

Riken Vitamin's Sustainability

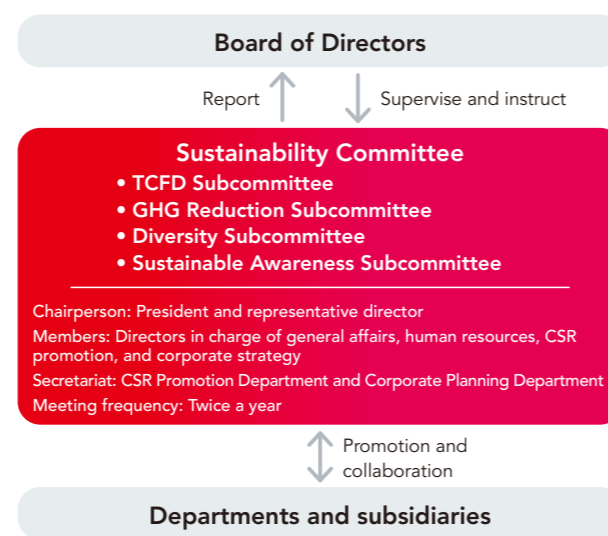
Basic Policies for Sustainable Management

The Riken Vitamin Group has contributed to society with its approach of making effective use of natural materials and through one of the main points of its Management Philosophy, which is to provide health and a rich dietary life to society through foods.

The future business environment is difficult to predict due to factors such as demographic change, climate change, and changes in eating habits and lifestyles brought on by the COVID-19 pandemic. Given this situation, in 2022 we established our medium- to long-term vision of achieving growth by supporting a sustainable society with specialty products and services. The medium-term management plan we launched in FY2022 sets forth our basic policies for sustainable management, the elements of which include promoting socially and environmentally responsible business practices under a sound governance structure; making social and environmental contributions through our business with specialty products and services to achieve sustainable growth; and gaining the trust of society and making employees proud to work for us.

Framework for Promoting Sustainable Management

The Riken Vitamin Group has established the Sustainability Committee, chaired by the president and representative director, to address sustainability issues. The Sustainability Committee has established subcommittees for key themes, which include reducing GHG emissions and promoting diversity and inclusion, and reports to the Board of Directors in a timely manner. The Board of Directors supervises the committee's activities and the progress of initiatives, and issues instructions to the committee as necessary.



Stakeholder Engagement

The Riken Vitamin Group interacts with stakeholders ranging from customers and business partners to shareholders and investors through its businesses. We actively engage in communication with our stakeholders to hear their opinions, requests, and expectations and to help them understand the Group.

Communication Map

Stakeholders	Primary Channels and Opportunities for Dialogue
Customers	<ul style="list-style-type: none"> Day-to-day sales activities Customer Service Center Website and social media
Shareholders and Investors	<ul style="list-style-type: none"> General Meeting of Shareholders Shareholder newsletters and integrated reports Briefings for analysts and investors, including individual investors Website
Business Partners	<ul style="list-style-type: none"> Procurement activities CSR Procurement Questionnaire
Employees	<ul style="list-style-type: none"> Promotion of health management Promotion of diversity and inclusion Negotiations and discussions with labor unions Communication through a self-reporting system
Communities, Government Organizations, and Research Institutes	<ul style="list-style-type: none"> Acceptance of visits from schools Participation in community events Joint research Support through the regional revitalization tax system (corporate version of hometown tax)
Non-profit Organizations and Non-governmental Organizations	<ul style="list-style-type: none"> Participation in JAWFP as a council member Membership in RSPO
Environment	<ul style="list-style-type: none"> Reduction of GHG emissions Conservation of water resources Conservation of biodiversity

Key Themes (Material Issues)

In 2019, we identified key themes (material issues) of our CSR activities. We organized important social issues for Riken Vitamin based on external guidelines such as ISO 26000* and the SDGs. We evaluated their importance from the two perspectives of relevance to our business and expectation from society in relation to the impact of Riken Vitamin in terms of opportunities and risks. We then identified six key themes (material issues) that are highly important to both society and the Riken Vitamin Group. We will contribute to the themes of consumers, pollution prevention, and environmental consideration through our business, and to the themes of diversity and inclusion, job satisfaction, and research and development through Groupwide activities. We will also contribute to the achievement of the SDGs through our key themes. In light of the growing importance of sustainability and changes in the Group's business environment, and as part of efforts to realize our medium- to long-term vision of achieving growth by supporting a sustainable society with specialty products and services, we plan to review our material issues during FY2023.

* ISO 26000: An international standard intended to provide organizations with guidance concerning social responsibility.



Key Themes		Relevant SDGs
Contributing through our business	Consumers	 9.4, 12.4, 12.5, 14.1
	Pollution prevention	
	Environmental consideration	
Groupwide contribution	Diversity and inclusion	 5.1, 5.4, 5.5, 8.5, 9.5, 10.3
	Job satisfaction	
	Research and development	

TCFD Recommendations and Initiatives to Address Climate Change

TCFD

Governance

The Group has established a Sustainability Committee chaired by the president and representative director to address sustainability issues. The committee's TCFD Subcommittee holds Groupwide discussions on climate change risks, opportunities, and countermeasures, and discusses policies and plans at the Management Meeting as necessary. The Board of Directors has a system in place to receive timely reports approximately four times a year from the director responsible for the Sustainability Committee's discussion agenda and the content of reports and discussions at the Management Meeting.

Strategies

The Group manufactures and sells products using various natural products such as vegetable oil and seaweed. We purchase almost all vegetable oil-related raw materials from trading companies and oil manufacturers that import them to Japan. We then process these raw materials into products such as emulsifiers at our factories, and supply them to our customers. In addition, aquaculture production of wakame accounts for a majority of the raw materials we use for seaweed-related products, and its supply fluctuates significantly depending on weather, seawater temperature, and nutritional conditions during cultivation. We therefore recognize climate change as a material management risk from the perspective of business continuity.

In FY2022, we conducted scenario analyses for two of our businesses: the improving agents we produce in Japan and overseas that use vegetable oil as the primary raw material; and the food products such as seaweed, dressings, and soups we produce in Japan. Our scenario analyses focused on evaluating the financial impact of the 1.5°C/2°C scenario, which is the target of the Paris Agreement, and the 4°C scenario in which global warming progresses. As a result, we found that both transition and physical risks could have a significant impact on raw material procurement, and that physical risks could have a significant impact on our production facilities. The countermeasures described here summarize our current initiatives. In the future, we will consider specific countermeasures for risks and opportunities that have a material financial impact.

The Riken Vitamin Group uses agricultural and marine products as its primary raw materials, so we recognize that addressing climate change is an important issue for the Group. Based on this recognition, in April 2022 we announced our support for the Task Force for Climate-related Financial Disclosures (TCFD) recommendations. We will engage in dialogue with our stakeholders through appropriate information disclosure, which will help us achieve our objective of integrating sustainability and management.

Risks and Opportunities

Hypothetical Risks and Opportunities	Variables	Impact on Group Businesses	Degree of Financial Impact in 2030		Existing Initiatives	
			1.5°C/2°C	4°C		
Transition Risks and Opportunities	Government policies, laws and regulations	Introduction of carbon taxes	Overall increase in costs	Small	Small	<ul style="list-style-type: none"> Intensive energy-saving activities Use of renewable energy Use of biomass fuel Geographically diversified procurement Alternative product research and development Address customer needs and gradually increase procurement volume Product development that addresses changes in market needs Multifaceted management that disperses risk Differentiation from developing and increasing sales of high-value-added products in each business Enhance proposals for environmentally responsible products Ensure multiple reliable and stable suppliers Ensure systematic inventory Share risk information with customers Cultivate and consistently supply excellent wakame seedlings Expand the scope of research to seaweed other than wakame Formulation of business continuity plan (BCP) Introduce safety confirmation systems Educate employees with training and manuals Seismically reinforce facilities
	Technology	Replacement with decarbonized equipment and production methods	Increased capital investment costs due to the large-scale introduction of equipment to decarbonize production systems	Medium	Small	
	Market	Growing demand for biofuels	Increased vegetable oil procurement costs and expenses to develop alternative products	Medium	Small	
		Customer purchasing behavior that emphasizes sustainability	Increased procurement costs for certified products such as palm oil	Small	Small	
	Reputation	Expanded ethical consumption	Reduced sales due to inability to address demand for sustainable products	Small	Small	
Physical Risks and Opportunities	Rise in air and sea temperature	Decreased production of raw materials	Higher procurement costs, costs incurred to switch suppliers, and costs incurred to develop alternative products	Small	Large	
		Opportunity	Increased demand for improving agents for plant-derived chemical products such as environmentally responsible plastics and cosmetics	Small	Small	
	Water procurement risk	Aggravated water stress at production facilities	Decrease in sales due to suspended operations among raw material suppliers and production facilities	Minor	Ongoing surveys	
	More intense extreme weather	More frequent floods and heavy rain	Decrease in sales due to disruption of supply chains and production facility shutdowns	Small	Medium	
		Impairment of existing assets due to damage to plant and equipment at production facilities and investment required to replace with new assets	Small	Small		

Degree of Impact
 Large: At least 10% of net sales, at least ¥9.4 billion; at least 30% of ordinary profit, at least ¥2.46 billion
 Medium: At least 5% but less than 10% of net sales, ¥4.7 billion to ¥9.3 billion; at least 15% but less than 30% of ordinary profit, ¥1.23 billion to ¥2.45 billion
 Small: Less than 5% of net sales, ¥4.6 billion or less; less than 15% of ordinary profit, ¥1.22 billion or less
 Note: Calculated based on FY2024 medium-term management plan targets (net sales of ¥94 billion and ordinary profit of ¥8.2 billion)

Risk Management

The Group has established a Risk Management Committee to assess, reduce, and address risks related to business execution. We also manage the climate change risks we have identified through a Groupwide risk management system.

Benchmarks and Targets

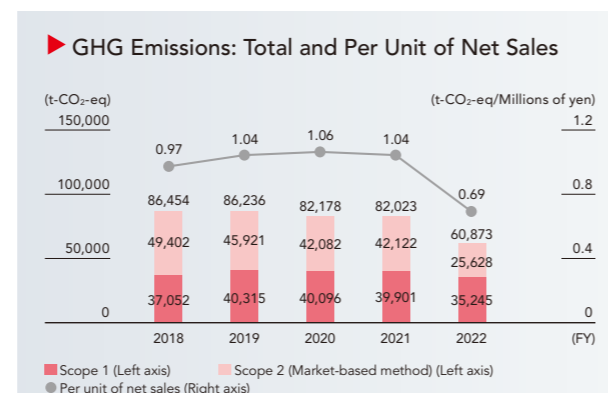
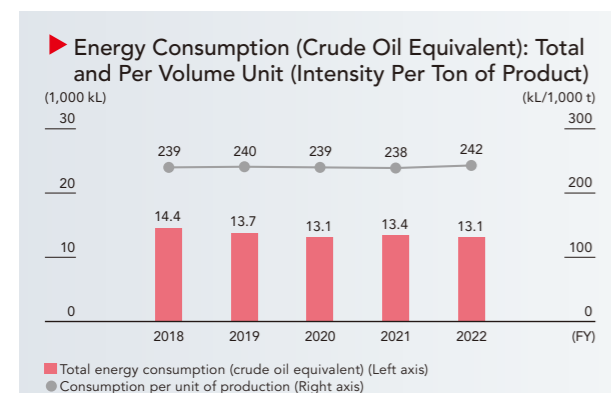
We aim to reduce the Group's GHG emissions (Scope 1 and 2) by 40% (compared with FY2018) by FY2030, and achieve carbon neutrality through net zero emissions by FY2050. In addition, we began calculating Scope 3 emissions in FY2023. We will proceed with calculations for high-emission categories while considering revised GHG emission reduction targets.

Riken Vitamin Group
 2030 GHG emissions
40% reduction
 (Scope 1 and 2; compared with FY2018)

FY2050
Targeting carbon neutrality

GHG Emission Reduction

We are targeting a 40% reduction in GHG emissions by FY2030 compared with FY2018, and in FY2022 we promoted energy conservation and used renewable energy in ways such as installing solar panels. GHG emissions in FY2022 were approximately 30% lower than in FY2018.



Initiative 1

Fluorocarbon Leak Prevention

Fluorocarbons are used as refrigerants in air conditioning, freezing, and refrigerating equipment, and can cause ozone layer damage and global warming when released into the atmosphere. Riken Vitamin conducts periodic and simple inspections of equipment that uses fluorocarbons to prevent leaks in accordance with the Act on Rational Use and Proper Management of Fluorocarbons. We calculated FY2022 leakage at less than 1,000 tons, and did not have a statutory reporting obligation. In addition, during equipment upgrades we are transitioning to alternative fluorocarbons that do not deplete the ozone layer and new refrigerants that have less impact on global warming.



Equipment at the Soka Factory that uses a new refrigerant

Initiative 2

Membership in the Carbon-Neutral LNG Buyers Alliance

Carbon-neutral LNG (CNL) is a carbon offset for the greenhouse gases generated in processes ranging from the extraction to the combustion of natural gas. This methodology promotes reducing emissions through CO₂ credits generated by environmental conservation projects in emerging countries and elsewhere. CNL is therefore considered to produce no CO₂ emissions on a global scale. Riken Vitamin has joined the Carbon-Neutral LNG Buyers Alliance. The alliance was established by Tokyo Gas Co., Ltd., which is involved in the procurement and supply of CNL, and members include companies that use it. The aim of the initiative is to popularize CNL and improve its utility value.



CNL Buyers Alliance

Human Resource Development

We encourage the independence of all employees so that they become skilled professionals with high-level expertise in resolving issues. We therefore provide employees with tier-specific training, career training, and department-specific training. We also provide support for self-development by subsidizing attendance at external business schools, incentivizing employees to obtain qualifications, and covering expenses for correspondence courses.

At the same time, diverse experience gained from such opportunities as personnel transfers after joining the Group and overseas assignments is also important for developing professional human resources. The Human Resources Department regularly holds personnel optimization review meetings to discuss the appropriate allocation of human resources to each business, and to discuss Groupwide perspectives such as successor candidate training plans and career paths. The Board of Directors draws on these insights in making decisions about personnel changes.

In addition, we are promoting diversity and inclusion, as well as health management to enhance the environment for human resource development. We also support the development of global talent.

Diversity and Inclusion

We have been promoting diversity and inclusion since FY2015 with the goal of becoming a company that creates new value with a corporate climate that fosters innovation by enabling diverse people to fully demonstrate their abilities. Our Code of Conduct, which we read aloud in workplaces, includes the concept of diversity and inclusion. Furthermore, in FY2022 we deepened understanding of various aspects of diversity by holding study sessions on color vision diversity and providing e-learning on support for balancing childcare and nursing care.

Promoting the Active Participation of Women

Based on the Act on Promotion of Women's Participation and Advancement in the Workplace, we have established an action plan to increase, develop, and promote female employees. This includes setting targets at every stage, from hiring women and providing opportunities for growth to promoting them to appropriate positions.

Action Plans and Results Based on the Act on Promotion of Women's Participation and Advancement in the Workplace (Riken Vitamin Co., Ltd. Only)

Increase	<ul style="list-style-type: none"> Target recruitment rate of 35% or more, including new graduates and mid-career hires, and expand job categories into manufacturing and sales
Develop	<ul style="list-style-type: none"> Work-life balance support system for career continuity (Reduced working hours and flextime work during childcare and nursing care, and enhanced remote work program for all employees) Systems to help people return to work after leave Career design training for female employees on the managerial track External training for newly appointed female managers (interaction with female managers from other companies) Programs to raise awareness of the importance of diversity among all managers through tier-based training Programs to encourage men to have higher quality involvement in their families, familiarize all employees with the guidebook for supporting both childcare and nursing care, and implement e-learning on childcare-related systems Percentage of eligible men taking childcare and other leave:¹ 111.5% (As of March 31, 2023)
Promote	<ul style="list-style-type: none"> Discussion of personnel allocation and training plans at personnel optimization review meetings led by the Human Resources Department Female section manager level target: at least 10% Percentage of female managers:² 3.8% (March 31, 2023); target: 6% (March 31, 2024)

Gender Pay Gap (Riken Vitamin Co., Ltd. Only)¹

All Employees	Full-time Employees	Part-time and Contract Employees
65.8%	66.9%	50.1%

- The methodology prescribed by the Ministry of Health, Labor and Welfare is the basis for calculating the gender pay gap and the percentage of eligible male employees taking childcare and other leave.
- The methodology prescribed by the Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015) is the basis for calculating the percentage of female managers.

Highlight

Initiatives to Encourage the Active Participation of Women at Factories

Initiatives to encourage the active participation of women include assigning female employees to the production lines of our factories.

In FY2022, production departments brought together female employees at factories to create a rewarding work environment in which diverse people could work comfortably and individuals could demonstrate their full potential. The meeting enabled participants to identify issues, share a wide range of best practices and exchange opinions about future issues. At a separate meeting of superiors and factory general affairs managers, participants introduced examples of how the assignment of female employees has improved work and the workplace environment by bringing in new perspective, as well as discussed future issues. The above initiatives created a good opportunity for communication among employees from different workplaces. These opportunities had decreased during the COVID-19 pandemic.

Expanding the scope of work for women is an important initiative, and we will continue to exchange opinions at our workplaces to further enhance the workplace and raise awareness.



Female employees at Soka Factory

Health Management

We began implementing health management in FY2018. Led by the president and representative director, the Human Resources Department and the General Affairs Department promote health management in collaboration with health cooperatives. The purpose is to maintain and improve the day-to-day health of employees and their families, leading to the creation of energetic workplaces with improved performance and enhanced productivity. We are also implementing health management in conjunction with work style reform to create a work environment that empowers the active participation of all employees.

Initiatives to prevent lifestyle-related and stress-related diseases

- Based on analysis of stress checkup results, conduct manager training to enhance workplaces
- Specific health guidance and smoking cessation programs based on the results of health checkups (all workplaces abolished smoking areas in 2019)
- Providing information on the health benefits of wakame to employee cafeteria management companies and nutrition administrators, and serving Group wakame products in employee cafeterias <https://www.rikenvitamin.jp/shokuiku/dictionary/> (Japanese only)

Support for the Active Participation of Global Talent

One of the basic policies of our medium-term management plan is to accelerate expansion in Asia and North America, so we are developing employees with a global perspective. We therefore define employees and candidates for overseas business and related operations as global talent, and aim to increase their ratio to all employees to 10% by 2030. This ratio was 8.4% as of March 31, 2023. In addition, we have a system that fully subsidizes the tuition fees for English conversation schools and online English conversation lessons. To encourage people to take on the challenge of working overseas and based on our regulations for expatriate employees, we offer incentives and welfare programs that are more generous than those available to employees in Japan.

External Evaluations

Based on the Act on Advancement of Measures to Support Raising Next-Generation Children, Japan's Ministry of Health, Labor and Welfare approved the Riken Vitamin Group for Platinum Kurumin Authorization in 2021 as a company with outstanding initiatives to help families raise children.

In addition, in March 2023 we were recognized as a 2023 Certified Health & Productivity Management Organization (large enterprise category) under a program by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.

