to increase the ratio of specialty products to total sales. In Southeast Asia, we have a factory in Malaysia that is Halal and Kosher certified, as well as a sales subsidiary in Singapore. In addition, we have decided to establish new sales subsidiaries in Thailand and Vietnam. We will also consider enhancing production capacity in preparation for the future expansion of sales volume.

However, establishing a competitive advantage is challenging in Europe because we compete with many other formulation producers. Therefore, our strategy involves expanding sales volume with a focus on commodity products.

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In parallel with our efforts to expand business in each of the countries and regions we serve, we established the Global Quality Assurance Division within the Quality Assurance Unit in April 2023 to strengthen our management organization. We will enhance our quality assurance system by setting priorities in each country and region we serve (📖 **Page 42: Quality Assurance Initiatives**). We are also leveraging the Group Business Management Division to strengthen organizational support from relevant head office divisions toward helping subsidiaries outside Japan in terms of compliance with local laws/regulations and operations.

Meanwhile, population decline in the Japanese market is making growth a challenge, so we will emphasize profitability and focus on developing high-value-added products that are superior to those of competitors.

In food markets, we have developed products in slightly different categories than those in existing markets. Our non-oil dressings and Sozairyoku Dashi, which contains no added salt, are two examples. These kinds of products achieve differentiation from those in existing markets, and have created new spaces that forestall competitors.

Launched in 2022, Furikakeru Zakuzaku Wakame has created a new market that differs from ordinary rice seasonings because our unique manufacturing method gives it a crunch that bursts with deliciousness. In addition, Indo Kareya-san no Nazo Dressing is a hit product launched in 2023 that resulted from our planning and technological capabilities. Our production technology helped create a mellow taste with reduced saltiness and acidity. This flavor, which is typically only achievable in a refrigerated form, is difficult to imitate. However, we were successfully able to deliver it in a product than can be distributed at room temperature.



“ Instead of focusing on existing markets, we develop products in slightly different categories in order to differentiate ourselves from other companies and create new markets. ”

In the improving agents market, we offer solutions that take advantage of our ability to accurately identify customer issues and make proposals that address them to generate sales. Our goal is to further enhance our competitive advantage by making customers aware of their latent needs and then proposing the relevant solutions. Furthermore, we are deepening our presence in the Japanese market by proposing a total package that encompasses improving agents and food products.

In Japan, we will upgrade our production system and invest in productivity improvements. We are reviewing our food production system, and consolidating the production of dressings at the Soka Factory and the production of extracts at Riken Food's Sendai Shinko Factory. Although we mainly produce improving agents at factories in Osaka, Chiba, and Malaysia, we will review all the items produced at each factory. Additionally, we will consider building new factories as part of the next phase.



“Based on our updated material issues, we will promote sustainable management and enhance effectiveness.”

### Enhancing Human Capital

#### We will focus on fostering a free and open-minded culture and nurturing the next generation of leaders.

Human resources are the most important factor in achieving sustainable growth. We are therefore focusing on fostering a free and open-minded culture in which diverse human resources can thrive, and on nurturing the next generation of leaders.

Riken Vitamin has always had a free and open-minded corporate culture—a strength that is a part of our DNA with its roots in RIKEN (the Institute of Physical and Chemical Research). However, I am concerned that recently we have started drifting away from this corporate culture. We need to ensure psychological safety so that diverse human resources can freely express their opinions in order to create groundbreaking products. We also need to create an organization that helps us take on the challenges of undertaking new initiatives in planning and development. We might fail to create hit products if senior management interferes in product development. For example, imagine if senior management had been involved in Indo Kareya-san no Nazo Dressing but stopped the product release because of the unusual name.

To develop the next generation of leaders, the Human Resources Department and each department head hold regular human resource optimization meetings to discuss human

resource development methods and assign roles. Based on these discussions, the management team pools candidates for the next generation of general managers, executive officers, and Board members.

In addition, we need human resources who can work on the global stage in order to expand our business in markets outside Japan. To develop such talent, we are focused on hiring more people in Japan versed in improving agents than we currently need. Once they gain experience in the improving agents business in Japan and the sophisticated proposals required, we would like them to handle business outside Japan in the future.

📖 **Page 40: Human Resource Development**

### To Our Stakeholders

#### We will contribute to society by generating sustainable profit.

As a matter of course, a company must solve social issues through its business activities to contribute to society, but we believe that the key to that is generating sustainable profit. Profit generates tax payments, helps improve employee benefits, and enables shareholder returns, allowing the company to play a meaningful role in society.

Doing so requires Riken Vitamin to continuously create specialty products and services with outstanding added value that differentiate us from other companies and are less likely

to be subject to price competition. This approach is rooted in our research and development capabilities and our unique technological capabilities, which are what enable us to create specialty products that are sustainable. With these fundamental strengths as our core, we have laid out what Riken Vitamin can and should do, and have reviewed our material issues. Based on these material issues, we will promote sustainable management and enhance effectiveness.

In addition, we calculate ROIC for each business and discuss whether its profitability exceeds the cost of capital. If it does not, we decide what we should do about it. We clarify issues by evaluating each business using the same indicators. We will carefully consider whether to disclose ROIC, and in the next medium-term management plan, we would like to devise a growth strategy that is more conscious of capital efficiency.

📖 **Page 21: Financial and Capital Strategy**

The Group has many well-known products for consumer households, and we are often seen as a BtoC company. However, the majority of our sales come from the BtoB market, and we have many products with the number one market share in their industries. We would like to actively communicate our strengths and future potential through this integrated report and other means, and increase dialogue with our stakeholders.

We hope our stakeholders share our confidence in our growth and continue to support the Riken Vitamin Group.

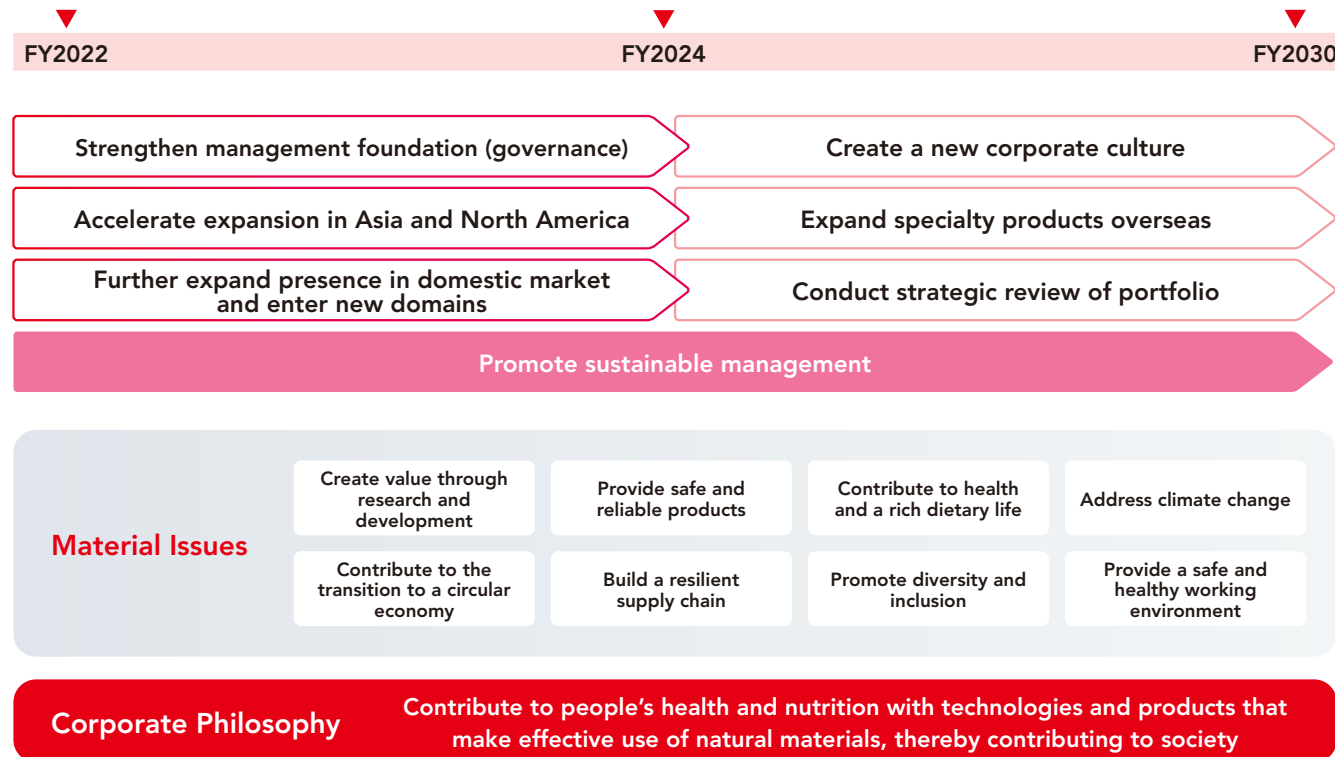
# Medium- to Long-Term Vision

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)

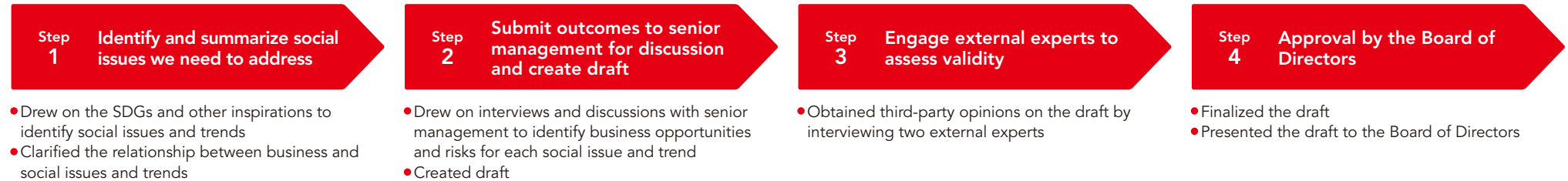
### Achieving growth by supporting a sustainable society with specialty products and services

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 by providing solutions to challenges in a wide range of fields, thereby supporting a sustainable society.



# Process for Identifying Material Issues

In 2019, we identified the key themes (material issues) of our CSR activities. In 2022, we formulated our medium- to long-term vision of “Achieving growth by supporting a sustainable society with specialty products and services.” Our goal is to link our contributions to sustainability with increased corporate value. In light of our medium- to long-term strategies and changes in our business environment, we reviewed our material issues in 2024. We identified eight new material issues that we consider priority management issues, and the Management Meeting and the Board of Directors have approved them. Our objective is to increase corporate value while creating environmental and social value through initiatives related to our material issues.



## ► Social Issues

- Climate change
- Efficient use of resources
- Food loss
- Conservation of water resources
- Conservation of biodiversity and ecosystems
- Instability in supply chains
- Lifestyle changes
- Promotion of D&I
- Ensuring product safety and reliability

## ► Opportunities and Risks

●...Opportunities ●...Risks

- Creating added value through technology that effectively uses natural materials
- Increasing opportunities to make proposals due to diversifying customer needs
- Growing concerns about product safety and reliability
- Damage to reputation due to quality issues
- Growing interest in nutrition
- Increasing demand for healthy products
- Growing need to address a decarbonized and recycling-oriented society
- Increasing costs due to issues including more stringent environmental regulations
- Helping to reduce food loss with food-improving agents
- Creating value by employing unused resources
- Supply chain instability due to issues including geopolitical risks and climate change
- Competitive advantage from independent raw material procurement
- Difficulty securing human resources due to the decline in Japan's working population
- Enhanced ability to create new businesses and develop new products because of diverse and flexible human resources
- Production slowdowns or halts due to industrial accidents or other issues
- Addressing the diversification of lifestyles and values

## ► Evaluation by External Experts

In May 2024, we engaged external experts to assess the validity of the proposed revisions to our material issues and solicited the opinions of Riken Vitamin Group executives.

Experts (in no particular order)

Hidemi Tomita  
Managing Director  
LRQA Sustainability Co., Ltd



Mika Takaoka  
Professor, College of Business,  
Rikkyo University



We consider sustainability-related initiatives that impact finances to be material. From the perspective of value creation, explaining the connection between the value of health and R&D can help the Riken Vitamin Group stand out. If research into areas such as blue carbon has the potential to lead to future business opportunities, highlighting this can help the Riken Vitamin Group further demonstrate its uniqueness. In addition, adapting to climate change will be a major issue in the food industry. It is necessary to ensure that the supply chain remains uninterrupted, even if the situation worsens. I believe that initiatives to support wakame aquaculture are a great example because they both ensure stable procurement and contribute to the local community.

The Riken Vitamin Group has unique businesses, and focusing on material issues that underline its competitive advantages and differentiation strategies helps to emphasize its uniqueness. A company must continuously improve corporate value, and a clear relationship between material issues and business helps shareholders and other stakeholders accurately evaluate the Riken Vitamin Group. Recently, a growing number of companies with a commitment to society and the environment have created new businesses by working to resolve issues. In addition to addressing risks, I would like the Riken Vitamin Group to think of environmental changes as opportunities and reflect them in its material issues and key performance indicators.

## Material Issues

- Create value through research and development
- Provide safe and reliable products
- Contribute to health and a rich dietary life
- Address climate change
- Contribute to the transition to a circular economy
- Build a resilient supply chain
- Promote diversity and inclusion
- Provide a safe and healthy working environment

Note: Titles as of June 2024

# Material Issues

Our initiatives to address the eight new material issues have two main objectives—realize a sustainable society and increase our corporate value over the medium to long term.

## Contributing to the Global Environment



### Contribute to the transition to a circular economy

We promote the transition to a circular economy with products and technologies that help reduce food loss and environmental impact.



12.2/12.3

### Address climate change

We help to mitigate climate change by providing products that reduce greenhouse gas emissions and promote decarbonization. We also promote the development of technologies for adapting to climate change.



13.1/13.3

14.2

### Create value through research and development

As a research and development-oriented company, we focus on the development of new technologies, new applications, and new products that support a sustainable society.



9.4/9.5

### Provide safe and reliable products

We provide safe, high-quality products and appropriate information that reassures customers.



12.8

## Technology-Based Value Creation



### Contribute to health and a rich dietary life

We contribute to health and a rich dietary life for all people by providing specialty products and services.



2.2

### Build a resilient supply chain

Together with our stakeholders, we aim to build a resilient supply chain with careful consideration of human rights, the environment, and biodiversity.



8.7

12.2

### Provide a safe and healthy working environment

As a company that contributes to health and nutrition, we provide a safe and healthy environment in which employees can work with confidence and motivation.



3.4

8.8

### Promote diversity and inclusion

We aim to be a company that can generate sustainable growth by respecting diversity and employing and developing the capabilities of all individuals.



5.1/5.4/  
5.5

8.5

10.3

## Well-Being for People and Society



# Riken Vitamin's Material Issues