



# Financial Results Briefing for 2Q of FY2023 (Ending March 31, 2023)

November 29, 2022  
Showa Sangyo Co., Ltd.



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# Overview of Consolidated Financial Results

(0.1 billions of yen)	FY2022 2Q	FY2023 2Q	Change (Year-on-Year)	Percentage of change (Year-on-Year)
Net sales	1,399	<b>1,634</b>	234	16.8%
Operating profit	24	<b>23</b>	▲0.8	▲3.7%
Ordinary profit	29	<b>33</b>	3	13.1%
Profit	18	<b>19</b>	1	8.0%

## Key points of 2Q of FY2023

### ■ Net sales

- (+) Implementation of price revision in all segments due to continuous historically high market price of grain raw material, and rising import costs and energy costs from the yen's increasing depreciation against the U.S. dollar
- (+) Increase in sales volume of commercial wheat flour due to proposal-based sales by target business type
- (+) Increase in sales volume of commercial food materials for food services, saccharified products for beverages, and cornstarch due to easing of behavioral restrictions

### ■ Operating profit

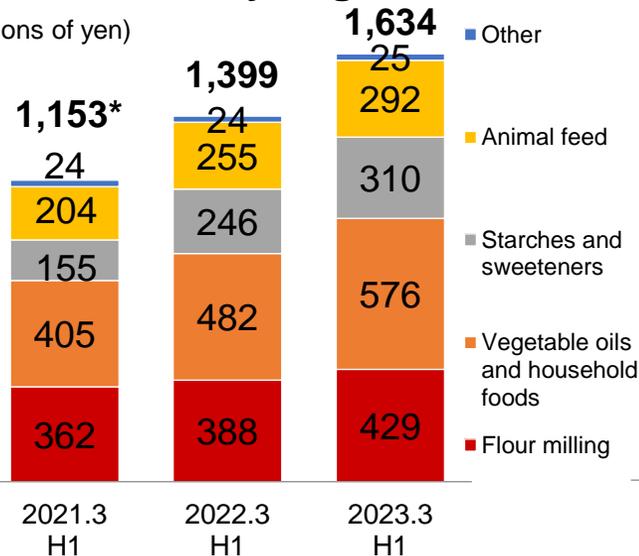
- (-) Decrease in profit from not being able to fully offset the increased portion of manufacturing costs with price revision
- (-) Decrease in sales volume of commercial vegetable oil products and household products mainly due to impact of price revision

### ■ Ordinary profit

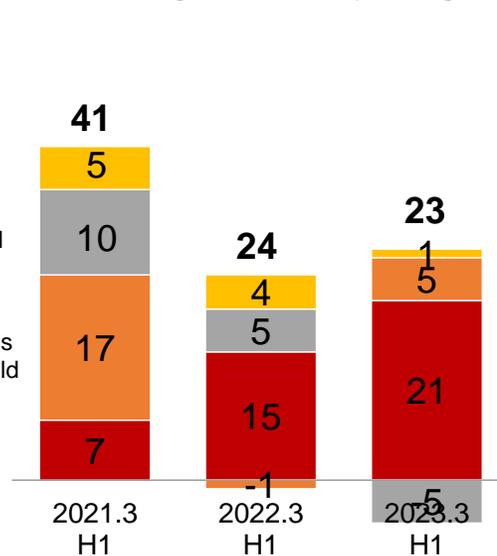
- (+) Increase in profit/loss of entities accounted for by the equity method (Z.Y. Food Company Limited in Taiwan, etc.) due to recovery from impact of COVID-19

### Net sales by segment

(0.1 billions of yen)



### Operating profit by segment



\*An approximation after applying the accounting standard for revenue recognition

# Factors for Changes in Consolidated Operating Profit

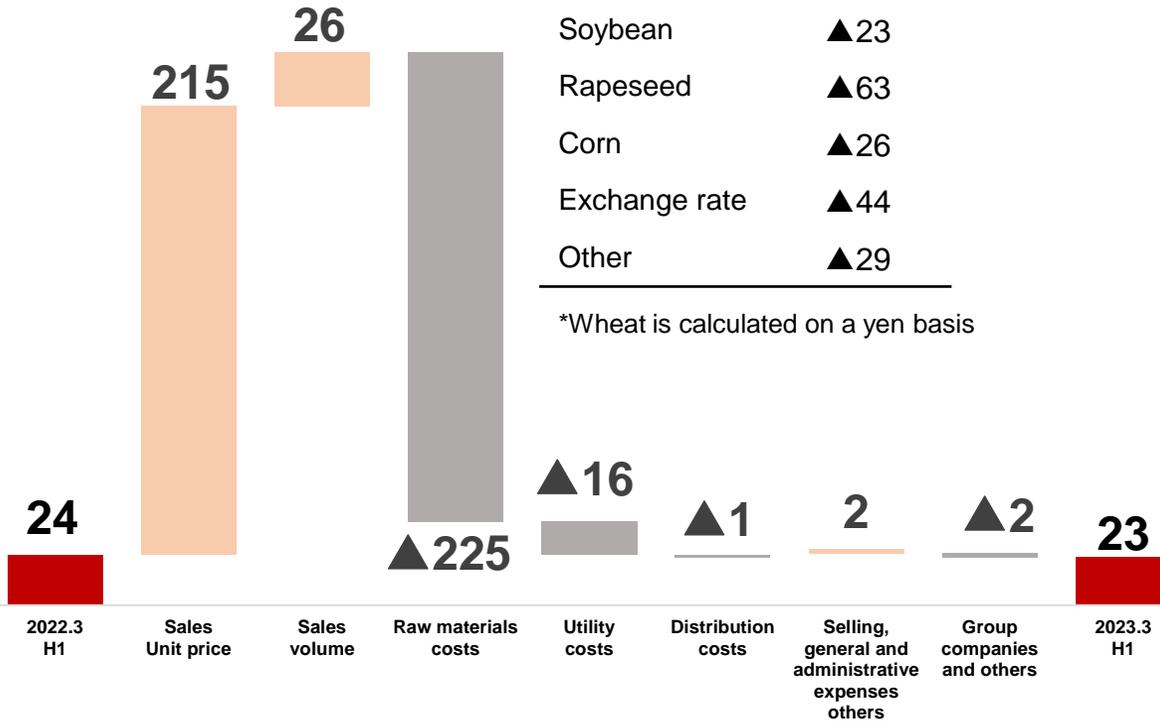
## By factor

(0.1 billions of yen)

### Breakdown of raw material costs

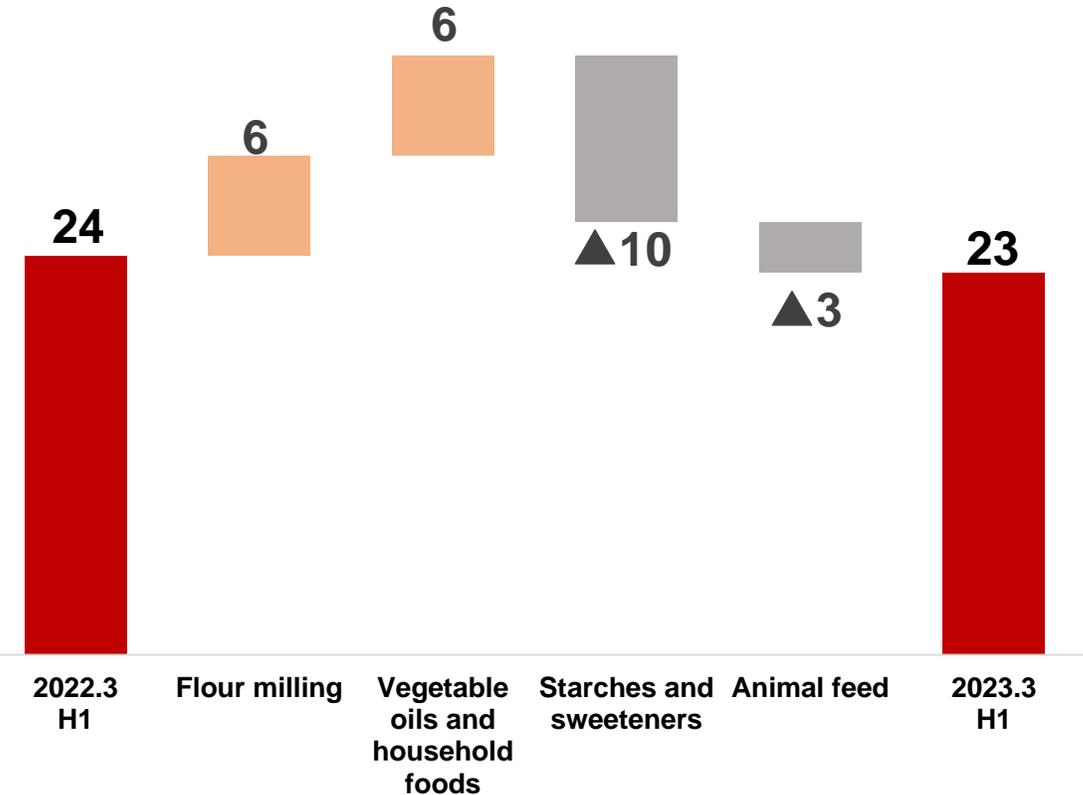
Wheat	▲40
Soybean	▲23
Rapeseed	▲63
Corn	▲26
Exchange rate	▲44
Other	▲29

\*Wheat is calculated on a yen basis



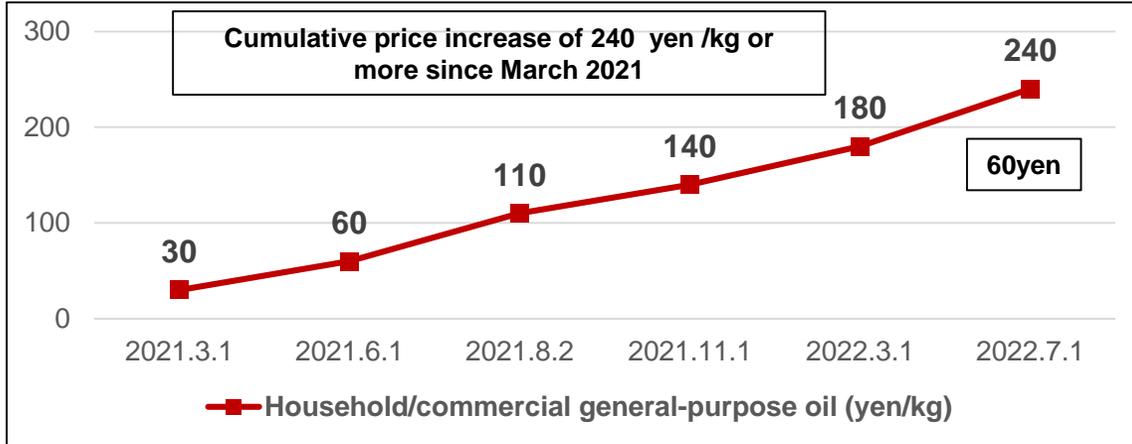
## By segment

(0.1 billions of yen)



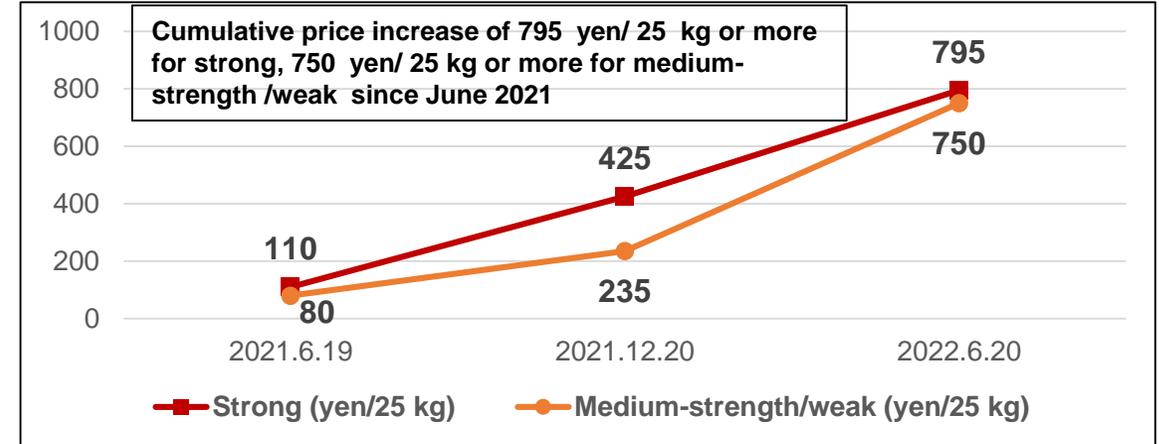
# Implementation of Price Revision (Period: From 2021 to present)

## Commercial/household vegetable oil products

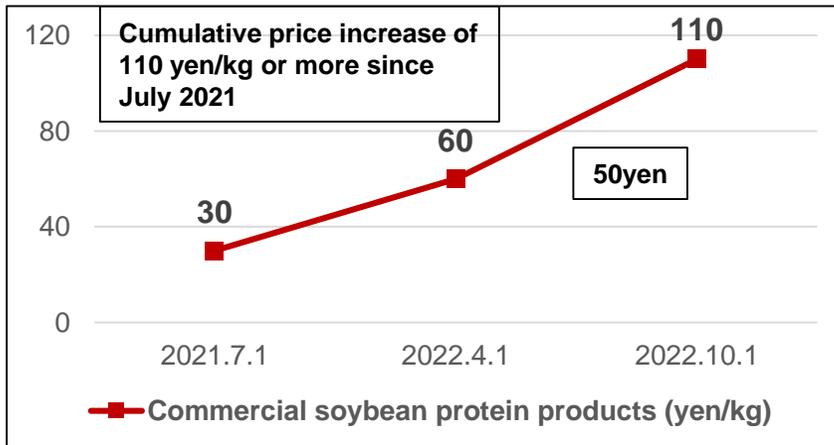


## Commercial wheat flour

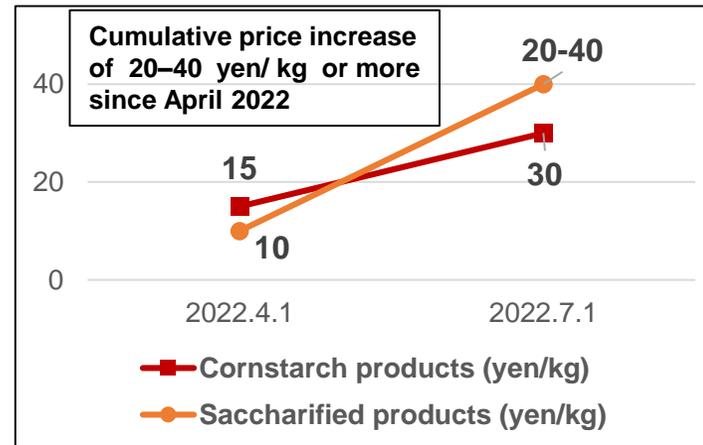
\*For details, refer to "Reference Materials"



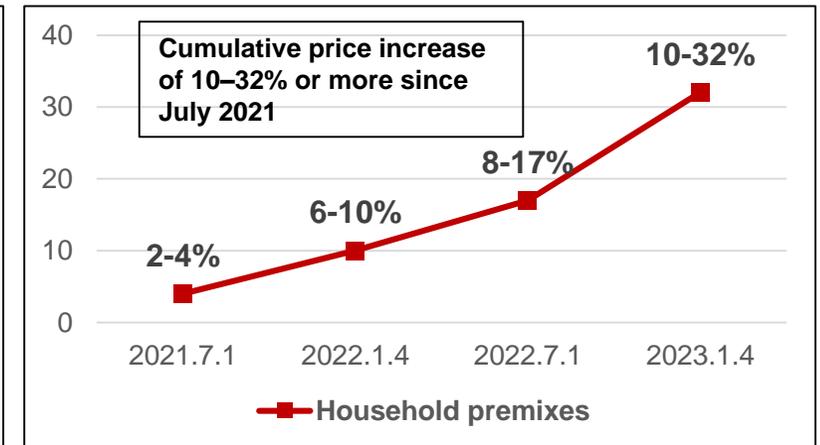
## Commercial soybean protein products



## Commercial cornstarch and saccharified products



## Household premixes

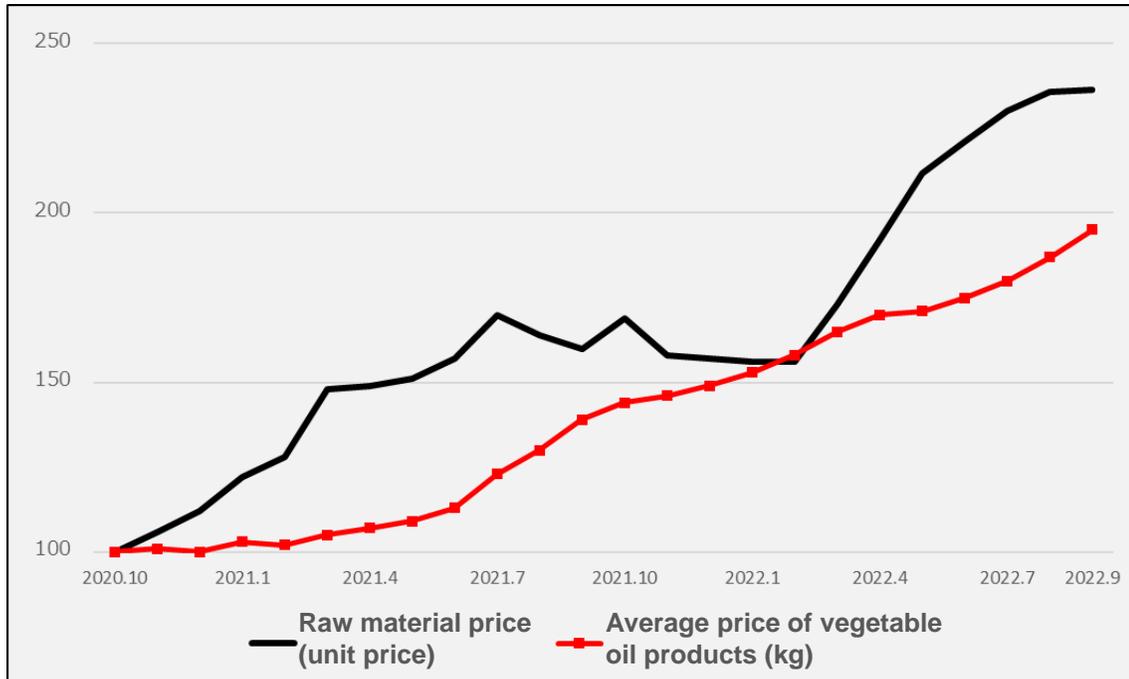


# Progress of Price Revision (Soybean and Rapeseed)

■ (Precondition) Changes in raw material price (unit price) and product price when prices in October 2020 are set as 100

\*Sourced by Showa Sangyo data

## Soybean price



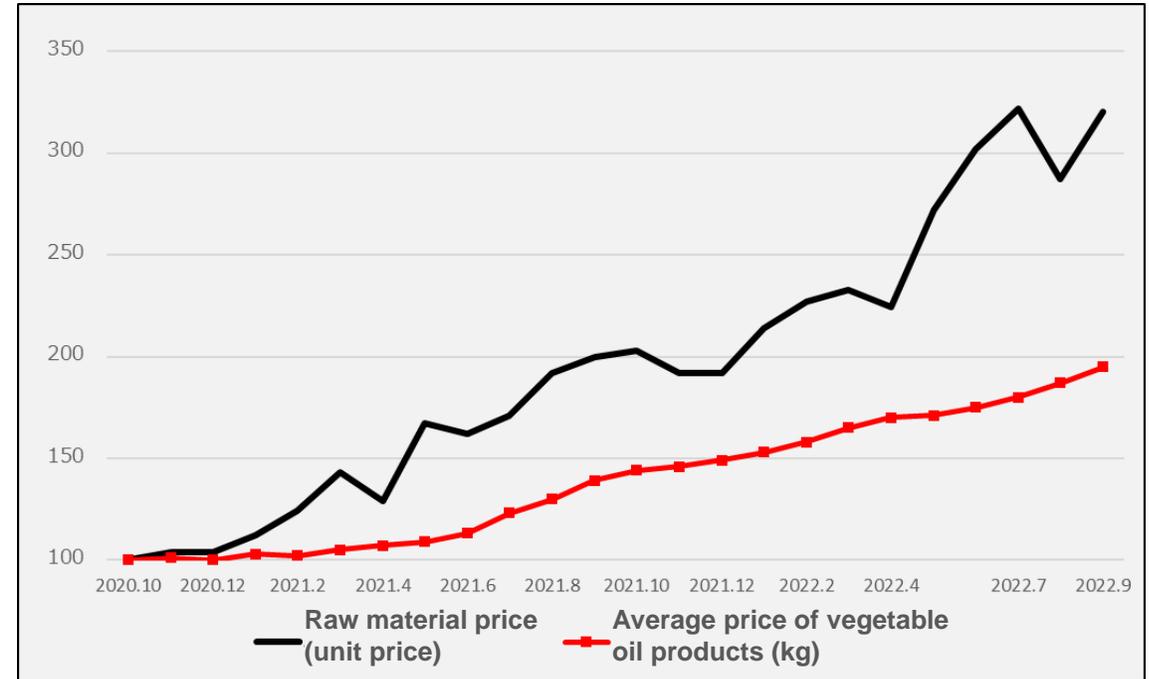
- **Soybean price (unit price)**

Price soared significantly and rapidly driven by strong demand for vegetable oil and continues to be high

- **Revision of vegetable oil product prices**

Price was revised six times; March, June, August, and November 2021, and in March and July 2022

## Rapeseed price



- **Rapeseed price**

Price continues to mark a record high due to strong demand for vegetable oil and significant decrease in production caused by heat wave in Canada

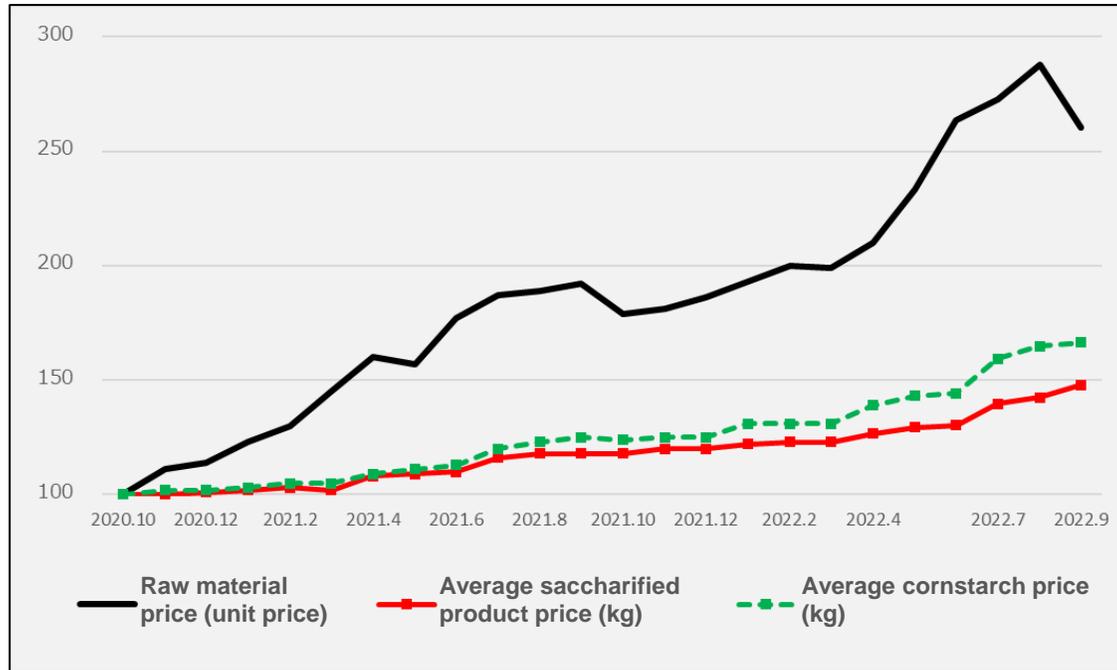
- **Revision of vegetable oil product prices**

Price was revised six times; March, June, August, and November 2021, and in March and July 2022

# Progress of Price Revision (Corn and Wheat)

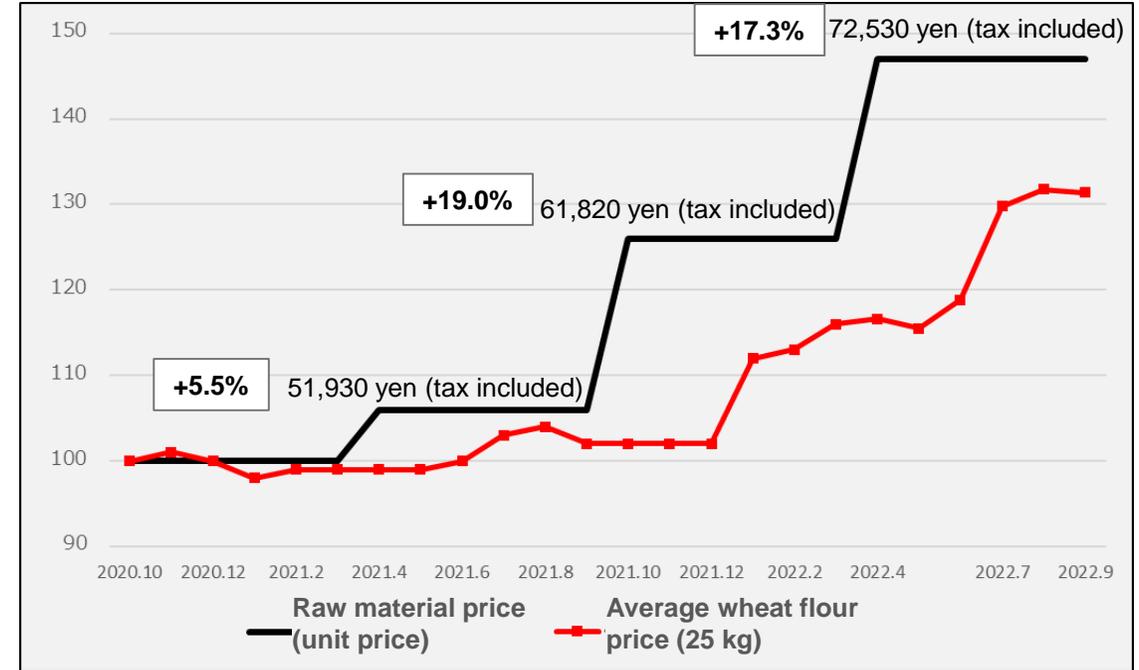
- (Precondition) Changes in raw material price (unit price) and product price when prices in October 2020 are set as 100  
\*Sourced by Showa Sangyo data

## Corn price



- **Corn price**  
Price soared significantly and rapidly due to China's large-scale purchase and Russia's invasion of Ukraine, and continues to be high
- **Revision of saccharified products and cornstarch prices**  
Price was revised in April and September 2021, and in April and July 2022

## Wheat price



- **Wheat price**  
Government resale price of imported wheat increased by 19.0% in October 2021 and 17.3% in April 2022 in terms of five-brand average
- **Revision of wheat flour price**  
Price was revised in June and December 2021, and in June 2022 (unchanged in October 2022)

# By Segment: Flour Milling Business

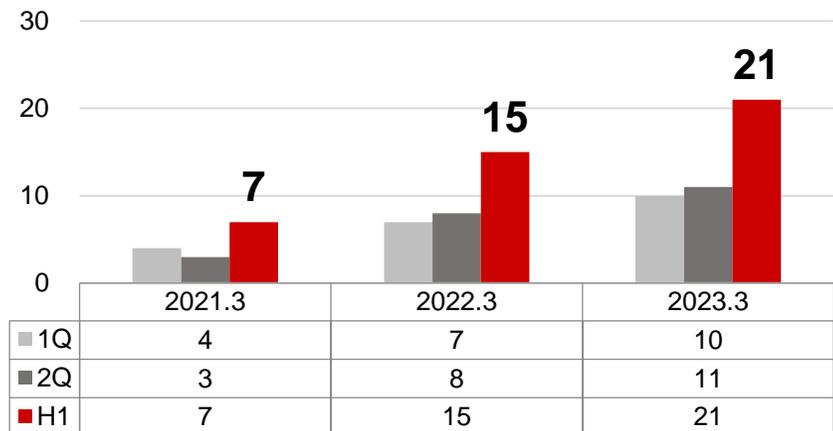
## Main Business

Wheat flour, premixes, bread, bran



(0.1 billions of yen)	2022.3 H1	2023.3 (H1)	Percentage of change (Year-on-Year)
Net sales	388	429	10.4%
Operating profit	15	21	38.5%

## (0.1 billions of yen) Operating profit



## Key points of H1 of FY2023

### ■ Performance

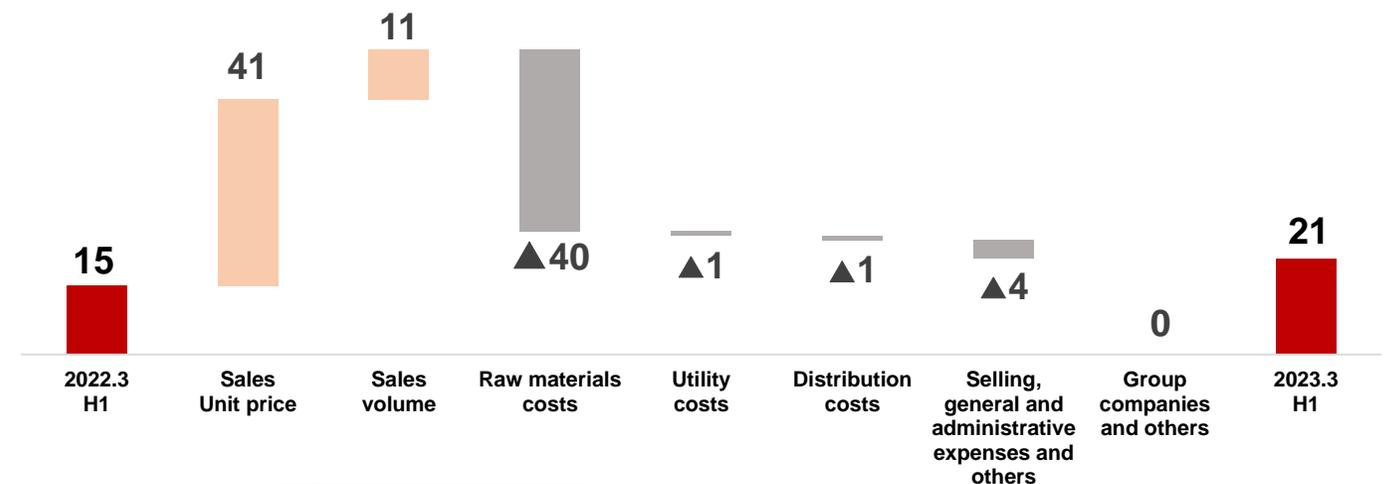
- (1) Increase in net sales and profit due to implementation of revision in wheat flour price in line with the revision of wheat price
- (2) Increase in sales volume of commercial wheat flour through securing of new customers via enhancement of proposal-based sales by target business type

### ■ Initiatives

- (1) Concentration of production and improvement in processes through operation system integrated among Group's five companies and seven plants, improvement in profitability mainly through cost reduction by reviewing of logistic system and streamlining of brands
- (2) Continuous implementation of structural reform of earnings in baked bread business
- (3) Implementation of strategic sales of export flour and improvement in profitability due to yen's depreciation

## Factors for changes in operating profit

(0.1 billions of yen)



# By Segment: Vegetable Oils and Household Foods Business

## Main Business

Edible oil, soybean protein, premixes, pasta, household foods, frozen foods



(0.1 billions of yen)	2022.3 H1	2023.3 (H1)	Percentage of change (Year-on-Year)
Net sales	482	576	19.5%
Operating profit	▲1	5	-

## (0.1 billions of yen) Operating profit



	2021.3	2022.3	2023.3
■ 1Q	9	▲1	10
■ 2Q	8	▲0	▲5
■ H1	17	▲1	5

## Key points of H1 of FY2023

### ■ Performance

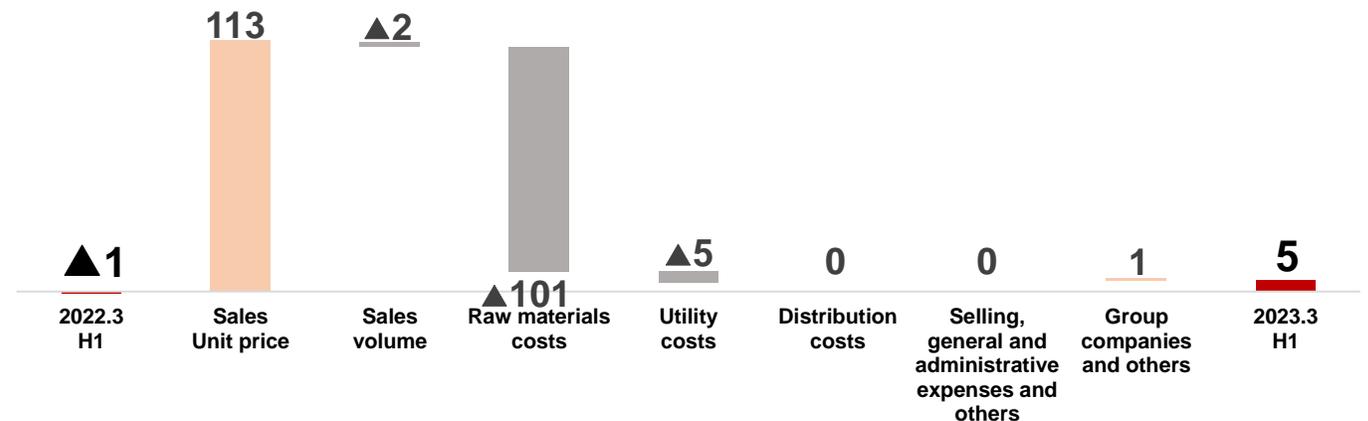
- (1) Increase in net sales and profit due to implementation of price revision with rising raw material costs and utility costs; yet difficult situation in 2Q ⇒ Recovery from September onward due to price revision in July
- (2) Increase in sales volume of commercial food materials for food services (premixes and pasta); yet decrease in sales volume of commercial vegetable oils and household products due to impact of price revision

### ■ Initiatives

- (1) Strengthening of efforts to improve profitability through implementation of price revision six times since 2021
- (2) Strengthening of providing small-package products through operation of Funabashi Premix No. 2 Plant
- (3) Cost reduction through synergy with Boso Oil and Fat Group (cross-selling and joint procurement of products and sales channels, etc.)
- (4) Strengthening of adaptability to needs for plant-based foods

## Factors for changes in operating profit

(0.1 billions of yen)



# By Segment: Starches and Sweeteners Business

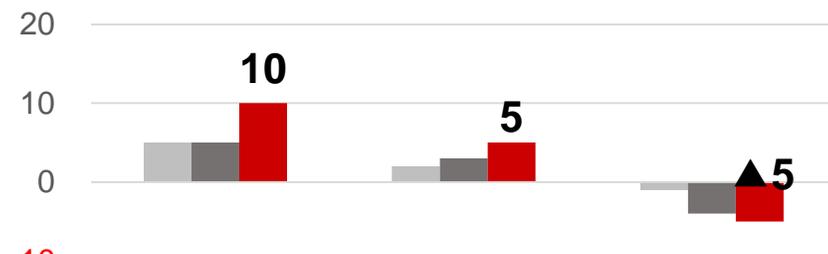
## Main Business

Saccharified products,  
cornstarch, processed starch



(0.1 billions of yen)	2022.3 H1	2023.3 (H1)	Percentage of change (Year-on-Year)
Net sales	246	310	25.7%
Operating profit	5	▲5	-

## (0.1 billions of yen) Operating profit



	2021.3	2022.3	2023.3
■ 1Q	5	2	▲1
■ 2Q	5	3	▲4
■ H1	10	5	▲5

## Key points of H1 of FY2023

### ■ Performance

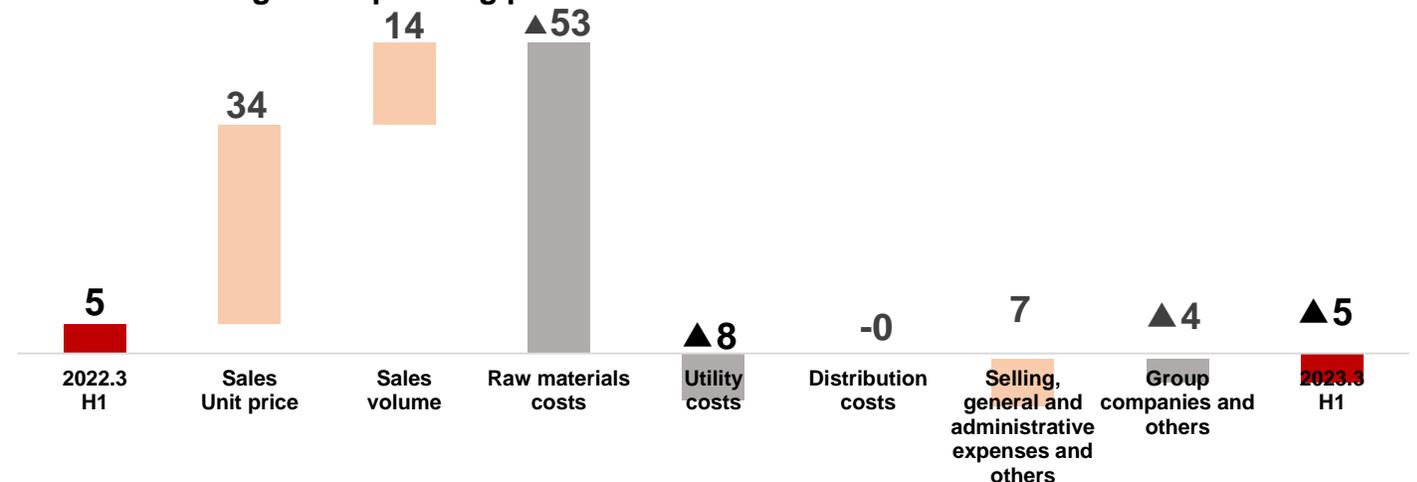
- (1) Increase in net sales due to implementation of price revision with rising grain raw material price and manufacturing costs
- (2) Decrease in profit from not being able to fully offset the increased portion of costs price with price revision, besides the rising utility costs
- (3) Increase in sales volume of saccharified products for beverages and cornstarch due to easing of behavioral restrictions and impact of heat wave

### ■ Initiatives

- (1) Promotion of project demonstrating synergy with San-ei Sucochemical (cost reduction of raw material procurement, integration of sales and R&D)
- (2) Securing of profit through increased sales of high-value-added products such as Kona Ame (powdered corn syrup), the Company's original product lineup
- (3) Improvement in productivity under Group's three-plant system (Showa Sangyo, San-ei Sucochemical, Shikishima Starch MFG)

## Factors for changes in operating profit

(0.1 billions of yen)



# By Segment: Animal Feed Business

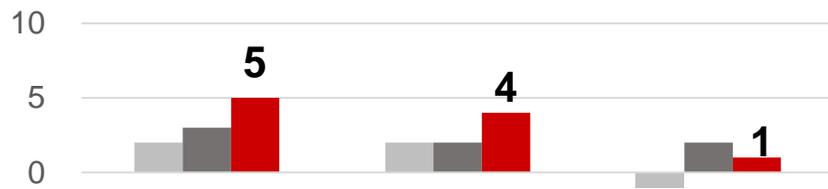
## Main Business

Mixed animal feed, eggs  
and processed egg products



(0.1 billions of yen)	2022.3 H1	2023.3 (H1)	Percentage of change (Year-on-Year)
Net sales	255	292	14.2%
Operating profit	4	1	▲69.6%

## (0.1 billions of yen) Operating profit



	2021.3	2022.3	2023.3
■ 1Q	2	2	▲ 1
■ 2Q	3	2	2
■ H1	5	4	1

## Key points of H1 of FY2023

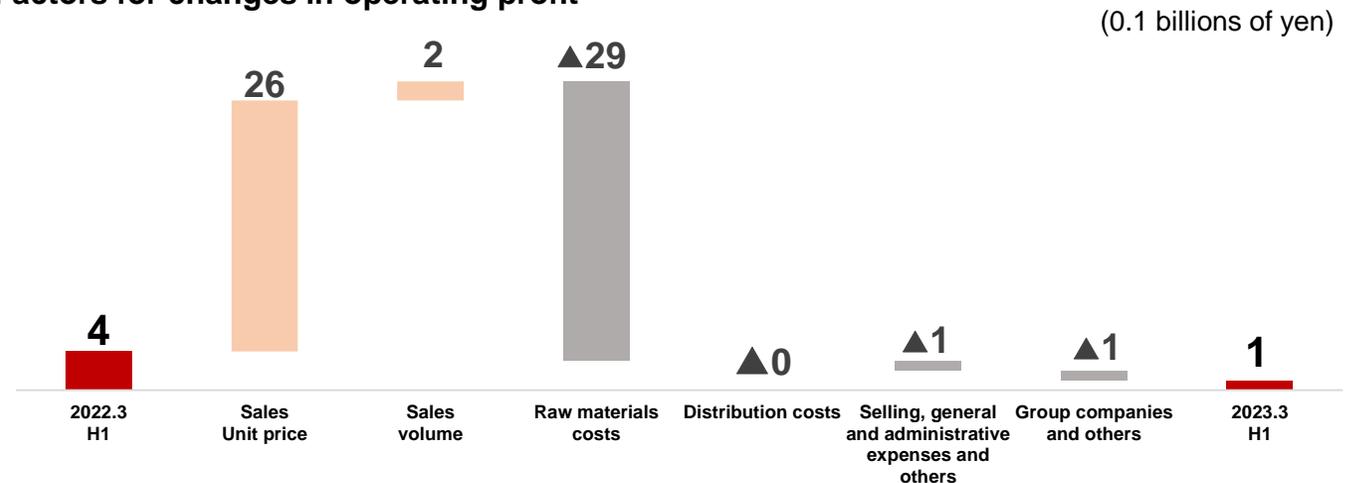
### ■ Performance

- (1) Increase in net sales due to implementation of price revision with rising grain raw material price and manufacturing costs
- (2) Decrease in profit from not being able to fully offset the increased portion of cost price with price revision, besides increase in burden of compound feed price stabilization fund
- (3) Increase in sales volume of eggs through cooperation with Group companies (Showa Keiran) and further efforts with livestock breeders, despite decrease in sales volume of mixed animal feed

### ■ Initiatives

- (1) Strengthening of adaptability to needs for heated animal feed (Kyushu Showa Sangyo)
- (2) Expansion of sales of high-value-added products, namely synthetic milk and oligosaccharide mixed animal feed

## Factors for changes in operating profit

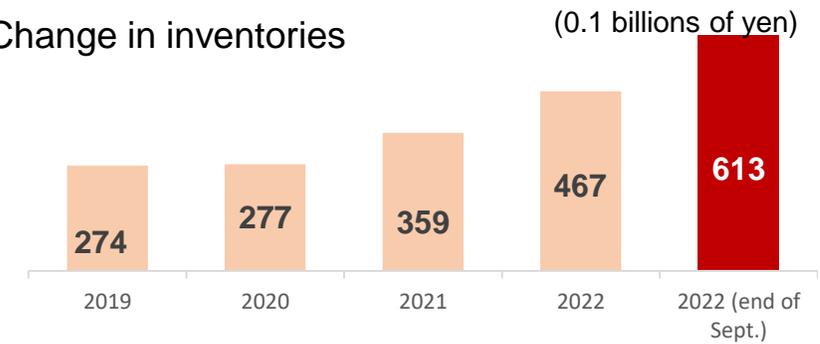


# Overview of Consolidated Balance Sheet

## Consolidated Balance Sheets (0.1 billions of yen)

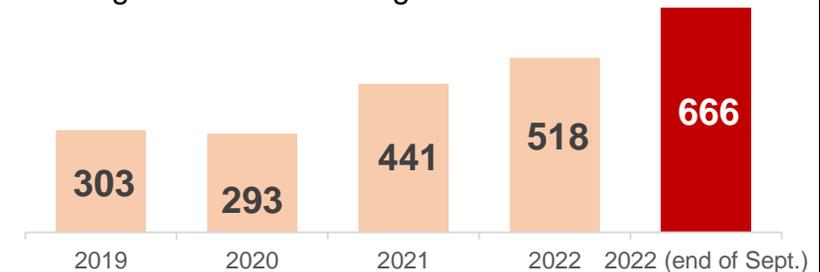
	Mar. 2022	Sep. 2022	Change
<b>Current assets</b>	<b>1,092</b>	<b>1,272</b>	<b>180</b>
Cash and deposits	91	83	▲ 8
Trade receivables	495	536	41
Inventories	467	613	145
Other	38	39	0
<b>Non-current assets/Deferred assets</b>	<b>1,220</b>	<b>1,243</b>	<b>23</b>
Property, plant and equipment/ Intangible assets	895	887	▲ 7
Investments and other assets	325	356	30
<b>Total assets</b>	<b>2,313</b>	<b>2,516</b>	<b>203</b>
	Mar. 2022	Sep. 2022	Change
<b>Liabilities</b>	<b>1,222</b>	<b>1,401</b>	<b>179</b>
Trade payables	335	380	45
Interest-bearing debt	518	666	147
Provision	18	18	0
Other	350	335	▲ 14
<b>Net assets</b>	<b>1,090</b>	<b>1,114</b>	<b>24</b>
Shareholders' equity	978	988	10
Comprehensive income and other	78	91	13
Non-controlling interests	33	34	0
<b>Total liabilities and net assets</b>	<b>2,313</b>	<b>2,516</b>	<b>203</b>

### Change in inventories (0.1 billions of yen)



- Capital investment +42
- Depreciation ▲44
- Impairment losses ▲3, etc.

### Change in interest-bearing debt (0.1 billions of yen)



### Change in equity-to-asset ratio



# Cash Flows

	FY2022 2Q	FY2023 2Q	Change
Profit before income taxes	27	27	▲0
Depreciation <Non-cash item>	49	48	▲0
Impairment losses <Non-cash item>	-	3	3
Change in working capital (trade receivables, inventories, trade payables)	▲100	▲142	▲42
Income taxes paid/refund	▲17	▲3	13
Other	▲3	▲1	2
<b>Cash flows from operating activities</b>	<b>▲44</b>	<b>▲67</b>	<b>▲23</b>
Purchase of property, plant and equipment	▲67	▲57	10
Purchase of investment securities	0	▲12	▲11
Other	▲3	▲6	▲3
<b>Cash flows from investing activities</b>	<b>▲71</b>	<b>▲76</b>	<b>▲5</b>
<b>Free cash flow</b>	<b>▲115</b>	<b>▲144</b>	<b>▲28</b>
Short-term borrowings, commercial papers, long-term borrowings	120	147	27
Redemption of convertible-bond-type bonds with share acquisition rights	▲11	-	11
Dividends paid	▲11	▲10	1
Other	▲1	▲1	▲0
<b>Cash flows from financing activities</b>	<b>96</b>	<b>135</b>	<b>39</b>
Cash and cash equivalents at end of period	91	83	▲8

(0.1 billions of yen)

- 1 Overview of financial results for 2Q of FY2023
- 2 Earnings forecast for FY2023**
- 3 Progress of Medium-Term Management Plan 20-22
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# Key Points of Earnings Forecast for FY2023

## ■ Cost environment [Raw materials, exchange rates, energy]

- Continuous high price range of market price of grain raw material
- Yen's continuous depreciation against the U.S. dollar and rise in energy costs above level of expectation

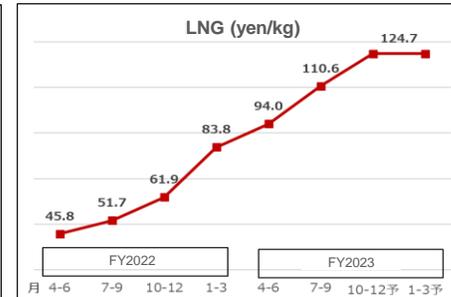
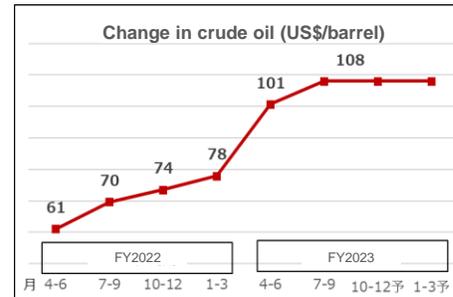
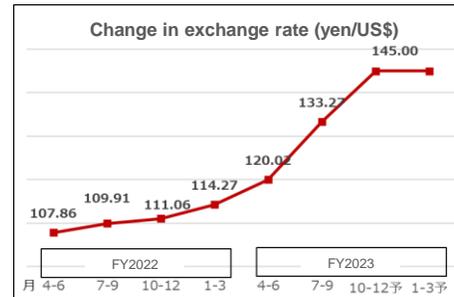
[Assumption at the time of announcement on August 5]

	FY2022				FY2023			
	April-June results	July-September results	October-December results	January-March results	April-June results	July-September assumption	October-December assumption	January-March assumption
Wheat yen/t <sup>1</sup>	49,210	51,930	51,930	61,820	61,820	72,530	72,530	72,530
Soybean ¢/Bu <sup>2</sup>	1,422	1,485	1,294	1,307	1,653	1,641	1,425	1,425
Rapeseed C\$/MT <sup>3</sup>	793	883	902	1,019	1,108	1,022	863	863
Corn ¢/Bu <sup>4</sup>	573	658	536	590	730	738	640	640
Sea freight US\$/t <sup>5</sup>	55	74	83	68	72	78	65	65
Exchange rate <sup>6</sup>	107.86	109.91	111.06	114.27	120.02	126.30	126.30	126.30
Crude oil US\$/barrel <sup>7</sup>	61	70	74	78	101	102	102	102
LNG yen/kg <sup>8</sup>	45.8	51.7	61.9	83.8	94.0	104.4	104.4	104.4

[Revised forecast announced on November 11]

FY2023		
July-September results	October-December assumption	January-March assumption
133.27	145.00	145.00
108	108	108
110.6	124.7	124.7

- \*1: Average price of five brands three months prior to the relevant period
- \*2: Average Chicago market price two months prior to the relevant period
- \*3: Average ICE market price two months prior to the relevant period
- \*4: Average Chicago market price two months prior to the relevant period
- \*5: Panamax vessel of U.S. Gulf-Japan (Based on corn)
- \*6: Average TTM two months prior to the relevant period
- \*7: Average crude oil price (WTI crude oil futures) two months prior to the relevant period
- \*8: Average unit price calculated from value and quantity of imported goods in the country of origin based on the actual monthly preliminary figures of Trade Statistics of Japan disclosed two months prior to the relevant period



# Earnings Forecast for FY2023

Downward revision will be made to the initial forecast due to continuous high price range of market price of grain raw material, and above level of expectation in yen's depreciation against the U.S. dollar and rise in energy costs.

## Earnings forecast

	FY2022 (Results)	FY2023 (Initial forecast)	FY2023 (Revised forecast)
		*Announced on August 5	*Announced on November 11
	(0.1 billions of yen)		
Net sales	2,876	3,380	<b>3,380</b>
Operating profit	55	73	<b>40</b>
Ordinary profit	65	82	<b>55</b>
Profit	40	46	<b>32</b>

## Compared with initial forecast

Amount of change	Percentage of change
-	-
▲33	▲45.2%
▲27	▲32.9%
▲14	▲30.4%

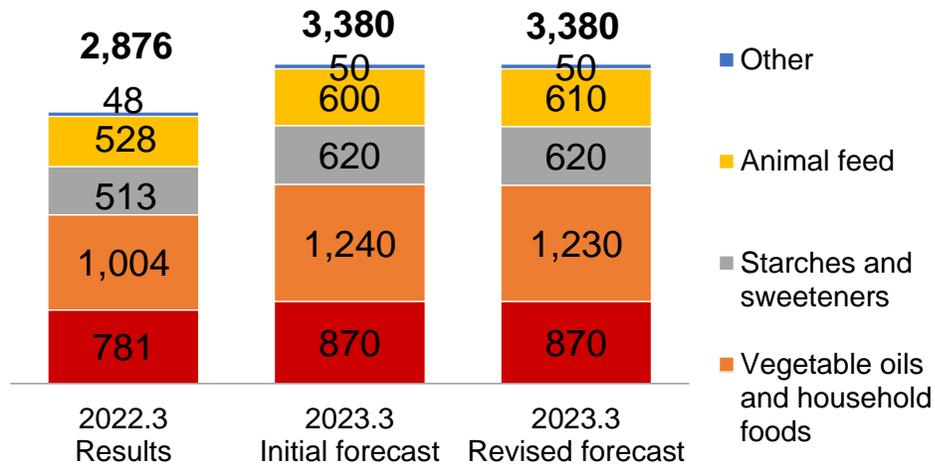
## Compared with FY2022 results

Amount of change	Percentage of change
503	17.5%
▲15	▲28.1%
▲10	▲16.4%
▲8	▲20.1%

# Earnings Forecast by Segment for FY2023

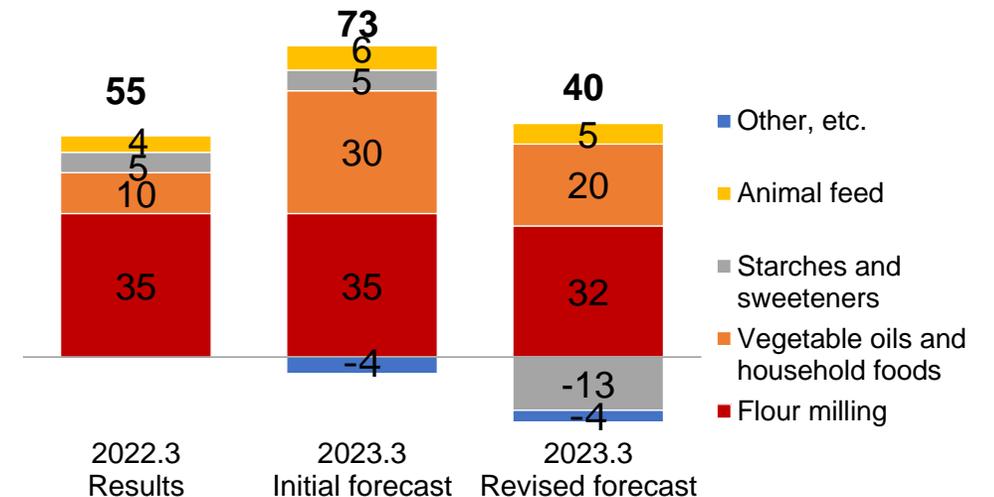
## Net sales by segment

(0.1 billions of yen)	FY2023 (Initial forecast) *Announced on August 5	FY2023 (Revised forecast) *Announced on November 11	Amount of change
Flour milling	870	<b>870</b>	0
Vegetable oils and household foods	1,240	<b>1,230</b>	▲10
Starches and sweeteners	620	<b>620</b>	0
Animal feed	600	<b>610</b>	10
Other	50	<b>50</b>	0
Total	3,380	<b>3,380</b>	0



## Operating profit by segment

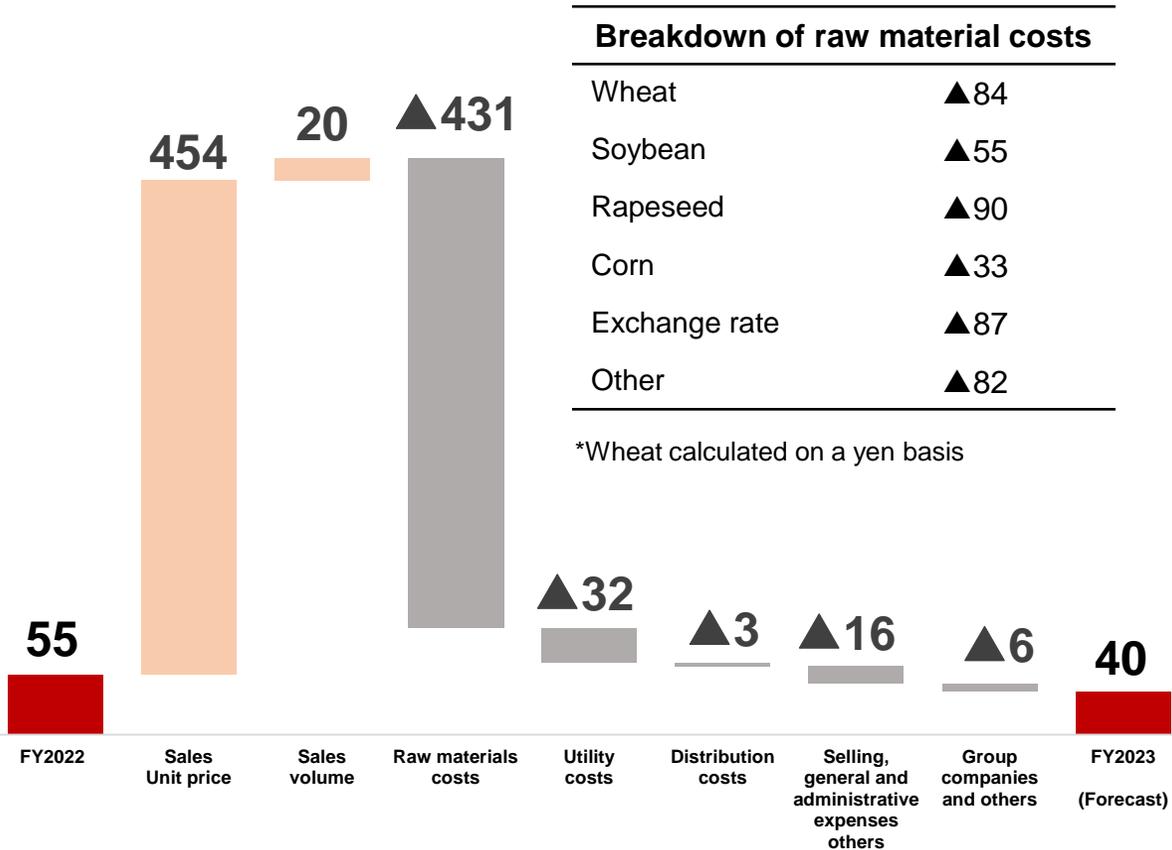
(0.1 billions of yen)	FY2023 (Initial forecast) *Announced on August 5	FY2023 (Revised forecast) *Announced on November 11	Amount of change
Flour milling	35	<b>32</b>	▲3
Vegetable oils and household foods	30	<b>20</b>	▲10
Starches and sweeteners	5	<b>▲13</b>	▲18
Animal feed	6	<b>5</b>	▲1
Other	12	<b>12</b>	0
Company-wide expenses, etc.	▲16	<b>▲16</b>	0
Total	73	<b>40</b>	▲33



# Factors for Changes in Consolidated Operating Profit

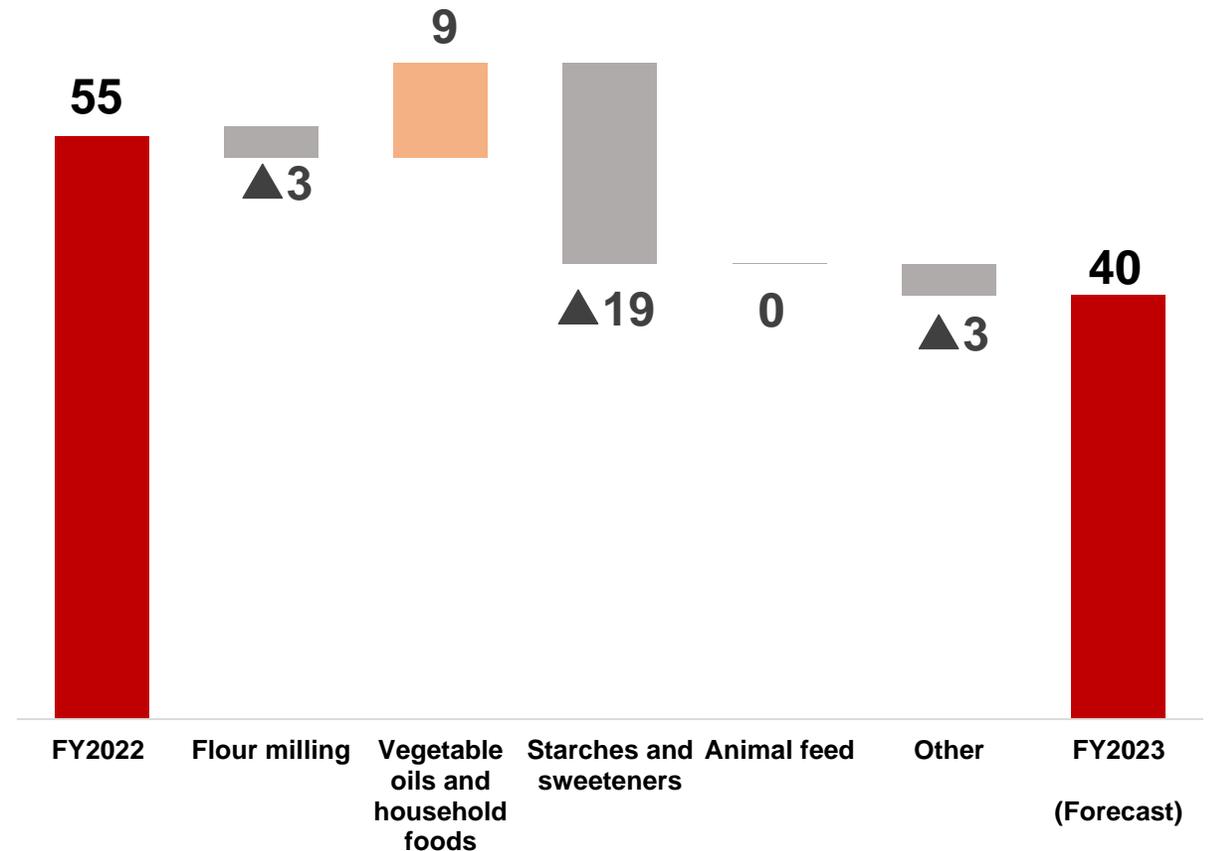
## By factor

(0.1 billions of yen)



## By segment

(0.1 billions of yen)



# By Segment: Flour Milling Business

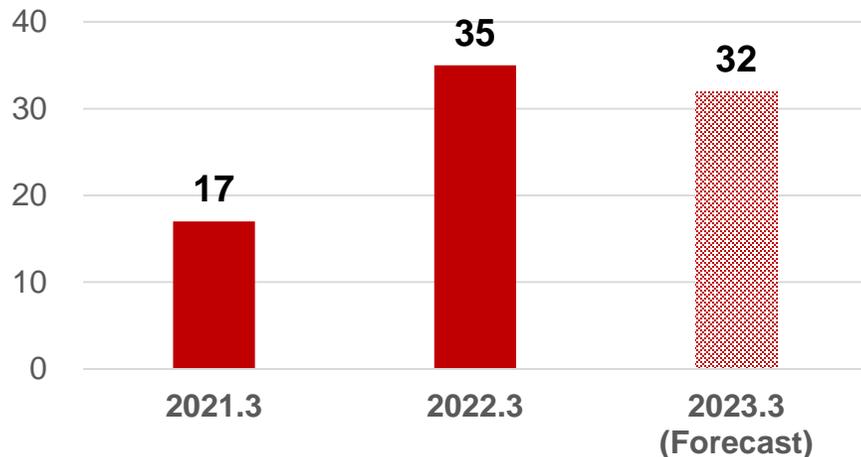
## Main Business

Wheat flour, premixes, bread, bran



(0.1 billions of yen)	2022.3	2023.3 (Forecast)	Change
Net sales	781	870	88
Operating profit	35	32	▲3

## (0.1 billions of yen) Operating profit



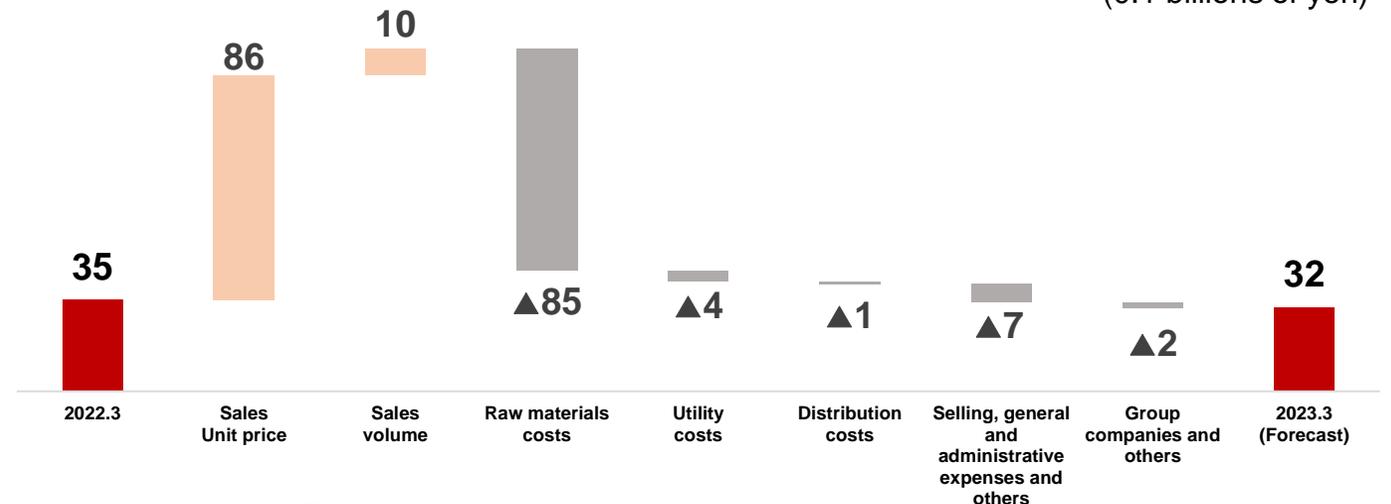
## Environmental awareness of flour milling business

- Expectation of continuous difficult situation in the future due to rise in costs mainly in other raw materials, utilities, and logistics, despite unchanged government resale price of wheat in October 2022
- Sluggish consumption due to COVID-19 pandemic is in a recovery trend
- Change in demand structure due to the establishment of new lifestyles
  - ➔ Health and high-living oriented, take-out meals, frozen food, etc.

## H2 measures

- (1) Implementation of cost price-reduction measures through integration of Group's five companies and seven plants
- (2) Enhancing of proposal-based sales by utilizing comprehensive strengths of Solutions Sales Dept.
- (3) Acquisition of new markets and new customers

## Factors for changes in operating profit



# By Segment: Vegetable Oils and Household Foods Business

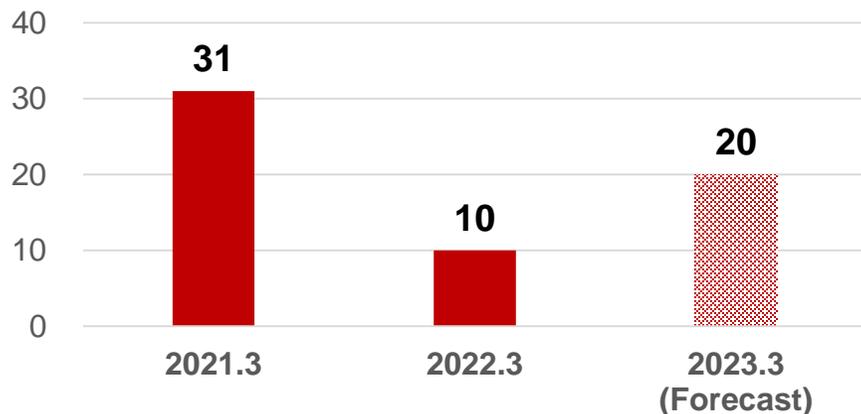
## Main Business

Edible oil, soybean protein, premixes, pasta, household foods, frozen foods



(0.1 billions of yen)	2022.3	2023.3 (Forecast)	Change
Net sales	1,004	1,230	225
Operating profit	10	20	9

## (0.1 billions of yen) Operating profit



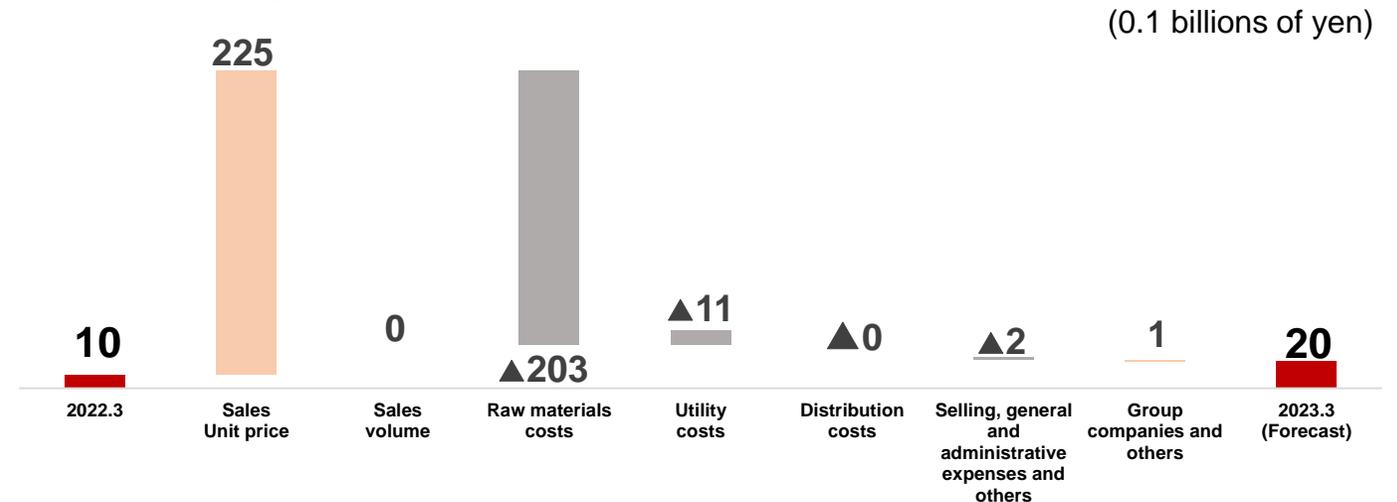
## Environmental awareness of vegetable oils and household foods business

- Historical surge in market price of grain raw material and prolonged continuance of yen's depreciation against the U.S. dollar
- Decrease in demand for edible oil due to aging and decline of population in Japan → Possibility of increase in demand for non-edible oil worldwide
- Strengthening of take-out products in the food service market
- Increase in awareness of health/convenience in home cooking and ready-made meal markets
- Increase in awareness of health and sustainability → Rapid expansion of plant-based meat and vegetable protein markets

## H2 measures

- (1) Strengthening of initiatives to acquire new markets (bakery, confectionery, semi-fluid foods, etc.)
- (2) Initiatives toward new soybean protein products and processed foods with soybean protein as main ingredient
- (3) Sales expansion by implementing campaign for household products

## Factors for changes in operating profit



# By Segment: Starches and Sweeteners Business

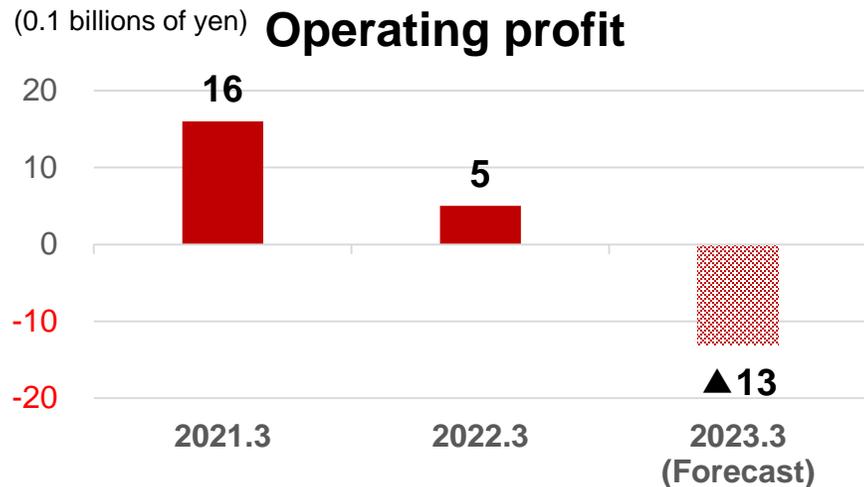
## Main Business

Saccharified products,  
cornstarch, processed starch



(0.1 billions of yen)	2022.3	2023.3 (Forecast)	Change
Net sales	513	620	106
Operating profit	5	▲13	▲19

## Operating profit



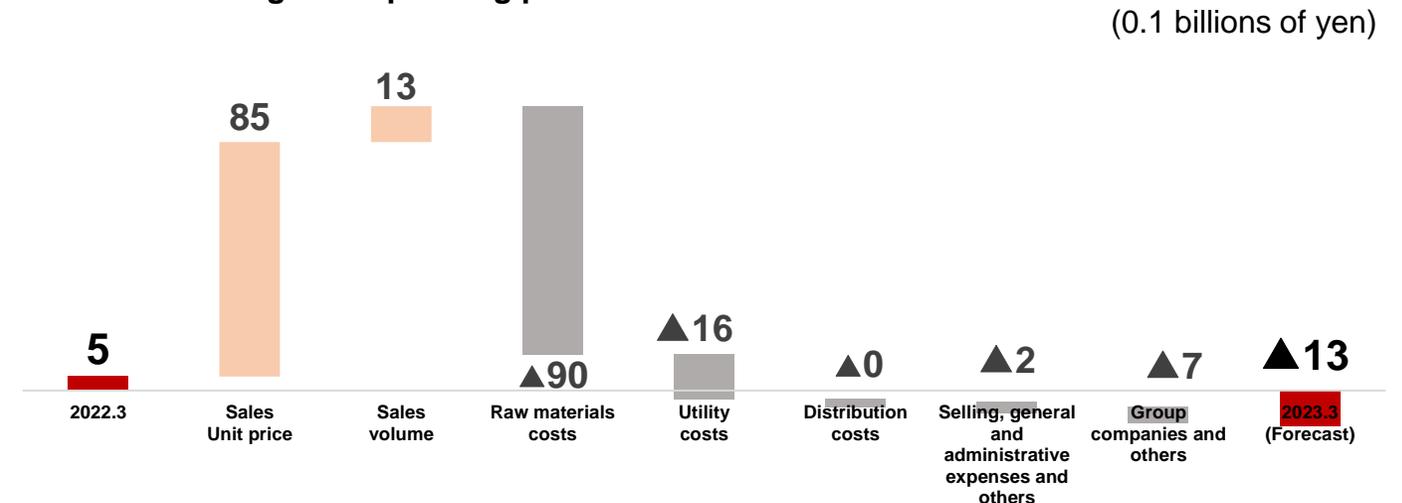
## Environmental awareness of starches and sweeteners business

- Increase in demand mainly in beverages from the recovery trend of sluggish consumption due to COVID-19 pandemic
- Expectation of continuous difficult situation in the future due to rise in costs from surging market prices of raw materials and energy with continuing yen's depreciation against the U.S. dollar
- Surging energy costs in particular at an unprecedented level

## H2 measures

- (1) Promotion of sales expansion of original product lineup such as *Kona Ame* (powdered corn syrup) and oligosaccharide acid
- (2) Improvement in productivity through strengthening of integrated management of Group's three starches and sweeteners plants (Showa Sangyo, San-ei Sucrochemical, Shikishima Starch MFG)
- (3) Reduction of procurement costs through further promotion of diversification of raw corn material producing areas
- (4) Further promotion of initiatives to demonstrate synergy with San-ei Sucrochemical

## Factors for changes in operating profit



# By Segment: Animal Feed Business

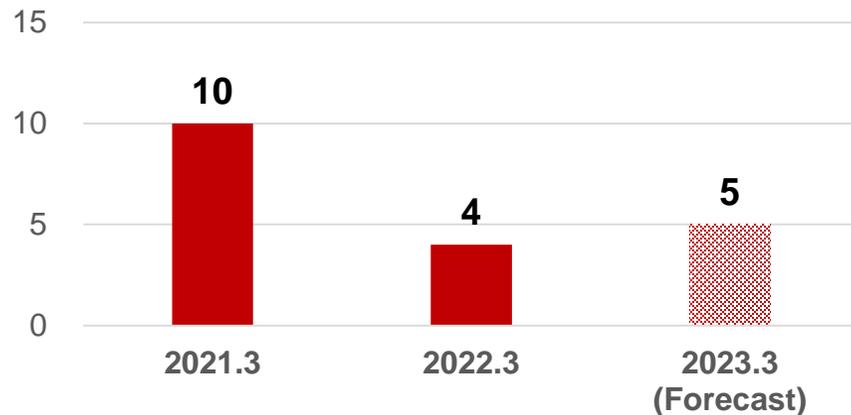
## Main Business

Mixed animal feed, eggs and processed egg products



(0.1 billions of yen)	2022.3	2023.3 (Forecast)	Change
Net sales	528	610	81
Operating profit	4	5	0

## (0.1 billions of yen) Operating profit



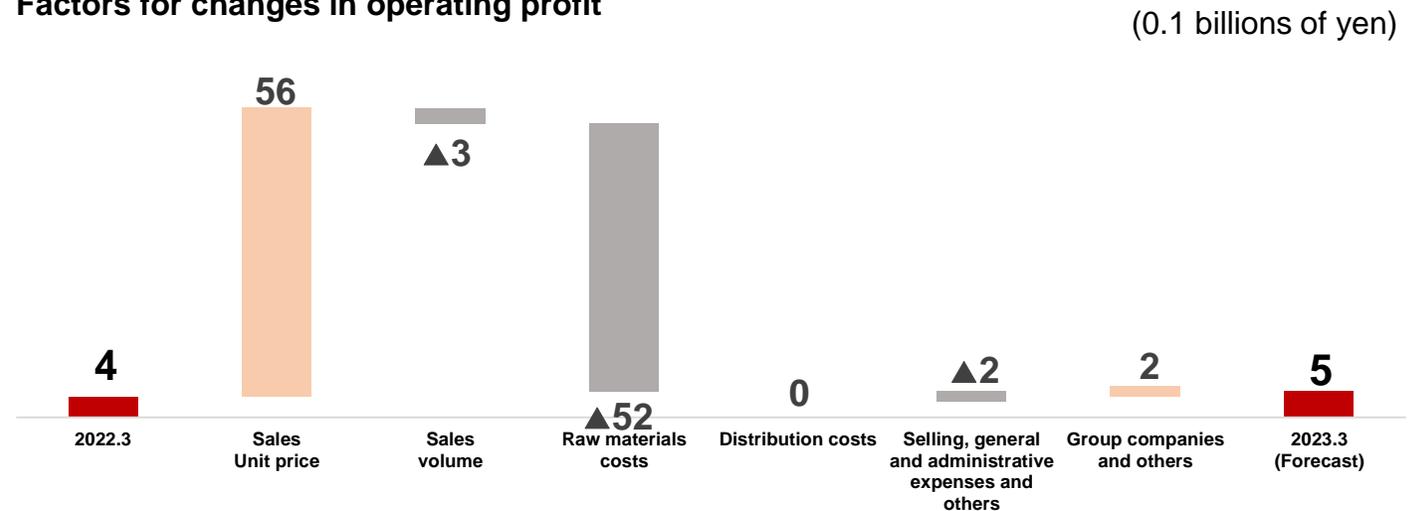
## Environmental awareness of animal feed business

- Historical surge in market price of grain and prolonged continuance of yen's depreciation against the U.S. dollar
- Maturation of domestic mixed animal feed market (steady in growth)
- Continuous enlargement of customers in scale (producers) → Trend of selection of small-scale producers

## H2 measures

- (1) Strengthening of sales of mixed animal feed and eggs through cooperation with a Group company (Showa Keiran)
- (2) Strengthening of adaptability to needs for heated animal feed (Kyushu Showa Sangyo)
- (3) Expansion of sales of high-value-added products, namely synthetic milk and oligosaccharide mixed animal feed
- (4) Enhancement of cost reduction through review of secondary ingredient mixture

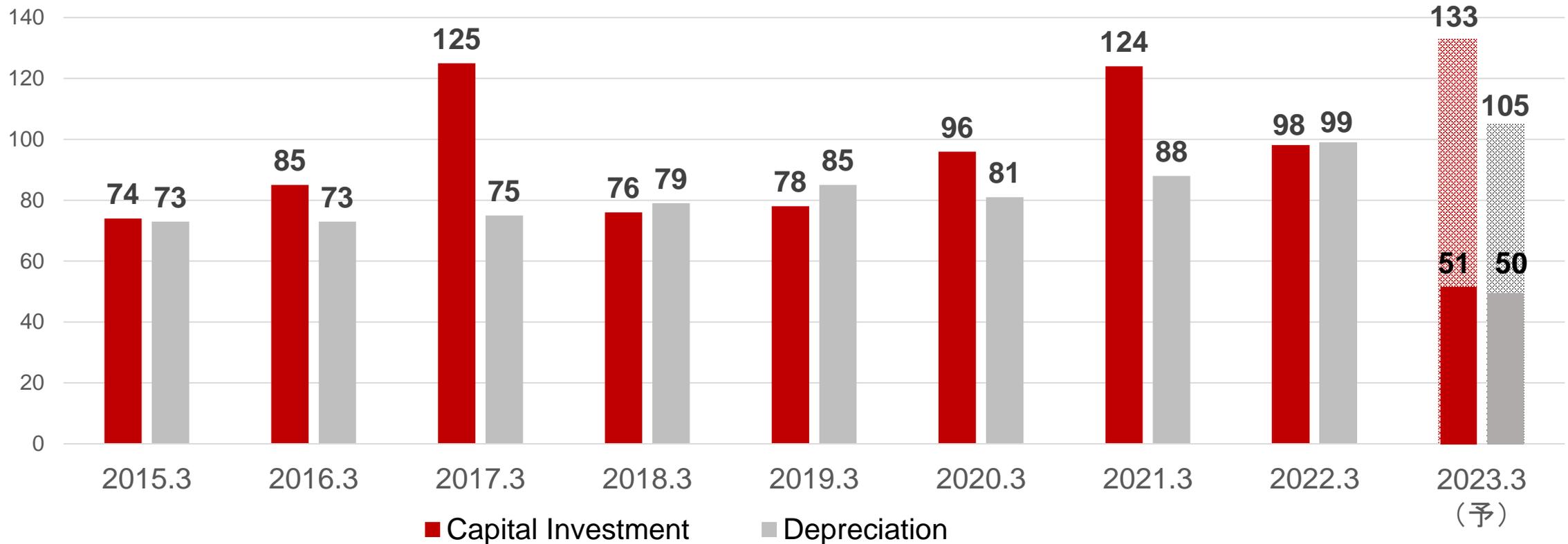
## Factors for changes in operating profit



# Change in Capital Investment and Depreciation

Consolidated basis

(0.1 billions of yen)



[Capital Investment]

Construction of Funabashi Premix No. 2 Plant, renewal of Kashima Plant oil refinery, etc.

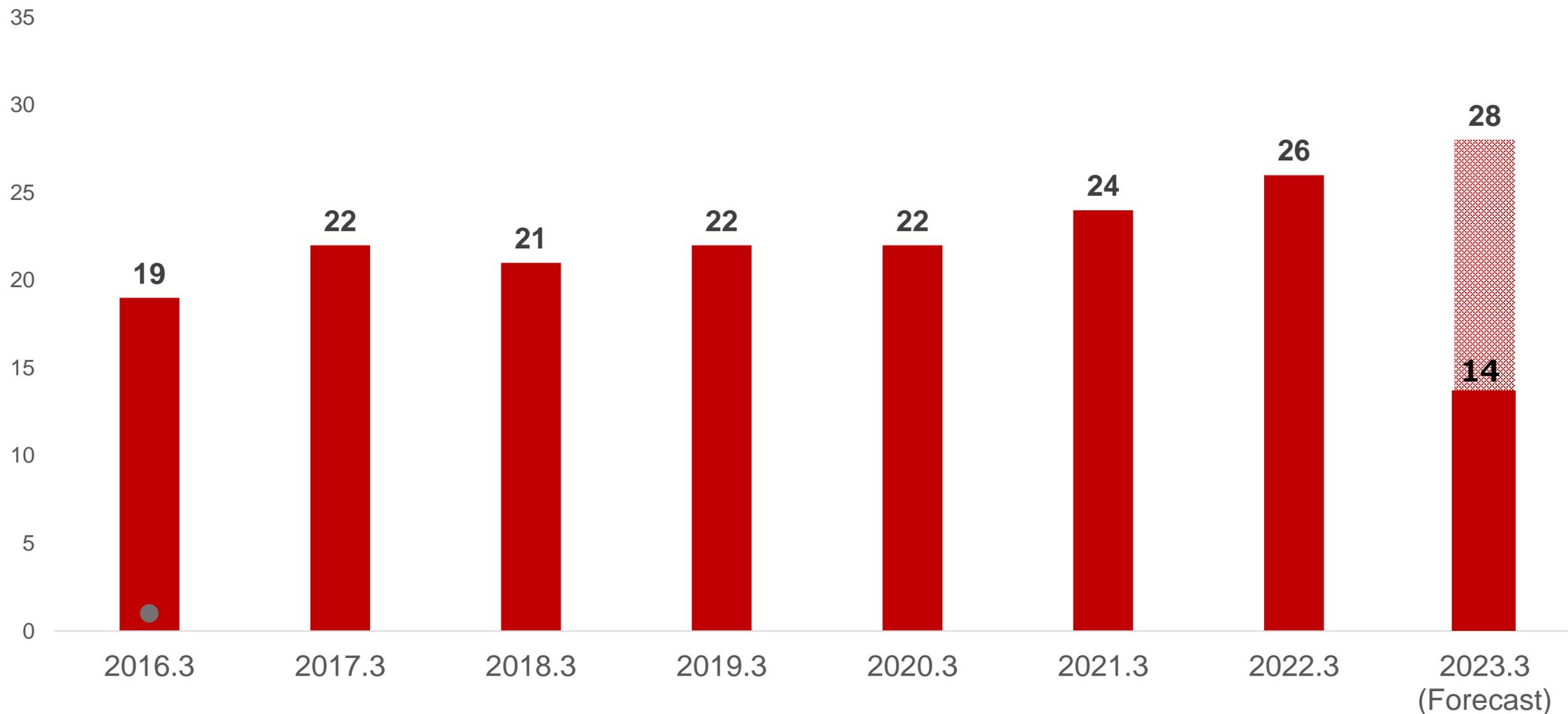
[Depreciation]

Operation of Funabashi Premix No. 2 Plant, etc.

# Change in R&D Expenditures

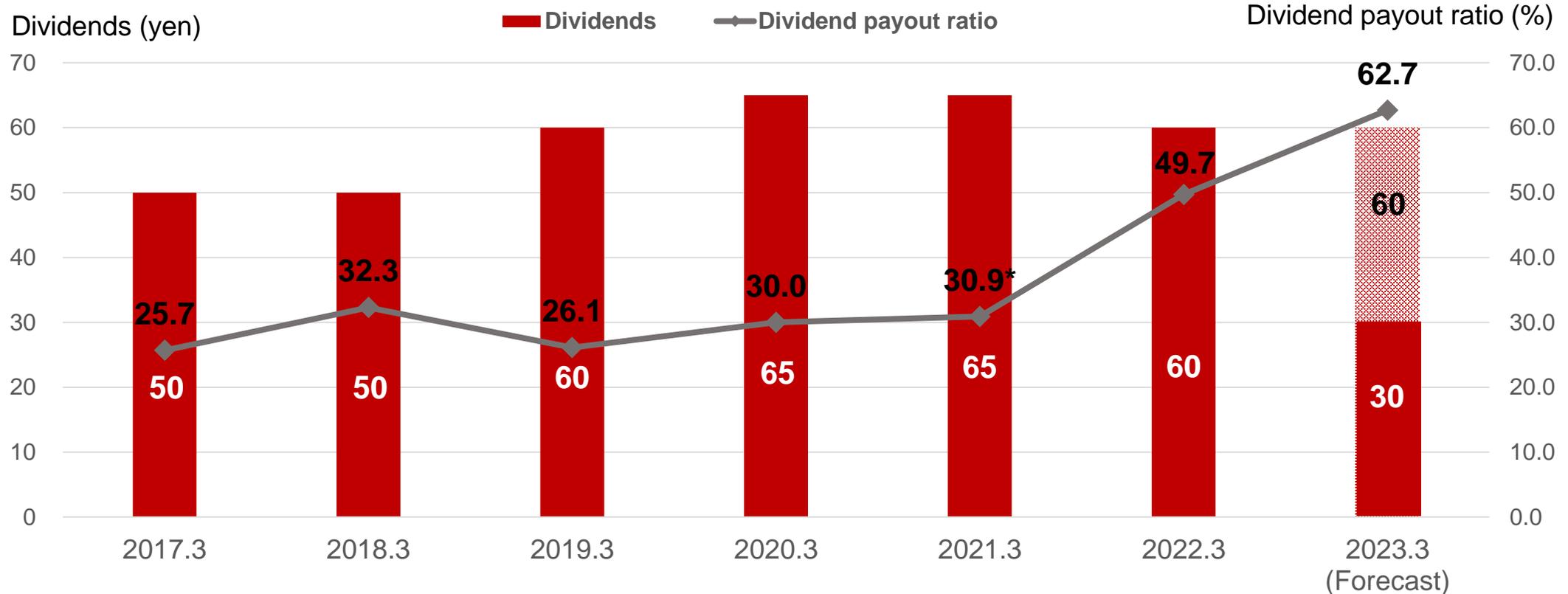
Consolidated basis

(0.1 billions of yen)



# Return to Shareholders (Dividends)

## Change of dividends per share and dividend payout ratio



\* Dividend payout ratio for FY2021 does not include effect of gain on bargain purchase. If included, the ratio will be 20.3%

Dividend payout ratio

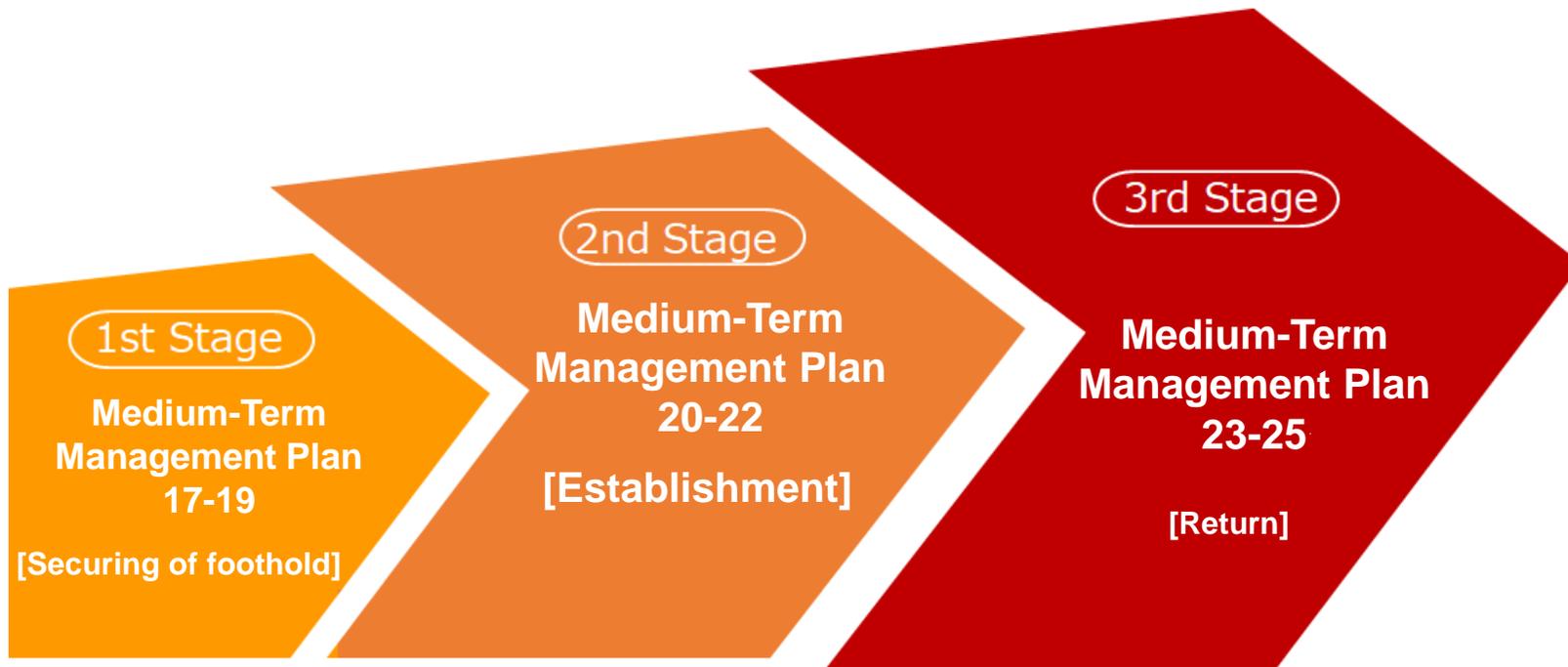
Medium-Term Management Plan 20-22 Target: Approx. **30%**

- 1 Overview of financial results for 2Q of FY2023
- 2 Earnings forecast for FY2023
- 3 Progress of Medium-Term Management Plan 20-22**
- 4 Topics
- 5 Reference Materials

# Long-Term Vision

As an ideal image of FY2025 which marks the Company's 90th founding anniversary, a long-term vision **“SHOWA Next Stage for 2025”** (9 years from FY2017 to FY2025) has been developed.

▶ **Three year Medium-Term Management Plan rolled out in three stages**



Long-term vision (Ideal image)

**SHOWA Next Stage for 2025**

“Grain Solution Company Next Stage” that provides satisfaction to all stakeholders

Net sales **400.0** billion yen  
 Ordinary profit **20.0** billion yen

**Medium-Term Management Plan 20-22 targets**

Net sales	280.0 billion yen
Ordinary profit	13.0 billion yen
ROE	9.0% or more

# Review of 2nd Stage Medium-Term Management Plan 20-22

## (1) Basic strategies

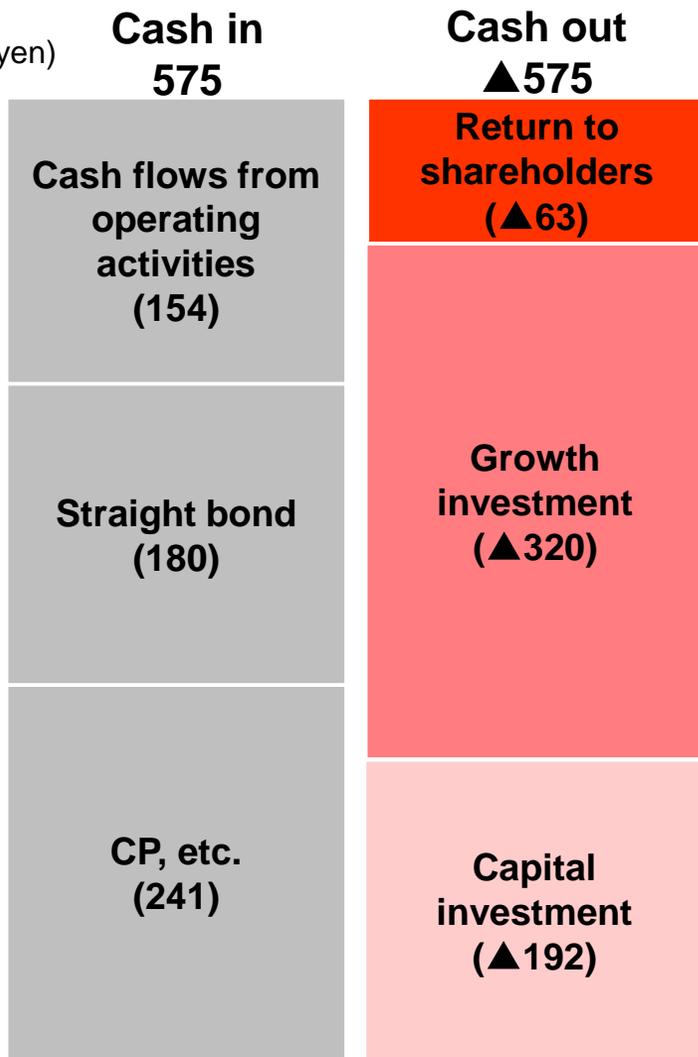
Basic strategies	Measures	Issues
<b>Strengthening of core businesses</b>	2020 • Turning San-ei Sucrochemical into a subsidiary 2021 • Sales integration of Naigai Flour Milling Co., Ltd. • Structural reform of earnings in baked bread business 2022 • Operation of Funabashi Premix No. 2 Plant	<ul style="list-style-type: none"> <li>• Shift to a business structure less susceptible to changes in external environment</li> </ul>
<b>Expansion of business domains</b>	2020 • Turning Boso Oil and Fat into a subsidiary • Turning Taiwan flour milling and egg business into an entity accounted for by the equity method • Entry into agribusiness 2021 • Strengthening of development and sales of plant-based foods	<ul style="list-style-type: none"> <li>• Expansion of overseas/frozen household food business</li> <li>• Improvement in processing technology of plant-based foods</li> <li>• Development of functional food ingredients</li> </ul>
<b>Contribution to solving social problems</b>	2020 • Employment of persons with disabilities: Meeting statutory employment rate 2021 • Discontinuance of coal in Kashima Plant cogeneration facility • Announcement of support for recommendations of TCFD and disclosure in securities report (Starches and Sweeteners Business) • Achievement of more than doubling the number of female managers • Establishment of Group's new environmental targets	<ul style="list-style-type: none"> <li>• Continuous efforts toward achieving environmental targets</li> <li>• Further promotion of diversity and inclusion</li> </ul>
<b>Rebuilding of platform</b>	2021 • Introduction of new personnel system • Strengthening of customer problem-solving-based sales through establishment of Solution Sales Dept. • Introduction of Zero Trust security system	<ul style="list-style-type: none"> <li>• Transformation into a market-needs-incorporated sales organization</li> <li>• Strengthening of business portfolio management</li> <li>• Utilization of intangible assets</li> </ul>
<b>Strengthening of stakeholder engagement</b>	2020 • Publication of an integrated report (annually thereafter) 2022 • Transition to Prime market • Strengthening of external communication capabilities through opening of official SNS account	<ul style="list-style-type: none"> <li>• Promotion of IR Strategy based on equity strategy</li> <li>• Increase in brand recognition</li> <li>• Active information dissemination and strengthening of dialogue</li> </ul>

# Review of 2nd Stage Medium-Term Management Plan 20-22

## (2) Fund allocation

### Net cash provided (used) in the Medium-Term Management Plan 20-22 (results/estimate)

(0.1 billions of yen)



### Main investments

Growth investment

#### M&A

- Turning San-ei Sucrochemical into a subsidiary
- Turning Boso Oil and Fat into a subsidiary
- Investment in Kouchan Mill Co., Ltd. in Taiwan
- Investment in Z.Y. Food Company Limited in Taiwan

#### Strategic investment

- Construction of Funabashi Premix No. 2 Plant
- Construction of plant factories, etc.

Capital investment

#### Capital investment

- Reinforcement of second extraction at Kashima oil refinery
- Renewal of aging plant facilities
- Secure and safe measures for quality

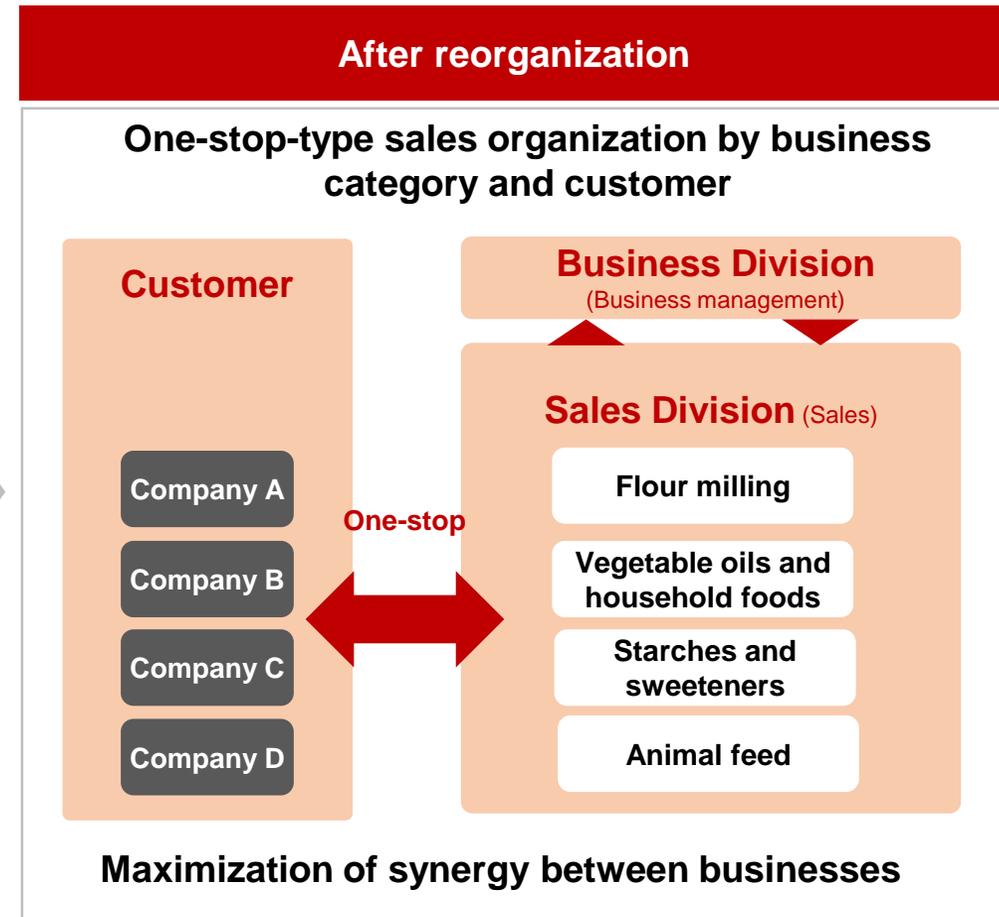
#### Environmental investment

- Discontinuance of coal due to fuel conversion work of Kashima Plant cogeneration facility

# Direction of Medium-Term Management Plan 23-25

## Organizational restructuring—To a sales structure that pursues maximum business synergy

- (1) Maximization of operational efficiency ▶ Transition to one-stop-type sales organization by customer
- (2) Strengthening of business portfolio management ▶ Establishment of a business control department independent from sales departments

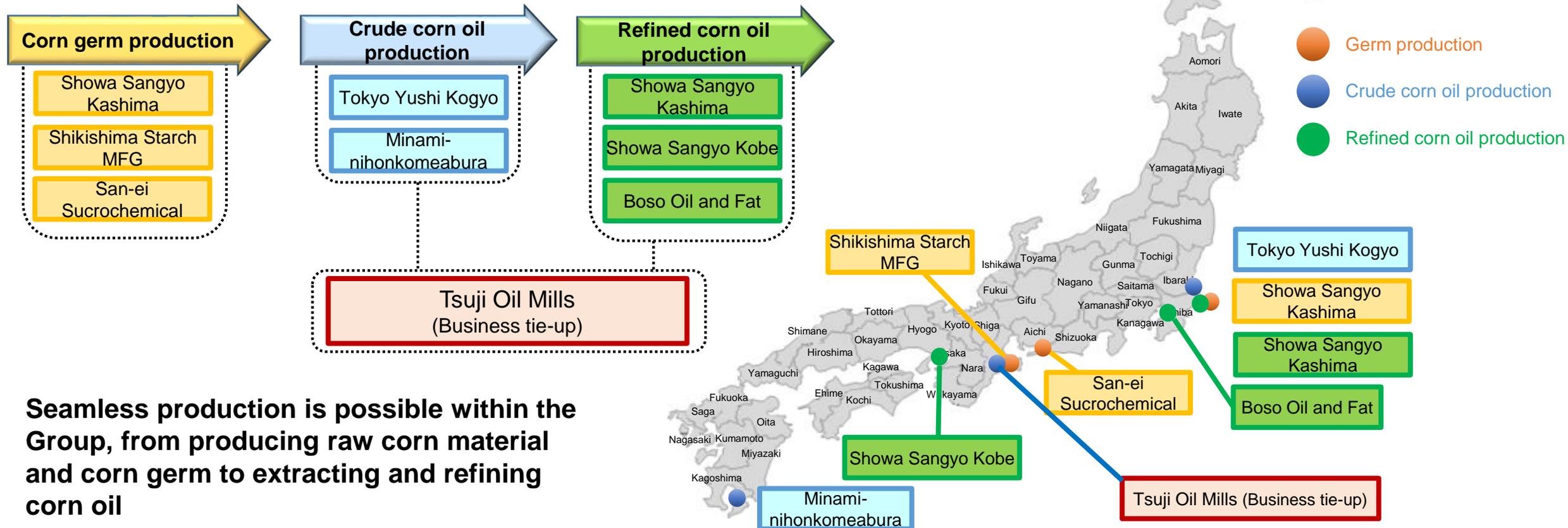


- 1 Overview of financial results for 2Q of FY2023
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# Topics (1) Business Tie-up with Tsuji Oil Mills

## Strengthening of competitiveness in vegetable oils and household foods/starches and sweeteners businesses

- (1) Strengthening of supply chain, improvement in production efficiency, and cost reduction in vegetable oils and household foods/starches and sweeteners businesses
- (2) Stable supply of saccharified products and corn oil products

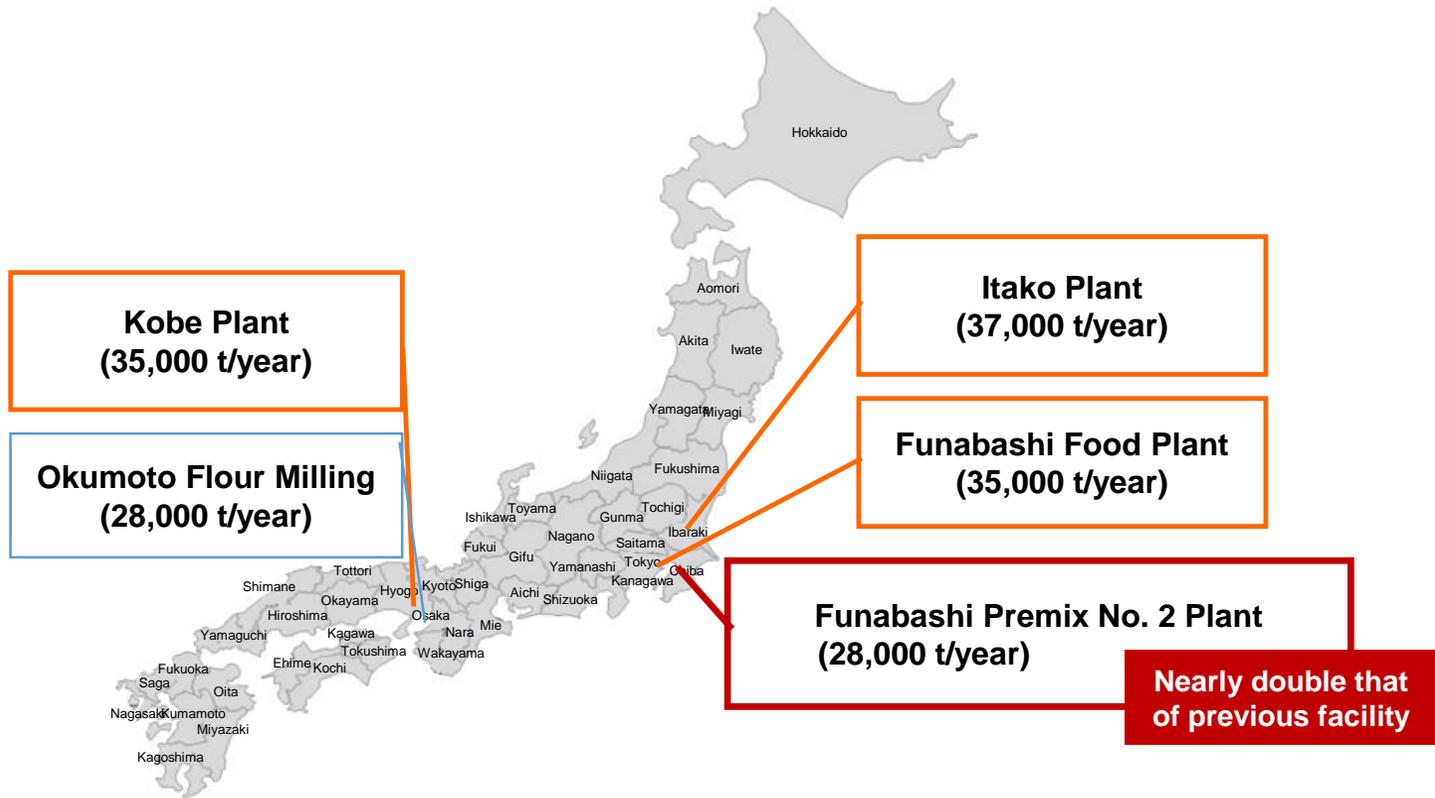


**Seamless production is possible within the Group, from producing raw corn material and corn germ to extracting and refining corn oil**

# Topics (2) Launch of Operation of Funabashi Premix No. 2 Plant

## Enhancement of production and sales of premixes (operation launched in June 2022)

- (1) Specialization in small-package production, response to demand for household/commercial-use store spaces and efficient operational work
- (2) Realization of high productivity, manpower saving, and shorter production lead time through utilization of latest automation equipment and IoT
- (3) Improvement of customer satisfaction through plant design that thoroughly pursues food safety



Building



Control room



Automated packaging line

**Secured 163,000 t/year production capacity Group-wide**

# Topics (3) Promotion of Sustainability (Environment)

Raising of “Environmental Consideration” as Group’s major mission and promoting related initiatives as one of key management issues

## Establishment of Showa Sangyo Group environmental goals

### (1) Reduction of CO<sub>2</sub> emissions

“Reduction of CO<sub>2</sub> emissions by **46%** or more by FY2030”

- Target: Showa Sangyo Group companies
- Base year: FY2013

### (2) Reduction of food loss and waste

“Reduction of food loss and waste generated by **30%** or more by FY2025”

- Target: Showa Sangyo and six Group companies with annual food loss and waste of 100 tons or more
- Base year: FY2018

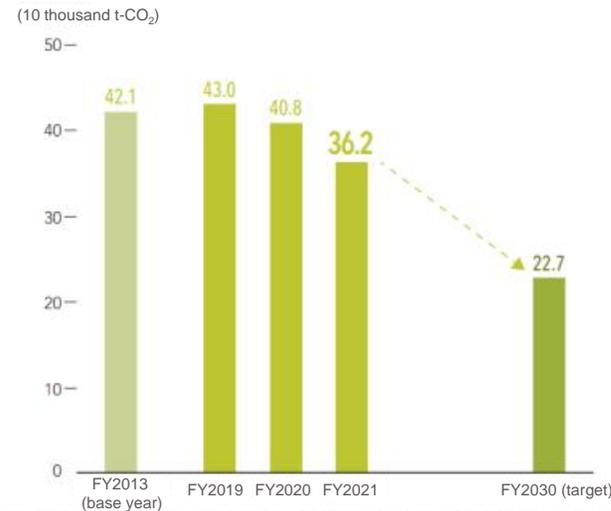
### (3) Reduction of water consumption

“Reduction of water consumption per unit of production by **12%** or more by FY2030”

- Target: Showa Sangyo Group companies
- Base year: FY2019

## Environmental consideration initiatives

### ● Change in CO<sub>2</sub> emissions



\* In calculating CO<sub>2</sub> emissions, the latest adjusted emissions factors of electric power suppliers of each fiscal year are used for the emissions factors of electricity purchased from power generators. (Basic emissions factors for electric power suppliers of each fiscal year are used for the calculation made in the Integrated Report FY2021.)

\* Total of 28 companies (Showa Sangyo, consolidated subsidiaries, and non-consolidated subsidiaries (production only)) are subject to calculation of CO<sub>2</sub> emissions.

\* Scope of aggregation is subject to change depending on increase/decrease of Group companies. The scope of aggregation for FY2021 is 26 consolidated subsidiaries and 1 non-consolidated subsidiary with a manufacturing plant.

### ● Sale of biomass trash bags

Contains non-food biomass derived from grains handled by the Company



### “Daichi No Mino-Re:”

- Approx. 20% reduction of usage of petroleum-derived plastics
- Approx. 20% reduction of CO<sub>2</sub> emissions upon incineration
- Approx. 10% reduction of CO<sub>2</sub> emissions in life cycle

# Topics (3) Promotion of Sustainability (Society)

## Initiatives toward realization of diversity management

Initiatives to create a workplace where each and every employee can fully demonstrate their own strength

### Promotion of women's participation and advancement

**Goal: Double** or more the percentage of women assuming managerial positions  
(compared with FY2016–FY2018 average; by March 31, 2023)

**Achieved**

### SHOWA Diversity Forum 2022 was held



Panel discussion among female managers  
(Held on October 5)



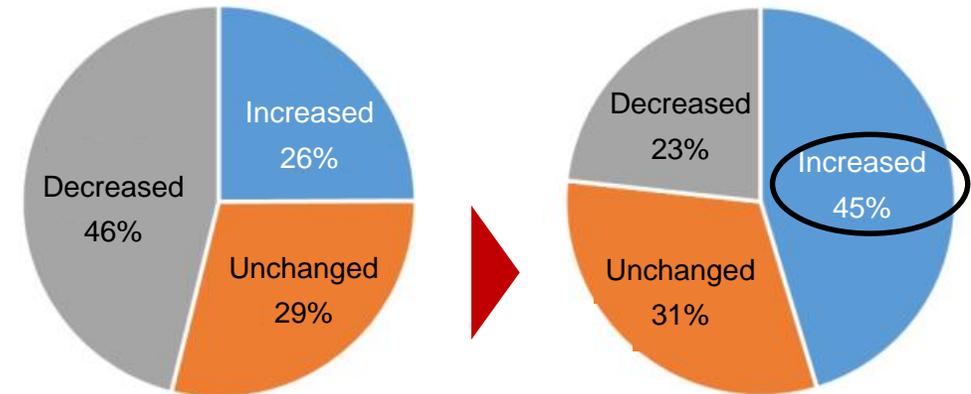
### Improvement in performance of work from home

#### Work from home aimed toward living with/after COVID-19

#### Change in work efficiency when work from home

As of July 2020

As of November 2021



Shift from infection countermeasure to “work from home to produce a good outcome”

# Topics (4) Introduction of New Household Products

## Launch of four premixes on September 1, 2022



### **Moagenai!! Yakitempura No Moto** (coating mix for deep-fried fish and vegetables)

Only fry in a frying pan with about 3 tablespoons of oil to make crispy tempura (deep-fried fish and vegetables). To clean up the oil, just wipe it off with a paper towel. So easy to tidy and clean up the kitchen!



### **Yakitate Fuinanshie Mikkusu** (Freshly baked financier mix)

Easy three steps of “mix, mold, and bake” with three ingredients. Easy and time-saving sweets that can be made in less than 30 minutes without leaving the dough to mature. Freshly baked financier (type of pastry) just right to eat can be enjoyed at home.



### **Happy Turn's Aji Karaageko** (flavored deep-fried chicken seasoning mix)

A deep-fried chicken seasoning mix made in collaboration with Kameda Seika Co., Ltd.'s long-selling product *Happy Turn's* and commercialized after being selected in the Company's New Product Development Idea Contest.



### **Arenji Iroiro Hottokeki Mikkusu** (pancake mix for various recipes)

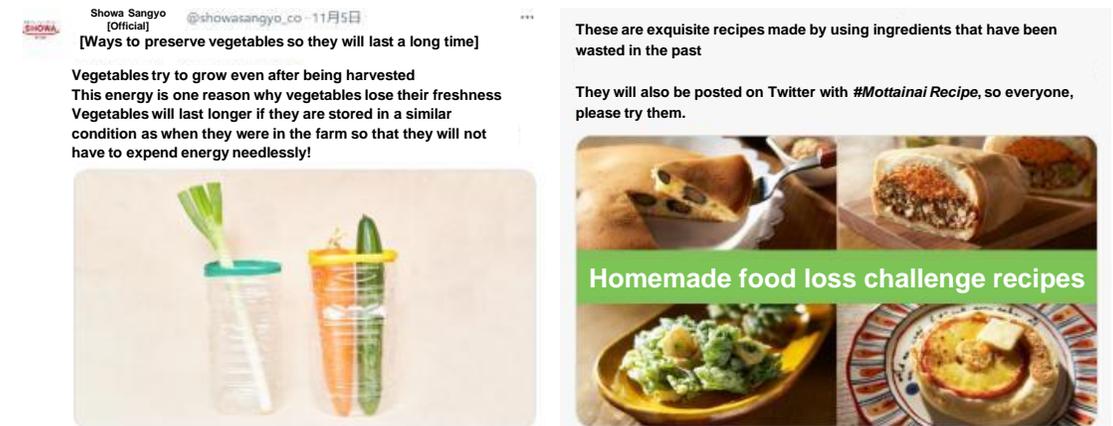
Ingredients contained in the premix do not include eggs nor milk constituents well recognized as foodstuffs that cause food allergies. Simply blended, and the types of additives are minimal. Besides recipes for sweets, arranged recipes that can be made for meals are also introduced on the back of the package and on the official website.

## Enhanced communication with stakeholders (started on October 25)

- Showa Sangyo's official Twitter account  
Showa Sangyo [Official] URL: [https://twitter.com/showasangyo\\_co](https://twitter.com/showasangyo_co)



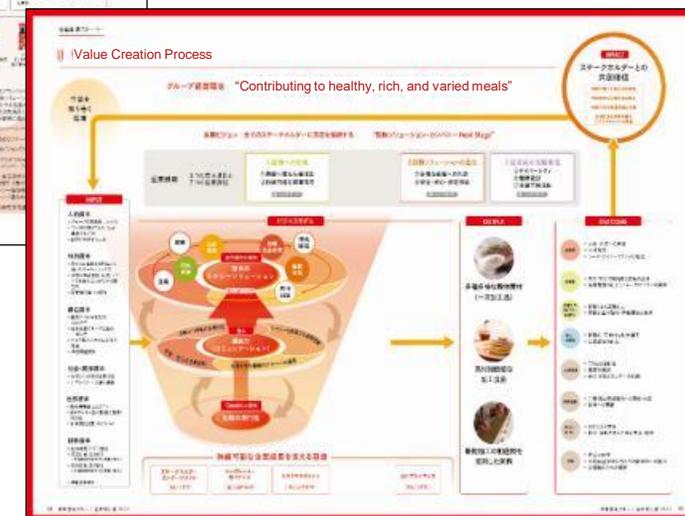
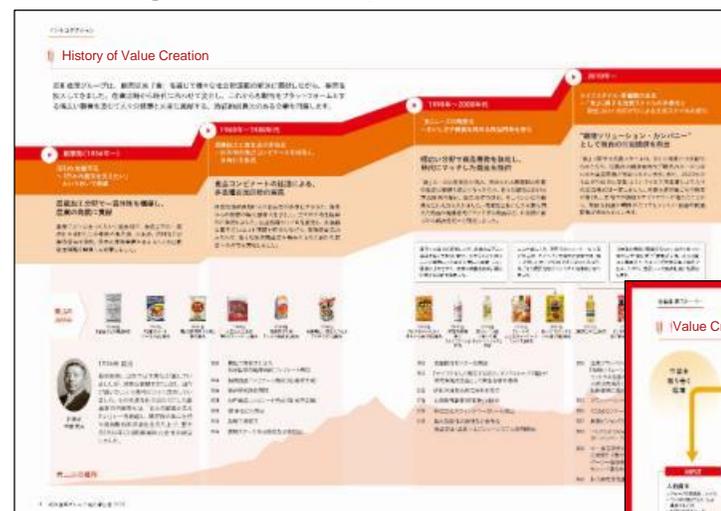
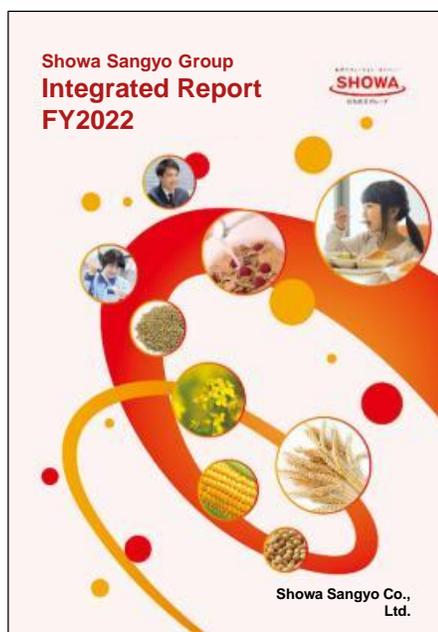
- Establishment and management of SNS Promotion Project which includes six young employees
- Daily posting of corporate activities, product information, initiatives taken to ensure safety, security, and stable supply of food, etc.



# Topics (6) Publication of Showa Sangyo Group's Integrated Report FY2022

## Publicized Showa Sangyo Group's Integrated Report FY2022 on October 1, 2022

Information such as value creation stories, strategies, and foundations that support sustainable corporate growth are included to allow stakeholders to gain a deeper understanding



\*URL: [https://www.showa-sangyo.co.jp/ir/library/integrated\\_report/](https://www.showa-sangyo.co.jp/ir/library/integrated_report/)

[Questionnaire here]

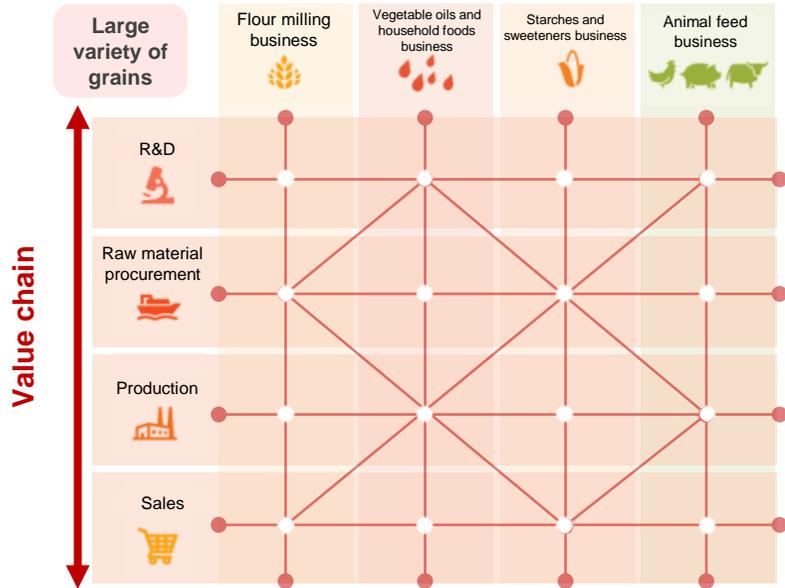
- 1 Overview of financial results for 2Q of FY2023
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# Group's Strengths—Source of Value Creation—

The source of the Group's strength is its **specialty in grain**. As a **Grain Solution Company** that handles multiple grains and knows thoroughly the unlimited potential food ingredients have, all issues and needs of customers about food will be solved.

## SHOWA's unique "Multiple Synergy Solution"

Demonstrate inter-business synergies from upstream to downstream of value chain  
 Create new value by combining food ingredients, technology and know-how



## Unique business model that supports food infrastructure

Stable grain procurement capacity & food supply capacity in cooperation with trading companies



Transaction volume of grain by food manufacturers  
**"No.1"**

Grain silo capacity (domestic)  
**"No.1"**

## Group having grain expertise that widely offers tastiness and health

Industry's No. 1 technological strength that supports creation and sustainability of value

Sale of *Tempurako*  
**"World first"**

Food recycling rate  
**"99.9%"**

"Diverse product lineup" that contributes widely to diet

Homemade pancake mix  
**"No. 1 domestic market share"**

Crystalline glucose (for food and medical use)  
**"No. 1 domestic market share"**

# Implementation of Price Revision

## Commercial/household vegetable oil products

Revision date	Price revision range
(1)2021/3/1	Household general-purpose oil 30 yen/container, 18-liter can 500 yen/can, mini/single 30 yen/kg or more
(2)2021/6/1	Household edible oil 30 yen/container, 18-liter can 500 yen/can, mini/single 30 yen/kg or more
(3)2021/8/2	Household edible oil 50 yen/container, 18-liter can 800 yen/can, mini/single 50 yen/kg or more
(4)2021/11/1	Household edible oil 30 yen/container, 18-liter can 500 yen/can, mini/single 30 yen/kg or more
(5)2022/3/1	Household edible oil 40 yen/container, 18-liter can 700 yen/can, mini/single 40 yen/kg or more
(6)2022/7/1	General-purpose oil 60 yen/kg, olive oil 160 yen/kg, rice bran oil 90 yen/kg, sunflower oil 90 yen/kg or more
<b>Total</b>	<b>General-purpose oil 240 yen/kg or more</b>

## Commercial soybean protein products

Revision date	Price revision range
(1)2021/7/1	Soybean protein products 30 yen/kg or more
(2)2022/4/1	Soybean protein products 30 yen/kg or more
(3)2022/10/1	Granulated soybean protein products 50 yen/kg or more, powdered soybean protein products 200 yen/kg or more
<b>Total</b>	<b>Soybean protein products 110 yen/kg or more</b>

## Commercial wheat flour

Revision date	Price revision range
(1)2021/6/19	Strong 110 yen/25 kg, Medium-strength/weak 80 yen/25 kg
(2)2021/12/20	Strong 315 yen/25 kg, Medium-strength/weak 345 yen/25 kg
(3)2022/6/20	Strong 370 yen/25 kg, Medium-strength/weak 325 yen/25 kg
<b>Total</b>	<b>Strong 795 yen/25 kg, Medium-strength/weak 750 yen/25 kg</b>

## Household wheat flour, premixes, pasta

Revision date	Price revision range
(1)2021/7/1	Wheat flour approx. 2–3%, premix approx. 2–4%, pasta approx. 2–3%
(2)2022/1/4	Wheat flour approx. 4–9%, premix approx. 4–6%, pasta approx. 5–9%
(3)2022/7/1 2022/8/1	Wheat flour/premix approx. 2–7% Pasta approx. 3–7%
(4)2023/1/4	Premix approx. 2–15%
<b>Total</b>	<b>Wheat flour approx. 8–19%, premix approx. 10–32%, pasta approx. 10–19%</b>

## Commercial cornstarch and saccharified products

Revision date	Price revision range
*Price revision implemented in April and September 2021 (no press release announcement)	
(1)2022/4/1	Cornstarch products 15 yen/kg, saccharified products 10 yen/kg
(2)2022/7/1	Cornstarch products 15 yen/kg, saccharified products 10–30 yen/kg

# Change in Quarterly Net Sales and Operating Profit

(millions of yen)		1Q			2Q		
		2022.3	2023.3	Amount of change	2022.3	2023.3	Amount of change
Net sales	Flour milling	20,150	21,362	1,212	18,742	21,582	2,839
	Vegetable oils and household foods	23,841	29,176	5,334	24,397	28,476	4,078
	Starches and sweeteners	11,763	15,157	3,393	12,931	15,876	2,945
	Animal feed	11,880	13,781	1,901	13,713	15,447	1,733
	Other	1,239	1,210	▲29	1,252	1,339	87
	Total	68,875	80,688	11,812	71,038	82,722	11,684
Operating profit	Flour milling	762	1,028	265	805	1,143	337
	Vegetable oils and household foods	▲176	1,059	1,236	▲8	▲549	▲541
	Starches and sweeteners	224	▲136	▲361	301	▲375	▲677
	Animal feed	219	▲111	▲330	252	254	2
	Other	403	336	▲67	397	421	24
	Company-wide expenses and others	▲391	▲360	30	▲385	▲392	▲7
	Total	1,042	1,815	772	1,363	502	▲861



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, you should refrain from making investment decisions based solely on this material.

Showa Sangyo Group will not necessarily review the Medium-Term Management Plan nor assume any obligation to do so, regardless of future information, events or consequences caused by them.