

Medium-Term Management Plan 2023-2025

Showa Sangyo Co., Ltd

February 24, 2023



Agenda

1

Review of the Medium-Term Management Plan 2020-2022

P.3 ~

2

Medium-Term Management Plan 2023-2025

P.9 ~

- Key Strategy 1. Strengthening Our Core Businesses P.18 ~
- Key Strategy 2. Expansion of Our Business Fields P.27 ~
- Key Strategy 3. Reducing Burden on the Environment P.33 ~
- Key Strategy 4. Rebuilding Our Platform P.35 ~
- Key Strategy 5. Enforcing Stakeholder Engagement P.40 ~

3

APPENDIX

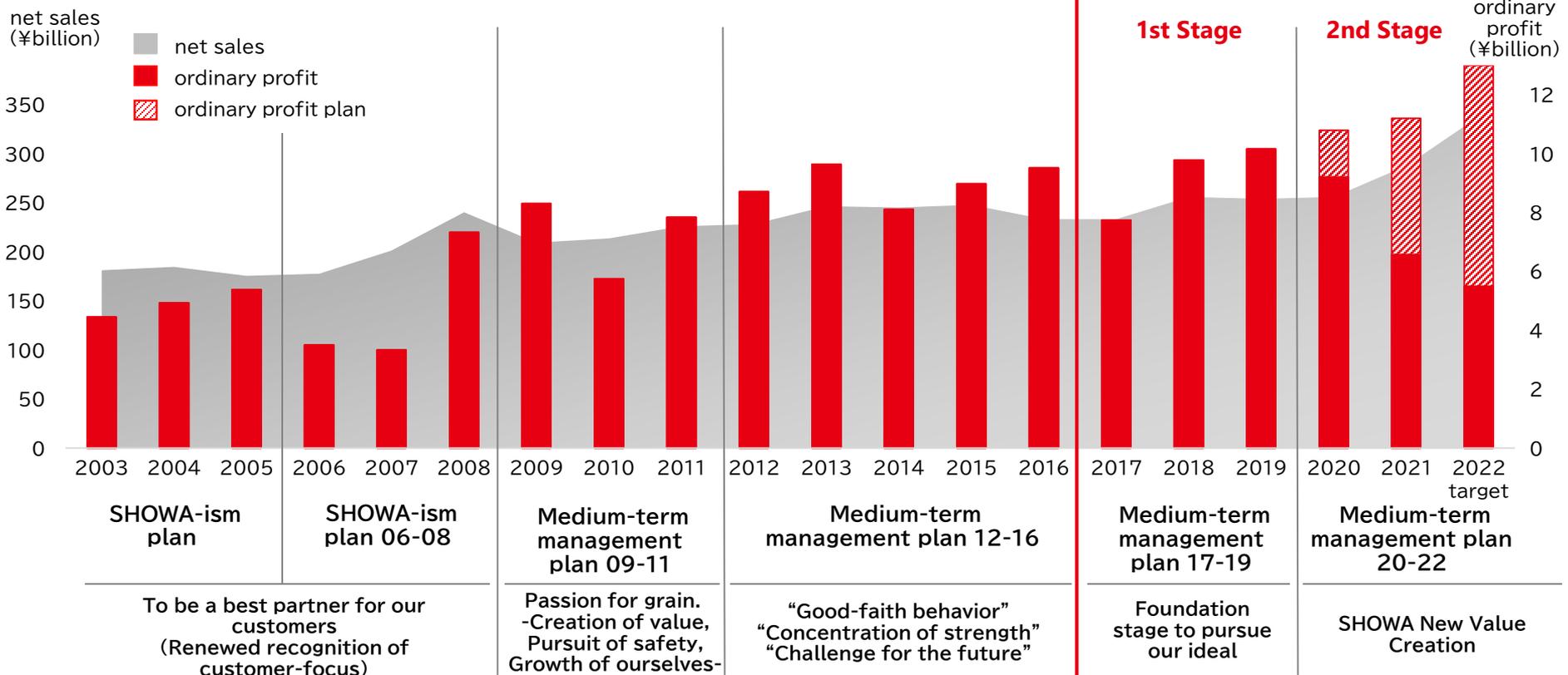
P.43 ~

Review of the Medium-Term Management Plan 20-22



Looking Back on Our Past 20 years

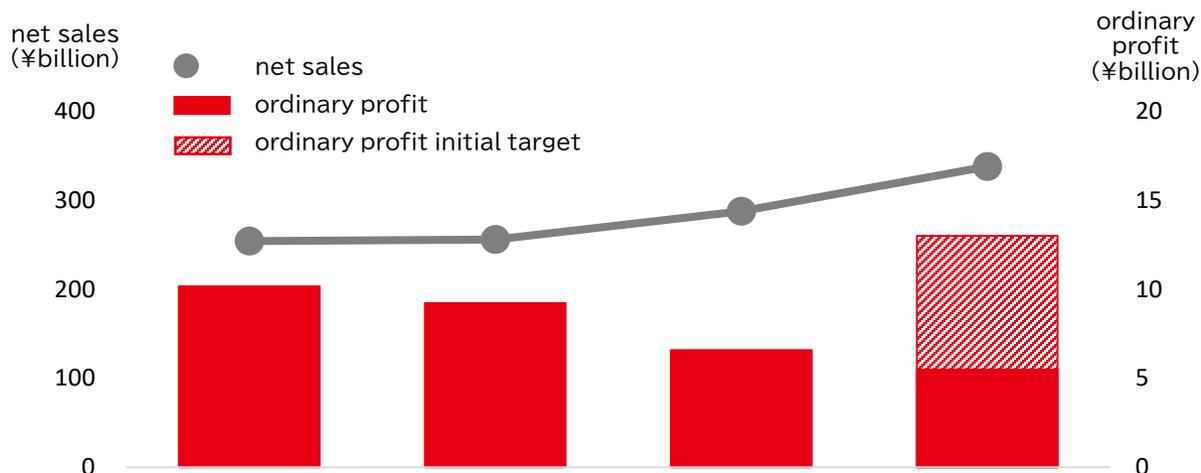
- We steadily increased our profits over the past 20 years by strengthening our core businesses and making forward-looking growth investments, and achieved our highest ever ordinary profit of 10.2 billion yen in 2019.
- However, since 2020, we had faced a challenging business environment with issues such as the Covid-19 pandemic, surging raw material grain prices and freight costs, increased energy costs, etc.





Summary of Financial Targets

- Costs increased significantly due to sharply increased grain prices and energy costs combined with a plunge in the yen's value against U.S. dollar.
- Net sales exceeded our original target due to appropriate price revisions, etc., but ordinary profit and ROE were far below each target.



	1st Stage		2nd Stage		
	FY2019 Result	FY2020 Result	FY2021 Result	FY2022	
				Forecast	Initial target
Net sales (¥billion)	254	256	288	338	280
Ordinary profit (¥billion)	10.2	9.2	6.6	5.5	13.0
ROE	8.0%	10.9%	3.9%	3.0%	9.0% or more
Dividend ratio	30.0%	30.9%*	49.7%	62.7%	Approx. 30%
Equity ratio	49.2%	46.7%	45.7%	42.5%	-

*Dividend payout ratio for FY2020 does not include the effect of gains on bargain purchases related to the acquisition of Boso Oil and Fat. Otherwise, the ratio is 20.3%



Capital Allocation - Fiscal 2020-2022

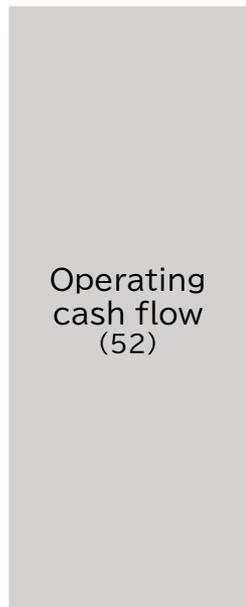
- Operating cash flow fell short of the target due to a deterioration in earnings and an increase in working capital due to a sharp rise in raw material prices.
- Implemented strategic growth investments through optimal funding such as CPs and bonds based on our financial condition.

3-year Cumulative Cash Flows

(FY2020-FY2022)

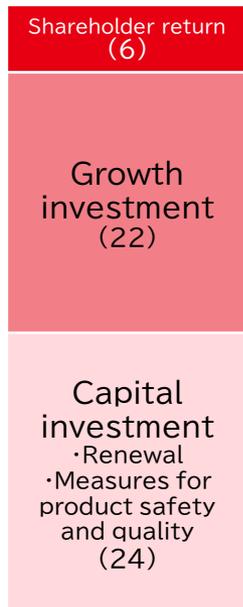
(¥billion)

Cash in
52



Initial plan

Cash out
52



Cash in
57.5



Results/estimate

Cash out
57.5



Growth Investment

M&A/Investment

- Consolidation of Boso Oil and Fat and San-ei Sucrochemical
- Investment in Kouchan Mill Co., Ltd. and Z.Y. Food Co., Ltd. (Taiwan)

Other growth investments

Plant and equipment investment

- Construction of Funabashi Premix No. 2 Plant
- Reinforcement of No. 2 extraction plant at Kashima vegetable oil refinery
- Construction of a plant factory

Environmental investment

- Converted fuel of Kashima power plant from coal to gas
- Installation of a boiler for biomass
- Installation of a solar power generation system in Grandsolu Bakery



Key Strategies

Key strategies	Progress	Assessment	Remaining agenda	Reference
Strengthening of core businesses	2020 · Consolidation of San-Ei Sucrochemical 2021 · Sales integration of Naigai Flour Milling · Structural reform in baked bread business 2022 · Start of operation of Funabashi Premix No. 2 Plant	○	· Transformation into a “one-stop” sales organization · Strengthened development and sales of value-added products	P19-21 P24-25
Expansion of our business fields	2020 · Consolidation of Boso Oil and Fat · Applied Taiwan flour milling and egg companies to equity method affiliated companies · Entry into agribusiness 2021 · Strengthened development and sales of plant-based foods	△	· Expansion of overseas, export and frozen food businesses · Challenge to new businesses	P28-31 P32
Contribution to solving social issues	2020 · Employment of persons with disabilities: Meeting statutory employment rate 2021 · Converted fuel of Kashima power plant from coal to gas · Announcement of support for TCFD (Starch and Sweetener Business) · Achievement of more than doubling the number of female managers · Establishment of Group’s new environmental targets	○	· Continuous work to achieve environmental targets · Further promotion of diversity and inclusion	P34 P37,41
Rebuilding of platform	2021 · Introduction of new personnel framework · Enhanced customer problem-solving-based sales through the establishment of Solution Sales Dept. · Introduction of “Zero Trust” security system	○	· Sophisticate business portfolio management · Enhance utilization of intangible assets	P36 P37-39
Enforcing stakeholder engagement	2020 · Publication of integrated report (annually thereafter) 2022 · Transition to Tokyo Stock Exchange Prime market · Strengthening external posting by newly established official SNS account	○	· Further proactive information dissemination and dialogue with stakeholders	P41

Business Environment

– Changes in the external environment and business opportunities for our group –

Global Trends

- Soaring prices of raw material grains
- Increasing energy prices
- Increasing geopolitical risks
- Mounting environmental problems (climate change, water resources, food loss)
- Acceleration of initiative for SDGs/ Recycling-oriented society
- Advancement of digital technology

Domestic Trends

- Declining population and acceleration of aging
- Growing interest in environmental conservation/ sustainability
- Growing consciousness of health, safety and security
- Diversification of food preferences/eating styles
- Increasing entries in food business from other industries
- Improving operational efficiency through automation/labor saving

Lifestyle and consumption behaviors changed dramatically due to COVID-19 pandemic in addition to the changes in the global environment and social structures.

Facing a changing business environment, we will “**SHIN-KA**” to grow.

Our Group will continue to grow as a “**Grain Solution Company**” to support food infrastructure toward fiscal 2025, the 90th anniversary of our founding, and beyond. We will further pursue our strength of “**expertise in grains**”, develop “**high-functional products**”, expand “**business fields**”, and reduce “**burden on the environment**”.

Medium-Term Management Plan 23-25



Principles

SHOWA's declaration: **“SHIN-KA”**

Toward the 90th Anniversary, and beyond

GRAINS

We will materialize the “evolution” of our Grain Solution

HEALTH

We will pursue “intrinsic value” of ingredients and contribute to people's health

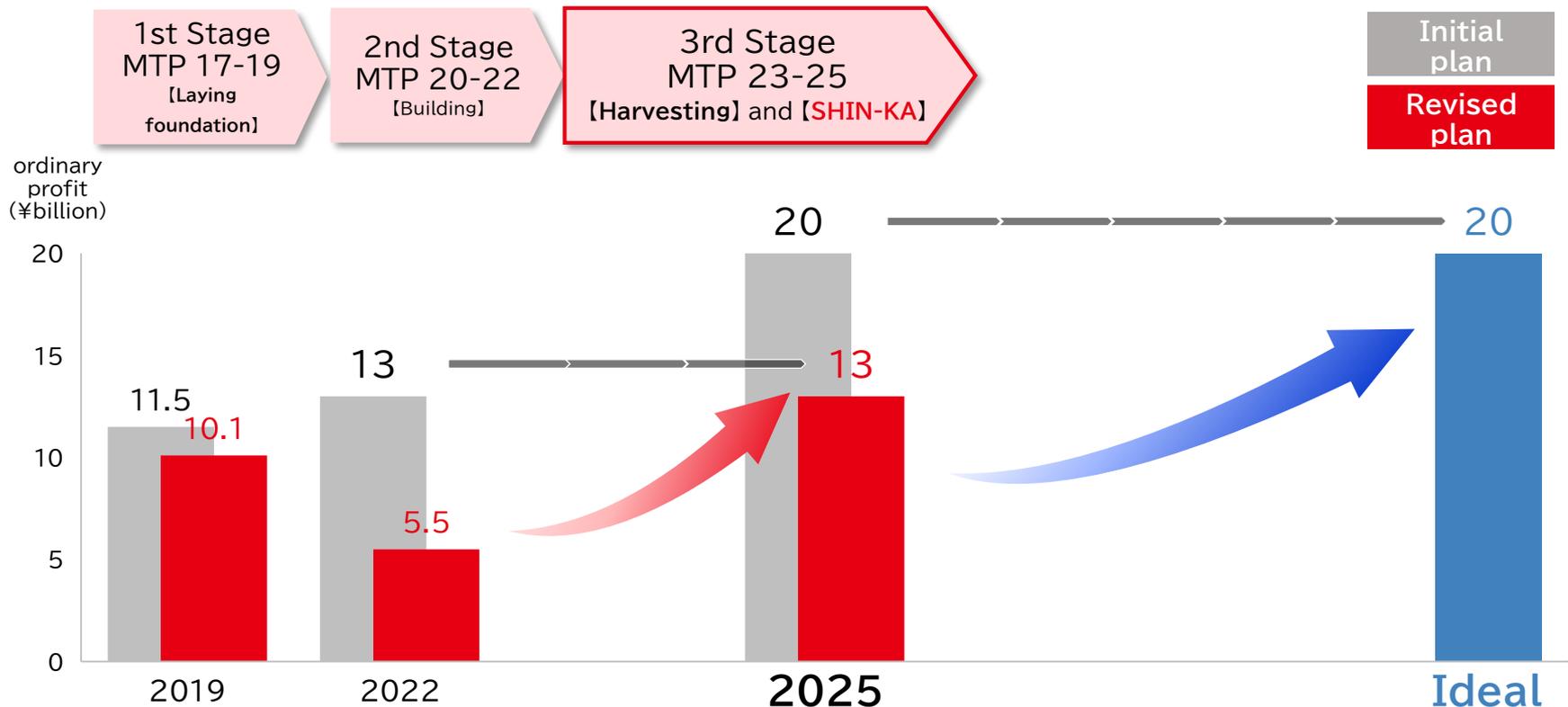
SUSTAINABLE

We will challenge to “deepen” our sustainability management



Revision of Long-term Vision “SHOWA Next Stage for 2025”

- Ordinary profit target of 13 billion yen is newly set to achieve during fiscal 2025, the final year of the long-term vision, considering the expected headwinds such as the prolonged COVID-19 pandemic and grain and energy prices remaining high.
- “Ordinary profit of 20 billion yen“ has been the “ideal” target under our current long-term vision. We will continue to set this figure as the “ideal” for the Group, and aim to achieve this by measures to be formulated during the period of the medium-term management plan 23-25 under the “New Long-term Vision.”

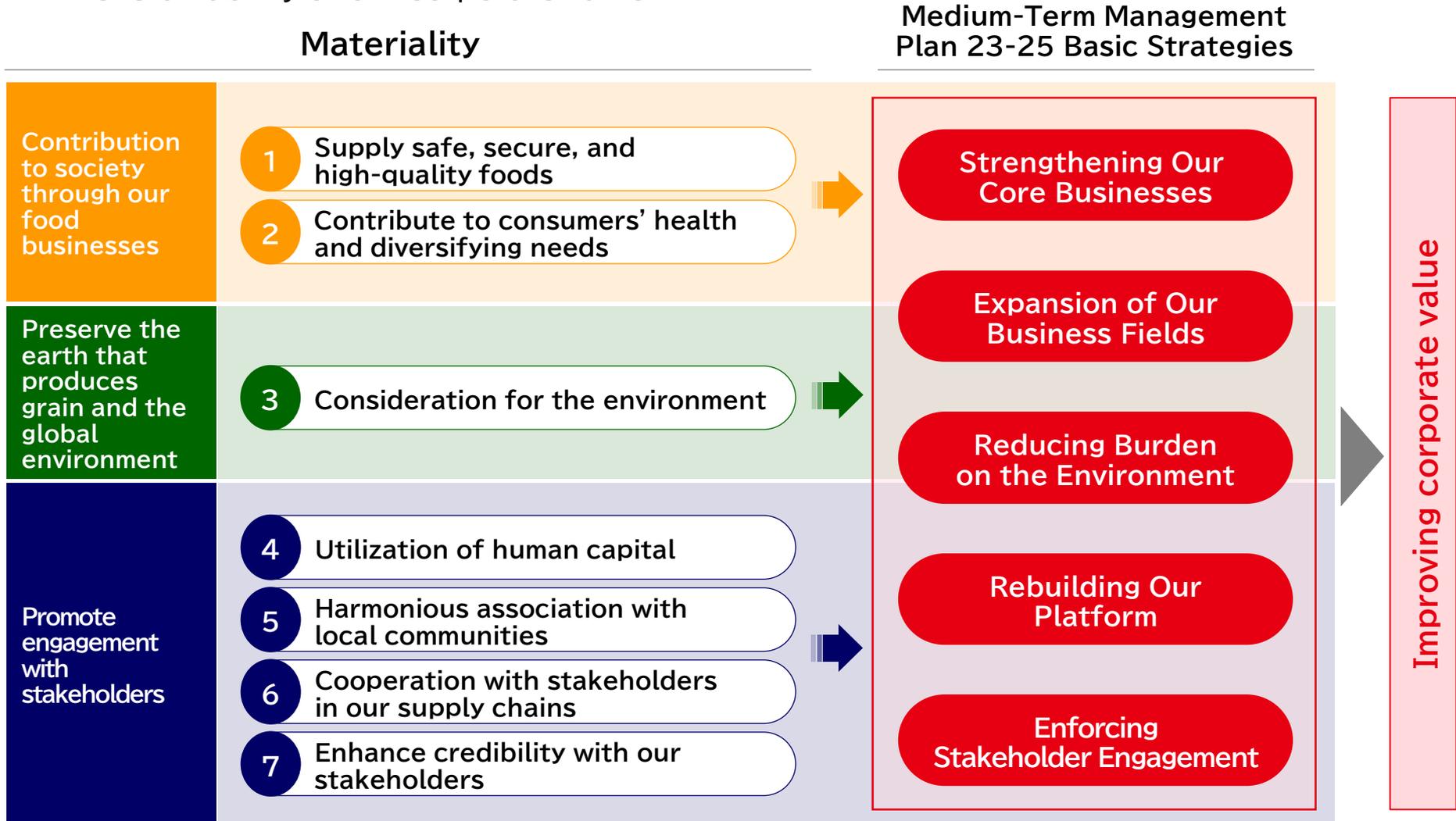




Materialities

Deepen our sustainability management

- We reaffirmed our materialities to start the Medium-Term Management Plan 23-25.
- We will tackle these materialities by implementing our key strategies to enhance the sustainability of our corporate value.





Five Key Strategies

Evolution of
our Grain
Solution

Intrinsic
value of
ingredients

Deepen our
sustainability
management

1 Strengthening Our Core Businesses

1. Evolution of the “Grain Solution”.
-Enforce product sales by transforming into “one-stop” sales models-
2. Strengthening cooperation among group companies
3. Optimization of product composition
4. Expansion of value-added products sales by differentiation strategy
5. Strengthening stable procurement

2 Expansion of Our Business Fields

1. Expanding overseas businesses by strengthening existing businesses in the ASEAN region and developing new businesses
2. Strengthening export businesses
3. Expansion of frozen food businesses
4. Challenge to new businesses
-Plant-based food
-Fine chemicals, oleochemical

3 Reducing Burden on the Environment

1. Continuous efforts to achieve our environmental goals
2. Reduction of packaging plastic
3. Advanced utilization of biomass
4. Develop a roadmap to achieve carbon-neutrality

4 Rebuilding Our Platform

1. Establishment of organizational foundation by reorganization
2. Advancing business portfolio management by introducing ROIC
3. Strive for operational sophistication by digitalization and build a promotional organization for DX

5 Enforcing Stakeholder Engagement

1. Drastic promotion of D&I
2. Strategic investment in human capital
3. Strengthen external posting and raise awareness of the Group via SNS

Deepen sustainability management to support sustainable growth of our Group



Financial KPIs

We will introduce (1) ROIC and (2) CCC as new business management indicators, and manage the progress as financial KPIs.

(1) ROIC	Improve business portfolio management by establishing business evaluation methods and rules for allocating management resources.
(2) CCC	Promote cash flow management by identifying factors to be improved and manage them on a monthly basis.

	FY2021 Result	FY2022 Forecast	FY2025 Target	Difference (vs. FY2022)
Ordinary profit (¥billion)	6.6	5.5	13	236%
ROE (%)	3.9	3.0	7.0 or more	4 point increase
ROIC (%)	2.8	1.6	4.0 or more	2.4 point increase
CCC (day)	78	82	75	7 days shorter
NET D/E ratio (%)	0.4	0.5	0.6 or less	



Effects of Priority Measures on Ordinary Profit

We will generate ordinary profit of **+7.5 billion yen** by steadily executing the following measures.

① Strengthen Our Core Businesses

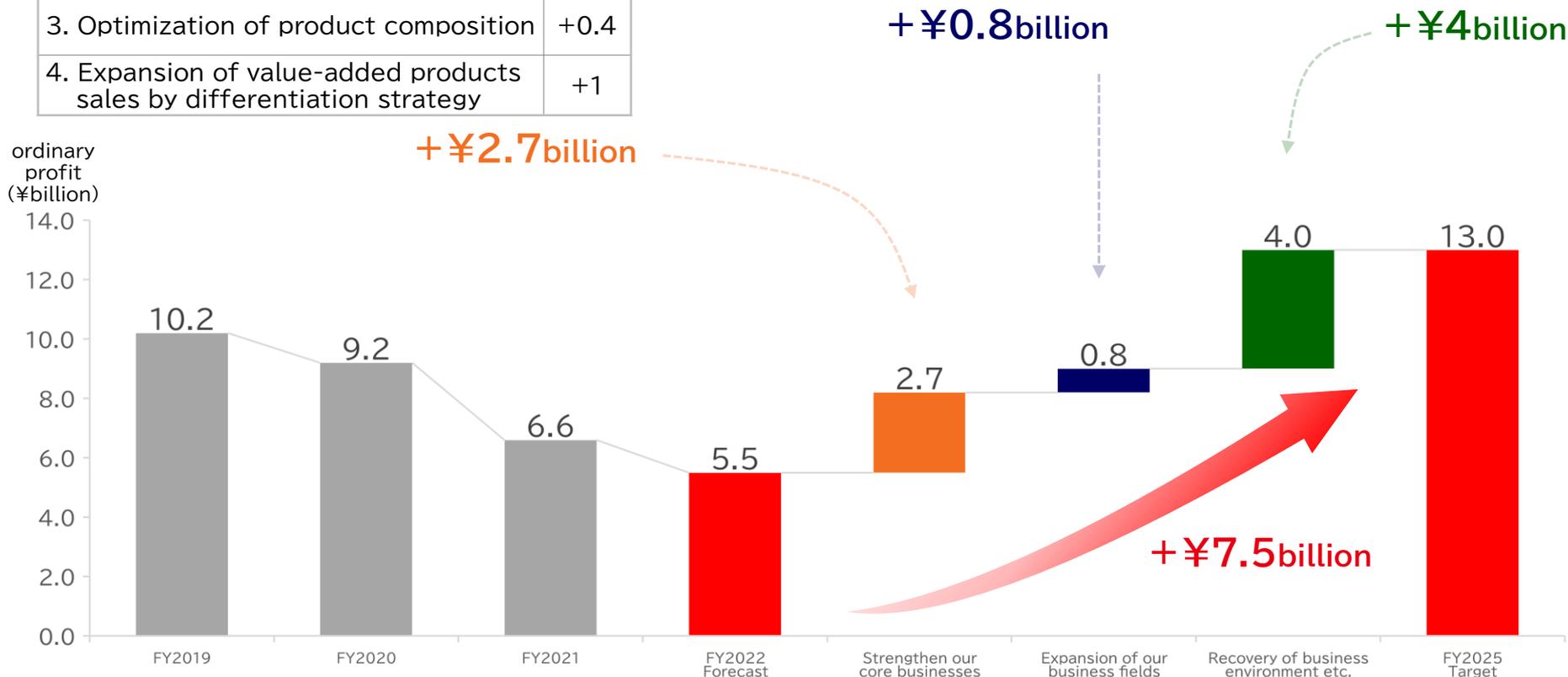
1. Evolution of the "Grain Solution"	+0.4
2. Strengthening cooperation among group companies	+0.9
3. Optimization of product composition	+0.4
4. Expansion of value-added products sales by differentiation strategy	+1

② Expansion of Our Business Fields

1. Expansion of overseas businesses	+0.5
2. Expansion of frozen food businesses	+0.3

Recovery of business environment Responding to business environmental changes

1. Recovery of sales volume	+0.6
2. Revision to optimal prices	+3.4

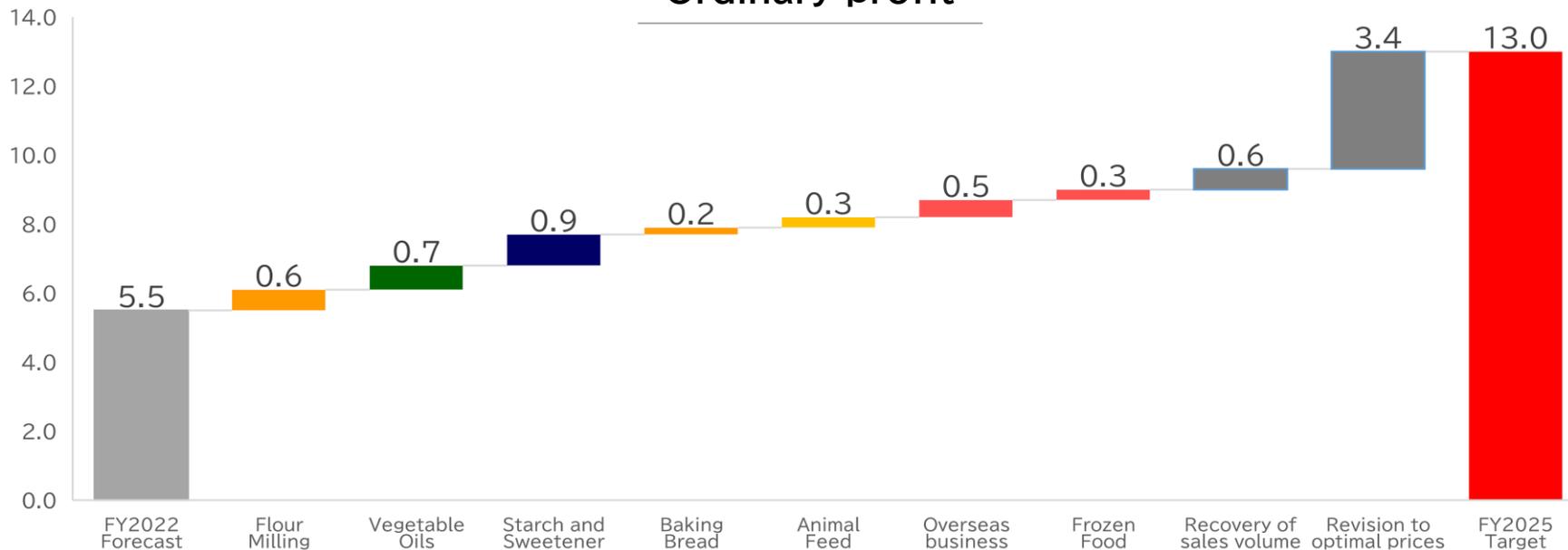




Breakdown of Ordinary Profit Targets by Business and Priority Measures

(¥billion)

Ordinary profit



Flour Milling Business

- Strengthen development and sales of new value-added wheat flour
- Strategic consolidation of production bases and strengthening of sales collaboration through cooperation among group companies

Vegetable Oils Business

- Optimizing the product portfolio of vegetable oil by expanding sales of rice bran oil and corn oil
- Expansion of value-added products sales such as functional oils and soy protein

Starch and Sweetener Business

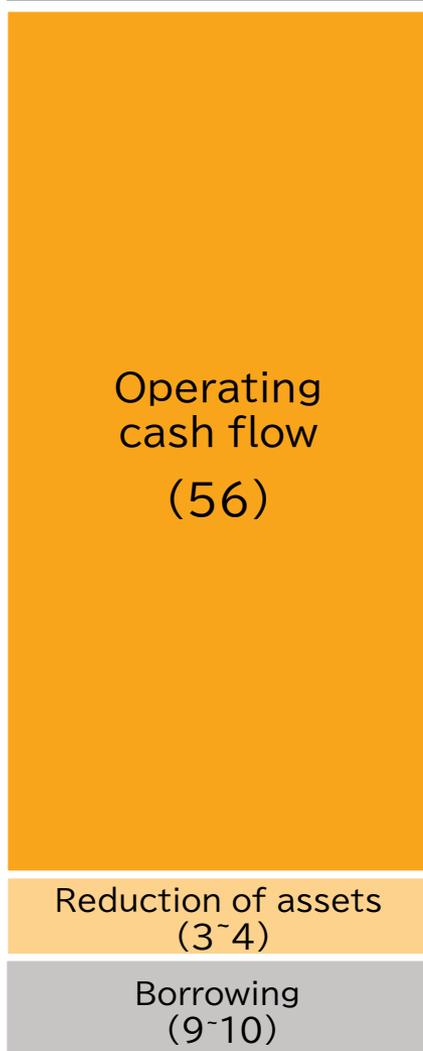
- Further promotion of initiatives to demonstrate synergy with San-ei Sucrochemical
- Promotion of sales expansion of original product lineup such as powdered corn syrup, crystalline glucose, and acidic oligosaccharide



Capital Allocation - Fiscal 2023-2025

Cash in
69

Cash out
69 (¥billion)



Cash in

Operating cash flow

Harvest the fruits from implementation of strategies during 1st & 2nd Medium-Term Management Plan and generate operating cash flow of **56 billion yen**

Reduction of assets

Reduction of cross-shareholdings (equities) and non-core real estate

Borrowing

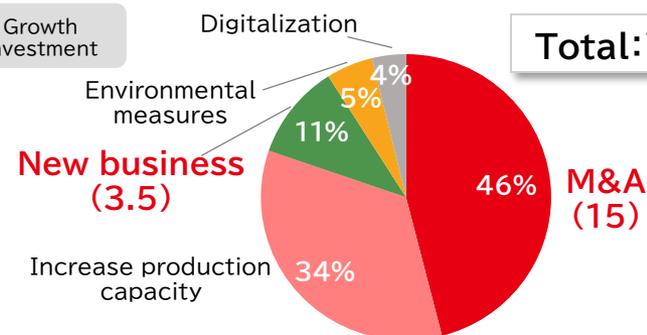
Control ALM and manage fundings properly

Cash out

Shareholder return

Continue stable dividends over the long term with a target **payout ratio of around 30%**

Growth investment



Working capital

Shorten CCC by optimizing inventories to keep working capital increase to zero

Key Strategy 1

Strengthen Our Core Businesses



Evolution of Our “Grain Solution”

– Reorganization since our foundation –

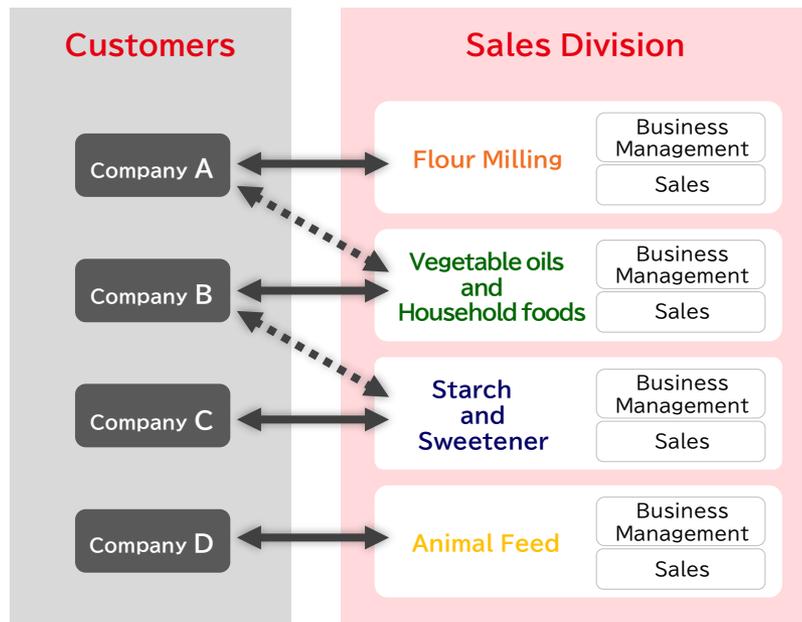
Evolution of our Grain Solution

Transform into sales divisions that better enhance business synergies, which is our Group’s strength.

We will transform our sales departments from “product-out” to “one-stop” sales models and evolve into market-oriented departments so as to provide numerous solutions to our customers by utilizing our varied business portfolio.

Current Organization

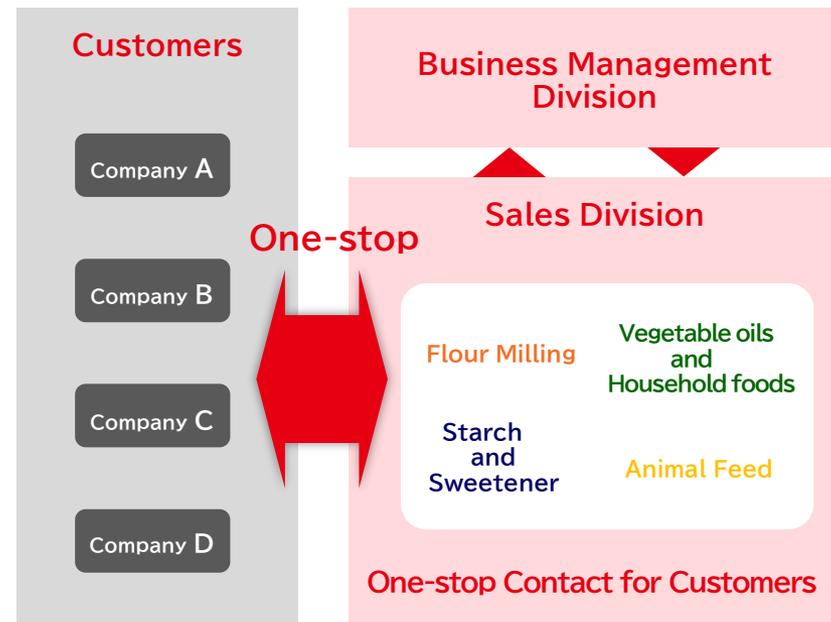
“Product-out” sales departments



Duplication of sales activities and loss of opportunities

After Reorganization

“One-stop” sales departments



Maximize business synergies

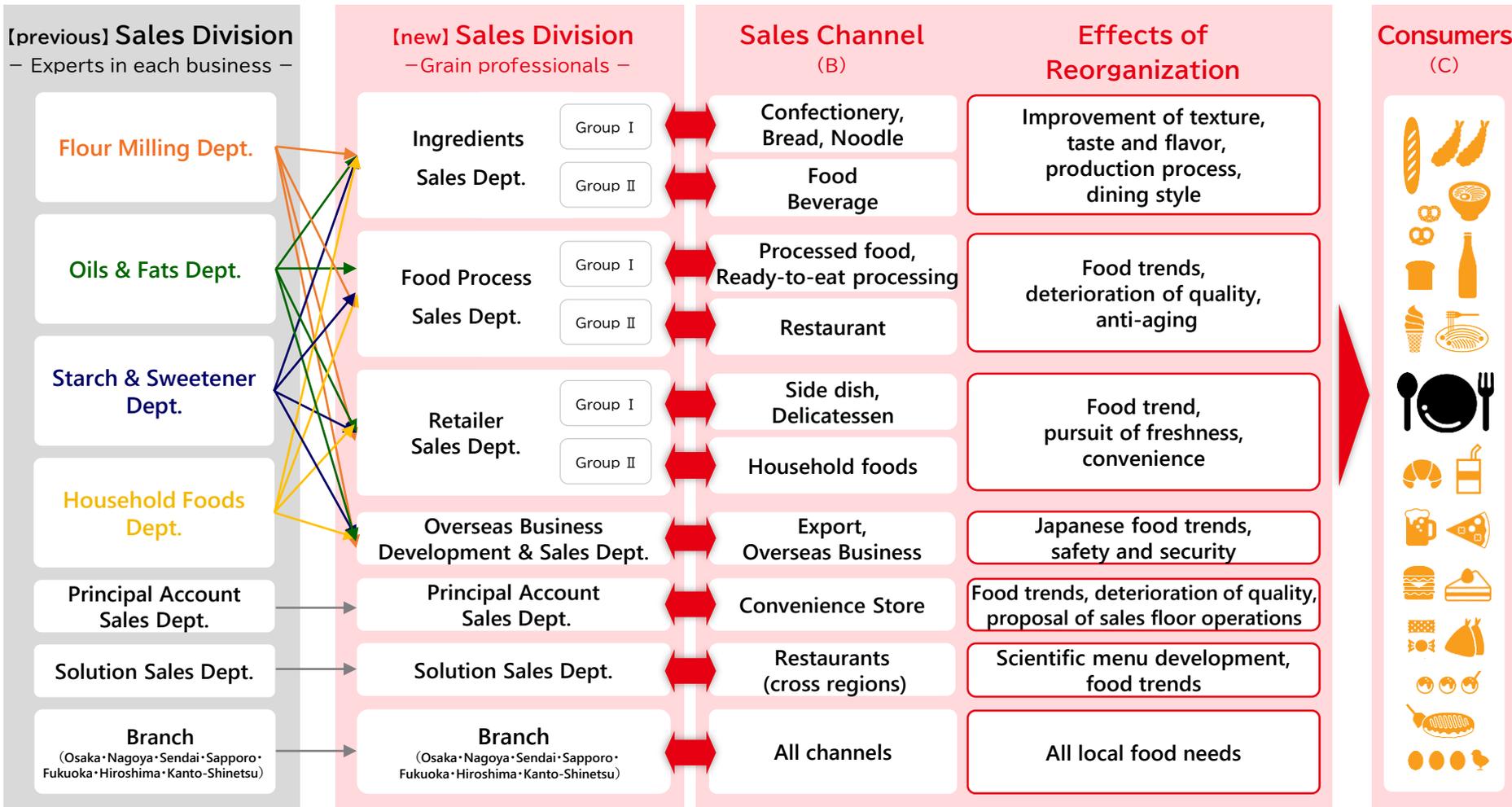


Evolution of Our “Grain Solution”

– Effect of Reorganization –

Evolution of our Grain Solution

- Sales departments organized for each customer respond to a wide range of requests as grain professionals (B to B). In this way, we propose deliciousness through “Grain Solutions” to consumers as a **One-stop Contact (B to B to C)**.
- We will create ordinary profit of **+400 million yen** by achieving “expansion of sales to existing customers” and “further expansion of customer base”.



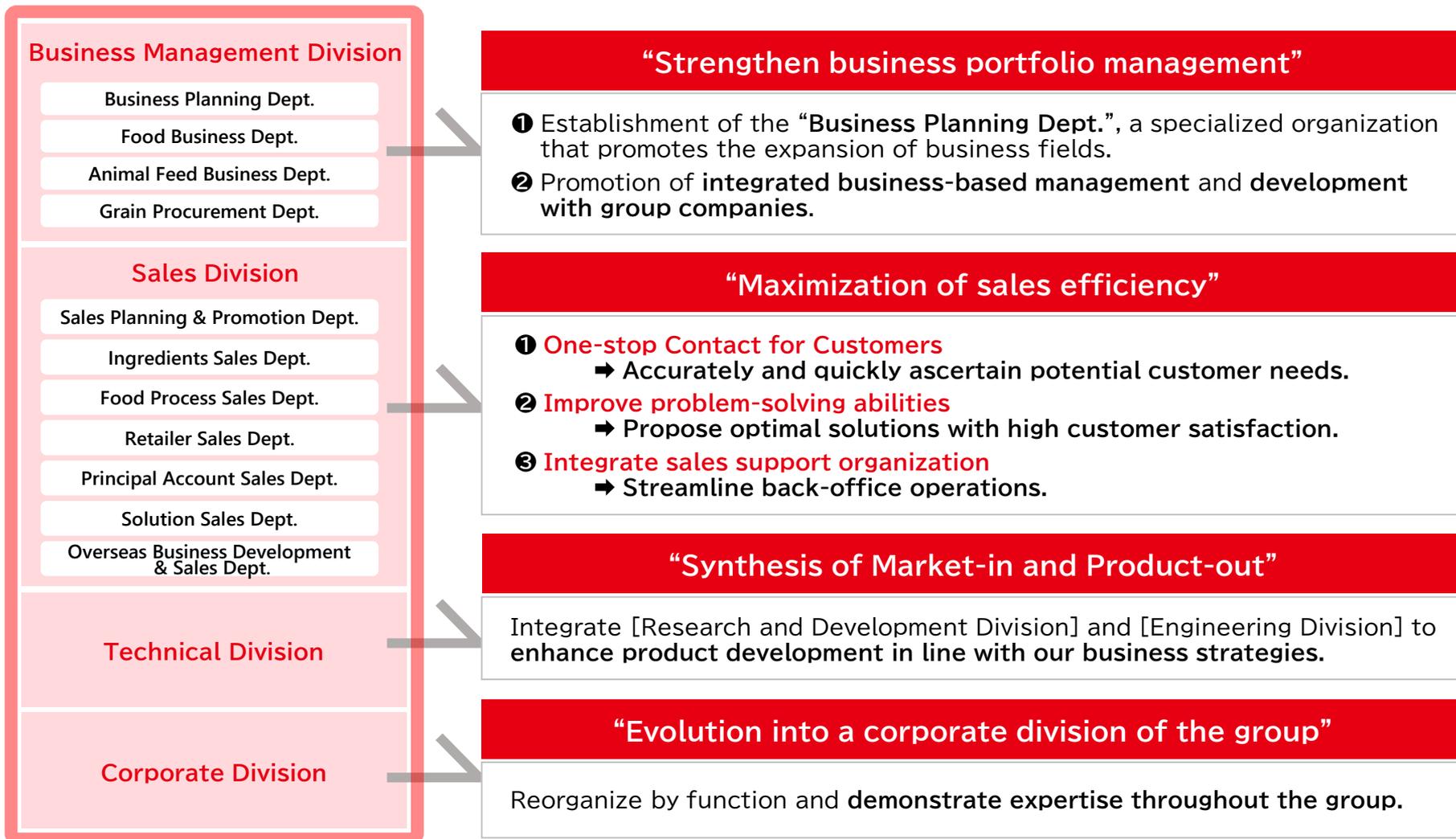


Evolution of Our “Grain Solution”

– Reorganization along with the Sales Organization –

Evolution of our Grain Solution

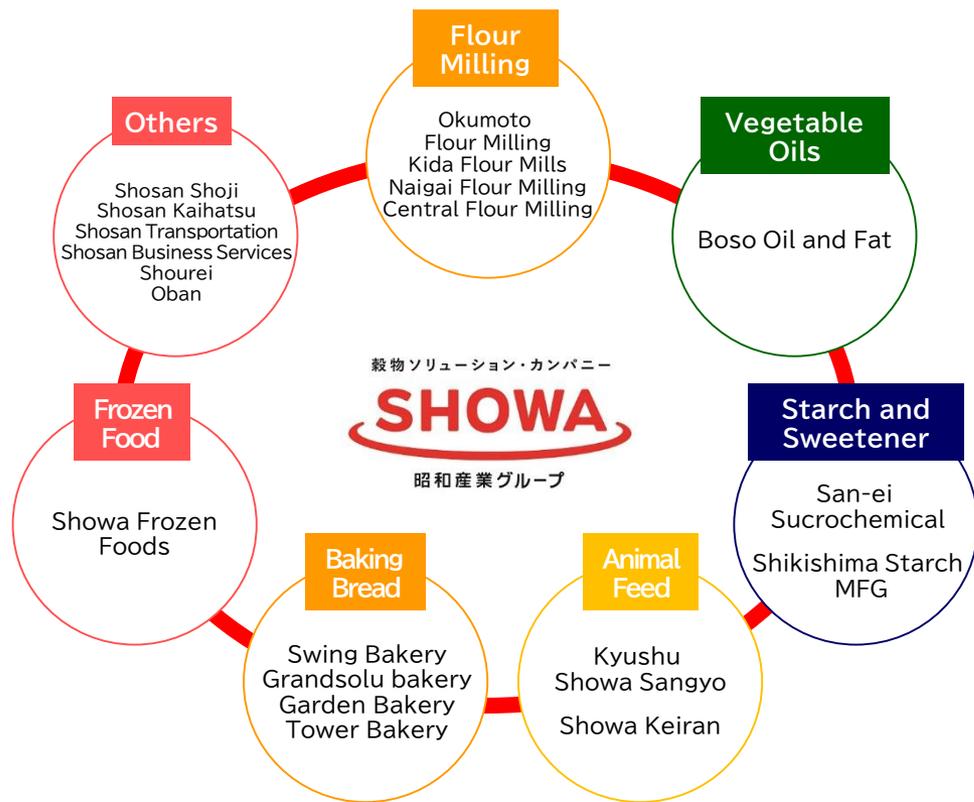
We will implement the medium-term management plan by reorganizing the Research and Development Division, Engineering Division, and Administration Division.





Strengthening Cooperation Among Group Companies

Create ordinary profit of **+900 million yen** by expanding businesses and improving profitability by strengthening cooperation among group companies.



Effects of business expansion +¥200 million

【Flour Milling Business】 **+¥100 million**
Expand premises business by optimizing production bases and setting Funabashi Premix No. 2 Plant as the principal.

【Vegetable Oils Business and Starch and Sweetener Business】 **+¥50million**
Strengthening the corn oil supply chain
(➡Details on the next page)

【Baking Bread Business】
Cultivate new markets by introducing new equipment

【Animal Feed Business】 **+¥50million**
Expansion of poultry farming business through integrated operation from compound feed production to egg production

Effects of improved profitability +¥700 million

Improve profitability by strategically consolidating group companies' R&D, raw material procurement, processing and sales functions in an integrated manner



Reduce costs by maximizing group synergy benefits

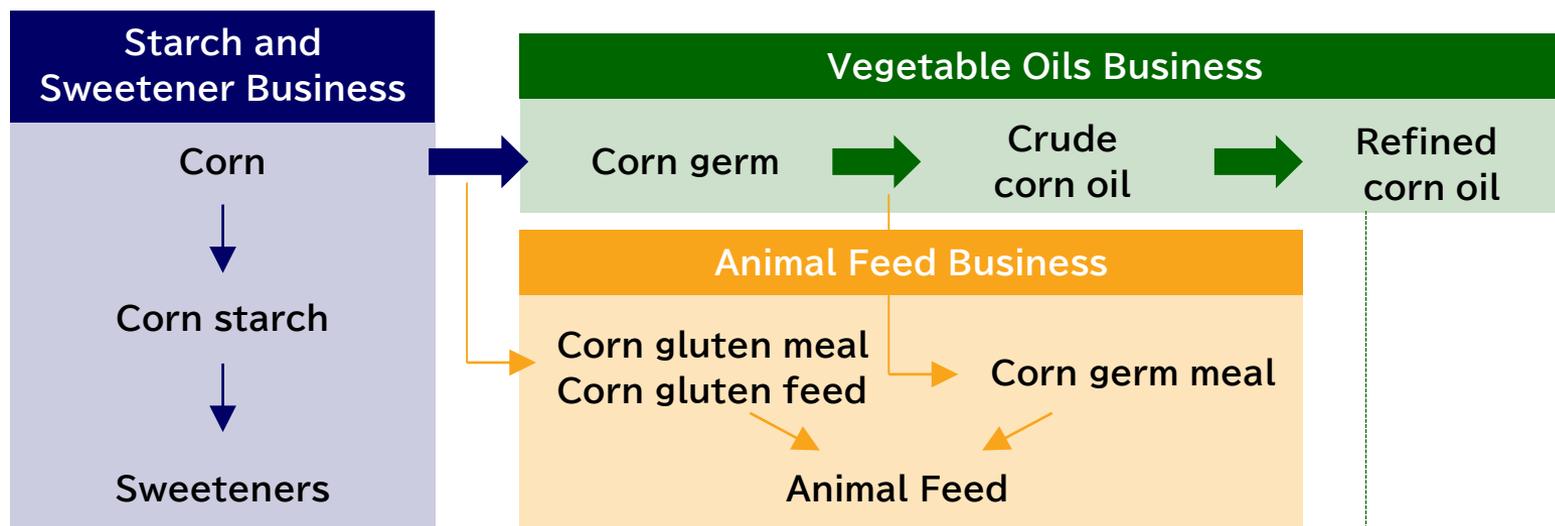


Strengthening Cooperation Among Group Companies

Strengthen the corn oil supply chain through collaboration between the Vegetable Oils Business and Starch and Sweetener Business

Our corn oil supply chain

Establishing integrated system of productions within the group, from corn procurement, corn germ production and corn oil extraction and refining.



Stable supply of starch and sweeteners

Business alliance with Tsuji Oil Mills

- Collaboration in raw material procurement
- Shared use of production base
- Joint use of distribution bases and distribution networks

Enhancing competitiveness and expanding sales of the corn oil business



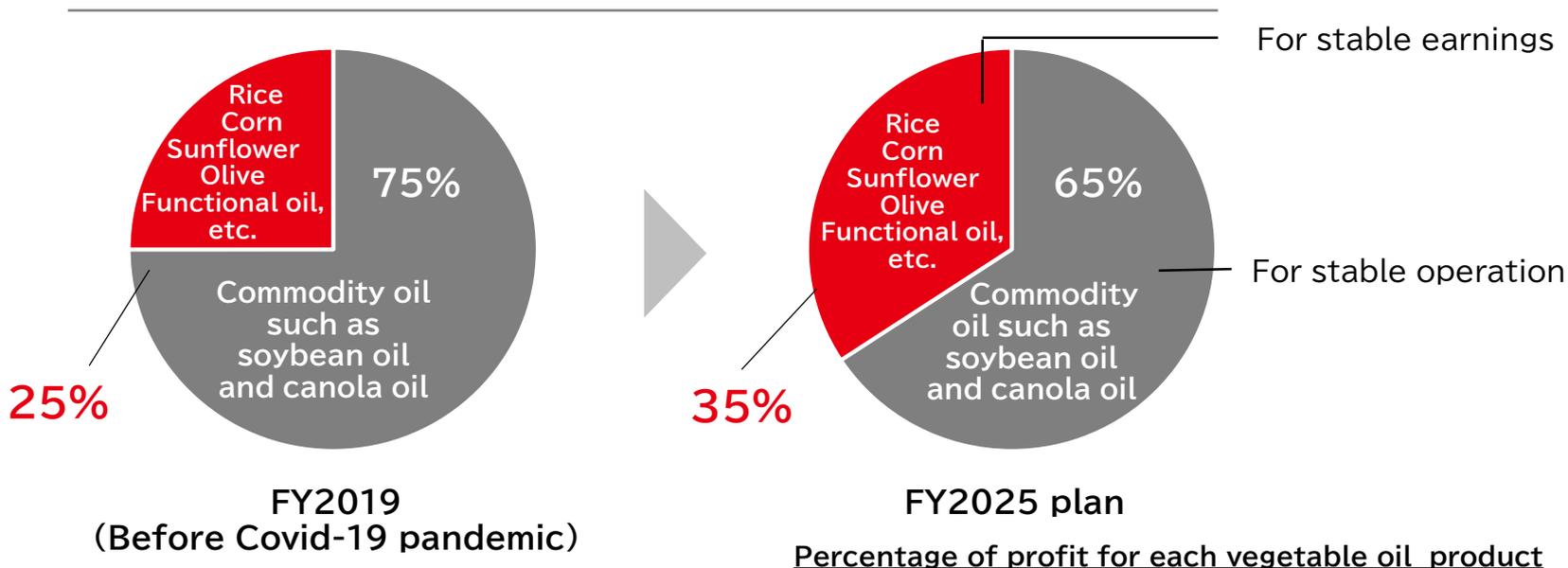
Optimization of Product Composition

Shift to a resilient profit structure by strengthening sales of unique products and optimizing product composition. Create ordinary profit of **+400 million yen**.

Vegetable Oils Business

- Strengthen the production and sales system for rice bran oil and corn oil through cooperation with Boso Oil and Fat
- Enhancing competitiveness and expanding our corn oil business through the business alliance with Tsuji Oil Mills

Optimizing our oil products portfolio





Differentiation Strategy

Evolution of our Grain Solution

Intrinsic value of ingredients

- Strengthen the development and sales of our value-added products that “enrich the taste of food”, “bring healthy benefits”, “crystalline glucose with market share of 70%”, etc., using our Group’s unique materials and technologies.
- Create ordinary profit of **+700 million yen** in Starch and Sweetener Business and **+300 million yen** in other businesses.

Flour Milling Business

- Enhancement production and sales of premix in small portions to meet customer needs
(Efficient production at the Funabashi Premix No. 2 Plant)
- Development and sales expansion of new wheat flour
(Heated wheat flour, whole wheat flour, domestic new breed wheat flour)



Vegetable Oils Business

- Development and sales expansion of functional frying oil
- Focusing on the development of processed oils and fats
- Sales expansion of soy protein



Starch and Sweetener Business

- Sales expansion of functional powdered corn syrup and acidic oligosaccharide
- Sales enhancement of crystalline glucose
- Strengthening the lactic acid bacteria business
- Focusing on developing modified starch for premix



Animal Feed Business

- Sales expansion of milk substitute and feed containing isomalto-oligosaccharides
- Development and sales expansion of value-added egg products





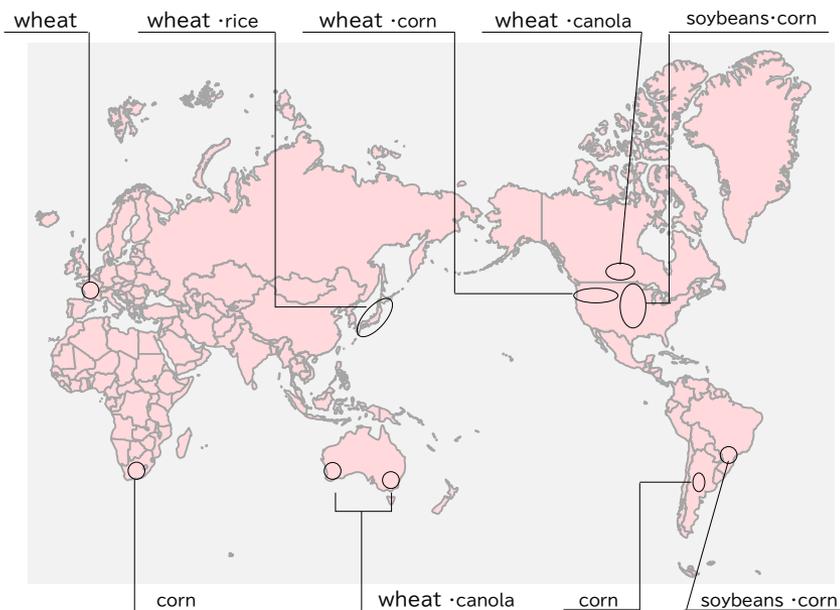
Strengthening Stable Procurement

Deepen our sustainability management

① Raw materials procurement

Contribute to a stable food supply through stable procurement of raw material grains.

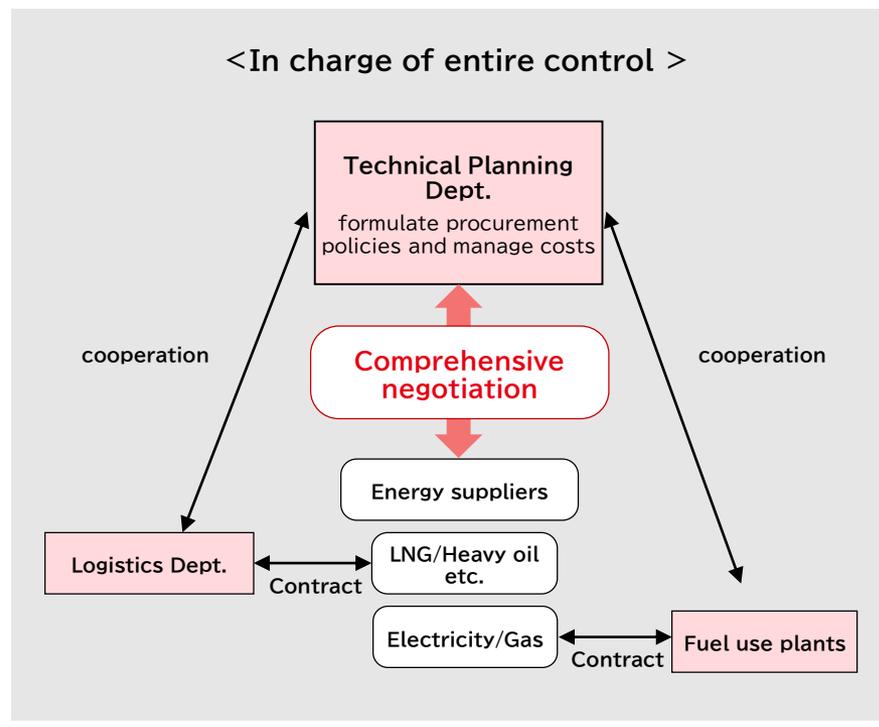
- Secure stable procurement by **promoting diversification of procurement countries** based on appropriate assessments of water shortage, climate change, logistics disruptions, etc., which pose major risks in the procurement of raw material grains.
- Appropriate stockpiling at our silos which have one of the largest capacities in Japan.



② Energy

Establishment of a stable energy procurement and cost management system by centrally managing energy procurement.

- Established the **“Technical Planning Dept.”** in the Technical Division as a group-wide management organization to formulate procurement policies and manage costs.



Key Strategy 2

Expand our Business Fields



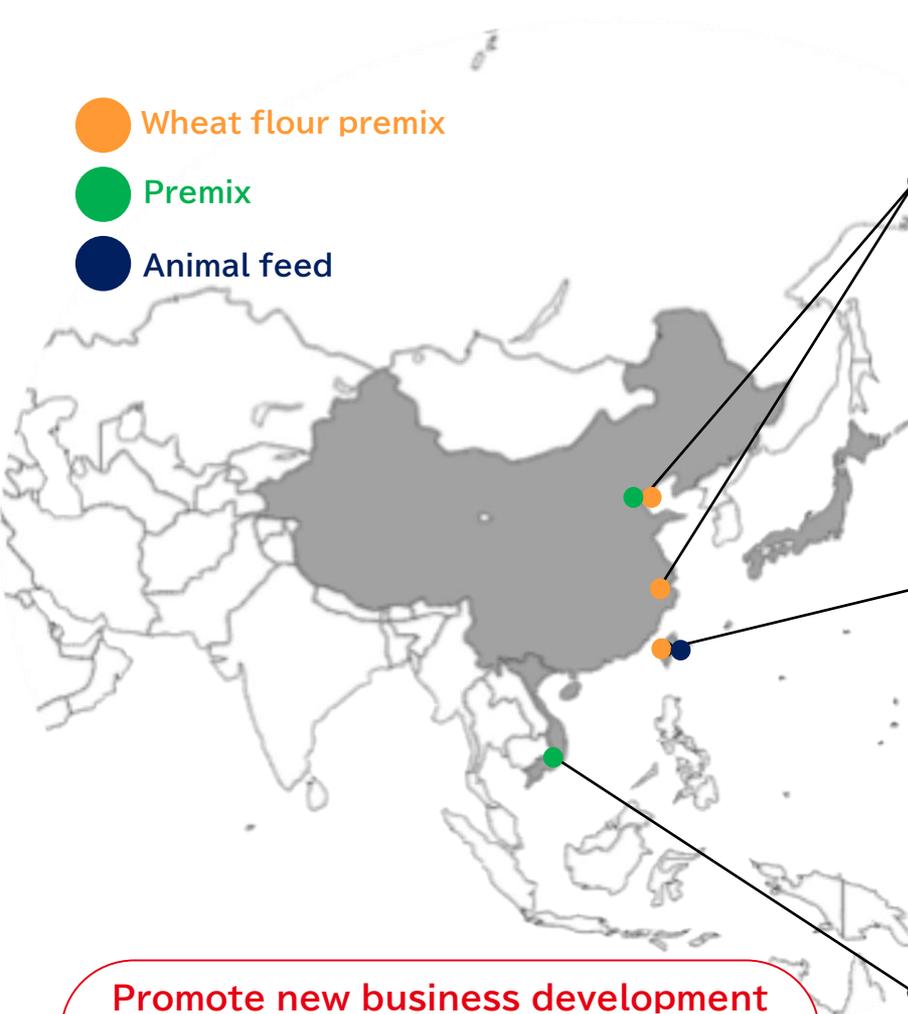
Expanding Overseas Businesses -Present-

Maximize profits and stabilize the operations in existing countries.

● Wheat flour premix

● Premix

● Animal feed



China



Dachan Showa Foods Tianjin CO., Ltd



Dachan LiangYou Foods Co., Ltd

- Strengthen development and sales systems
- Streamlining sales activities by promoting localization



Taiwan



Z. Y. Food Company Limited

- Improve productivity for self-employed farms by enhancing efficiency and implementing measures against epidemics
- Reduce costs by boosting egg incubation and managing operation rates
- Stabilize earnings by passing on raw material costs and expanding sales



KOUCHAN MILL Co., Ltd

- Increase in sales volume by expanding plant production capacity



Vietnam



International Mix Joint-Venture Company

- Sales and technical support for sugar-free premix

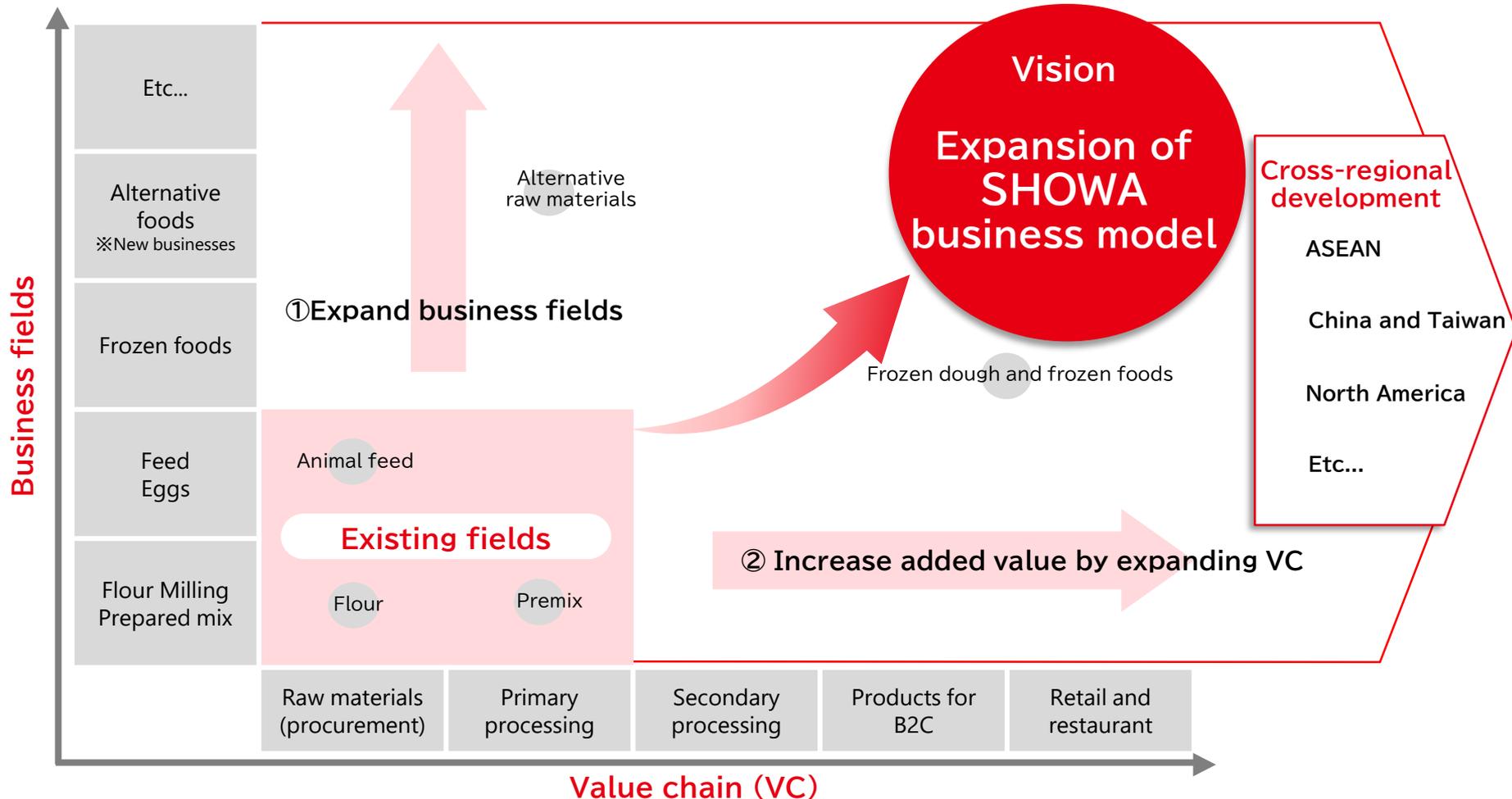


Promote new business development in addition to strengthening and expanding existing businesses



Expanding Overseas Businesses -Expansion Strategies-

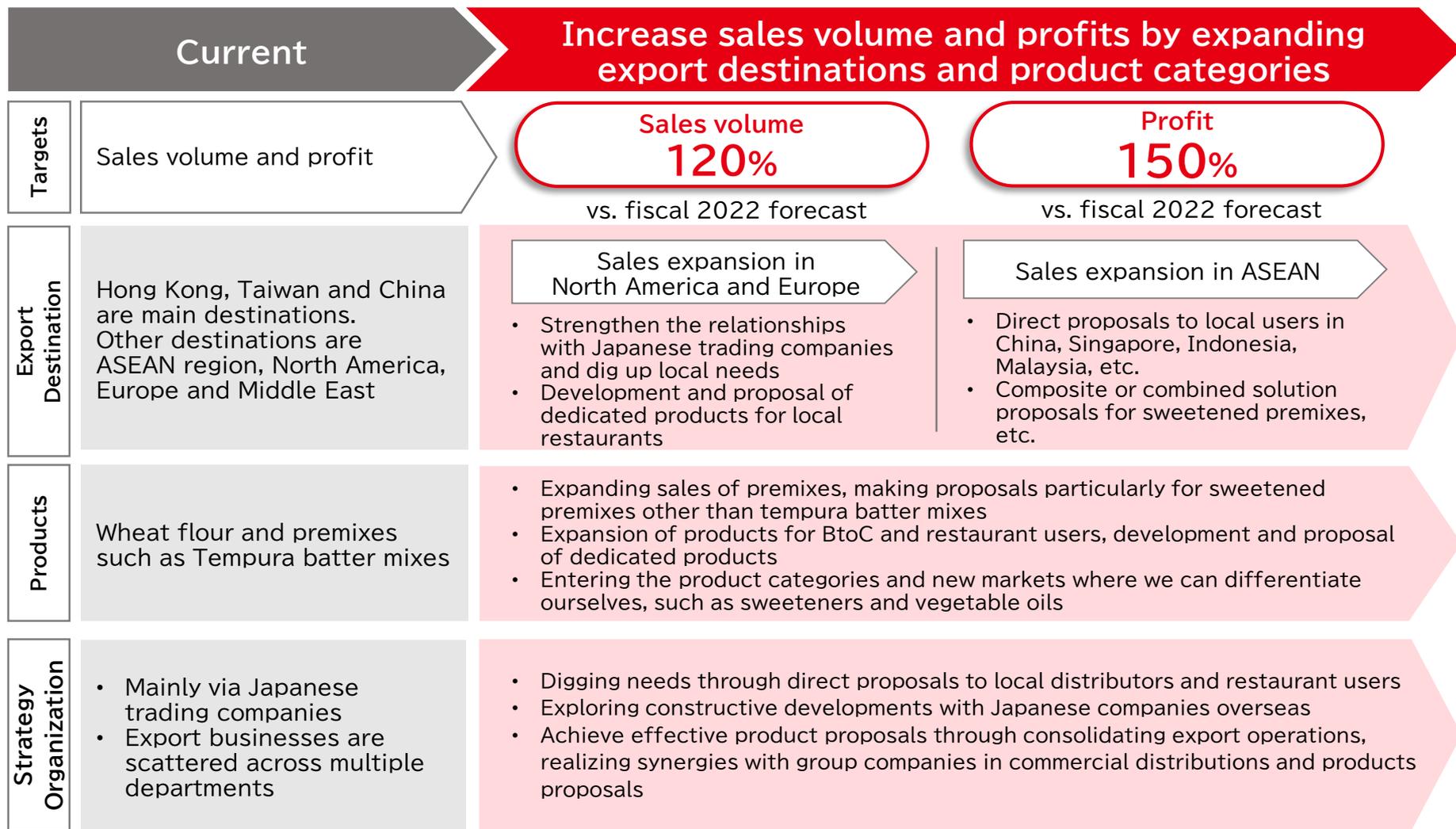
We will generate ordinary profit of approx. 500 million in fiscal 2025 by developing comprehensive foods businesses across the regions based on two principal strategies:
① **expanding our business fields**, and ② **increasing the added values by expanding value chains**.





Strengthening Export Businesses

We aim to grow **sales volume by 120% and profit by 150%** in the export businesses in fiscal 2025 by leveraging our products with high brand strength and quality, such as our tempura batter mixes.





Expansion of Frozen Food Businesses

- The trends of "time-saving, easy cooking, ready to eat" have been accelerated by the rising ratios of single-persons, dual-income households, changing dietary patterns caused by the COVID-19 pandemic, etc. We believe that steady demand for frozen foods will continue since these trends are not likely to revert.
- We will implement the following measures through our various sales channels and generate **ordinary profit of 300 million yen** from frozen foods businesses.

Business strategy

Improving market competitiveness and expanding business scale

Measures ①

Strengthen existing businesses

Make the most of the production capacity of the Showa Frozen Foods factory

Expand the current category areas such as takoyaki, petit cakes, etc.

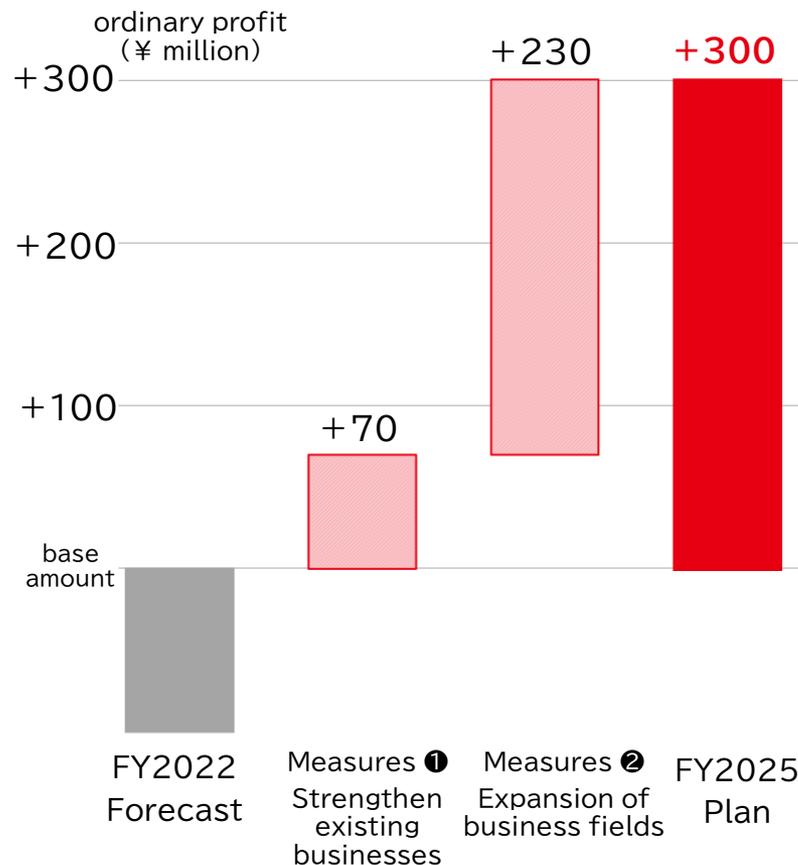
Measures ②

Expansion of business fields

Entering business alliances and/or M&As in Japan and overseas to develop new fields using our premixes and soy protein products as raw materials for frozen foods

Venture into new category areas

Ordinary profit generated by business expansion +300 million yen





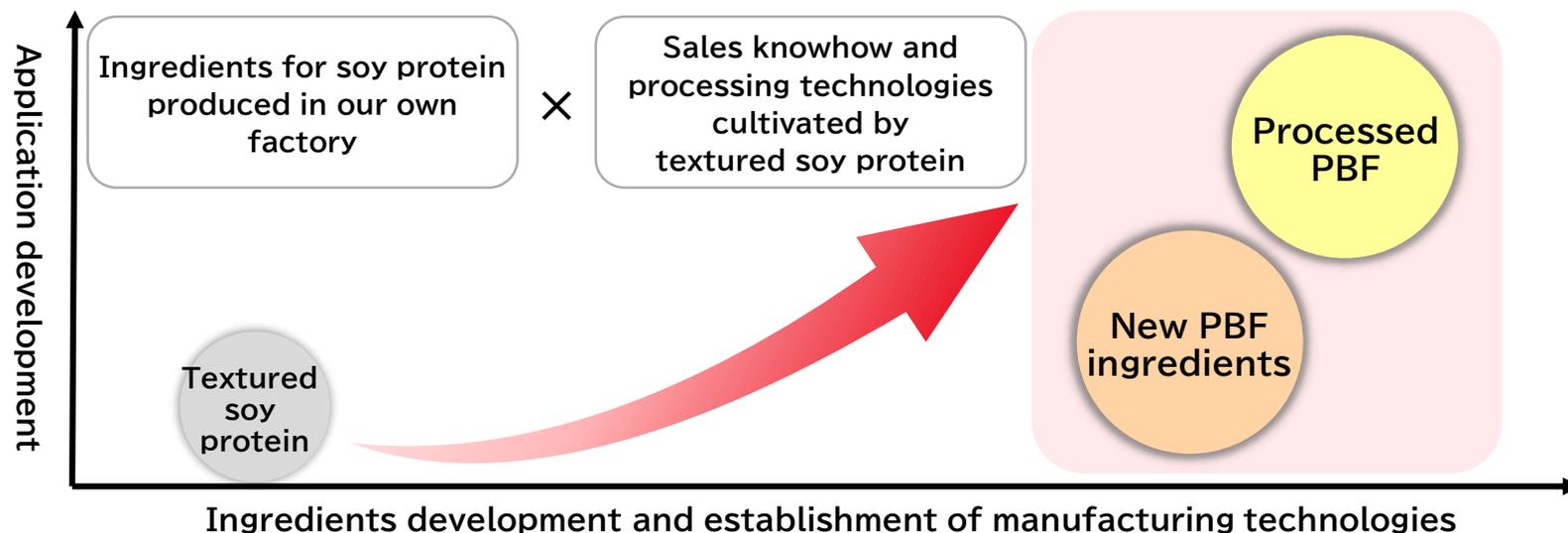
Challenge to New Businesses

Intrinsic value of ingredients

Promote new businesses that will serve as a foundation for future earnings by strengthening research and development of new value-added products.

① Plant-based food (PBF) business

We will capture the growing demand of PBF in Japan and overseas by developing new ingredients and applications and following people's growing interest in PBF due to their environmental awareness and health consciousness.



② Fine chemicals business

Strengthen **health food and cosmetics** fields by developing functional ingredients derived from rice, soybeans, and sunflowers

③ Oleochemical business

Promote the **oleochemical** business by utilizing by-products generated in the manufacturing process of rice bran oil and sunflower oil.

Key Strategy 3. Reducing Burden on the Environment

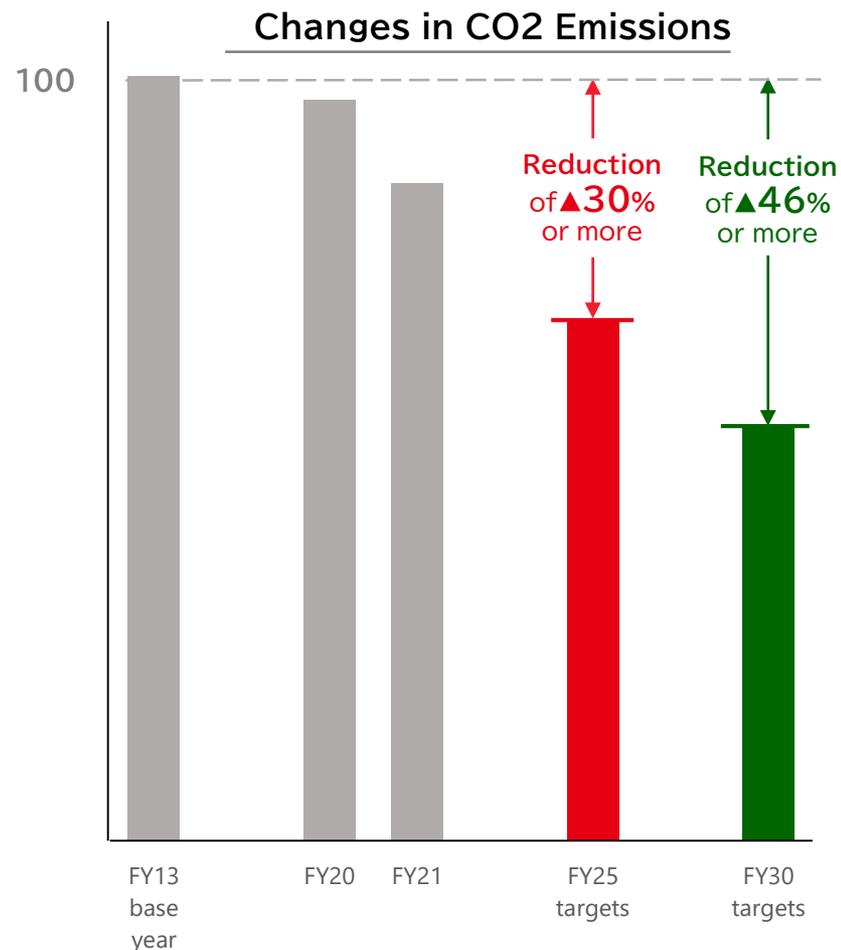


Reducing Burden on the Environment

Deepen our sustainability management

- We have set medium-term environmental targets to ensure the achievement of longer-term "Showa Sangyo Group Environmental Targets". We also added a new reduction target for plastic usage to accelerate our environmental initiatives.
- Formulate a roadmap for achieving carbon neutrality during the Medium-Term Management Plan 23-25.

	Medium-Term Management Plan Targets	Showa Sangyo Group Environmental Targets
Reduction of CO2 Emissions	Target for 2025 ▲30% or more	Target for 2030 ▲46% or more
	Compared to FY2013	
Reduction of Food Loss	Target for 2025 ▲30% or more	Target for 2025 ▲30% or more
	Compared to FY2018	
Reduction of Water Usage (basic unit)	Target for 2025 ▲9% or more	Target for 2030 ▲12% or more
	Compared to FY2019	
NEW Reduction of Plastic Usage* (basic unit)	Target for 2025 ▲7% or more	Target for 2030 ▲25% or more
	Compared to FY2013	



*Single-use plastic used for fossil fuel-derived containers and packaging materials

Key Strategy 4. Rebuilding Our Platform



Business Portfolio Strategies

Deepen our sustainability management

Business Portfolio Policy

I Create stable cash flow from core businesses for steady investments

II Promote growth investments to increment corporate value

① ROIC

Set a target of “4.0% or more” and respective KPIs for each business segment to maximize company’s ROIC-WACC spread

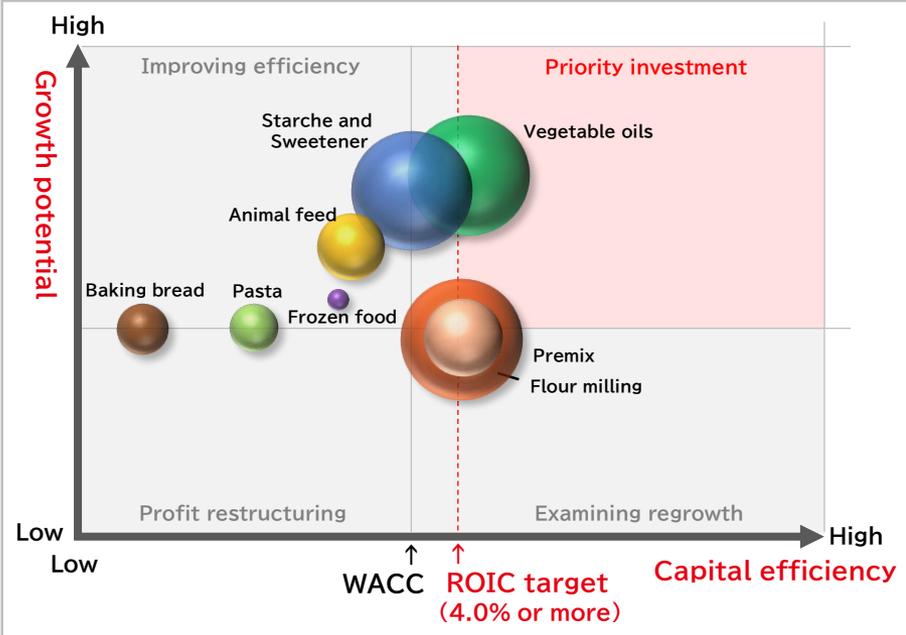
② CCC

Set KPIs for each business segment to shorten the CCC (cash conversion cycle) and manage progress on a monthly cycle

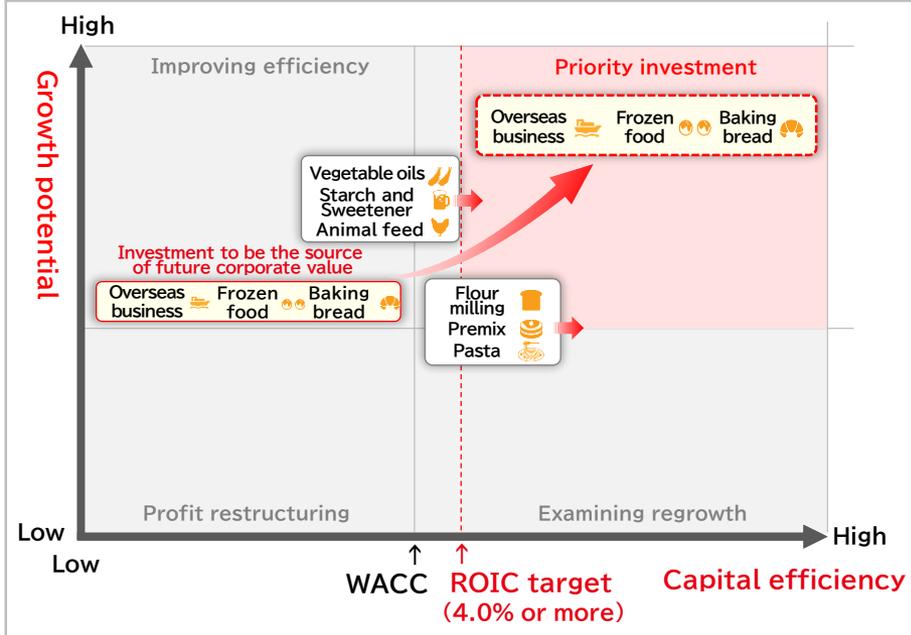
③ Hurdle Rate

Set 4.0%, which is higher than the rate of WACC. Add country risk premiums to assess overseas investment projects

Status of business portfolio - Current



Status of business portfolio - Plan



[Definition] · Capital efficiency(X): Average ROIC for the last 3 FY
 · Growth potential(Y) : Average sales growth rate for the last 3 FY
 · Bubble size : Invested capital in the most recent FY

· ROIC: Dividing net operating profit after tax divided by invested capital
 · Invested capital : Interest-bearing debt + Shareholders' equity (Average balance for the last 2 FY)

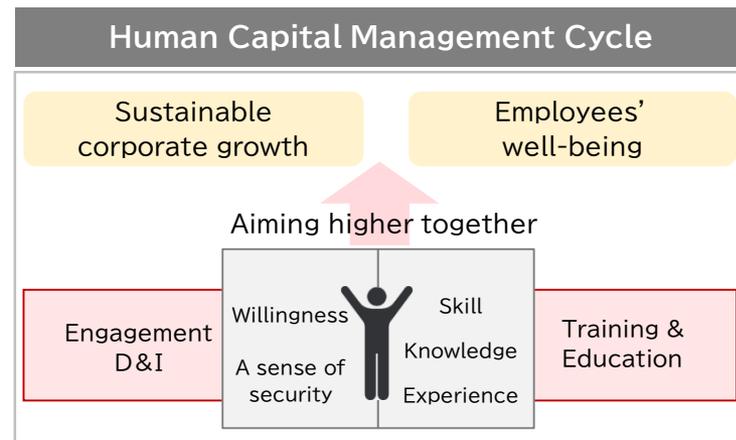


Human Capital Management

Deepen our sustainability management

Human Capital for SHOWA Group;

- Human resource is the most important management capital for achieving sustainable growth
- We continuously make strategic investments in human capital to increase stakeholder value
- We activate human resource to a maximum degree for our sustainable growth and employees' well-being



① Drastic promotion of D&I

[Transform into an organization to take full advantage of our diversity activities]

- Set up a centralized D&I team to carry out measures based on our Diversity Management Declaration
- Promote health management and foster an organizational culture to pursue high individual and organizational performance in addition to ensuring diversity

KPI

Proportion of women in management positions:
Above 10% in fiscal 2025

② Strategic investment in human capital

[Promoting strategic investment and enhancing human resource management]

- Systematically rotate the cycle of employee placement, training & education, and evaluation to improve our human resource management in line with HR planning based on our business strategies, while respecting individual career development

Investment in Reskilling:
More than double in fiscal 2025 (vs. 2021)

③ Improvement of employee engagement

[Transform into a highly engaged organization]

- Work on improving the engagement score with the recognition that the score is a comprehensive indicator of human capital management
- Strive to reinforce sustainable value of human capital by transforming into a highly engaged organization

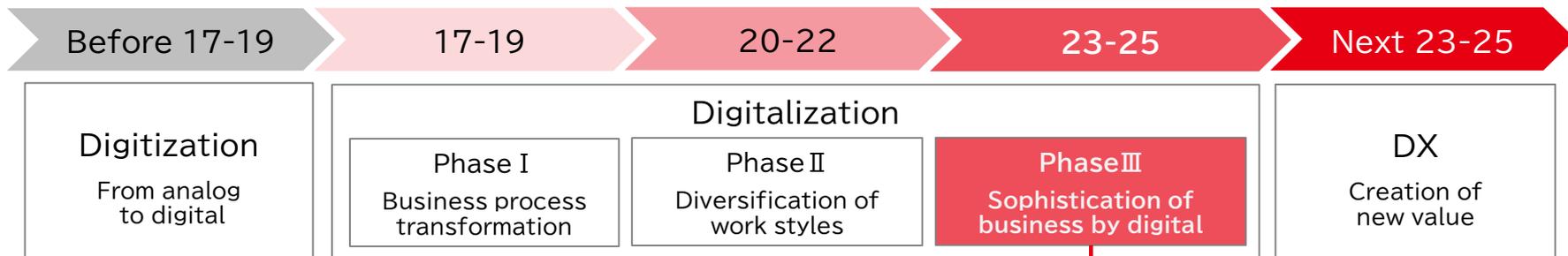
Engagement Score:
Target score to be announced in the next couple of years



Digital Strategies

Deepen our sustainability management

Accelerate digitalization and establish promotional organization for Digital Transformation (Rolling out in stages: “Digitization” --> “Digitalization” --> “DX”)

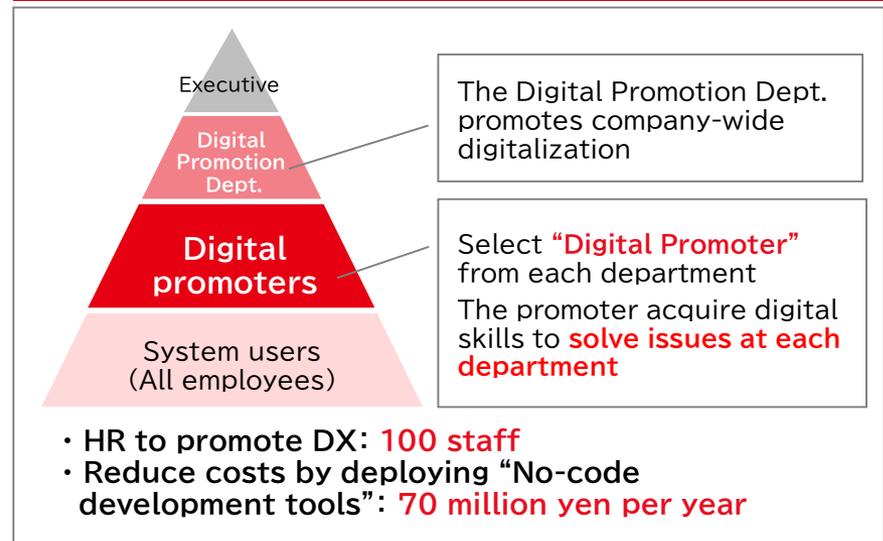
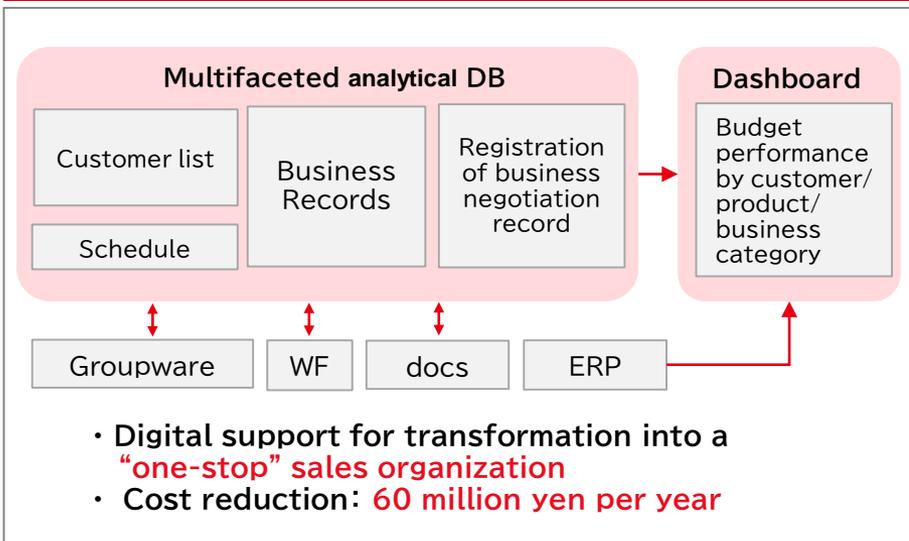


Digitalization promotion costs of **4.5 billion yen over 3 years**

(1.2 billion yen for growth investment)

Main measures ① Introduction of multifaceted analytical database and dashboard

Main measures ② Development of human capital to promote DX





RD&E Strategy

Deepen our sustainability management

Steadily promote our RD&E strategy by restructuring the Technical Division.

“Synthesis of Market-in and Product-out”

Integrate [Research and Development Division] and [Engineering Division] to enhance product development in line with our business strategies

Technical Planning Dept.	<ul style="list-style-type: none"> • Strengthen business planning capabilities by formulating strategies for technical aspects and intellectual property. • Promote optimization of business portfolio and expansion of business fields through cooperation with the “Business Planning Dept.”
Research & Engineering Dept.	<ul style="list-style-type: none"> • Enforce our research and development framework by creating a new organization that covers everything seamlessly from basic research to production technologies.
Development Dept.	<ul style="list-style-type: none"> • Enhance interface between our customers and sales force by establishing a new division, “Solution Development Group”.

Evolution of the Grain Solution	Promotion of Differentiation Strategies	Expansion of Our Business Fields
<ul style="list-style-type: none"> ■ Strengthen product development capabilities by enforcing interface between customers and sales force and developing unique technologies. ■ Improve our ability to respond to customer needs by utilizing digital technologies. 	<ul style="list-style-type: none"> ■ Strengthen the development of value-added products in line with our business strategies. ■ Development of our own value-added premixes based on premix technology, modified starch technology and processed oil and fat technology. 	<ul style="list-style-type: none"> ■ Promote PBF business ■ Promote fine chemical business and oleochemical business ■ Strengthen agribusiness ■ Strengthen research and development of new materials and value-added materials

Establishment of Production Technologies to Ensure Implementation of Key Strategies

<ul style="list-style-type: none"> ■ Establishment of production technologies in new business fields ■ Introduction of energy-saving production processes and promotion of eco-friendly packaging design 	<ul style="list-style-type: none"> ■ Promotion of smart factories utilizing digital technologies ■ Reduce costs through production improvement activities (Total reduction of ¥1 billion over the next three years)
--	---

Key Strategy 5. Enforcing Stakeholder Engagement



Enforcing Stakeholder Engagement

Deepen our sustainability management

- Increase transparency and earn trust from stakeholders by disclosing information appropriately
- Promoting two-way communication to meet stakeholders' expectations and requests

Employees

- **Drastic promotion of diversity and inclusion ("D&I")**
 - Acting on agenda items under our "Diversity Management Declaration" and "Health Declaration"
 - Collecting feedback from employees, holding forums, networking, etc.
- **Promotion of strategic human capital development**
 - Carrying out new personnel framework (implementation of quarterly interviews between superiors and subordinates, etc.)
 - Making the best use of self-assessment system (once a year)
- **Enhancement of employee engagement**
 - Conducting engagement surveys (once a year)
 - Enhancement of inner branding
- **Maintaining sound worker and employer relations**
 - Providing regular opportunities for dialogue between workers and employers



Customers & Clients

- **Evolving sales divisions into those that can enhance business synergies**
 - Transform our sales departments into "one-stop" sales models
- **Acting on agenda items under "Customer Oriented Declaration"**
 - Providing safe and high-quality products
 - Promoting dialogue via customer support center and developing products by listening to customers' feedback
- **Enhancement of sustainable procurement**
 - Collecting feedback from and holding meetings with value chain customers
 - (Human rights, conservation of the environment, labor conditions, etc.)
 - Supply chain management
- **Strengthening external posting**
 - Pro-active postings via newly established official SNS
 - Renewal of corporate web site



Shareholders & Investors

- **Continuous and stable profit distribution**
 - Stable dividends over the long term
- **Strengthening IR for individual shareholders and domestic and overseas institutional investors**
 - IR promotions in line with equity and shareholder strategies
 - Collecting feedback from shareholders, posting of communications to shareholders
 - IR meetings (financial results briefings, briefings for individual investors, etc.)
 - Enhancement of disclosure in English, such as financial statements
 - Improvement of quality of the Integrated Report
- **Providing opportunities for communications with our top management**



Environment & Community & NGO & NPO

- **Implementing "Sustainability Basic Policy"**
 - 1) Contributing to a decarbonized society
 - 2) Efficient use of water resources
 - 3) Reduction of food loss
- **Endorsement of domestic and international environmental initiatives**
 - Information disclosure in line with TCFD recommendations
- **Social contribution and interaction in our regional business sites**
- **Promote education using grains**
- **Providing food in cooperation with NPOs**
 - Donations through WFP and Food Bank





Non-financial KPIs

Deepen our sustainability management

Environmental Targets	FY2025 Target	FY2030 Target	Human Capital Management	FY2025 Target
Reduction of CO2 Emissions	▲30% or more <small>Compared to FY2013</small>	▲46% or more	Drastic promotion of D&I	Proportion of women in management positions: Above 10% in fiscal 2025
Reduction of food Loss	▲30% or more <small>Compared to FY2018</small>	▲30% or more	Strategic investment in human capital	Investment in Reskilling: More than double in fiscal 2025 (vs. 2021)
Reduction of water usage (basic unit)	▲9% or more <small>Compared to FY2019</small>	▲12% or more	Improvement of employee engagement	Engagement Score: Target score to be announced in the next couple of years
Reduction of plastic usage (basic unit)	▲7% or more <small>Compared to FY2013</small>	▲25% or more		
Digital Strategies	FY2025 Target		RD&E Strategy	FY2025 Target
Digitalization promotion	·Digitalization promotion costs of ¥4.5 billion over 3 years (¥1.2 billion for growth investment)		Expansion of our business fields	·Strengthen R&D in frozen food businesses and new business fields ·Improve production technology of overseas production bases
Introduction of multifaceted analytical DB and Dashboard	·Sales transformation through effective use of customer information ·Cost reduction: ¥60 million per year		Utilization of IT/AI technology	·Promotion of smart factories utilizing digital technologies
Development of HR to promote DX	·HR to promote DX: 100 staff ·Cost reduction by deploying “No-code development tools”: ¥70 million per year		Cost reduction	·Cost reduction through productivity improvement actions Total reduction: ¥1 billion over the next three years

APPENDIX



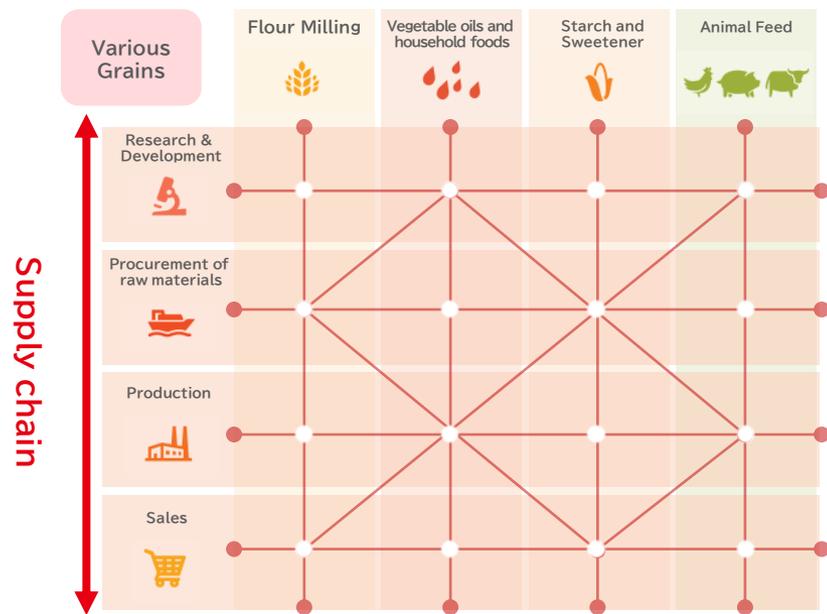
Strength of Our Group – Source of Value Creation –

Evolution of our Grain Solution

Our high level and extensive expertise in various grains is the source of our Group’s strength. We deal with a wide variety of grains and have full knowledge of each grain’s unlimited potential. As a professional “Grain Solution Company”, we will provide solutions to our customers’ requests and needs.

SHOWA’s unique “Compounded Synergy Solution”

Achieving synergies across our businesses from upstream to downstream in our supply chain



Our unique business model to sustain food infrastructure

Our stable grain procurement and foods supply capability in cooperation with trading companies



“No.1” ※
by grains handling volume among food manufacturers
※ Based on our survey

“No.1” ※
in grain silo capacity
※ Based on our survey

“Professionals in Grains” to provide wide range of delicious and healthy foods

“Leading technology company” for value creation and sustainable society

“The world’s first”
launch of Tempura flour

“99.9%” ※
food recycling
※ non-group basis

“Extensive product line-ups” for daily meals

“No.1” ※
market share in household pancake mix
※ Based on our survey

“No.1” ※
market share in edible and medical crystalline glucose
※ Based on our survey



Materialities List

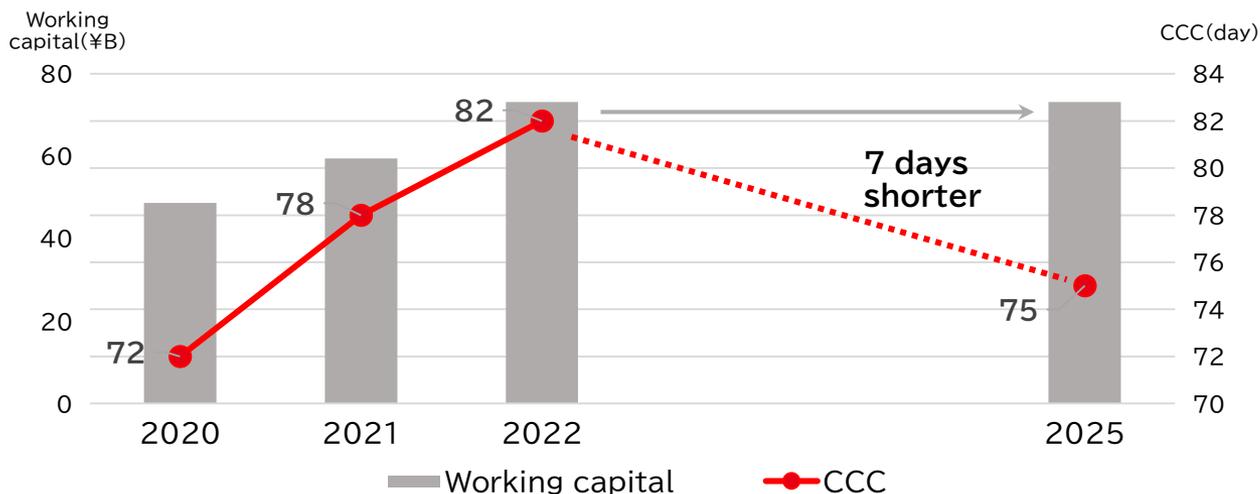
Deepen our sustainability management

Materialities	Priority themes	Related opportunities and risks		Related Key Strategies
		○ Opportunity ● Risk		
Contribution to society through our food businesses				
① Supply safe, secured and high-quality foods	Expansion of customer base Ensuring safe, secure, and stable supplies Maintaining stable operations	○Diverse and numerous customer contacts ○Earning customer trust through safe, secure, and stable supplies ●Loss of customer trust due to product accidents		① Strengthening Our Core businesses ⑤ Enforcing Stakeholder Engagement
② Contribute to consumers' health and diversifying needs	Contribution to human's health Contribution to diversifying needs	○Diversified customer needs (health, time saving, convenience) ○Acquisition of market competitiveness by launching eco-friendly products ○Creation of new markets by utilizing new materials ●Loss of growth opportunities due to shrinking domestic market in our core businesses		② Expansion of Our Business Fields
Preserve the earth that produce grains and the global environment				
③ Consideration for the environment	Responding to climate change Consideration for biodiversity	○Cost reduction through energy-saving and reduction of food loss ●Inadequate grain procurement due to climate change ●Loss of trust due to delayed response to environmental issues		③ Reducing Burden on the Environment
Promote engagement with stakeholders				
④ Utilization of human capital	Health and productivity management Promotion of D&I Human capital development	○Improving productivity by improving job satisfaction ○Decrease in turnover rate, secure superiority in opportunities to recruit ●Difficulty in hiring and increase in turnover rate due to delay in response		④ Rebuilding Our Platform ⑤ Enforcing Stakeholder Engagement
⑤ Harmonious association with local communities	Promotion of CSR activities (food donation, etc.)	○Gaining fans ●Loss of trust due to lack of interaction with local communities		⑤ Enforcing Stakeholder Engagement
⑥ Cooperation with stakeholders in our supply chains	Enhancement of sustainable procurement Optimization of logistics system	○Cost reduction through efforts across the supply chain ●Logistics failure due to delay in responding to social issues ●Loss of customer trust due to inability to procure raw materials		⑤ Enforcing Stakeholder Engagement
⑦ Enhance credibility with our stakeholders	Business management upgrade Promoting digitalization Strengthening IR activities Risk Management and compliance	○Improve productivity and reduce costs through business management upgrades ●Loss of social trust due to violation of laws and regulations ●Occurrence of opportunity loss and unexpected loss due to negligence in IT/digital investment ●Lower evaluation from investors due to insufficient disclosure		④ Rebuilding Our Platform ⑤ Enforcing Stakeholder Engagement



Shortening of CCC (Cash Conversion Cycles)

Working capital amount, CCC results, KPIs in fiscal 2025



FY20-22 results

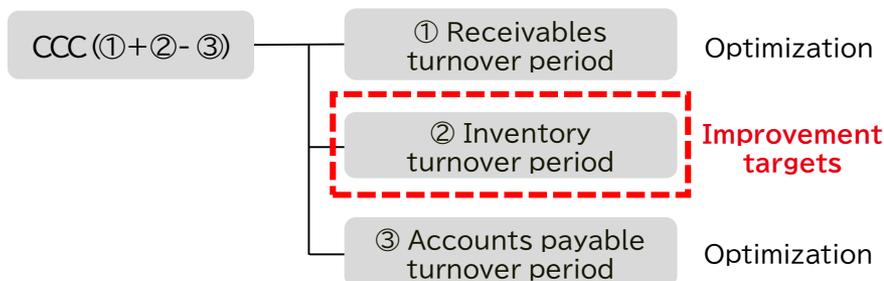
Both working capital amount and CCC increased due to the sharply increased prices of raw material grains, high energy prices, and increase of the number of Group companies

FY25 KPI

Shorten the duration of CCC by 7 days (vs. 2022) and try to **control the increase of working capital near to zero**

Improvement of CCC

Target to reduce “inventory turnover period” among CCC’s three components and implement reduction measures by each business segment



Introduction of monthly CCC control

- Disclose CCC results to employees on a monthly cycle, and **promote CCC control**
- **Promote cash flow management** by managing the progress of the action plan on a monthly basis and disclosing the impact of inventory reduction on CCC and working capital (in addition to conventional inventory quantity and inventory ratio management)



穀物ソリューション・カンパニー

SHOWA

昭和産業グループ

Cautionary notes regarding forward-looking statements

The figures included in this material are formulated based on information currently available and certain assumptions judged to be reasonable. As this material contains potential risks and uncertainties, we do not guarantee its achievement or future performance. Furthermore, as actual results, etc., may also significantly differ from the forward-looking statements included in this material, please refrain from making investment decisions based solely on this material.

Showa Sangyo Group will not necessarily review the Medium-Term Management Plan or assume any obligation to do so, regardless of future information, events, or consequences caused by them.