



昭和産業グループ

Showa Sangyo Group

Integrated Report 2024



Paralym Art®

障がい者アートを応援しています

Supporting art created by people with disabilities

Showa Sangyo Co., Ltd.

We are
the Grain Solution Company.



穀物ソリューション・カンパニー

SHOWA

昭和産業グループ

What is “grain” at the Showa Sangyo Group?

The Showa Sangyo Group mainly handles four types of grain:
wheat, soybeans, canola and corn.

We handle the largest volume of grain among
Japanese food manufacturers (Showa Sangyo research).

What is a Grain Solution Company?

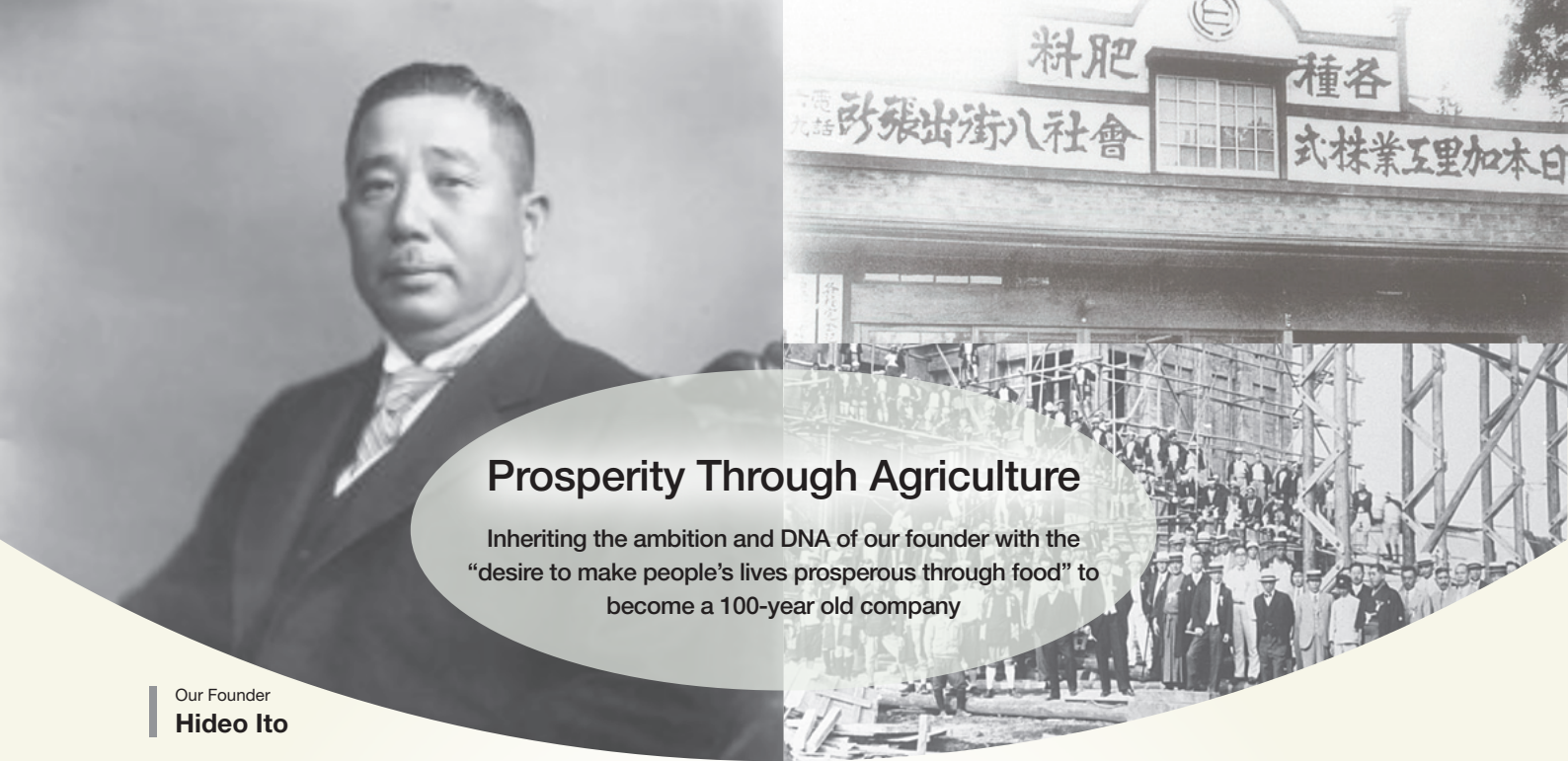
The Group delivers an exhaustive range of ingredients that create
a delicious taste in wheat flour, premixes such as tempura batter,
vegetable oils, soy protein, sweeteners, and compound feed
for livestock made from a variety of grains.

We propose solutions for issues in response to the needs
of customers and society.

Our mission is to listen to customers and deliver
“delicious answers = grain solutions.”

A company that takes advantage of synergies in every process from procurement
of grain to production, research and development, and sale of products
to extract solutions from grain.

This is what we do as the Showa Sangyo Group.



Prosperity Through Agriculture

Inheriting the ambition and DNA of our founder with the “desire to make people’s lives prosperous through food” to become a 100-year old company

Our Founder
Hideo Ito

Group Management Philosophy

Contributing to healthy, rich, and varied meals

Group Management Planning System



Contents

Group Management Philosophy.....	3
Thoughts on Value Creation.....	5
Business Overview	7
Value Creation Journey.....	9
Special Feature Evolution of the Grain Solution Company.....	11
CEO's Message.....	19
Value Creation Story	
Value Creation Process.....	25
Management Capital	27
Materialities and KPIs	29
Ensuring Safe, Reliable, and Stable Supplies	31
Management Strategy	
Roadmap to Realization of Long-term Vision	33
Medium-term Management Plan 23-25	35
Business Management & Sales Strategy.....	37
Message from Manager of Business Management & Sales Division	37
Strategy by Business.....	38
RD&E* Strategy	41
Message from Manager of Technical Division.....	41
RD&E Strategy	42
Aiming for Utilization of Intangible Assets	44
Financial Strategy and Promoting Digitalization	45
Message from Manager of Corporate Division	45
Financial Strategy	47
Promoting Digitalization	48
*Research, Development and Engineering	
Sustainability	
Sustainability	49
Responding to TCFD Recommendations.....	51
Reducing Burden on the Environment.....	55
Human Capital Management	57
Stakeholder Engagement	61
Governance	
Chairman's Message	63
List of Officers.....	65
Messages from Outside Directors.....	67
Corporate Governance	69
Risk Management.....	75
Compliance	77
Data	
Corporate Profile	79
Financial and Non-financial Highlights (11 Years).....	81
Share Information	83
About the Cover Illustration.....	84

Editorial Policy

In Integrated Report 2024, we convey our vision and value creation initiatives based on the Showa Sangyo Group's management philosophy, which is “Contributing to healthy, rich, and varied meals,” to stakeholders in a way that is easy to understand, with the aim of creating better communication, leading to further value creation. In producing the report, we referenced International Integrated Reporting Framework by the Value Reporting Foundation (VRF) (now the IFRS Foundation), Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation by Japan's Ministry of Economy, Trade and Industry, and other guidelines. The contents of this report are published on our website together with previous reports in order to inform even more people.

<https://www.showa-sangyo.co.jp/en/ir/>

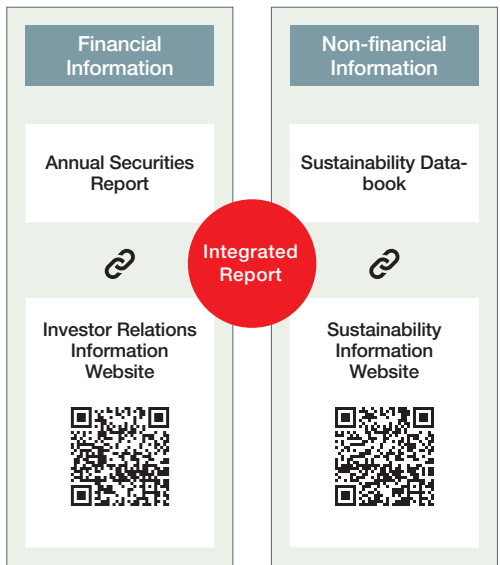
Scope of Reporting

Showa Sangyo Group (as of March 31, 2024) Specific activities are mainly reported for Showa Sangyo Co., Ltd.

Reporting Period

The report focuses on activities in FY2023 (April 1, 2023 to March 31, 2024), but some sections of the report cover the latest information, such as the Business Overview section and the Medium-term Management Plan 23-25 in the sections on the Long-term Vision.

Positioning of the Integrated Report

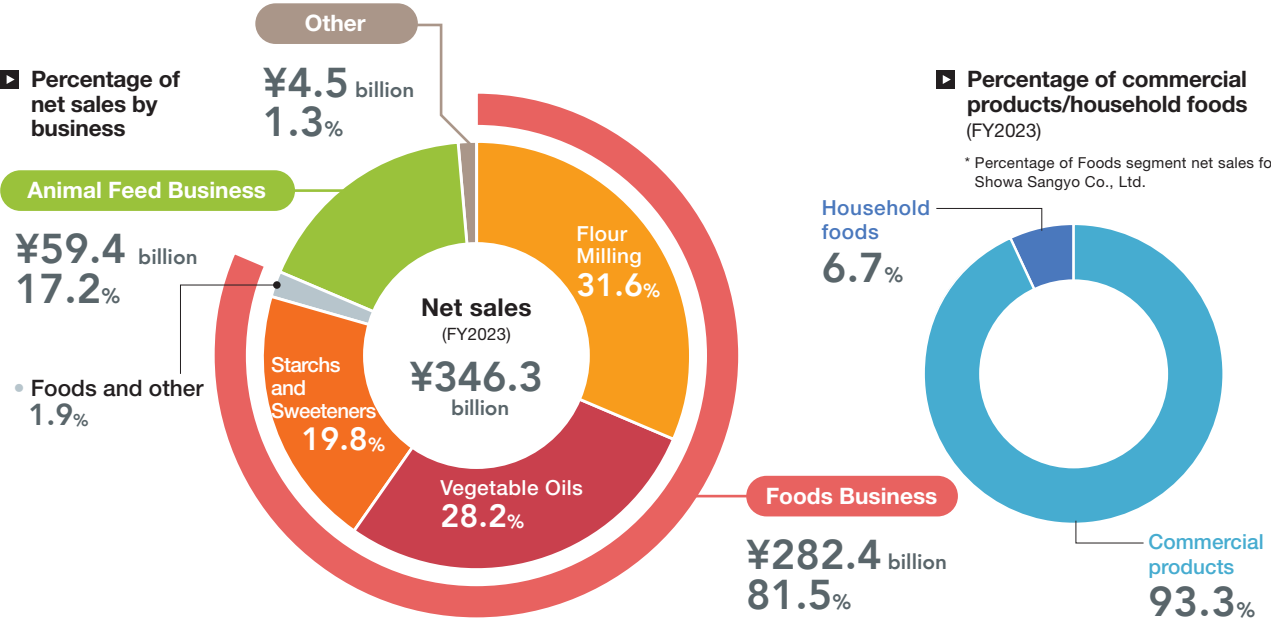


Thoughts on Value Creation

Ever since being founded, we have continued to pursue the delivery of both physical and mental health by providing rich and varied meals.
We make extensive use of grains, which are the bounty of the earth, to provide people with safe and reliable “food.”



Business Overview



Starches and Sweeteners Category

We manufacture and sell corn starch, sweeteners made from corn including glucose, high-fructose corn syrup, corn syrup, and iso-malto-oligosaccharides, and modified starches made from corn. These products have a wide range of uses ranging from beer, soft drinks, confectionary, and bread in the food sector through to applications in the industrial sector.



- Sweeteners
- Cornstarch
- Modified starch

[Main Group companies] (As of June 30, 2024)

- Shikishima Starch MFG. Co., Ltd.
- San-ei Sucrochemical Co., Ltd.
- Shin Nihon Chemical Co., Ltd.

Foods Business



Flour Milling Category

We manufacture and sell various types of wheat flour for bread, cakes, noodles, etc., as well as premixes and pasta to meet user needs, made from wheat. Moreover, in the Baking Bread Business, we have an integrated system that covers everything from the supply of raw materials such as wheat flour and premixes to the manufacture and baking of frozen bread dough and confectioneries.

- Wheat flour
- Premix
- Pasta
- Baking bread

[Main Group companies] (As of June 30, 2024)

- Okumoto Flour Milling Co., Ltd.
- Kida Flour Mills Co., Ltd.
- Naigai Flour Milling Co., Ltd.
- Central Flour Milling Co., Ltd.
- Swing Bakery Co., Ltd.
- Grandsolu bakery Co., Ltd.
- Garden Bakery Inc.
- Tower Bakery Co., Ltd.
- Showa Sangyo International Vietnam Co., Ltd.
- Kouchan Mill Co., Ltd.



Vegetable Oils Category

We manufacture and sell various vegetable oils developed for various uses such as tempura, fried foods and donuts, made from soybeans, canola, corn and rice bran and other raw materials, as well as soybean meal and canola meal used as raw material for animal feed, and soy protein used in processed meat and seafood products. We also manufacture and sell frozen food such as takoyaki using our own wheat flour and vegetable oil.

- Vegetable oil
- Soy protein
- Frozen food

[Main Group companies] (As of June 30, 2024)

- Boso oil and fat Co., Ltd.
- Nagaokayuryo Co., Ltd.
- Kumiai-yushi Co., Ltd.
- Musashiyushi Co., Ltd.
- Minaminihonkomeabura Co., Ltd.
- Tokyoyushikogyo Co., Ltd.
- Showa Frozen Foods Co., Ltd.
- Tsuji Oil Mills Co., Ltd.



Animal Feed Business

We manufacture and sell compound feed for poultry, pigs, cattle, and fish using by-products generated by the Group's flour mills, oil mills, and starch and sweetener plants such as bran, soy meal, and gluten feed as raw materials. In addition, we engage in integrated operations from sale of compound feed through to egg production in the layer poultry business.

- Compound feed
- Eggs

[Main Group companies] (As of June 30, 2024)

- Kyushu Showa Sangyo Co., Ltd.
- Showa Keiran Co., Ltd.
- Z.Y. Food Company Limited



Other

In addition to the Warehousing Business, which stores and handles imported grain, and the Real Estate Business, which leases the Group's real estate holdings, the Showa Sangyo Group is also involved in the insurance agency business, the automobile leasing business, the transportation business, and agribusiness.

[Main Group companies] (As of June 30, 2024)

- Shosan Shoji Co., Ltd.
- Shosan Kaihatsu Co., Ltd.
- Shourei Co., Ltd.
- Oban Co., Ltd.
- Shosan Business Services Co., Ltd.
- Shosan Transportation Co., Ltd.
- Star Bakery Co., Ltd.
- Nagoya futo Silo Co., Ltd.
- Shibushi Silo Co., Ltd.
- Kashima Silo Co., Ltd.



Kashima plant silos

Plant factory

Value Creation Journey

Ever since being founded, the Showa Sangyo Group has grown its business while helping to solve a variety of social issues through “food.” Since being founded, we have changed in step with the times. Going forward, we aim to be a company with sustainable growth potential that contributes to healthy, rich and varied meals through a wide range of businesses based on grain.

Period

Historical background

Value created by the Showa Sangyo Group

Founding period (From 1936) 1960 through 1980s 1990 through 2000s From 2010

Severe food shortages Expansion in demand and diversification in eating habits More sophisticated “food” needs Changing lifestyles and values

Creating an integrated system in the agricultural processing sector and contributing to agricultural development

Realizing stable supply of a wide variety of products through construction of industrial complexes for food

Strengthening product development in a wide range of fields to provide products that match the times

Creating unique value-added as a “Grain Solution Company”

Commenced production and sale of wheat flour, cooking oil, corn syrup, and fertilizer with the aim of creating an integrated system from soil preparation at the farming stage through to product processing and sales. We supported the development of Japanese agriculture while also helping to solve the post-war food shortages.

With the diversification in eating habits during Japan’s period of high economic growth, we foresaw an increase in grain imports from overseas and concentrated all of our plants in coastal areas. While expanding our production facilities and silos and solving the cost issues involved in mass production of a wide variety of products, we met new needs with the launch of various household foods in addition to commercial products.

With increasingly sophisticated “food” needs and diversification in the raw material properties and type of products demanded, we strengthened our product development in a variety of grains and evolved our processing technologies, in addition to focusing efforts on recipe proposals. We continued to develop products that delighted customers, including products combining functional properties with delicious foods and health-conscious products.

Consumption styles related to “food” have become even more sophisticated and diverse, requiring product development to meet the needs of the times, such as health-conscious consumers. In addition, people’s lifestyles and values have also been transformed by COVID-19, which began spreading in 2020, and the impact of rising prices from around 2021. This has required product development in the areas of simple and time-saving foods, in addition to products with high value added not offered by other companies.

History of our products



Main topics for the Group in each period



Our Founder Hideo Ito

1936 Established Showa Sangyo Co., Ltd.

Although Japan was industrializing in the early Showa period, rural areas were severely impoverished due to serious food shortages compounded by continued poor harvests. Our founder Hideo Ito witnessed this impoverishment and set up Showa Flour Milling Co., Ltd. in charge of processing agricultural products with the desire to support Japanese agriculture. In 1936, the following year, he established Showa Sangyo Co., Ltd.

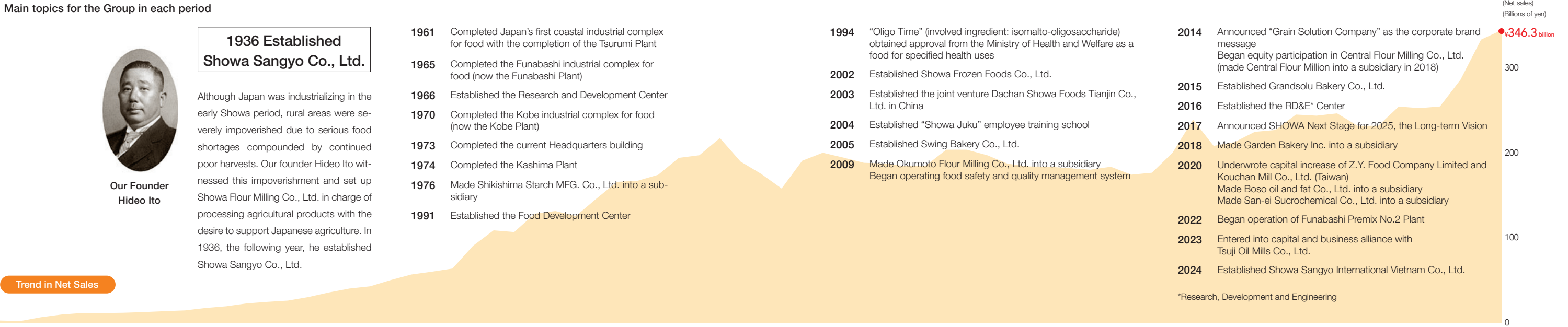
- 1961 Completed Japan’s first coastal industrial complex for food with the completion of the Tsurumi Plant
- 1965 Completed the Funabashi industrial complex for food (now the Funabashi Plant)
- 1966 Established the Research and Development Center
- 1970 Completed the Kobe industrial complex for food (now the Kobe Plant)
- 1973 Completed the current Headquarters building
- 1974 Completed the Kashima Plant
- 1976 Made Shikishima Starch MFG. Co., Ltd. into a subsidiary
- 1991 Established the Food Development Center

- 1994 “Oligo Time” (involved ingredient: isomalto-oligosaccharide) obtained approval from the Ministry of Health and Welfare as a food for specified health uses
- 2002 Established Showa Frozen Foods Co., Ltd.
- 2003 Established the joint venture Dachan Showa Foods Tianjin Co., Ltd. in China
- 2004 Established “Showa Juku” employee training school
- 2005 Established Swing Bakery Co., Ltd.
- 2009 Made Okumoto Flour Milling Co., Ltd. into a subsidiary Began operating food safety and quality management system

- 2014 Announced “Grain Solution Company” as the corporate brand message Began equity participation in Central Flour Milling Co., Ltd. (made Central Flour Million into a subsidiary in 2018)
- 2015 Established Grandsolu Bakery Co., Ltd.
- 2016 Established the RD&E* Center
- 2017 Announced SHOWA Next Stage for 2025, the Long-term Vision
- 2018 Made Garden Bakery Inc. into a subsidiary
- 2020 Underwrote capital increase of Z.Y. Food Company Limited and Kouchan Mill Co., Ltd. (Taiwan) Made Boso oil and fat Co., Ltd. into a subsidiary Made San-ei Sucrochemical Co., Ltd. into a subsidiary
- 2022 Began operation of Funabashi Premix No.2 Plant
- 2023 Entered into capital and business alliance with Tsuji Oil Mills Co., Ltd.
- 2024 Established Showa Sangyo International Vietnam Co., Ltd.

*Research, Development and Engineering

Trend in Net Sales



Evolution of the Grain Solution Company

Strengths of a Grain Solution Company

Utilizing Showa Sangyo Group's food ingredients in an integrated way through grain in order to solve various and numerous customer issues in the form of products and services that rapidly meet customer needs—that is, supplying “grain solutions” is a unique strength of this Group, one not found in dedicated food makers. We fully demonstrate our characteristics as a “Grain Solution Company” by combining our Group companies' food ingredients with processing technology from other fields in order to deliver “delicious answers” to our customers.

Showa Sangyo Group's Business Model

It is precisely because our Group handles various grains that we can create synergies for new value creation through masterful use of the grain expertise we have. By linking research and development, material procurement, production

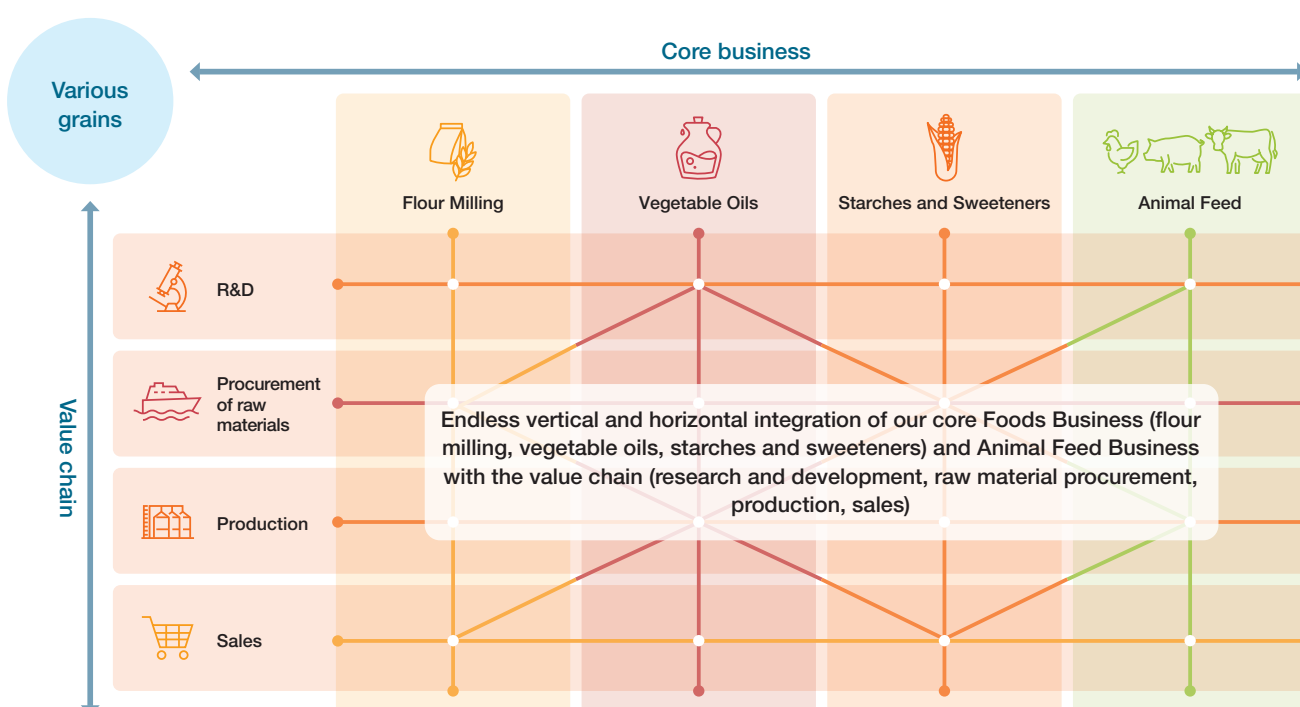
and sales in the value chain, we achieve and spur further evolution of solutions to issues through broad knowledge and know-how that cannot be achieved through specialization in specific fields.

See page 25 for details.

The Reason We Can Achieve Grain Solutions

As a platform for diverse and numerous grains, our Group has developed businesses across a broad range of fields. We dig up insight and the true needs of each of our customers by detecting, accumulating, and combining various needs through deep communication with our diverse and numerous customers. Additionally, we create new products and provide new value that customers require by combin-

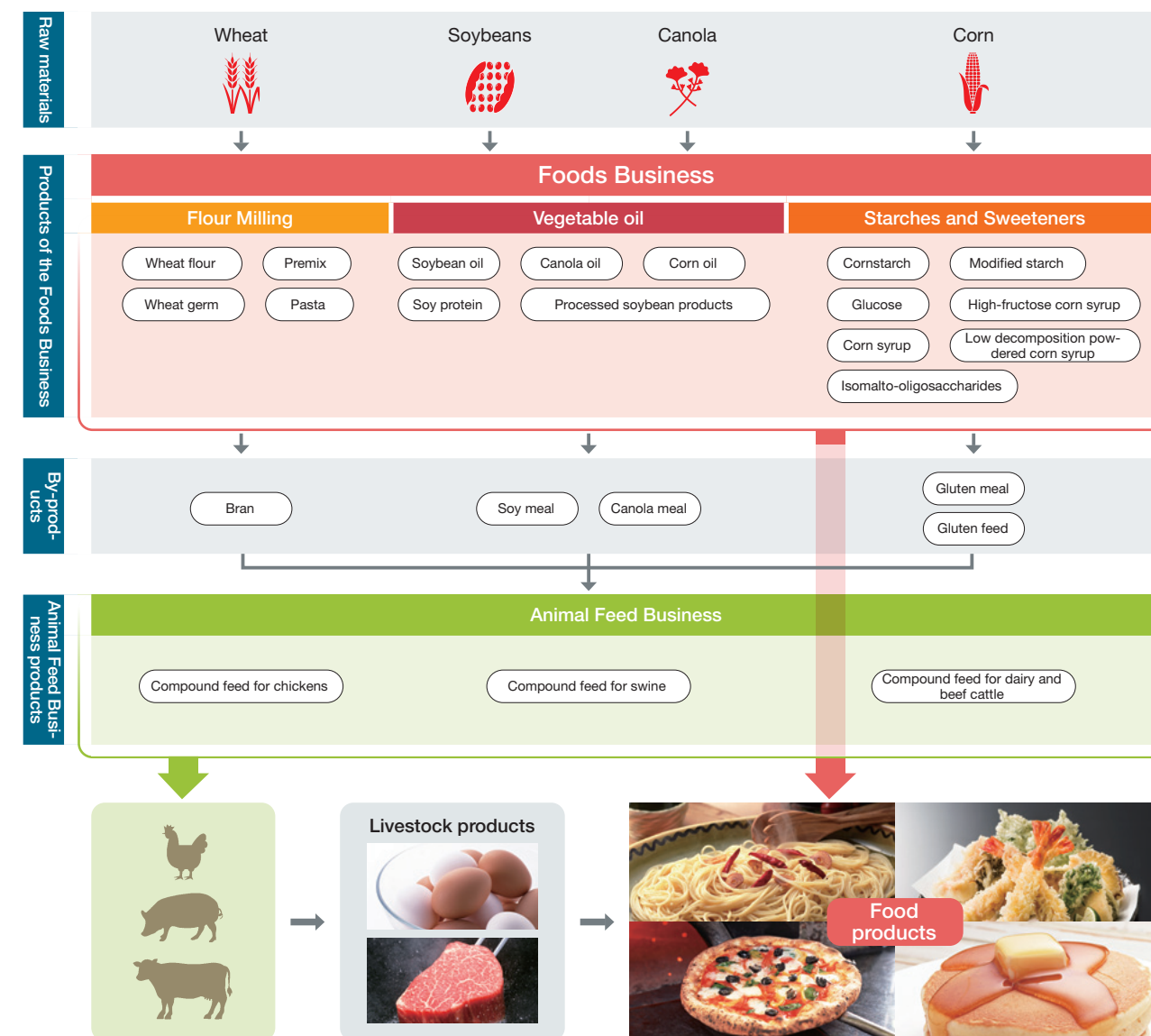
ing diverse food ingredients, technology and know-how spanning the range of businesses of our Group. As a “Grain Solution Company,” we have become an inimitable presence, with a synergy of marketing power formed thanks to our variety of customers and development skills in numerous technological fields.



99.9% Food Recycling—Only Possible with a Grain Solution Company

We achieve a food recycling rate of 99.9%* through effective use of by-products (bran, soybean meal, gluten feed, etc.) produced during manufacturing processes in the Foods Business (flour milling, vegetable oils, and starches and sweeteners) primarily as raw ingredients in compound animal feed. (*Showa Sangyo not consolidated)

Our business model maximizes use of nature's bounty of grain, including use beyond raw ingredients in compound animal feed, such that none is wasted, as we engage in various initiatives to build a sustainable society with limited burden on the environment.



Topics Participating in the Development of the Osaka, Kansai Expo Venue as a Sponsoring Supplier

Showa Sangyo will provide by-products from primary grain processing (canola meal, corn gluten meal) as roofing materials for Gallery West, a facility inside the venue for Expo 2025 Osaka, Kansai, Japan (the Osaka, Kansai Expo). In addition, Showa Sangyo will support the venue development for the Osaka, Kansai Expo by providing its biomass-containing garbage bags, “Daichi no Mino-Re:.”

As a Grain Solution Company handling various grains in large volume, the Group will protect the earth and its environment that produces the grains that are the source of our food and strive for the sustainable use of precious resources in order to pass them on to the future.



Image of Gallery WEST (As of May 30, 2024)

Special Feature

Example (1) Proposal of “powdered corn syrup + oil and fat” for use in low-sugar latte

Applying the effects of reorganization to new development



For one-stop operations, we need to be familiar with all areas of the Showa Sangyo Group. The reorganization has made it possible to collaborate across all areas of the Group. This has facilitated development through new combinations not previously used in research and development, energizing our organization.

Background

- Previously, the former Starch & Sweetener Dept.* proposed sweeteners to beverage manufacturers.
→ As a result of reorganization, the system has changed into one that can propose the full range of the Group's ingredients.
- Milk content is limited for unsweetened and low-sugar latte, leading to issues such as lack of milky taste and richness and a poor balance between the coffee and milk.
→ Started considering proposal for sweetener + oil and fat product combination

* Starch & Sweetener Department: The name of the department that sold sweeteners, etc. before reorganization

Initiative and result

- Development of multiple samples combining powdered corn syrup and oil and fat and provision of proposals to more than 30 companies
- Despite a certain level of positive evaluation, our lack of knowledge about “beverages + oils and fats” became clear in conversations with customers
- Initiation of highly challenging analytical study not previously conducted to answer customers' questions
→ Reorganization gives the opportunity to take on challenges in new fields of research and development
→ Transformation to one-stop operations stimulates inter-section interaction even within the Development Dept.



Yuko Tsuchiya

Deputy Manager, Group II, Ingredients Sales Dept., Showa Sangyo

Reorganization provided the opportunity for new value proposals

Many customers of the group to which I belong are beverage manufacturers for which the former Starch & Sweetener Dept. was responsible, but we felt there were limitations to continually proposing sweeteners only as was the case before the reorganization. Therefore, the reorganization has created a sales system that allows us to propose the full range of the Group's ingredients. Based on this, the impetus for this initiative was our desire to once again propose new value for customers.

Over the past few years, beverage manufacturers have been selling a lot of unsweetened and low-sugar latte. However, as there are limits on the milk content for making unsweetened and low-sugar latte, we felt there was an issue with the lack of milky flavor and the balance of coffee and milk. When we asked the Development Dept. if they could propose a solution to this issue, they suggested using oil and fat to enhance richness, and we decided straightaway to launch development of a product that combines sweeteners with oil and fat products.



Yuzuki Moriya

Starch & Sweetener Section, Development Dept., Showa Sangyo

Pioneering research in new areas through rapid collaboration

We began looking into the idea straightaway in April 2023 immediately after the reorganization. Unlike wheat flour and oils and fats, which are main raw materials, sweeteners are secondary raw materials, so customers never make inquiries even if we are ready for them. Therefore, we conduct “concentrated sampling” every quarter to identify customer issues through our proposals. We developed “powdered corn syrup × oil and fat for low sugar latte” as one of our proposal samples.

After finalizing a number of sample products combining powdered corn syrup and oil and fat, we visited more than 30 beverage manufacturers to make product proposals. Despite gaining a level of positive evaluation about the richness and body, we received many questions about oil and fat. As sales representatives from the former Oils & Fats Dept. of Showa Sangyo had never visited beverage manufacturers before, it was the first time we had been asked all these questions.



Yayoi Kaneko

Vegetable Oil & Soy Protein Section, Development Dept., Showa Sangyo

Realizing deficiencies in new areas and proposing value to customers

We received questions on topics such as emulsion and storage stability, but we lacked knowledge on “beverage + oil and fat” combinations despite the knowledge of cooking oil cultivated by Showa Sangyo over many years. Therefore, we carried out an analytical study to answer customers' questions. However, the analysis of putting oil in water had never been conducted before, and the amount of oil used in beverages is also very small, so the method of analysis itself was very challenging.

Our research group had never had any contact with beverage manufacturers before but the reorganization has given rise to new initiatives, which have made us aware of our deficiencies. At present, we are a bit short of the goal and the analytical study is ongoing, but I feel that we will definitely be able to make a proposal that has value for customers if we can overcome the issues we are working on now. We hope to keep aiming high and taking on the challenge of new research.

Tsuchiya The “powdered corn syrup × oil and fat for low-sugar latte” proposal is still underway, but we have received a more positive response than when we used to propose powdered corn syrup on its own. Also, as a result of this proposal, customers have started inquiring about oil and fat for other projects, which has made us realize the benefits of the reorganization. In the future, we hope to continue having conversations about oil and fat in addition to starch and sweeteners.

Moriya The reorganization has not only changed the sales system but has also increased inter-section interaction even within the Development Dept. I myself had only considered solving issues with sweeteners in the past, but now I am working on research and development everyday with a mindset of trying any ingredient. I hope we will continue making proposals that combine the unique ingredients the Group has to offer as a Grain Solution Company.



Special Feature

Example (2) Pasta proposal for pasta specialty chain

Product development also helping to solve store operation issues Adopted due to convincing quality developed over two and a half years



The restaurant chain requires “streamlining of store operations” and “labor saving” in addition to simple “deliciousness.” The Solution Sales Dept., which preceded the reorganization, worked on developing a product that both solved the customer’s issues and improved quality, and it succeeded.

Background

- Establishment of Solution Sales Dept. with restaurants as its main channel in April 2021 before the reorganization
- Deepened knowledge on pasta through proposal to major restaurant chain
- ⇒ Identified issues for pasta specialty chain and started proposals created through cooperation of sales, development, and production departments

Initiative and result

- Trial-and-error development due to struggle for the right balance between texture and cooking time
- Continued to make proposals through repeated prototyping by adjusting manufacturing conditions in cooperation with production department
- ⇒ Adopted with positive evaluation of “deliciousness” after taking two and half years to achieve satisfactory quality



Shinobu Sugiura

Deputy Manager,
Solution Sales Dept.
Showa Sangyo

Contributing to a restaurant chain with a proposal that extends to operations

Ahead of the reorganization in April 2023, the Solution Sales Dept., launched in April 2021, was engaging in proposal activities for various customers with the main channel being restaurants. In one case, a major pasta restaurant chain adopted our pasta products when we made a proposal that not only improved quality but also took account of store operations.

We wondered if we could use the knowledge gained through this initiative to make some kind of proposal for a customer operating a pasta specialty chain. We identified issues in terms of the quality of pasta made from wheat and in terms of store operations (cooking time) and sales, development, and production departments began working together on a proposal to solve the customer’s issue.

What a restaurant company is looking for



Ryo Uenoyama

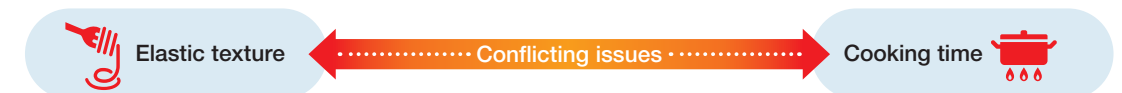
Noodle & Pasta Section, Development Dept.,
Showa Sangyo

Following repeated trial and error, high evaluation of proposal so precise it was like threading a needle

By increasing our communication with restaurant companies, we realized for the first time that restaurants require a balance of “deliciousness” and “store operations.” Even if we create delicious pasta, it puts a strain on store operations if it takes too long to cook, so we struggled a lot with the balance between texture and cooking time in fine-tuning the quality of the noodles. First, we designed the manufacturing conditions so the noodles would cook quickly, but this resulted in noodles with less elasticity and a soft texture. Next, we adjusted the manufacturing conditions to give the noodles more elasticity, but this time there was an issue with not cooking quickly. Elasticity and cooking time are conflicting issues, so we went through a lot of trial and error. We adjusted conditions that we do not usually address when fine-tuning quality and worked on improvements with the understanding and cooperation of the manufacturing site.

After two and a half years of ongoing effort, we finally achieved a level of quality that we were satisfied with. We succeeded in improving the texture to a satisfactory level of elasticity while maintaining the cooking time, and there was a particularly positive evaluation of the “deliciousness” of the pasta, resulting in it being adopted. After receiving the customer’s feedback that our proposal was so precise, it was like threading a needle, we were very pleased and felt a sense of fulfillment.

Balancing “deliciousness” needed for pasta with “streamlining store operations”



Sugiura Many staff in the product development departments at restaurant companies have a background as a chef. Such people are dedicated to incorporating the menus developed in the mini-kitchens into store operations. I feel the most important thing is to make proposals that are closely aligned with the aspirations of such developers.

Although this initiative related to pasta, I would like to keep contributing to “solving customers’ issues” and “the pursuit of deliciousness” in the future by proposing a range of products the Group has to offer rather than being limited to a single item.

Special Feature

Example (3) An example of Group synergy

Strengthening the foundations of the rice business through integration of the rice wholesale business and the rice bran oil manufacturing business

The question of how to realize Group synergies is an important one in terms of taking advantage of the wide range of products the Showa Sangyo Group handles and the broad customer base in its business. This section will introduce how the rice wholesale business and the rice bran oil manufacturing business have developed since the Boso oil and fat Group, including Musashiyushi Co., Ltd., joined the Showa Sangyo Group in the words of the people involved.

Background

- Increasingly challenging business environment, including declining rice consumption and high temperature damage to rice production due to climate change
 - Issue for Boso oil and fat Group: Stable procurement of rice bran, the raw material for rice bran oil
 - Issue for Shosan Shoji: Strengthening relationships with rice milling companies to which it sells brown rice
- Boso oil and fat Group joined the Showa Sangyo Group in September 2020
 - Strengthened the foundations of the rice business through integration of the rice wholesale business and the rice bran oil manufacturing business

Initiative and result

- Building a rice bran procurement scheme through collaboration between Shosan Shoji and Boso oil and fat Group
- Realizing stable procurement of raw materials (rice bran) for Boso oil and fat Group while helping with stable procurement of raw materials (brown rice) for rice milling companies
 - ⇒ Expansion of business transactions through development of win-win relationship



Shuichi Uno

General Manager, Operations Department,
Musashiyushi Co., Ltd.

Joining the Showa Sangyo Group marked a turning point for stable procurement of rice bran

Rice bran oil, which is the mainstay product of the Boso oil and fat Group, uses rice bran produced in the rice milling process as the raw material. However, stable procurement of rice bran into the future had become a major issue, partly due to declining rice consumption.

In this environment, the Boso oil and fat Group joined the Showa Sangyo Group in September 2020 and became a member of the same Group as Shosan Shoji, which is involved in the rice wholesale business. We consulted them straightway to see if there were things we could do together.



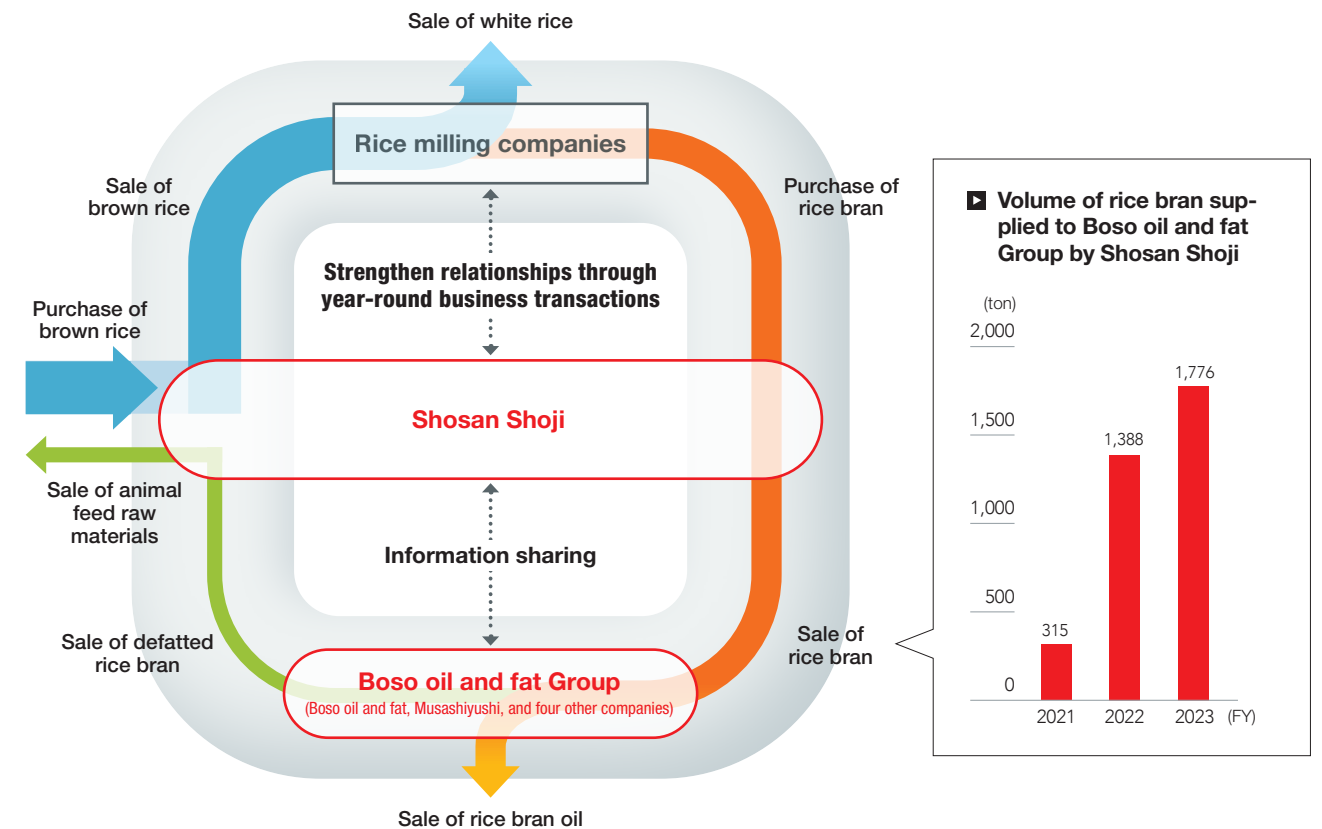
Kazuyoshi Tomita

General Manager, Agricultural Products Department,
Shosan Shoji Co., Ltd.

Optimizing customer contact through procurement of rice bran

Shosan Shoji handles brown rice, white rice, and rice for animal feed as part of the rice wholesale business, and we wanted to make our relationships with rice milling companies to which we sell brown rice stronger in a challenging business environment, including high temperature damage to rice production due to climate change in addition to declining rice consumption. The period for business negotiations in the sale of brown rice lasts six months from summer through to winter, so there was a gap in our contact with customers in the past. We thought that collaborating with the Boso oil and fat Group to have contact with customers on procurement of rice bran as well would enable us to communicate with them all through the year.

Diagram of relationship between Shosan Shoji and the Boso oil and fat Group



Realizing synergies also helps with stable procurement for business partners

Uno We held our first face-to-face meeting in January 2021, and we've been holding monthly meetings since then to share information about the industry and business partners while promoting efforts to increase procurement of rice bran. It's very challenging to increase our sources for the procurement of rice bran as the rice market continues to shrink. However, our strength, or the value added we provide, as a member of the Showa Sangyo Group is the ability to supply brown rice, which is the raw material for our procurement partners. By leveraging this strength, we have been able to increase procurement of rice bran, which is our raw material. Realizing Group synergies has not only achieved stable procurement for ourselves but has also enabled us to help with stable procurement for our business partners, and we have succeeded in building some truly win-win relationships.

Providing new value for customers through collaboration between Group companies

Tomita Since we began our initiative in 2021, rice bran procurement has been increasing every year and we expect it will increase again in FY2024. Through our collaboration with the Boso oil and fat Group, we can identify market trends in both brown rice supply and rice bran procurement. I believe this has allowed us to make proposals that are more closely aligned with the position of our customers.

Also, our Animal Feed & Grain Department sells the de-fatted rice bran produced in the manufacturing of rice bran oil at the Boso oil and fat Group as animal feed raw materials, thereby expanding sales and increasing the scope of Shosan Shoji's business transactions. In the future, we hope to realize synergies across the entire Showa Sangyo Group to provide many different kinds of value derived from grains.



Evolving into a Unique Company for the Future

H. Tsukagoshi

President and CEO
Showa Sangyo Co., Ltd.

Review of FY2023

Latest Business Environment

In FY2023 (fiscal year ended March 31, 2024), our operating profit was 13.1 billion yen and ordinary profit was 16.5 billion yen, both record highs for our Group.

From FY2021 to FY2022, we suffered extremely difficult conditions due to the deterioration of the external environment, including the COVID-19 pandemic, the situation in Ukraine, soaring prices of raw materials (grains), the weakening of the yen in the foreign exchange market, and rising energy costs.

In FY2023, although we are still in a high cost environment, the pace of cost increases has slowed and the price revisions we have been pursuing are beginning to take effect. In this sense, the year was more stable than the previous two years.

This achievement was also largely due to the increased profitability of our Group companies, including Boso oil and fat Co., Ltd. and San-ei Sucrochemical Co., Ltd., which joined our Group in FY2020. The consolidated/non-consolidated ratio increased from around 1.2 to over 1.5. In FY2023, the actions we have taken so far are showing results. I am very pleased to see them.

But the international environment remains volatile, and so do exchange rates. Exchange rates have a big impact on costs because the main raw material for our group is imported grains. So, I think the outlook remains uncertain.

Approach to Sales Departments Reorganization

In April 2023, we reorganized our sales departments for the first time in the 87 years since our founding. It has evolved from a vertically divided organization with a product-out approach to a one-stop shop for each business category and each customer.

Unfortunately, the market in Japan is shrinking due to a declining and aging population. Of course, so are the sales volumes. As Japan's third largest flour miller and vegetable oil producer, we found it difficult to continue to compete in a shrinking market.

So, I ask myself: What is the weapon or the strength of our Group? My answer is that it is its ability to handle a wide variety and large volume of grains. We handle wheat, soybeans, canola, corn and other grains. Taken together, our greatest strength as a food manufacturer is that we handle the largest volume of grains in Japan. Each product has its own customers, so the number of customers is quite large. We used to sell products by product, so it was a world of

addition: 1+1+1.... To take advantage of our greatest weapon, we have reorganized to a system where one person is responsible for selling all of the Group's products to our customers according to their needs. This is a move away from the single business model where flour milling, oil milling, and starches and sweeteners are separated from each other. Instead, we have begun to see combinations of a wide variety and large volume of grains and products with a variety of customers. We have evolved our business model to a solution-oriented selling style, a business model that solves customer problems.

Change in Business Segments Classification

In line with the reorganization of the sales departments, we have combined the former Flour Milling, Vegetable Oils and Household Foods, and Starches and Sweeteners business segments into a single Foods Business. This represents a business model of providing solutions as Foods Business that brings together flour milling, vegetable oils, and starches and sweeteners. We had long offered what we call "inter-business synergies" by combining different materials, but this change in line with the reorganization is designed to boost such synergies. Currently, Foods Business and Animal Feed Business are separate. However, animal feed can be part of the grain solution. So I am considering the possibility of eventually combining them into one.

Some of our shareholders and investors have expressed a desire to compare each of our businesses to those of specialized peers, such as flour millers and oil producers. I am aware of this and am considering how to respond to such comments. However, I believe that we could not make the most of our Group's greatest strength if we remain third among our peers in each business segment. That is why we have restructured our organization to become a unique company. I would like them to understand that a conventional business segment-based comparison framework can be misleading.

Former Segments	New Segments	
Flour Milling Business	Foods Business	Flour Milling Category
Vegetable Oils and Household Foods Business		Vegetable Oils Category
Starches and Sweeteners Business		Starches and Sweeteners Category
Animal Feed Business		Animal Feed Business
Other		Other



Furthermore, the Medium-term Management Plan 23-25 also calls for “Advancing business portfolio management by introducing ROIC.” We have begun to calculate ROIC for each business unit in order to manage our businesses with an awareness of capital efficiency. However, as I mentioned

earlier, this is an output of sales by organization for each business category and for each customer. Based on this premise, I believe the business portfolio should be managed to optimize capital efficiency.

Progress of the Medium-term Management Plan 23-25

See page 33 for details on the progress of the Medium-term Management Plan.

Effects of Sales Departments Reorganization

The most important factor in achieving the goals of the Medium-term Management Plan 23-25 is whether or not the reorganization of the sales departments will be successful. It is difficult to show clear quantitative results as only one year has passed, but we estimate that this has had an effect of approximately 300 million yen, due in part to an increase in the number of categories and items handled at the sales destinations.

We have decided to undertake this drastic reorganization of the sales departments based on the success of a precedent. It was the Solution Sales Department, which we launched in April 2021 as an organization focused on the restaurant industry. The Solution Sales Department promotes solution-based selling. First, it thoroughly inputs our Group’s products. Next, it identifies the problems of our customers in the restaurant industry by looking into not only their products, but also how they operate and even how they prepare their food. Then it suggests our Group’s products to solve these problems. This approach has earned us a high appreciation from our customers.

In the second year after the Department’s launch, its sales doubled from the start. The monetary amount is not large, but 200% over the previous year is an astonishing

figure. Furthermore, in FY2023, the third year, the number increased by 1.5 times. Profits doubled while sales increased 1.5 times. This means that we receive more from our customers than just the value of the materials. I see this as a result of our customers recognizing the added value of our proposals.

This is the kind of solution that the new sales departments should be pursuing. Of course, this does not apply to all sales activities as we have diverse customers, but I think the potential is very high.

Strengthening Our Core Businesses

Key Strategy (1), “Strengthening Our Core Businesses” is progressing well. One of the main objectives of the Medium-term Management Plan 23-25 is to **make our earnings structure less vulnerable to changes in the external environment**. A major challenge for our Group was how to stabilize earnings in both the Vegetable Oils Category and the Starches and Sweeteners Category, which were more unstable than the Flour Milling Category. In fact, they were so unstable that in the past they even had years of losses. One of the solutions was to strengthen the corn oil supply chain through a capital and business alliance with Tsuji Oil Mills (May 2023).

Corn oil is made from corn germ, which is left over from the corn starch production process. Our starch and sweetener factory also produced corn germ, but we did not have the equipment to press it, so we outsourced the oil extraction.

Boso oil and fat, which became our Group company in 2020, has equipment for pressing corn germ. This allowed us to establish a supply chain in which we have corn germ from our starch and sweetener factory pressed by Boso oil and fat to sell the oil.

However, Boso oil and fat’s corn germ pressing capacity alone was not enough. This led to a capital and business alliance with Tsuji Oil Mills, which has the largest corn germ milling capacity in the industry. I hope that this business alliance will help us to expand our presence in the corn oil industry and stabilize earnings in the Vegetable Oils Category, because corn oil has a unique position, unlike soybean oil and canola oil, which are highly volatile. At the same time, having the largest market share will allow us to redefine the value of corn oil and make it a more value-added oil. This in turn will stabilize the profitability of the Starches and Sweeteners Category. I consider this capital and business alliance to be a major achievement in our Medium-term Management Plan 23-25.

Expansion of Our Business Fields

I feel that Key Strategy (2), “Expansion of Our Business Fields” still poses some challenges. We face many challenges in expanding our business, especially in frozen foods. At present, we are considering overseas expansion in frozen foods and soy-based materials.

In terms of foreign business, we established a new premix manufacturing and sales company in Vietnam in April 2024, and the factory will be operational in FY2025. This will be a base of operations for the ASEAN countries. We are also about to start several other overseas expansion projects.

However, I recognize that we are slightly behind the targets of the Medium-term Management Plan 23-25. So the key question will be how much progress we can make in this and next fiscal years.

On the other hand, I believe that we are in the process of leveraging our potential for exports. The centralized management of export operations by the Overseas Business Development & Sales Department has enabled the Company to pursue more strategic initiatives. An expansion of export destinations and the number of products has resulted in consistent double-digit sales growth. In addition, we have obtained halal certification for flour products at our Kobe Plant, so we will focus on exports to the Muslim world.

Financial KPIs

Since the results for FY2023 exceeded our targets for ordinary profit, ROE and ROIC, some have asked me whether we should revise our targets upward, but we have no plans to change our targets at this time. We expect costs to increase significantly from FY2024 onward. This is because the results for FY2023 were favored by some tailwinds, as I mentioned earlier. It is also because of the expected increase in logistics costs due to the so-called “2024 logistics problem.” Another reason is that there is an idea of raising labor costs in human capital management. Although the external environment is likely to deteriorate, we will achieve our original plan by steadily implementing the measures set forth in the Medium-term Management Plan.

CCCs have remained high due to the shortening of payment terms as a countermeasure to rising interest on usance bills*. However, excluding this impact, the CCC for FY2023 is 77.3 days, showing a steady reduction.

* Interest on usance bills: Interest rates for the grace period for trade loan payments

	FY2022 Results	FY2023 Results	FY2025 Plan	Compared to FY2022
Ordinary profit (Billions of yen)	6.5	16.5	13.0	200%
ROE (%)	7.1 ^{*1}	10.2	7.0 or more	—
ROIC ^{*2} (%)	1.8	5.3	4.0 or more	2.2 percentage point increase
CCC (days)	91	87.3	75	16 days shorter
NET D/E Ratio	0.5	0.35	0.6 or less	—

^{*1} Approximately ¥5.2 billion in gain on sale of non-current assets (extraordinary income) was generated in FY2022 due to the sale of the Shosan Ageo Building.

^{*2} Definition of ROIC (Return on Invested Capital)

ROIC = Operating profit after tax ÷ Invested capital (Net interest-bearing debt + Shareholders’ equity)

Operating profit after tax is calculated with income taxes as 30% of operating profit.

See page 47 for details on financial strategies.

Deepening Sustainable Management

Reducing Burden on the Environment

We have been reducing CO₂ emissions. The first attempt was in 2021, when the Kashima Plant switched from coal boilers to city gas boilers. Since then, we have installed solar power generators at each of our plants. However, we have set a goal of reducing CO₂ emissions by 46% or more by FY2030 (30% or more by FY2025 during the Medium-term Management Plan period) from FY2013 levels. Reductions in city gas alone will not be sufficient to achieve this goal. Therefore, we are proceeding with a plan to replace the main boiler at the Kashima Plant with a biomass fuel boiler. This will become operational in FY2026 and will reduce CO₂ emissions by approximately 37,000 tons per year. Other examples include the use of renewable energy to power the Itako Mix Branch Plant in Kashima, the Funabashi Plant and the RD&E Center.

We are also working on KPIs for food loss reduction, water use reduction, and plastic use reduction.

The Showa Sangyo Group is a company that processes grains, the bounty of the earth, as raw materials into products and supplies them to customers. Caring for the environment, the source of the earth's bounty, is and will continue to be our critical management issue.

 See page 55 for details on reducing burden on the environment.

Human Capital Management

Companies are made up of people, so human capital management is one of the most important issues. Reorganization, which is the biggest key to the success of the Medium-term Management Plan 23-25 is also carried out by people. Therefore, I recognize that the most important aspect of management is how to provide opportunities for employees to play an active role and to grow.

Since FY2023, we have fully implemented a talent management system. We can now share the skills and backgrounds of each of our employees and consider optimal staffing and hiring for each of our businesses.

In terms of growth opportunities, we are promoting initiatives that can enhance the level of individual skills, such as a reskilling program and the opportunity for future leaders to gain experience in key positions.

To provide opportunities for employment and active participation, we utilize the strengths of both recent graduates and mid-career employees to revitalize the organization. We are also reviewing our reemployment and compensation programs to encourage older workers to take an active role in the Company.

Through these measures, we will encourage each and

every one of our human resources to perform well in order to achieve sustainable growth for the Company and improve the well-being of our employees.

 See page 57 for details on human capital management

Governance

In this fiscal year, the number of outside directors (excluding Audit and Supervisory Committee members) was increased from two to three, including two female outside directors. Gender is not the only diversity, but it has stimulated discussion from new perspectives and more commentary from different angles compared to the all-male Board prior to Director Mikami's appointment in 2021.


The ratio of basic fixed remuneration to variable and stock-based remuneration was changed from 7:3 to 6:4 in order to link the compensation system for directors more closely to the achievement of objectives and the increase in corporate value. In addition, the indicators for variable remuneration, which were previously linked only to financial targets, have been changed to include non-financial targets such as the reduction of CO₂ emissions and the increase in the proportion of female managers in the basis for calculating planned compensation.

 See page 69 for details on corporate governance.

Concept of Stable Procurement

I often hear concerns about the impact of destabilizing international conditions on procurement and supply. Although Japan does not purchase wheat from Ukraine, the market price of the raw grain can rise due to various influences, including supply and demand, which can have a negative impact on procurement costs. There is also the problem of Japan's declining purchasing power in the global market due to its shrinking population. This is an issue that should be addressed not just by one company, but by the public and private sectors as a whole.

As an upstream manufacturer in the food supply chain, we are committed to stable procurement. One such initiative is grain silos. As a Group we have our own grain silos with a capacity of approximately 680,000 tons. We will effectively use these silos for stockpiling. Another initiative is to contribute a variety of procurement expertise, such as sourcing from different production areas, by leveraging our purchasing capabilities in handling the largest number of grains of any Japanese food manufacturer.

 See page 32 for a related article on stable procurement.

Toward the 100th Anniversary

The deadline is fast approaching for our current Long-term Vision targets for FY2025, which set out our ideal identity. A project has been launched to develop the next Long-term Vision, with a view to the 100th anniversary of the Company's founding on February 18, 2036. As this is a project for the future, it involves mainly younger employees from various departments to review our management philosophy and guiding principles.

Along with the information that comes from the project, I believe that management has a responsibility to show the Company where it is going. One of these responsibilities is the reorganization of the sales departments. Now I encourage employees to become not better but unique, and to have a user-oriented perspective. What the Solution

Sales Department does is not a market-in approach, but a user-oriented approach. In other words, it seeks to solve user's or customer's problems. I believe this effort will create something that does not exist in the world and will lead to a business model that can create a new market. At the same time, it is necessary to expand overseas business in response to the shrinking Japanese market. The goal is to establish a grain solution company business overseas, just as we aim to do in Japan.

I want to combine the recommendations of the 100th anniversary project with the input from management to set goals that are acceptable to all employees, so that we can move forward.

Reflections on the First Year as President

During my first year as president, I have come to realize that the scope of the president's duties is extremely broad. Before I became president, I had a bird's eye view of the Company through my own work, but as president, everything is my work. The way I work is completely different from what I used to do. In this context, I feel that we can do much more, including organizational restructuring, and I realize that the Company has great potential. We need to clarify what needs

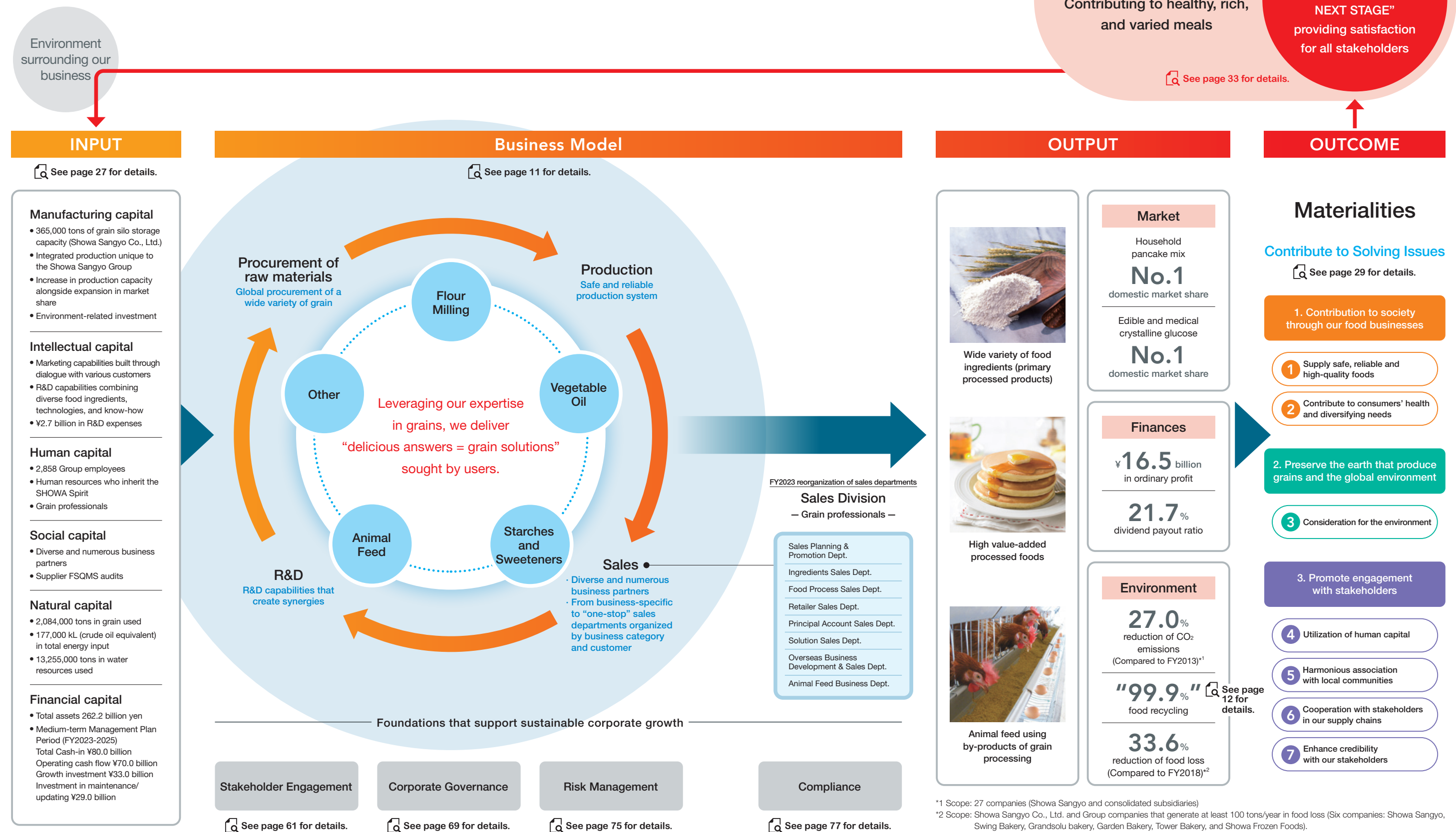
to be done and train people properly. If we do that, I think the Showa Sangyo Group can continue to grow. Based on the belief that the most important element in everything is people, as the leader of the Showa Sangyo Group, I will continue to invest in people and establish a business model that is unique to the Showa Sangyo Group.

I would like to thank all our stakeholders for their continued understanding and support of our Group.



Value Creation Process

We leverage our expertise in grains, which is the strength of the Showa Sangyo Group, from every angle, to provide the “delicious answers = grain solutions” that users seek.



Management Capital



Manufacturing capital

■ Integrated production unique to our Group

- The by-products generated during the manufacturing processes of the Flour Milling, Vegetable Oils, and Starches and Sweeteners Categories are effectively utilized by the Animal Feed Business as raw materials for compound feeds. These by-products include bran, soybean meal, canola meal, and gluten feed.
- Our unique corn oil supply chain allows us to integrate production within the Group. This includes corn sourcing, corn germ production, and corn oil extraction and refining.

■ Our own grain silos

- We have one of the largest grain silos in Japan and store grain for other companies. The total capacity of our these silos at our three plants is about 365,000 tons (Showa Sangyo Group not consolidated). This is the equivalent of about 216 fifty-meter swimming pools for sporting events.
- The Kashima and Kobe plants have dedicated berths capable of receiving Panamax-class large-scale grain carriers.

■ Funabashi Premix No.2 Plant started operations

- Funabashi Premix No.2 Plant, which began operations in June 2022, specializes in the production of sachet products. The latest automated equipment and the use of IoT have enabled us to achieve high productivity, labor savings, and shorter production lead times. The annual production capacity for sachet products is approximately 28,000 metric tons. This is approximately double the capacity of the previous facilities, which were primarily operated by hand.

■ Safety and reliability initiatives

- Based on our “3 Principles of Safety and Reliability,” all standards are being reviewed, from raw material procurement to shipping. Furthermore, we are engaging in activities aimed at improving the level of our manufacturing environment.



Intellectual capital

■ Our strengths as professionals in grains

- Our product development capability is a combination of diverse food ingredients, technologies and know-how. It is through this capability that we deliver value from a customer perspective.
- We identify our customers' true needs through our marketing ability. We have cultivated this ability by capturing, accumulating, and combining the needs of various fields through close communication with a diverse and large number of customers.

■ Maximization of the use of intangible assets

- As digitalization accelerates, we are working to utilize production data at plants to achieve high-yield and stable production. Additionally, we are digitizing know-how and other technologies and information to facilitate more effective sharing. We also promote R&D efficiency by using digital technology to visualize the structure of foods and the flowability of powders, and to design premix formulations.
- To properly and reliably protect our Group's products and services and those of our customers, we apply for patents and take measures against counterfeit products overseas. We also use intellectual property information such as patents in our Group's sales activities.

■ Challenges for new businesses

- In agribusiness, the improvement of plant factory equipment and cultivation technology has increased production volume and the variety of vegetables that can be produced. Now we will try to develop high-value-added vegetables.
- In the plant-based foods business, we will develop new ingredients and their applications in response to customer needs, not only for meat substitutes, but also for an environmentally friendly protein and healthy ingredients.



Human capital

■ Grain professionals

- Since our inception, we have thoroughly researched a wide variety of grains such as wheat, soybeans, canola, and corn. We are now grain professionals who fully understand the power and potential of even one grain of each ingredient.

■ A workplace where employees can work with energy and peace of mind

- Under the Showa Sangyo Group Diversity Management Declaration, we will create an environment in which diverse human resources can work comfortably and positively influence each other so that they can easily demonstrate their individual abilities. In doing so, we will foster an organizational culture that promotes employee well-being and enables them to perform at their best as individuals and as teams.
- To reform into an organization that actively leverages diversity, we have established a Diversity & Inclusion (D&I) Promotion Section within the Human Capital Strategy Department. This section is dedicated to exploring and implementing D&I-related measures in an integrated manner.

■ Develop human resources capable of creating value in the midst of change

- As a Grain Solution Company, we need to further enhance our ability to identify the true causes of customers' problems and provide optimal solutions, as well as our ability to face the uncertain future and create new value in a forward-looking manner. Therefore, we have defined two concepts for our human resources development: boosting problem-solving skills and driving innovation. Based on these concepts, we will develop the next generation of leaders who will shoulder our businesses.
- Our training system focuses on job-level-specific training to support the growth of autonomous human resources and develop the next generation of leaders. Each training program is interlinked with the HR system and other career development measures, so they serve as a roadmap for developing one's career.



Social capital

■ Stakeholder engagement

- We disclose information to each stakeholder and facilitate dialogue with them in various situations. Our Investor Relations (IR) activities are designed to provide all stakeholders with a deeper understanding of the direction in which our Group is moving.
- In January 2024, we formulated the Multi-Stakeholder Policy to guide corporate management in building relationships not only with shareholders, but also with customers, business partners, investors, local communities, employees, and other diverse stakeholders.

■ Strengthening supply chain management

- In January 2024, we as a Group registered the Declaration of Partnership Building to build new partnerships by promoting co-operation, coexistence and co-prosperity with our supply chain business partners and value-creating companies.
- To strengthen BCP measures, we are addressing driver shortages, collaborating with the Group's grain silo companies, preparing for disasters and promoting infectious disease control.

■ Participating in the development of the Osaka, Kansai Expo venue as a sponsoring supplier

- By-products from the primary processing of grain will be used as roofing material for Gallery West, a facility in the venue of the Expo 2025 Osaka, Kansai. In addition, we provide “Daichi no Mino-Re,” our garbage bags containing non-food biomass derived from grains (wheat and corn) we handle. These bags will be used for parking lots and transportation terminals outside the venue.



Natural capital

■ Initiatives to achieve 99.9% food recycling

- We achieve 99.9% food recycling by effectively utilizing by-products from flour, vegetable oil, starch and sweetener manufacturing processes mainly as raw materials for compound animal feed.
- Our business model maximizes use of nature's bounty of grain, including use beyond raw ingredients in compound animal feed, such that none is wasted, as we engage in various initiatives to build a sustainable society with limited burden on the environment.

■ Reducing burden on the environment

- As a Group, we have set an environmental target of reducing CO₂ emissions by at least 30% by FY2025 and by 46% by FY2030 from FY2013 levels.
- A new biomass boiler for power generation will be installed at the Kashima Plant, our main plant. The capital investment is approximately 3.5 billion yen. The boiler is scheduled to be completed in FY2025 and put into operation in FY2026.
- In April 2024, all non-solar electricity at the Itako Mix Branch Plant, the Funabashi Plant, and the RD&E Center became CO₂-free.
- The Internal Carbon Pricing system* was introduced in April 2024. We have started with Showa Sangyo Co., Ltd., and will gradually extend it to our Group companies as we verify its effectiveness.

* The Internal Carbon Pricing system is a system to drive decarbonization by evaluating investment plans and other projects based on entities' own internal carbon price to make decisions.



Financial capital

■ Total assets

- There was an increase of 14.4 billion yen in the amount, from 247.7 billion yen as of March 31, 2023, to 262.2 billion yen as of March 31, 2024.

■ Revision of funding allocation plan (FY2023-2025)

- We have revised the three-year cumulative cash inflow from ¥69.0 billion to ¥80.0 billion. Of this amount, the amount of operating cash flow generation was revised from ¥56.0 billion to ¥70.0 billion.
- The three-year cumulative cash outflow of 80 billion yen is expected to include 33.0 billion yen for growth investments (M&A investments, production efficiency improvements, and new businesses) and 29.0 billion yen for maintenance and replacement investments.

■ Asset light initiatives

- To effectively utilize management resources and improve capital efficiency, we sold the Motoyawata Building in April 2024.
- It is our policy to reduce cross-shareholdings in accordance with our shareholding criteria. In FY2023, we sold some shares as a result of the Board's review of the significance of our shareholdings.

■ Utilization of SDG bonds



















- We have entered into a Sustainability-Linked Loan financing agreement under the Sustainability-Linked Financing Framework in FY2023.

■ Repurchase and cancellation of treasury shares

- In May 2024, we repurchased and cancelled 3.4 billion yen of treasury shares to address concerns about future share dilution.

Materialities and KPIs

The Showa Sangyo Group has stipulated three materiality themes and seven materialities in order to advance initiatives for achieving sustainability.

Materialities	Priority themes	Related opportunities and risks ○ Opportunity ● Risk	Main initiatives in the Medium-term Management Plan 23-25	Related Medium-term Management Plan Key Strategies	Related KPIs in the Medium-term Management Plan 23-25	Target SDGs for contribution
1. Contribution to society through our food businesses						
(1) Supply safe, reliable and high-quality foods	Expansion of customer base Ensuring safe, reliable, 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	<ul style="list-style-type: none"> Reinforcing product sales by transforming into “one-stop” sales models Strengthening business scope expansion and profitability through links among Group companies Optimization of product lineup and sales price Seeking more procurement regions for raw grains Centrally managing energy procurement in the Group Operating food safety and quality management system 	① Strengthening Our Core Businesses ⑤ Reinforcing Stakeholder Engagement	<ul style="list-style-type: none"> Growth in ordinary profit through strengthening core businesses: +2.7 billion yen Cost reduction through production improvements: More than 1 billion yen / over 3 years in total 	  
(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	<ul style="list-style-type: none"> Expansion of value-added products sales by differentiation strategy Advancement into new frozen food category for foods with premix products and soy protein products as raw materials Advancement into new businesses, such as plant-based foods, fine chemicals, and oleochemical Expanding overseas businesses by strengthening existing businesses in the ASEAN region and developing new businesses Strengthening export business by utilizing our branding and quality 	② Expansion of Our Business Fields	<ul style="list-style-type: none"> Growth in ordinary profit in overseas business and frozen food business: +800 million yen 	  
2. 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	<ul style="list-style-type: none"> Continuous efforts to achieve environmental targets (reduction in water usage, food loss, CO₂ emissions, plastic usage) Advanced utilization of biomass Promotion of modal shift Establishing a roadmap toward carbon neutrality 	③ Reducing Burden on the Environment	<ul style="list-style-type: none"> Reduction of CO₂ emissions: 30% or more Reduction of food loss: 30% or more Reduction of water usage: 9% or more Reduction of plastic usage: 7% or more 	   
3. 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	<ul style="list-style-type: none"> Transform into an organization to take full advantage of our diversity activities Promoting strategic investment and enhancing human resource management Transform into a highly engaged organization Maintaining sound worker and employer relations 	④ Rebuilding Our Platform ⑤ Reinforcing Stakeholder Engagement	<ul style="list-style-type: none"> Proportion of women in management positions: At least 10% Investment in reskilling: More than double (vs. 2021) 	 
(5) Harmonious association with local communities	Promotion of CSR activities (food donation, etc.)	○ Gaining fans of our Group ● Loss of trust due to lack of interaction with local communities	<ul style="list-style-type: none"> Implementing Sustainability Basic Policy Promote education using grains Providing food in cooperation with NPOs Social contribution and interaction in our regional business sites 	⑤ Reinforcing 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	<ul style="list-style-type: none"> Optimization of delivery routes (including joint shipping) Supply chain management Business partner surveys (human rights, environment, working environment, etc.) 	⑤ Reinforcing 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 ● Lower evaluation from investors due to insufficient disclosure ● Occurrence of opportunity loss and unexpected loss due to negligence in digital investment	<ul style="list-style-type: none"> Advancing business portfolio management by introducing ROIC Permeation and improvement of CCC management Establishment of organizational foundation by reorganization Endorsement of domestic and international environmental initiatives Strengthening IR to individual shareholders and foreign and domestic institutional investors, disclosure in English of IR documents, and providing opportunities for communications with our top management Proactive information disclosure via SNS, etc. Development of HR to promote DX 	④ Rebuilding Our Platform ⑤ Reinforcing Stakeholder Engagement	<ul style="list-style-type: none"> ROIC: 4.0% or more CCC: 75 days Future HR to promote DX: Training of 100 staff members Cost reduction due to digitalization: 130 million yen / year 	

Ensuring Safe, Reliable, and Stable Supplies

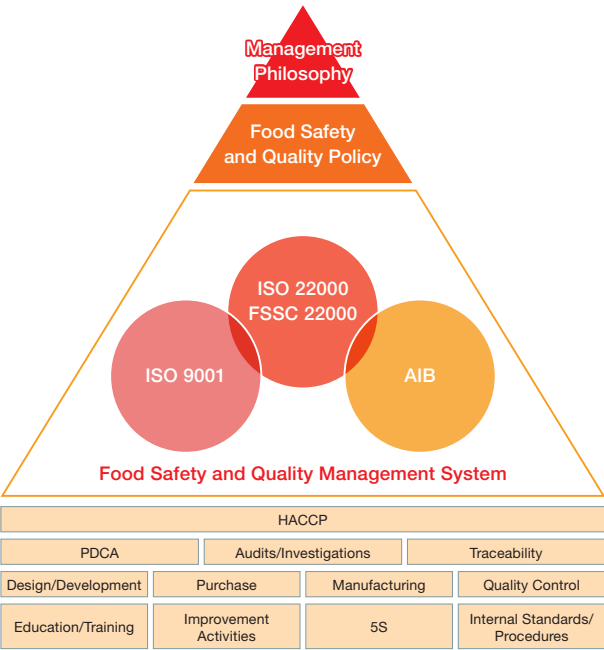
Strengthening Food Safety and Quality Management System

The Showa Sangyo Group establishes its “3 Principles of Safety and Reliability” and employs its own “Food Safety and Quality Management System (FSQMS)” to ensure performance of them. With HACCP*1 as its pillar, this system takes into account features from ISO 22000*2, FSSC 22000*3, ISO 9001*4, and the AIB Food Safety System*5, and is uniquely reorganized by our Group for efficient use. The principles of this FSQMS are applied to Group companies, and through internal audits, lecture sessions, precision management and food safety and quality activities training, we intend to maintain and improve capabilities and disseminate the principles throughout the supply chain, including all Group companies and even delivery companies contracted by Group companies.

Additionally, for the lecture sessions and training sessions, we take measures, such as using web access and videos, in addition to holding in-person sessions to provide the opportunity to take the session regardless of time, place, or number of people. Through the above and other initiatives, we are working to foster a culture of food safety and quality.

Furthermore, we are forming a foreign law and regulation audit system to expand business abroad, providing technical support for overseas Group companies, and strengthening quality control systems for agribusiness, plant-based food and cosmetic materials to expand into new businesses.

*1 HACCP (Hazard Analysis Critical Control Point): In this system, critical control points are established for all processes from arrival of raw materials to manufacture and delivery, and are continuously monitored in order to prevent delivery of products hazardous to humans.
*2 ISO 22000: International specifications for food safety management systems intended for production, delivery and sales of safe food.



*3 FSSC 22000 (Food Safety System Certification 22000): International specifications for food safety systems that clarifies which items should be maintained in order to guarantee food safety, based on ISO 22000.
*4 ISO 9001: International specifications for quality management systems.
*5 AIB (American Institute of Baking) Food Safety System: Framework for external auditors to perform on-site audits at plants in accordance with the “AIB Consolidated Standards for Food Safety,” which places emphasis on GMP (Good Manufacturing Practice), a guideline for manufacturing safe food. It includes ideas about food defense, and the following five items are inspected in the audit: Operational methods and personnel practices, Maintenance for food safety, Cleaning practices, Integrated pest management, and Adequacy of prerequisite and food safety programs.

3 Principles of Safety and Reliability

Based on the ideas in the “3 Principles of Safety and Reliability,” our Group engages in revisions of all standards in the processes from the stage of procurement of raw materials to delivery, and activities to improve the level of the manufacturing environment.

3 Principles of Safety and Reliability

Principle 1. Raw material procurement stage Do not bring in problematic materials	Principle 2. Plant manufacturing stage Do not make problematic products	Principle 3. Delivery stage Do not deliver problematic products
<ul style="list-style-type: none">• Supplier management<ul style="list-style-type: none">On-site audits of main raw materialsPlant audits of secondary raw materialsPlant audits of packaging materials• Precision audits of quality assurance certificate• Quality investigation of received raw materials• Introduction of food defense facilities• Health and productivity management of employees<ul style="list-style-type: none">Response to food poisoning and infections	<ul style="list-style-type: none">• Risk assessment of new product development• Strengthen traceability system• FSQMS investigation activities<ul style="list-style-type: none">Audit activities of own plantsPatrol activities of Group companies• Education of quality managers<ul style="list-style-type: none">Analysis technology (precision management)Sensory evaluation (taste/smell tests)Training at Group companies	<ul style="list-style-type: none">• Audit of our own warehouses• Surveys/instruction for logistics storage warehouses• Contamination prevention during loading and at the time of delivering at the destination• Shutting and locking trucks• Education of workers such as drivers• Sanitation/Quality improvement activities at foreign production bases

Stable Supply (Equipment Maintenance and Investment)

We strive to ensure a stable supply of safe, reliable products by improving equipment specifications and the working environment.

In addition, we engage in preventative maintenance with the establishment of equipment registers and maintenance calendars to manage tens of thousands of pieces of equipment, as well as creating systems that will prevent breakdowns.

Such systems include implementing predictive maintenance based on constant monitoring of equipment status and using breakdown information in the design of production equipment.

We are also investing in labor saving equipment that uses industrial robots and other technology and using DX tools to reduce the workload to address concerns about a shortage of labor in the future.

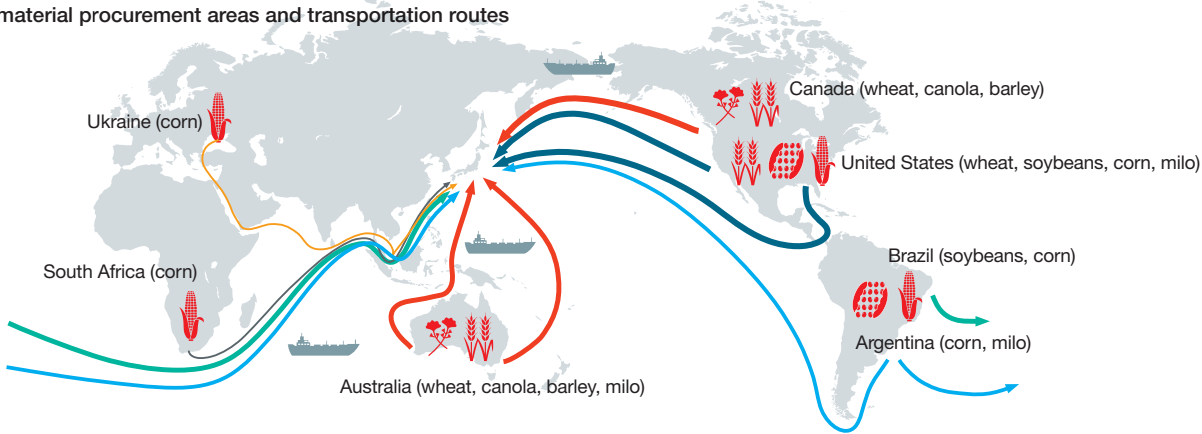
Ensuring safety	Stable operation of production equipment	Addressing labor shortages
<ul style="list-style-type: none">• Ensuring food safety<ul style="list-style-type: none">▶ Design of equipment that complies with laws and regulations and the Company's own FSQMS▶ Creation of manuals at the time of construction (address the risk of contamination by foreign objects)• Ensuring occupational safety<ul style="list-style-type: none">▶ Improvement of safety education and the workplace environment▶ Acquisition of qualifications and skills▶ Participation in external lectures	<ul style="list-style-type: none">• Preventing equipment breakdowns<ul style="list-style-type: none">▶ Maintenance-based management using equipment registers and maintenance calendars▶ Establishment of guidelines for updating aging equipment• Anticipating and preventing equipment breakdowns<ul style="list-style-type: none">▶ Predictive maintenance based on constant monitoring of equipment status• Preventing recurrence of breakdowns<ul style="list-style-type: none">▶ Development of breakdown information tools▶ Use of breakdown information in equipment design	<ul style="list-style-type: none">• Labor saving<ul style="list-style-type: none">▶ Introduction of robots in packaging process▶ Automation of inspection work• Reducing workload<ul style="list-style-type: none">▶ Digitalization of manufacturing records and daily reports▶ Automation of administrative work using RPA• Human capital development<ul style="list-style-type: none">▶ Implementation of maintenance skills training▶ Acquisition of qualifications and skills

Stable Procurement Initiatives

We have strengthened supply chain management (consideration for the environment and human rights, diversification of procurement risk, etc.) based on the Showa Sangyo Group Procurement Policy to ensure the sustainable and safe procurement of raw materials. As geopolitical and climate change risks become more apparent, we are diversifying procurement areas as a measure to ensure stable procurement.

In addition, we stockpile raw materials using the Group's grain silos to prepare for the unexpected. We hold a stockpile of 2.3 months' supply of wheat for food and three weeks' supply of animal feed grains, which are anticipated to be the recovery periods in the event of an emergency such as a disaster.

Raw material procurement areas and transportation routes



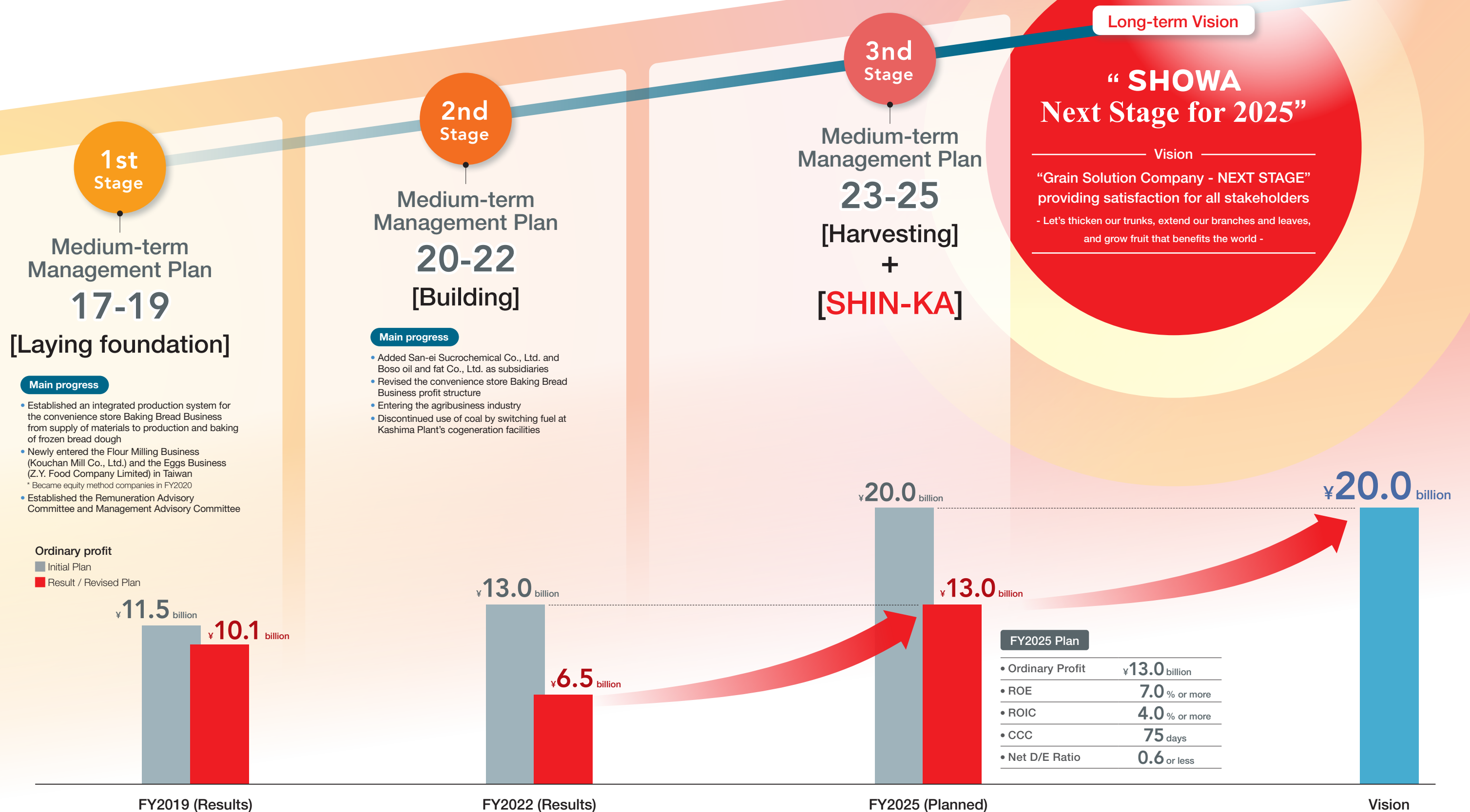
Takafumi Saito
Grain Procurement Dept.

Covering supply delays due to Panama Canal transit restrictions by procuring soybeans from other production areas

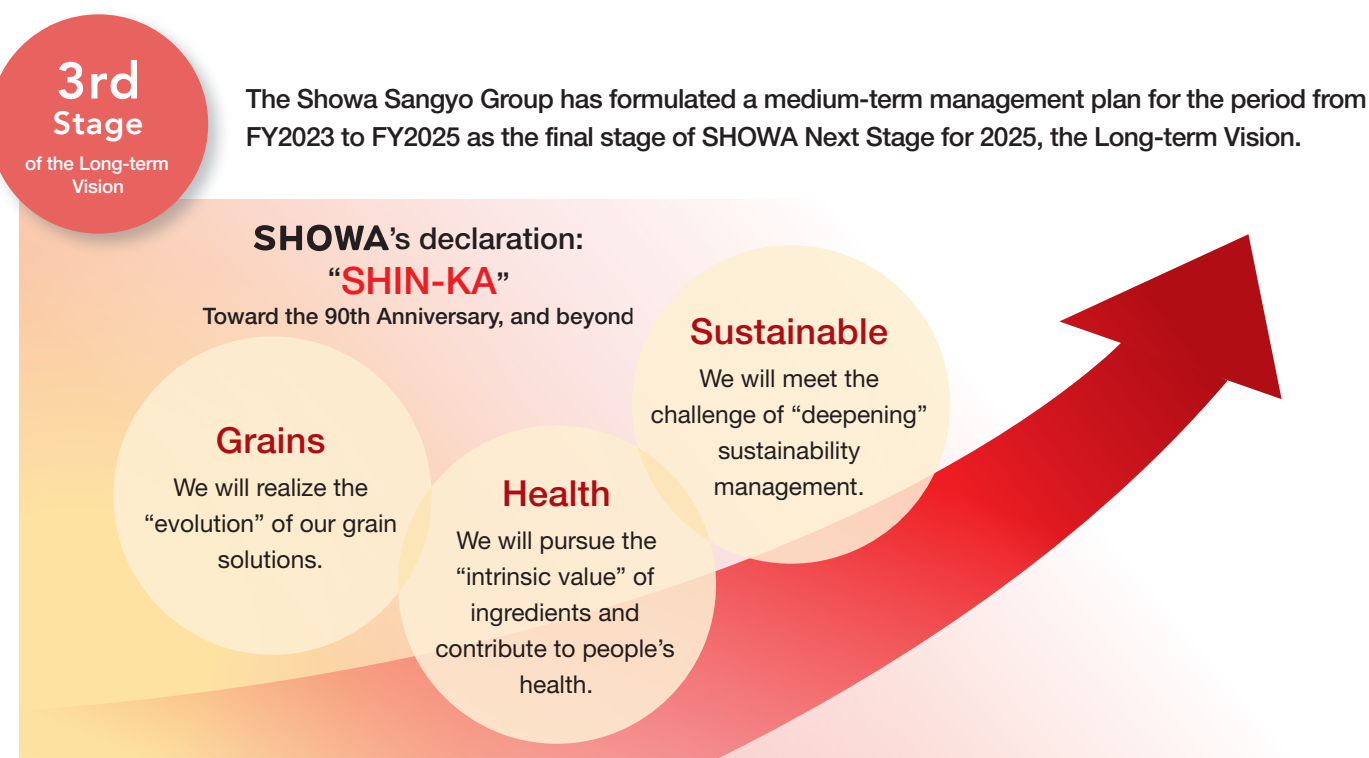
Last winter, grain ships were unable to pass through the Panama Canal due to a drop in the water level, which resulted in tight supply and demand conditions for soybean raw materials. Showa Sangyo imports raw materials through trading companies, and we hurriedly procured soybeans from the west coast of the United States to maintain our supply of raw materials. This was made possible by the fact that we were routinely checking the quality of various production areas and communicating with trading companies in preparation for an emergency. In the future, I hope we will continue contributing to healthy, rich, and varied meals through the stable procurement of raw materials.

Roadmap to Realization of Long-term Vision

As our vision for Showa Sangyo in FY2025, the year of our 90th anniversary, we formulated the Long-term Vision SHOWA Next Stage for 2025, and we will pursue this vision by developing three successive three-year Medium-term Management Plans over the nine year period of 2017 to 2025.



Medium-term Management Plan 23-25



Basic Concept

Showa Sangyo, which will celebrate its 90th anniversary in FY2025, fulfills a social mission to provide stable supplies of safe and secure food while continuing to grow toward realization of the Group's vision.

Having made our "SHIN-KA" declaration, we will evolve our grain solutions as Professionals in Grains and pursue the intrinsic value of ingredients, while being committed to deepening sustainability management through initiatives aimed at contributing to people's health and reducing burden on the environment.

Five Key Strategies

We will implement two business strategies, "strengthening our core businesses" and "expansion of our business fields." At the same time, we will also focus on "reducing burden on the environment," "rebuilding our platform," and "reinforcing stakeholder engagement," which will support our business strategies from the perspective of enhancing our sustainability management capabilities. These five key strategies are also linked to our materialities. [See page 29 for details.](#)

Main progress

(1) Strengthening Our Core Businesses	<ul style="list-style-type: none"> Implemented first radical reorganization of sales departments since being founded Entered into capital and business alliance with Tsuji Oil Mills Co., Ltd. Updating and newly establishing automated high-bay warehouse for flour milling inside the Kobe Plant (scheduled to be completed and commence operation in February 2026) Implemented business structure reform at three Group companies in the Starches and Sweeteners Category
(2) Expansion of Our Business Fields	<ul style="list-style-type: none"> Consolidated export operations in the Overseas Business Development & Sales Dept. to promote reinforcement and expansion of the export business base Participated in establishment of FoodTech One Corporation as part of promoting plant-based foods business
(3) Reducing Burden on the Environment	<ul style="list-style-type: none"> Introducing biomass boiler at the Kashima Plant (scheduled to be completed during and FY2025 and to commence operation in FY2026) Switched to effectively 100% renewable energy for the electricity used at the Itako Mix Branch Plant of the Kashima Plant and the Funabashi Plant (including the adjacent RD&E Center) Introduced Internal Carbon Pricing system
(4) Rebuilding Our Platform	<ul style="list-style-type: none"> Improved capital efficiency through transfer of fixed asset (Motoyawata Building) Appropriately reduced cross-shareholdings in accordance with shareholding criteria
(5) Reinforcing Stakeholder Engagement	<ul style="list-style-type: none"> Formulated and published the Multi-Stakeholder Policy Formulated and published the Voluntary Action Plan to optimize logistics and increase productivity

Financial KPIs and Quantitative Effects of Priority Measures

Under Medium-term Management Plan 23-25, we have introduced ROIC as a new management indicator, as we are working to advance business portfolio management by developing business evaluation and rules for allocating management resources. In addition, focusing on the KPIs that make up ROIC, including cash conversion cycles (CCCs), will increase corporate value.

We also aim to generate further profit by steadily implementing each of the measures.

	FY2022 Results	FY2023 Results	FY2025 Plan	Compared to FY2022
Ordinary profit (Billions of yen)	6.5	16.5	13.0	200%
ROE (%)	7.1 ^{*1}	10.2	7.0% or more	—
ROIC ^{*2} (%)	1.8	5.3	4.0% or more	2.2 percentage point increase
CCC (Day)	91	87.3	75	16 days shorter
NET D/E Ratio	0.5	0.35	0.6 or less	—

^{*1} Approximately ¥5.2 billion in gain on sale of non-current assets (extraordinary income) was generated in FY2022 due to the sale of the Shosan Ageo Building.

^{*2} Definition of ROIC: ROIC = Operating profit after tax ÷ Invested capital (Net interest-bearing debt + Shareholders' equity)
Operating profit after tax is calculated with income taxes as 30% of operating profit.

Non-Financial KPIs

Environmental targets

[See page 55 for details.](#)

	Medium-term Management Plan Targets	Showa Sangyo Group Environment Targets
Reduction of CO ₂ emissions	FY2025 Targets -30% or more Compared to FY2013	FY2030 Targets -46% or more
Reduction of food loss	FY2025 Targets -30% or more Compared to FY2018	FY2030 Targets -30% or more
Reduction of water usage (basic unit)	FY2025 Targets -9% or more Compared to FY2019	FY2030 Targets -12% or more
Reduction of plastic usage (basic unit)	FY2025 Targets -7% or more Compared to FY2013	FY2030 Targets -25% or more

Human capital management

[See page 57 for details.](#)

	Medium-term Management Plan Targets
Drastic promotion of D&I*	<ul style="list-style-type: none"> Proportion of women in management positions: Above 10% in FY2025
Strategic investment in human capital	<ul style="list-style-type: none"> Investment in reskilling: More than double in FY2025 (vs. FY2021)
Improvement of employee engagement	<ul style="list-style-type: none"> Engagement Score: Target score to be announced during the term of the Medium-term Management Plan 23-25

* D&I: Diversity and inclusion

Digital strategies

[See page 48 for details.](#)

	Medium-term Management Plan Targets
Promoting digitalization	<ul style="list-style-type: none"> Digitalization promotion costs: 4.5 billion yen over 3 years (1.2 billion yen for growth investment)
[Main measures 1] Introduction of multifaceted analytical DB and Dashboard	<ul style="list-style-type: none"> Sales transformation through effective use of customer information (customer analysis → sufficient customer proposals) Cost reduction: 60 million yen per year
[Main measures 2] Development of HR to promote DX	<ul style="list-style-type: none"> Future HR to promote DX: Training of 100 staff members Cost reduction by deploying "No-code development tools": 70 million yen per year

RD&E strategy

[See page 41 for details.](#)

	Medium-term Management Plan Targets
Expansion of Our Business Fields	<ul style="list-style-type: none"> Strengthen R&D in frozen food businesses and new business fields Improve production technology of overseas production bases
Utilization of IT/AI technology	<ul style="list-style-type: none"> Promotion of smart factories
Reduction of costs through production improvement activities	<ul style="list-style-type: none"> Cost reduction: More than 1 billion yen / over 3 years in total

Business Management & Sales Strategy

Message from Manager of Business Management & Sales Division



Tatsuya Yamaguchi
Director Managing Officer
In charge of Business
Management & Sales Division

Scope of supervision:
In charge of Business Management & Sales Division
(Business management and sales strategy and
overall sales activities of the Showa Sangyo Group)

Showa Sangyo Group's Role in an Era of Change

In FY2023, the first year of Medium-term Management Plan 23-25, the Showa Sangyo Group, which handles a wide variety and large volume of grain, was kept busy responding to the speed and breadth of change in a rapidly changing environment. With cost-push inflation, consumer appetites and market size have frozen, so the challenge from now on will be how we can stimulate demand.

Customers' issues and requirements are also changing alongside changes in the environment, and the Group needs to fulfill its responsibility for a stable supply of safe and reliable products while providing value in response to change. In the current situation of rising costs, we will collaborate with the Technical Division to provide products that help solve customers' issues, such as products that maintain quality while controlling prices and products that are less prone to deterioration in quality over a long period of time.

The reorganization into one-stop sales departments implemented last year matches this era of change, and I feel very confident about it. I believe we were unable to respond promptly to changes in the issues and requirements of customers under the previous system. Nevertheless, there are still some deficiencies in internal structures and the proficiency level of sales staff.

It is challenging to balance the deepening of expertise with expansion in the area of proposals, but the staff have a positive attitude and are working hard. As the management team, we have to respond to their hard work properly. We will provide the maximum support for our employees to enable them to succeed and experience enjoyment in their work. Such support includes rotations that lead to the appropriate allocation of human resources and improvement in skills and enhancement of educational content through the use of digital technology.

Expansion of Our Business Fields and Business Portfolio Management

To expand foreign business, we established Showa Sangyo International Vietnam Co., Ltd. (SSIV) in April 2024 and made preparations for the operation of a premix plant in FY2025. Vietnam, which is experiencing rapid economic growth, is an attractive market. We plan to use SSIV as a hub for expansion into neighboring countries in the future.

In terms of challenges for new businesses, we have been taking initiatives to commercialize plant-based foods, fine chemicals, and oleochemicals and we are starting to see results little by little. We hope to create new markets by ensuring profit in our core business and aggressively investing the capital generated into new businesses.

We see synergies between our businesses as the Group's biggest strength, and this is an area that our competitors are unable to break into. For example, although there are other companies that handle corn oil, only the Showa Sangyo Group can create synergies between the Vegetable Oils Business and Starches and Sweeteners Business. Our Animal Feed Business, which uses by-products such as wheat bran and soybean and canola meal created in food manufacturing processes as raw materials, and our silo business, which handles multiple types of grain, are perfect examples of the synergies between our businesses.

We believe that business portfolio management at the Group is a management approach that allows us to maximize our own strengths by extending the depth of our businesses and strengthening our inter-departmental connections.

The business environment around us is likely to continue changing significantly in the future, but we will continue to adapt flexibly while evolving and moving forward rapidly.

Strategy by Business

Foods Business



External Environment

It is anticipated that demographic changes (aging population, family structure, etc.), growing awareness of health, and greater interest in sustainability will continue in the domestic market. Moreover, since the COVID-19 pandemic, needs and consumption styles around "food" in Japan have become increasingly segmented and diversified, and the speed of this process has accelerated. Meanwhile, the procurement of raw materials is expected to become increasingly unstable due to the manifestation of climate change and geopolitical risks and

expanding global demand and the cost of delivering products to customers also looks set to increase in the future, including in response to increased logistics costs as a result of the so-called 2024 problem resulting from the overtime cap for truck drivers.

In overseas markets, consumer purchasing power and needs are expected to rise due to global population growth and the expansion of the middle-income segment in emerging countries.

Going forward, it will be increasingly necessary to respond to diversifying needs while simultaneously providing a stable supply of products.

Flour Milling Category

Strengths

- Development and proposal capabilities using technical knowledge that has synergies with other businesses
- Production system that takes advantage of seven production sites (flour milling, premixes, and pasta), including Group companies
- Diverse and extensive sales channels possessed by other businesses and Group companies
- Development of overseas business (East Asia and Southeast Asia) based on advanced technical capabilities

Review of FY2023

In the Flour Milling Category, we worked to achieve a higher level of synergies through one-stop proposals organized by business category following the April 2023 reorganization and recorded sales and profit growth as a result of price revisions and acquisition of new business partners.

We also strengthened collaboration between the five companies and their seven plants in the flour milling group and rolled out initiatives to increase productivity, lower costs, and reduce environmental burden across the Group. In addition, we made ongoing efforts to lower costs through optimization of production sites. For premix products, we optimized sites in eastern and western Japan, including those of Group companies, and worked on transferring production of sachet products, including contracted products, to the Funabashi Premix No. 2 Plant.

Strategy for FY2024

In light of wheat price revisions and cost increases in other secondary ingredients, logistics, energy, and packaging materials, we have implemented price revisions for wheat flour, premix products, and pasta. Leveraging the strength of our one-stop sales structure organized by business category, we will achieve an even higher level of synergies and accelerate the development of new customers and markets. We will continue working for further increases in productivity through collaboration between the five companies and their seven plants in the flour milling group. For premix products, we will concentrate production at the high-efficiency Funabashi Premix No. 2 Plant, which will also collaborate with Group companies to improve operations and optimize sites in order to engage in production and sales that meet the needs of customers. For baking bread, the Group will join forces to continue promoting business structure reform and implement initiatives to improve productivity and reduce food loss in order to ensure profits.

Updating of flour mill automated high-bay warehouse at the Kobe Plant

There is a need to address the so-called 2024 problem and green logistics which reduces CO₂ emissions through modal shift, consolidation of transport hubs, and other methods. To address these issues, the new automated high-bay warehouse will use computers to centrally manage everything from manufacturing to storage, picking and shipping. This will realize automation and labor savings for tasks that currently require manual labor and reduce loading and waiting times, thereby improving and increasing the efficiency of logistics functions. Showa Sangyo endorses the "White Logistics" movement and listed changes to warehouse layouts as shipper facility improvements in its voluntary action declaration. With capital investment of 3.5 billion yen, the warehouse is scheduled for completion and commencement of operation in February 2026.

Vegetable Oils Category

Strengths

- Extraction and production of oil from a variety of oil raw materials, including soybeans, canola, corn, and rice bran
- Efficient production system based on our own plants in east and west Japan and utilizing Group company and partner plants
- Integrated production of soy protein from raw soybeans
- Location of plant in Kashima, the largest consumption area for by-products (soy meal, etc.), with direct supply via conveyor to some major users

Review of FY2023

Prices of raw materials for oils and fats have moderated since the historic highs in FY2022 and the domestic market is also recovering gradually due to a recovery in restaurant and tourism demand.

Nevertheless, in an environment where costs remain unstable due to the depreciation of the yen and other factors, we focused on the establishment of fair prices commensurate with costs and strengthening issue solution-type sales that provide value that matches price. In particular, in FY2023, which was the first fiscal year of the reorganization, we succeeded in providing proposals for oils and fats to customers in a wider range of channels than ever before, and sales volume exceeded the previous year for both commercial products and household foods.

Strategy for FY2024

In order to provide customers with a stable supply of safe and

reliable products, we will work for sales at fair prices. We will also work more closely with customers to provide proposals for products that meet their requirements and solve their issues.

For example, we will offer proposals that improve the quality of customers' end products, such as oil for frying that prolongs the texture of freshly fried food and oil for cooking rice that reduces ageing due to low temperature. We will also offer proposals that improve the working environment of customers, such as oil for frying that is easy to clean up and frozen food that allows shorter cooking times. Other proposals will reduce total costs using oil for frying that lasts longer with reduced deterioration in oils and fats. In addition, we will contribute to increasing customers' sales with proposals for a wide range of oil types leveraging our strength in pressing all the four major types of oil that are processed from raw materials (soybeans, canola, corn, and rice) in Japan within our own Group.

Starches and Sweeteners Category

Strengths

- Industry-leading scale of operations
- Framework for stable supply with three manufacturing sites in the Group and eastern Japan's largest manufacturing site in the Kashima area
- Approximately 70% share of the crystalline glucose market (Showa Sangyo research)
- Affinity with other categories, including premix products and vegetable oils

Review of FY2023

We succeeded in restoring sales volume to the pre-pandemic level through one-stop proposals organized by business category following the April 2023 reorganization, which also led to an increase in sales volume for functional products such as powdered corn syrup.

We also worked to establish a stable supply system and low cost operations at Showa Sangyo, San-ei Sucrochemical, Shikishima Starch, and other Group companies and strengthened the supply chain in the Starches and Sweeteners Category.

Strategy for FY2024

Amid rising awareness of sustainability, the Starches and Sweeteners Category, which accounts for a high proportion of the CO₂ emissions and water usage within the Group, will work to reduce its environmental impact as a priority with the aim of solving issues to realize a sustainable society and enhancing corporate value through this process.

We will maintain and further expand and strengthen the corn oil supply chain initiatives commenced through the capital and business alliance with Tsuji Oil Mills Co., Ltd. in FY2023.

Moreover, in order to meet diversifying needs, we will promote the development, proposal, and sale of functional products such as powdered corn syrup and crystalline glucose.

Animal Feed Business

Strengths of the Animal Feed Business

- Group production sites in the Kashima and Shibushi areas, Japan's leading areas of demand for animal feed
- Stable supply framework for animal feed raw materials through by-products produced in other businesses
- Collaboration with silo business, including Group companies

Review of FY2023 and Strategy for FY2024 and Beyond

In FY2023, there was a challenging business environment, which included high prices for animal feed raw materials and energy costs as well as a decrease in demand for poultry feed due to avian influenza. In such an environment, we worked to realize sales at fair prices, to promote proposal-type sales for the requirements and issues of each customer, and to expand sales of high value-added products.

In FY2024, we will continue to realize sales at fair prices commensurate with the cost of sales. We will also strengthen the business base through the recovery in volume for poultry feed with the recovery from avian influenza, the promotion of proposal-type sales, and the expansion of sales of high value-added products. In addition, we will strengthen relationships of trust through sales activities that involve working closely with customers, including livestock analysis and support for value adding.

Establishment of new egg washing and grading plants in Taiwan

Z.Y. Food Company Limited, which produces and sells eggs in Taiwan, began operating new egg washing and grading plants in two locations in FY2023. Through the plant, the company aims to expand the washed egg market in Taiwan by implementing management that ensures the same quality as in Japan to supply safe and reliable egg products.

Other

Strengths of the Warehousing Business

- Combined grain storage capacity of Group companies among the highest in Japan
- Largest volume of grain handled among Japanese food manufacturers (Showa Sangyo research)
- Equipped with berths where Panamax ships and other large-scale grain vessels can dock, facilitating low-cost operations in transporting grain raw materials
- Operation of business in regions with high demand for animal feed in the hinterland, such as Kashima and Shibushi

Strengths of the Plant Factory

- Production management, quality control, and other technology developed over many years as a food manufacturer
- Diverse and extensive sales channels possessed by other businesses
- Acquisition of JGAP certification from Japan GAP Foundation

Review of FY2023 and Strategy for FY2024

In FY2023, amid intensifying competition to secure cargo, we worked to increase cargo handling volume in the Warehousing Business by strengthening our engagement with trading companies and our main customers. In FY2024, with rising risks for grain procurement due to major changes in the global situation, we will work to realize stable supply by deepening our partnerships with import trading companies and strengthening our BCP framework. We will also further promote our unique business model under which the Raw

Material Purchasing Department is in charge of silo operations.

In the plant factory area, to address the issues of Japanese agriculture, we aimed to "build a sustainable agribusiness" to systematically and stably produce high-quality vegetables not impacted by the climatic environment. In FY2023, we launched high value-added Korean lettuce in addition to the lettuces we were already handling. We also acquired JGAP certification from Japan GAP Foundation. In FY2024, we will work toward the sale of new high value-added vegetables with the aim of achieving further business expansion.

RD&E Strategy

Message from Manager of Technical Division



Role of Technical Division in SHIN-KA

Labor shortage, the 2024 logistics problem, climate change, and other problems. The environment around us is changing drastically. The Showa Sangyo Group fulfills the critical mission of providing safe, reliable, and high-quality products in a stable manner by leveraging our strengths in handling a wide variety of grains in large quantities. In addition, we will add value from the customer perspective by responding quickly to diversifying needs and leveraging our proprietary technologies and synergies to develop products. The Technical Division sets non-financial KPIs for RD&E strategy and environmental targets, and integrates them with business strategies to strengthen our core businesses and expand the business field. To achieve this, we communicate with our customers to understand their needs and solve their problems through cross-business and cross-company collaboration in and outside the Group and hands-on application. In this way, we pursue the creation of innovations that only our Group can make possible. I believe that the technological and developmental capabilities we have cultivated to date are competitive even overseas. To achieve further evolution, we will focus on training engineers to succeed overseas.

Our Focus on Grain, Health and Sustainability Issues

We are seeking to improve four fundamental elements of factory production: safety, reliability, stability and affordability. At the same time, we are promoting the reduction of environmental burden, the establishment of R&D and production systems for value-added products based on customer needs, the reduction of costs through improved production activities,

and the transition to smart factories.

In terms of grain, our strengths lie in our ability to handle multiple grains and ingredients and to create synergies to provide grain solutions. We leverage these strengths to add value to our ingredients and differentiate our products. For example, the development of VIA LATTEA pasta, which is more elastic and brighter in color than conventional pasta, has been highly acclaimed. Another example is that, when a customer faced issues regarding starches and sweeteners, we proposed a new, better solution using oils and fats, and received high appreciation from the customer.

In terms of health, we focus on the functional components contained in our products. We have launched three foods with functional claims: isoflavones in soy germ, arabinoxylan in strong wheat flour, and beta-conglycinin and isoflavones in Mametan, a textured soy protein. In addition, we will explore the functionality of trace elements in grains to enhance the value of our Group's ingredients.

In terms of sustainability, we are putting the results of our upcycling research into practice. For example, we use biomass as ink for packaging materials and adhesives for household product boxes. Another example is the use of by-products from factory production processes as soil amendments. We will provide by-products from primary grain processing (canola meal, corn gluten meal) as roofing materials for Gallery West, a facility inside the venue for the Osaka, Kansai Expo. In addition, we will support the venue development by providing its biomass-containing garbage bags, "Daichi no Mino-Re:."

We will protect and utilize the intangible assets and intellectual property obtained in the process of solving the issues described above, both in Japan and overseas, in order to further enhance corporate value.

RD&E Strategy

The RD&E strategy is the Showa Sangyo Group's unique technological strategy that integrates Research, Development, and Engineering. By integrating RD&E and business strategies, we aim to strengthen our core businesses and expand our business fields. To achieve these goals, it is critical to combine a market-in approach with a product-out approach: the former is an approach that starts with the customer's needs and the potential needs that the R&D engineer has insight into, while the latter adds high value by deepening the technology.

The Medium-term Management Plan 23-25 sets forth the following RD&E strategies to create value that only our Group can offer.

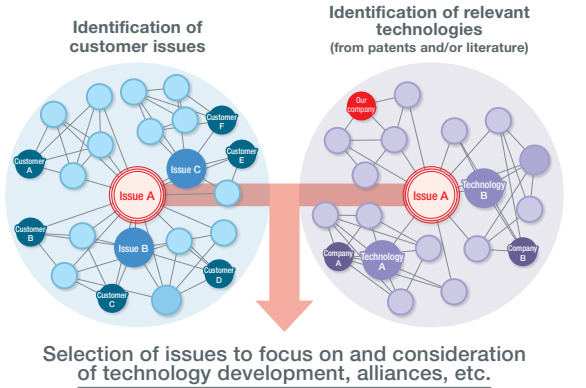
RD&E strategies in the Medium-term Management Plan 23-25

Evolution of the Grain Solution <ul style="list-style-type: none">Boost product development by increasing collaboration between customers and sales and by deepening proprietary technologies.Improve responsiveness to customer needs by streamlining development operations through the use of digital technology	Driving Differentiation Strategy <ul style="list-style-type: none">Strengthening development of value-added products in line with business strategyDevelopment of our original high value-added premixes through a combination of premix technology, modified starch technology and modified oils and fats technology.
Expansion of Our Business Fields <ul style="list-style-type: none">Promotion of the plant-based food (PBF) businessPromotion of the fine chemical business and the oleochemical businessBolstering agribusinessStrengthening R&D of new and highly functional materials	Establishment of production technology to ensure implementation of the key strategy <ul style="list-style-type: none">Establishment of production technology to expand our business fieldsPromotion of smart factories utilizing digital technologiesEncouraging the adoption of energy-efficient production processes and environmentally friendly packaging designCost reduction through production improvements (Cumulative reduction of ¥1.0 billion over 3 years)

Evolution of the Grain Solution

Visualization for deeper understanding of customer needs

The information we hear from our customers is a valuable asset. We combine information about customer issues with patent and literature information and use AI-based text mining to visualize customer needs. This enables us to analyze the data from a new perspective. We will continue to improve the usability of the visualization system and use it to make proposals that are unique to our Group.



Driving Differentiation Strategy

Developing premixes by combining technologies

We develop high value-added premixes through a combination of premix technology, modified starch technology and modified oils and fats technology. By adding new functions to the modified oils and fats we use and applying our formulation expertise, we develop premixes that enable our customers to produce food products with textures and flavors that meet their diverse needs at low production costs. We will continue to provide solutions to our customers by combining our Group's technologies.

Development of wheat flour with new functions

We have developed wheat flour for pastry by researching manufacturing methods that maximize the potential of wheat flour and improving it to meet the needs of our customers. One of the wheat flour brands for pastry that we have launched

is "C blanc+," which enables the baking of soft, moist and fluffy pastries. Another brand, "GEKKABIJIN," is made from Japanese wheat and helps bake pastries that melt in the mouth.

Beverage development by combining technologies

In-depth research into customer needs with a focus on health helped us to develop "HONEKEA DRINK YOGURT FUMI" for home use. This product uses calcium maltobionate, a product of San-ei Sucochemical Co., Ltd. that has three functions: maintaining bone density, which otherwise declines with age; facilitating the absorption of calcium and iron from food; and regulating intestinal conditions. This soft drink with functional claims mainly targets women in their 40s and older, who are more concerned about their bones.

Expansion of Our Business Fields

To commercialize plant-based food

We have launched a new plant-based food brand, SOIA SOIYA, as plant-based food is attracting attention due to growing awareness of food diversity, sustainability and health. The new soy protein product is an ingredient with unlimited possibilities, not limited to meat substitutes. It is formed into belt shapes using our proprietary technology. You can cut it into blocks, sticks, noodles and other shapes as you like. It can be used in a wide variety of dishes because it lends itself well to all cooking methods, such as stewing, roasting, grilling, frying, and boiling. We will promote the development in collaboration with culinary experts and restaurant owners to expand the SOIA SOIYA project widely.



Challenge for agribusiness

We started the challenge for agribusiness in 2020, where we produce and sell vegetables in a plant factory with artificial light. In 2023, we obtained the Japan Good Agricultural Practice (JGAP) certification. We operate with the SDGs in mind. We have also begun to produce high quality herbs by integrating and refining our growing technology with the environmental control technology that we use to increase lettuce productivity.

Fine chemical and oleochemical initiatives

In the fine chemical field, we are promoting R&D through open innovation with external research institutes and other companies. In the oleochemical field, we are researching the derivatization of fatty acids to be used as biofuels and plant-based lubricants. We are participating in the decarbonization promotion project in Sosa City, Chiba Prefecture, which has been selected as a Decarbonization Leading Area by the Ministry of the Environment, and are working to achieve zero carbon in the region.

Establishment of Production Technology to Ensure Implementation of the Key Strategy

Leveraging digital technology for smart factories

As a Group, we are transforming our plants into smart factories for sustainable production, based on promoting safety, reliability, stability and affordability. Our manufacturing sites have adopted IoT and sensing technologies to collect, analyze, and use process data to ensure stable operations and predict failures. In addition, Robotic Process Automation (RPA) allows us to automate routine tasks and drive operational efficiencies. Through these efforts, we have improved the safety and quality of our production activities, reduced costs, and contributed to the environment. We will continue to drive optimization and efficiency in our production activities through the shift to smart factories.

Evolution of digital technology use

As part of our efforts to utilize AI and IT technologies, we have established the “Digital Twin Fundamental Technology Course for Next Generation Powder Process Systems” in collaboration with the School of Engineering of the University of Tokyo, a national university corporation, and other five private companies.

This activity will help advance our Group's production technology research by incorporating the latest technology in powder simulation, with the goal of improving equipment efficiency and energy conservation in manufacturing.

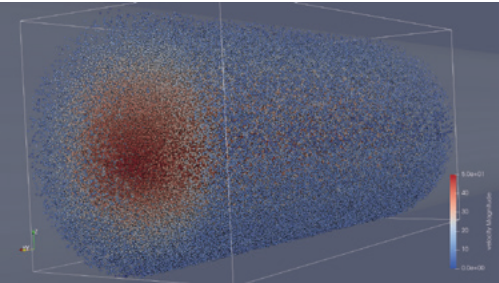
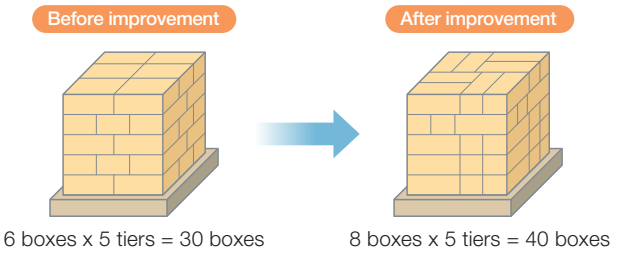


Image of a powder simulation analysis case study

Responding to the environment through design for logistics

By designing product sizes and stacking them according to logistics pallets, we try to improve the efficiency of pallet loading and logistics. This will reduce wasted storage space and improve truck loading rates, helping to reduce CO₂ emissions and solve the 2024 logistics problem.



Aiming for Utilization of Intangible Assets

By leveraging our expertise in grains, we deliver delicious answers that users seek, which we call “grain solutions.” Intellectual property, such as the knowledge and expertise behind such delicious answers, exists not only in R&D, but also in various parts of our value chain, from raw material sourcing to production and sales. We identify and protect each piece of intellectual property in various fields as a source of our strengths to facilitate business development. In addition, we communicate and promote the use of intellectual

property information within the Group to support our strategies, including management strategy, business strategy, sales strategy and R&D strategy.

Number of our registered intellectual property rights (As of July 31, 2024)

	In Japan	Overseas
Patents	224	12
Trademarks	567	75

Strategy	R&D Strategy Sales Strategy	Business Strategy	Management Strategy
Examples of intellectual property utilization for each strategy	<ul style="list-style-type: none">Visualization of intellectual propertyIntellectual property rights acquisition for our defense	<ul style="list-style-type: none">Acquisition of trademark rights to protect our brands for overseas expansion	<ul style="list-style-type: none">Collection and analysis of information and proposals for expansion of business fields
IP landscape implementation			

Examples of intellectual property use

In line with the Key Strategy (Expansion of Our Business Fields) of the Medium-term Management Plan 23-25, we are applying for trademark registration to protect our brands in overseas markets and facilitate overseas business expansion.

In particular, we have obtained trademark and related rights for SHOWA TEMPURA BATTER MIX, our main export product, both in Japan and overseas, and are responding to and taking countermeasures against counterfeit products. This will support our overseas business expansion, as well as promote and enhance our brand value in overseas markets, which we have cultivated for over 60 years as the pioneer of tempura flour.

Initiatives to protect and leverage our brands

Notable examples of trademark registrations

★ : Areas where the trademark rights for and are applied for or registered.

Protection of our Tempura Batter Mix brand (As of July 31, 2024)

Trademarks	Number of countries/regions in which our brands are registered or applied for registration
	48 countries/regions
	45 countries/regions

Financial Strategy and Promoting Digitalization

Message from Manager of Corporate Division



Yoshihiro Hosoi
Director Managing Officer
In charge of Corporate Division
General manager of Planning Management Dept.

Scope of supervision:
In charge of Corporate Division (management planning, finances, human resources, general affairs, digitalization and sustainability)

Role of the Corporate Division

Financial strategies and digitalization are, of course, important, but I feel strongly that we need to step up our efforts in non-financial areas, such as sustainability and stakeholder engagement.

I believe that the mission of the Corporate Division is to keep up with the times (constantly updating with the latest information in specialized fields), to be accurate (ensuring that tasks are performed correctly), and to be efficient (accomplishing more in less time with fewer people).

More and more is asked of the Corporate Division every year, but if it becomes too bloated, the Company will lose its competitiveness. While increasing productivity in existing operations, we will appropriately allocate human and financial resources to new operations required by stakeholders. In doing so, we will ensure that “SHIN-KA,” the basic concept of the Medium-term Management Plan 23-25 is implemented.

Financial Strategy under the Medium-term Management Plan

Cash flow has improved compared to FY2023. The redemption of bonds that we had planned to refinance has been covered by our own funds, as planned at the time of issuance. So I think we are also making room to accelerate our plan to replace aging assets.

In general, we will continue to closely watch interest rate trends and procure funds at the most favorable terms for our Group, using an appropriate mix of direct financing, such as bonds and commercial paper. At the same time, we are conscious of maintaining an appropriate balance between long-term and short-term funds.


When considering procurement of long-term funds, we

will actively look into SDGs bonds to fulfil our Group's social responsibilities and promote initiatives that contribute to the sustainable development of society. In FY2023, we created the Sustainability-Linked Financing Framework and entered into a Sustainability-Linked Loan financing agreement with a financial institution under that Framework.

As demand in Japan is not expected to grow in the future due to the country's declining population, I believe it is critical for our Group to select the necessary investments on which to spend our funds. We will discuss each investment proposal thoroughly to ensure that it meets our hurdle rate criteria, that it is promising, and that its review process is appropriate.




Our policy is to reduce cross-shareholdings in accordance with the Corporate Governance Code. The significance and rationale for holding specific cross-held shares are reviewed annually by the relevant department, taking into account the cost of capital, and reported to the Board. Shares that are determined to be no longer suitable for holding are reduced by sale or other means. During FY2023, some shares were sold as a result of the Board of Directors' review of the appropriateness of the holdings.

In addition, in April 2024, we transferred the Motoyawata Building, which we owned in Ichikawa City, Chiba Prefecture, in order to effectively utilize management resources and improve capital efficiency.

 See page 47 for more details on financial strategies.

Sustainability-Linked Loan

We have set the following KPIs and SPTs for Sustainability-Linked Loan:

KPIs	SPTs	SDGs
Showa Sangyo Group's CO ₂ Emissions (Scopes 1 and 2)	Reduce Showa Sangyo Group's CO ₂ Emissions (Scopes 1 and 2) by 28.1% or more from the level in FY2020 by FY2026.*	  

*The FY2026 target is calculated based on the FY2030 target of the Long-term Vision.

The Sustainability-Linked Loan seeks to promote and support environmentally and socially sustainable economic activities and economic growth. To achieve this, it first requires borrowers to set Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs) that are aligned with the sustainability goals set forth in their management strategy, then links loan terms to their performance against their SPTs. This motivates them to achieve their SPTs.

Shareholder Return as Distribution of Profit

We aim to continue paying stable dividends over the long term while striving for a stable management base. In order to enhance corporate value over the medium to long term, we believe dividends should be determined taking into consideration the balance with growth investment and internal reserves. One of the guidelines for the dividend payout ratio is around 30%.


During this fiscal year, we repurchased and cancelled 990,000 shares of treasury stock to provide flexibility in returning earnings to shareholders and to improve capital efficiency. We will continue to consider a combination of various capital strategies to promote initiatives aimed at the enhancement of corporate value required by society.

Rebuilding Our Platform


We are focused on rebuilding our platform to support our Group's sustainable growth.

To upgrade business portfolio management, we have introduced ROIC and are working to improve capital efficiency. We comprehensively review growth investments for their appropriateness and profitability. I recognize that our strength lies in our ability to make investments that cannot be made in a single business.

The first priority in advancing human capital management is the health of our employees, so we will promote health and productivity management. Based on the results of the engagement survey, we establish and execute action plans for each section. We also take steps to prevent harassment, including the establishment of a harassment consultation office. We will ensure good communication in the workplace to improve employee well-being.

 See page 57 for details on human capital management.

I believe that advancing our digital strategies is critical as the workforce is expected to shrink in the future. In particular, the use of generative AI is mandatory and preparations for its introduction are underway. I would also like to promote smart factories through the use of AI technology. We also recognize the importance of developing personnel to promote DX.


 See page 48 for more details on digital strategies.

Reinforcing Stakeholder Engagement

Our goal is to become an indispensable company for society by increasing our own transparency and earning the trust of our employees, customers, business partners, shareholders, investors, and all those concerned with the global environment, local communities, and NGO/NPOs through appropriate disclosure of information.

I believe that efforts to promote women's empowerment, the environment and human rights are particularly important. Regarding women's empowerment, we are taking steps to meet our KPI of ensuring that 10% or more of management positions are held by women by FY2025. Regarding the environment, in addition to responding to TCFD Recommendations, each subcommittee manages progress against the Group's environmental targets, such as reducing CO₂ emissions. Regarding human rights, we are in the process of responding to human rights risks in our supply chain by conducting questionnaires and interviews with the cooperation of our business partners.

We will further promote partnerships by increasing opportunities for dialogue with individual shareholders and institutional investors in Japan and overseas, and by disclosing information in a timely and appropriate manner, in order to further deepen your understanding of the Group's unique business model.

 For details on stakeholder engagement, see page 61.

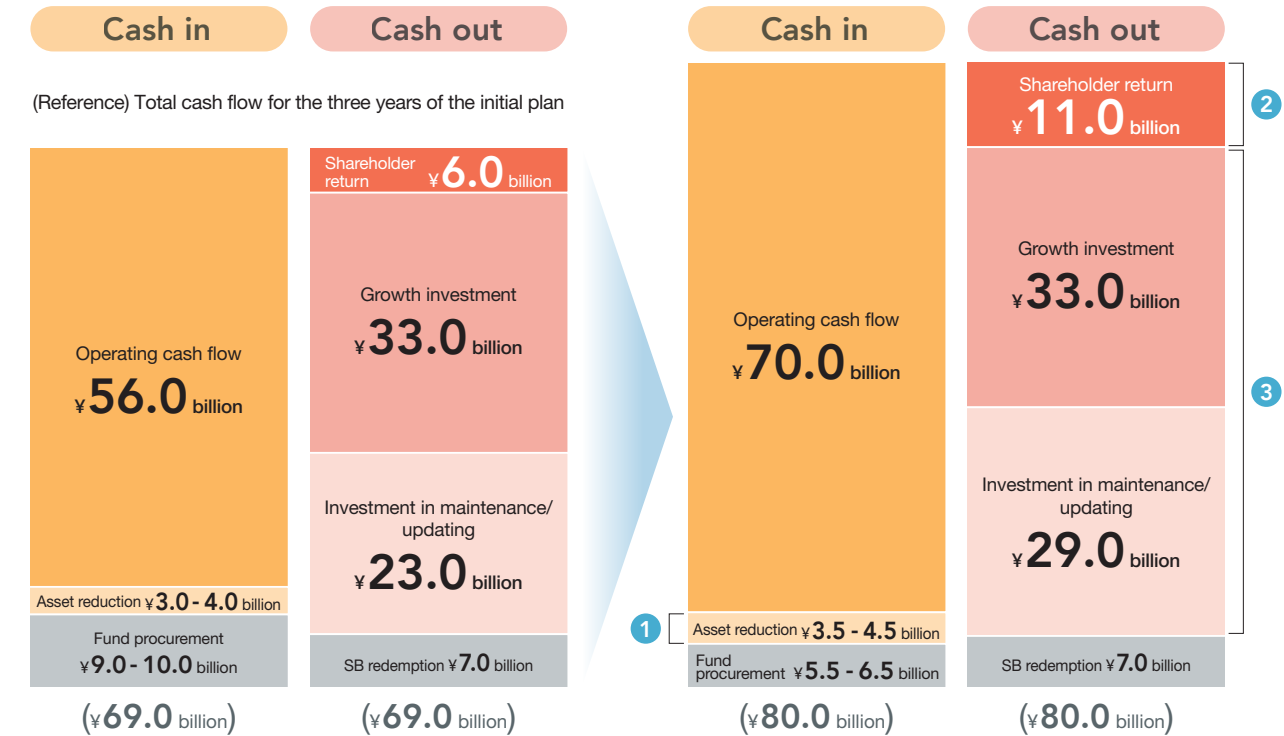
Financial Strategy

Business Investment Plan

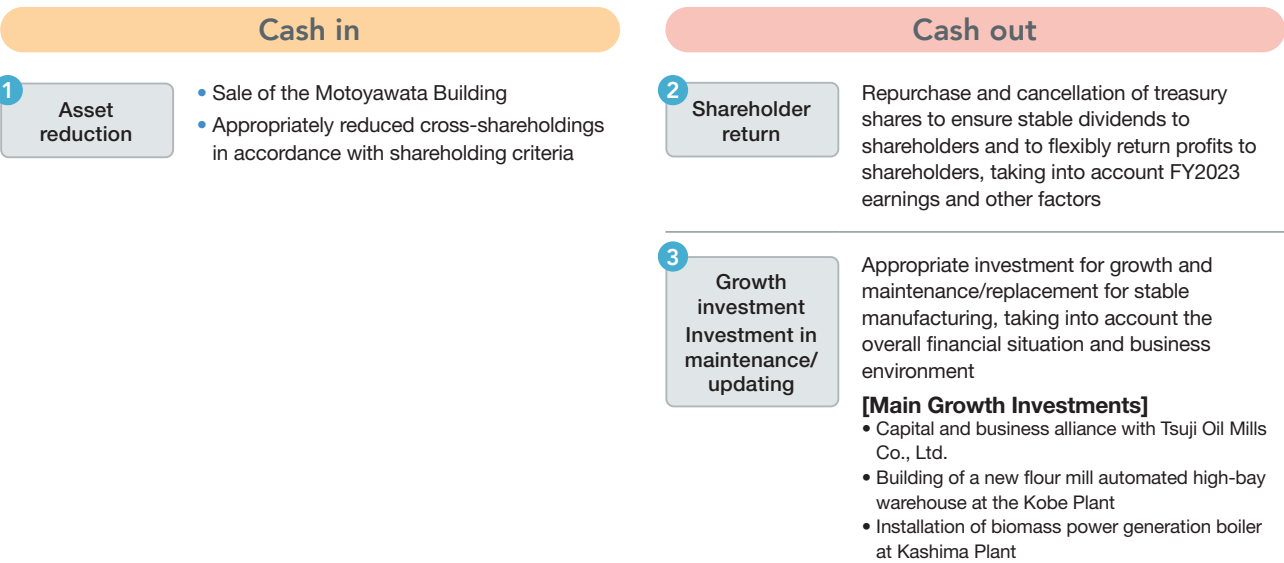
To achieve sustainable growth in our core business, we will invest not only in the general replacement of aging equipment, but also in BCP measures to ensure stable supply in the event of natural disasters or other emergencies, and in smart factories for efficient business management. As part of our smart factory investments, we will improve logistic functions and efficiency by renovating and building flour mill high-bay warehouses at the Kobe Plant, which is scheduled to be completed and put

into operation in February 2026. As part of our growth strategy, we will consider investments to expand our business, including mergers and acquisitions and overseas expansion. We will also make investments related to environmental sustainability. The introduction of a biomass power boiler at the Kashima Plant, to be completed by the end of FY2025 and put into operation in FY2026, is expected to reduce CO₂ emissions by approximately 37,000 tons per year.

Fund allocation plan [total for three years] (FY2023 to FY2025)



Major progress



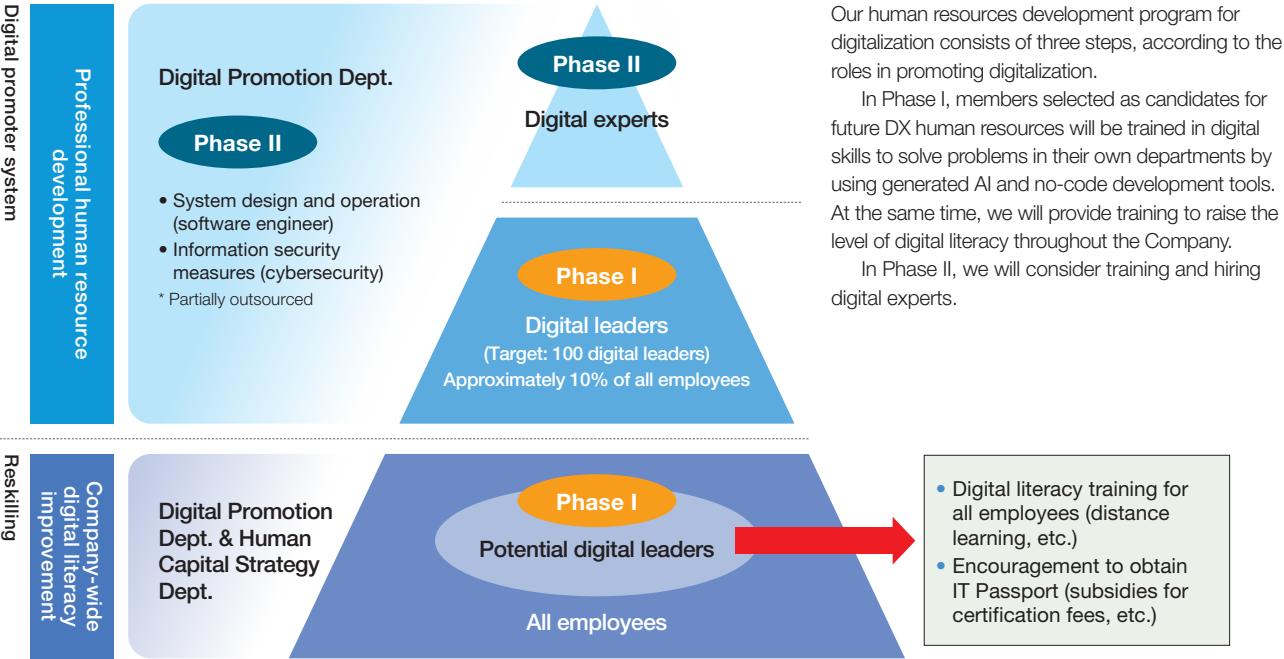
Promoting Digitalization

In order to achieve “creation of new value using DX,” the Showa Sangyo Group promotes the optimization and advancement of business duties using digital technologies, and the development of human capital who promote DX in our “Medium-term Management Plan 23-25.”

KPI and Targets

KPI	Medium-term Management Plan Target
Promoting digitalization	• Digitalization promotion costs: 4.5 billion yen over 3 years (1.2 billion yen for growth investment)
[Main measures 1] Introduction of multifaceted analytical DB and Dashboard	• Sales transformation through effective use of customer information (customer analysis → sufficient customer proposals) • Cost reduction: 60 million yen per year
[Main measures 2] Development of HR to promote DX	• Future HR to promote DX: Training of 100 staff members • Cost reduction by deploying “No-code development tools”: 70 million yen per year

Development of Human Resources for Digitalization



Mayumi Nagano
Deputy Manager, Digital Promotion Dept.

Test launch of the SHOWA version of ChatGPT

In order to accelerate the promotion of digitalization, it is essential to have human resources that can solve the problems of each workplace by using digital technology. We are working on measures to improve digital skills by encouraging the participation of unknown IT-savvy people in every workplace and those who can use digital technology to improve their own department's operations.

As part of DX human resources development, a test operation of the SHOWA version of ChatGPT has been started. Members are selected from each department to attend the ChatGPT seminar training. They also participate in workshops, where they can measure the effectiveness of the training through prompt training that simulates day-to-day work.

We will continue to leverage digital technology and work to ensure that the transformation of business processes is rooted in all employees.

Sustainability

Sustainability Basic Policy

The Showa Sangyo Group believes that in order to achieve our Group management philosophy of “contributing to healthy, rich, and varied meals,” it is our social mission and responsibility as a Grain Solution Company which handles diverse and numerous grains to protect the land and surrounding environment that produce grains, a source of food, and to maximize effective use such that no grain is wasted.

In order to fulfill this responsibility as a public institution in society, we aim to achieve both a sustainable society and continued improvement in corporate value for our Group, as we move forward with ESG management.

Along with these efforts in sustainability, our Group aims for coexistence with society through deeper engagement with all of our stakeholders.

Materialities to Achieve Sustainability

In order to drive our efforts to achieve sustainability, we have broken down the identified materialities and associated risks

and opportunities into initiatives in each of our businesses in the Medium-term Management Plan 23-25.

See page 29 for details.

Materiality Themes	Materialities
1. Contribution to society through our food businesses	(1) Supply safe, reliable and high-quality foods (2) Contribute to consumers' health and diversifying needs
2. Preserve the earth that produce grains and the global environment	(3) Consideration for the environment
3. Promote engagement with stakeholders	(4) Utilization of human capital (5) Harmonious association with local communities (6) Cooperation with stakeholders in our supply chains (7) Enhance credibility with our stakeholders

Through these initiatives in each business, we aim for the co-creation of value with stakeholders, which consists of achieving healthy and abundant diets, creating a sustainable

global environment, building diverse and sustainable supply chains, and increasing corporate value over the medium to long term.

Process to Identify Materialities in the Medium-term Management Plan 23-25

1. Extracting Social Issues

Referring to global guidelines like SDGs, ISO 26000, UNGC, and SASB, our Group has prepared a relationship between “importance for society” and “importance for business.”

2. Identifying ESG Critical Issues (up to FY2018)

We evaluated various social issues from the two perspectives of “importance for society” and “importance for business.” As a result, ESG Critical Issues were established for social issues highly relevant to society and highly linked to our Group business after passing through discussion in the CSR Committee (now the Sustainability Committee).

3. Investigating Response Policy for Critical Issues (FY2019)

Regarding ESG Critical Issues, in order to find comprehensive solutions, we examined the relationships among issues and established three critical items (consideration for the environment; evolution of grain solutions; employee activity promotion) and seven critical issues (sustainable production activities; sustainable resource utilization; diverse value response; safe, reliable, stable supply; diversity; health and productivity management; corporate citizen activities).

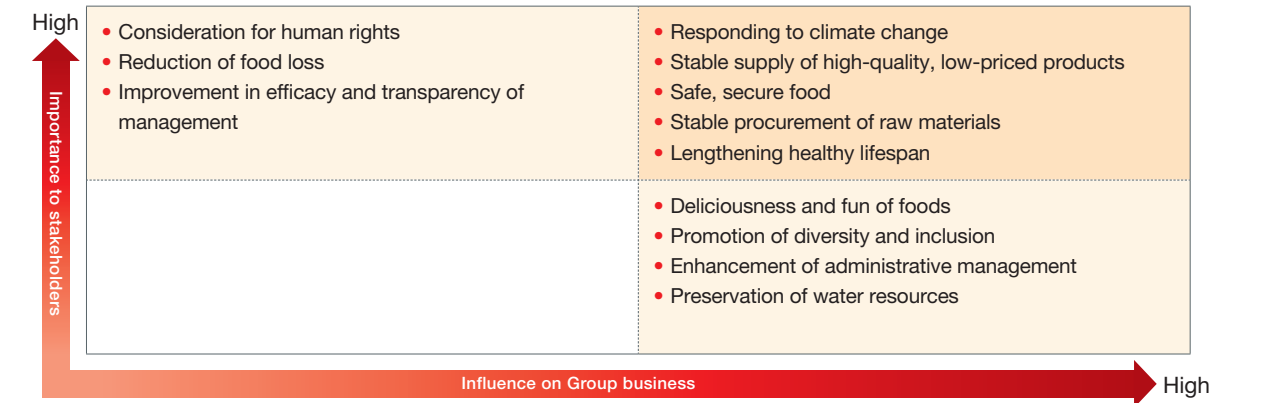
In the “Medium-term Management Plan 20-22,” we detailed and promoted the seven critical issues for each business.

4. Renewal of the Critical Issues (FY2023)

We reconsidered the critical issues upon hearing the opinions and hopes expressed in dialogue with stakeholders and seen in social conditions. We evaluated (mapped) the various social issues taking “importance to stakeholders” as the vertical axis and “influence on Group business” as the horizontal axis.

The Showa Sangyo Group has stipulated three materiality themes and seven materialities based on the evaluation results from this mapping and their relationships in order to advance initiatives to achieve sustainability.

Mapping



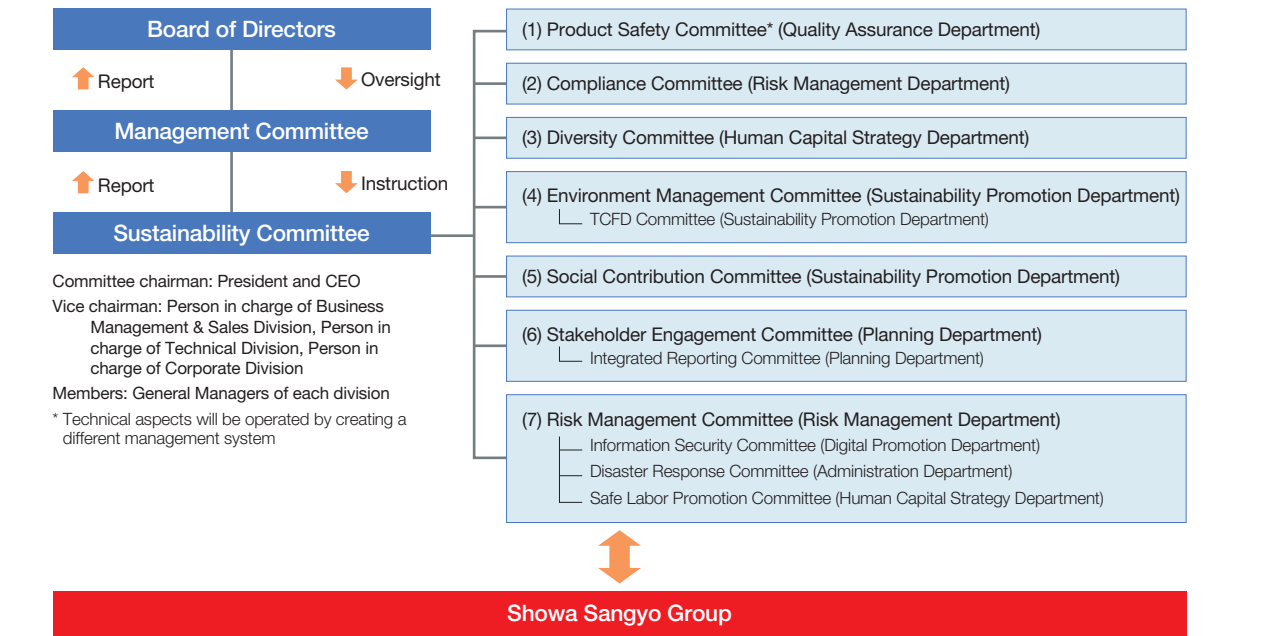
Sustainability Promotion System

Our Sustainability Committee is chaired by the President and CEO, with all division heads serving as vice chairs. Under this Sustainability Committee, there are six committees responsible for the six social issues that our Group considers critical, namely, (1) Provision of safe, reliable, high-quality products, (2) Fair corporate activities, (3) Respect for human rights, (4) Consideration for the environment, (5) Contribution to society,

(6) Dialogue and information disclosure with stakeholders. In addition, we have the seventh committee that handles (7) Risk management, which we have been working on.

Also, items decided by the Sustainability Committee are reported at Management Committee meetings and Board of Directors meetings to receive oversight from the Board of Directors.

Diagram of Sustainability Promotion System



Responding to TCFD Recommendations

Recently, the influence of climate change on society and corporate activities has grown enormously. As a Grain Solution Company, Showa Sangyo Group deals with diverse and numerous grains—the bounty of the earth—and recognizes that climate change is a particularly critical issue that society must squarely face and which requires rapid response. In accordance with TCFD Recommendations, our Group has disclosed 4 items, “Governance,” “Strategy,” “Risk Management,” and “Indicators and Targets,” as we seek proactive dialogue with all of our stakeholders.

1. Governance

Our TCFD Committee, an expert committee, works to identify and appropriately manage significant climate-related risks and opportunities. This committee operates within the Environment Management Committee, which reports to the Sustainability Committee (the third committee is chaired by the President and CEO with all the directors serving as members or observers, and all the general managers of each division serving as members). The TCFD Committee conducts scenario analysis based on TCFD Recommendations, works closely with related committees and Group companies,

formulates plans to address these issues each fiscal year, and reports the status of implementation to the Environment Management Committee for approval. The Environment Management Committee monitors the activities of the TCFD Committee and manages the progress of the Group's environmental targets. The results are reported to the Board of Directors at least once a year after approval by the Sustainability Committee and the Management Committee. The Board of Directors oversees the Group's response to environmental issues and the actions taken.

2. Strategy

We have assessed the impact of three of the Intergovernmental Panel on Climate Change (IPCC) climate change scenarios (1.5°C, 2°C and 4°C) on our finances and business strategy. At the same time, we are conducting scenario analyses to confirm the resilience of the Group's strategy to climate-related risks and opportunities, and to assess the need for additional measures.

In FY2023, we continued the analysis and evaluation of the Starches and Sweeteners Business*1 and the Vegetable Oils Business*2, which we had been doing in FY2022, and started the analysis and evaluation of the Flour Milling Business*3, in order to improve the Group's overall ability to respond to climate change.

For our scenario analysis, the TCFD Committee, the various divisions involved in each business, and the Group companies worked together to conduct the discussions. (For details on management system, see 3. Risk Management)

For the analysis and evaluation of the Flour Milling Business conducted this fiscal year, we used the procedures and methods that we had developed for the Starches and Sweeteners Business and Vegetable Oils Business until the previous fiscal year. In addition, we share information with various business units and Group companies. In this way, we ensure that these initiatives enhance the resilience of our Group.

The premises for scenario analysis are as follows.

Scenario (1)	Future prediction of global rise in average temperature restricted to around 1.5°C-2°C by 2100 Perspective: Strong push to reduce carbon use to achieve carbon neutrality on a worldwide scale
Scenario (2)	Future prediction of average global temperature rising by 4°C or more by 2100 Perspective: No developments in initiatives as climate change countermeasures beyond the current policy and regulations, and increase in greenhouse gas emissions

Affected business: Group's Flour Milling Business, Vegetable Oils Business and Starches and Sweeteners Business Affected year: Periods up to 2030 and up to 2050

Scenario Analysis Step

(1)

Identify the risks and opportunities for our Group brought about by climate change, and express the impact on our businesses (business impact) as a narrative.

(2)

Taking the size of business impact as an axis, prioritize the importance of risks and opportunities for each of the six items in the supply chain: Research and Development; Material Procurement; Transportation and Storage; Production; Sales and Marketing; Delivery.

(3)

Define scenarios, and based on the highly important risks and opportunities extracted in step (2), prepare our Group's perspective for each of the scenarios according to PEST analysis and Five Forces analysis.

(4)

Utilize internal and external data, quantify business impact based on the perspective in Step (3), and clarify influence of climate change.

(5)

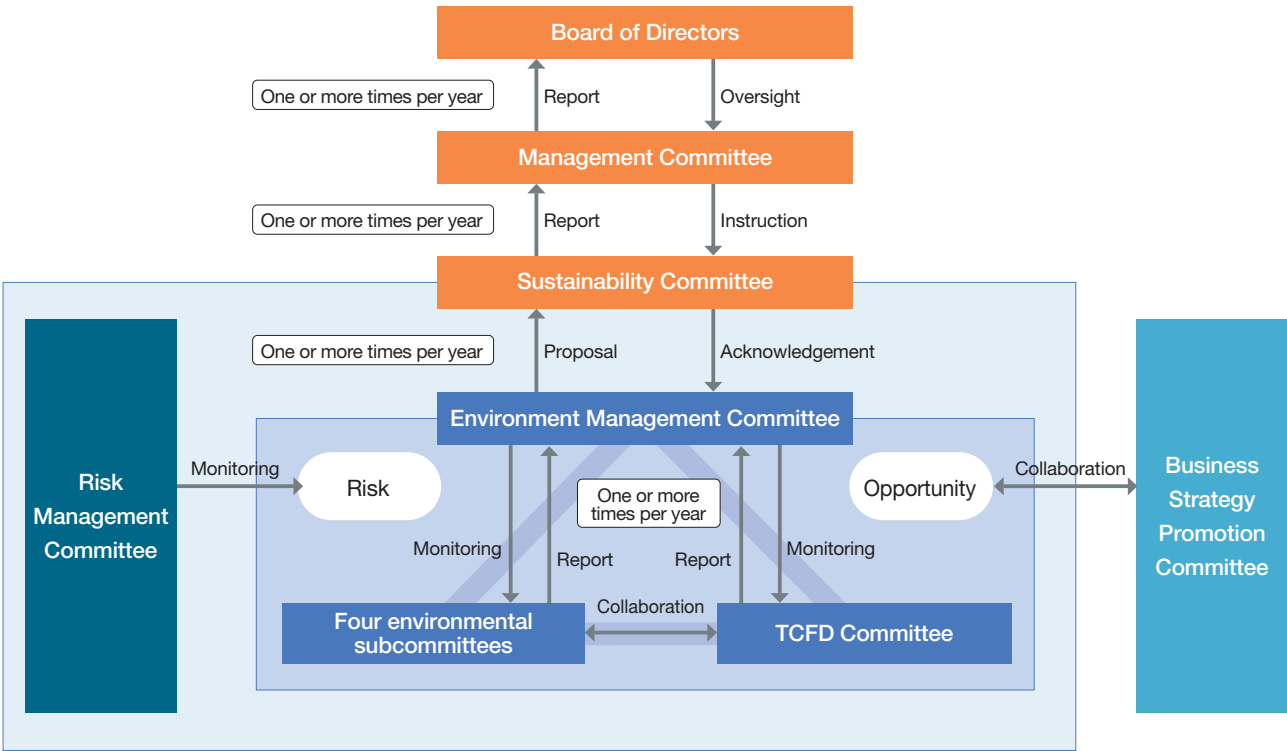
Prepare response conditions for our Group's risks and opportunities, and continue investigation so they are reflected in the business strategies of our Medium-term Management Plan, etc.

3. Risk Management

As described in 1. Governance, the assessment and response plan for the Group's overall significant climate change-related risks identified by the TCFD Committee are reported to and overseen by the Board of Directors. In addition to the system described in 1. Governance, the TCFD Committee works with the four environmental subcommittees of the Environment Management Committee and the Business Strategy Promotion Committee in order to identify important risks and

opportunities. Also, the Risk Management Committee, under the Sustainability Committee, is the committee that performs risk management for the entire Company, monitoring risks along two axes – the monetary amount affected by risks identified by the TCFD Committee and frequency of occurrence – and confirming PDCA cycles for risk reduction and progress toward goals for the entire Group.

Governance and Management Structure



4. Indicators and Targets

We, as a Group, have set a target to reduce CO₂ emissions by 46% from 2013 levels by FY2030. This is in line with Japan's greenhouse gas reduction target of 46% set by the Global Warming Prevention Headquarters on October 22, 2021.

In addition to reducing CO₂ emissions, as a food manufacturer

we have also set our own environmental targets to reduce food loss, water consumption (specific consumption) and the use of plastic for containers and packaging (specific consumption). We will continue to study and take further actions to achieve our environmental targets.

*1 Indicates the business scope that handles services and products such as sweetener, cornstarch and lactic-acid bacilli from among the Food Business which are the reported segments in our Group.

*2 Indicates the business scope that handles services and products such as industrial-use and domestic-use cooking oil, soy protein, processed soybean product, and defatted rice bran, from among the Food Business which are the reported segments in our Group.

*3 Indicates the business scope that handles services and products such as industrial-use and domestic-use flour, premix, pasta, bakery goods, and bran, from among the Food Business which are the reported segments from our Group.

Scenario Analysis: Financial Impact of Risks

Evaluation of financial impact													
A: Financial impact is expected to be 2 billion yen or more													
B: Financial impact is expected to be between 1 billion yen and 2 billion yen													
C: Financial impact is expected to be below 1 billion yen													
Risk			Flour Milling Business	Vegetable Oils Business	Starches and Sweeteners Business	Social changes; Critical risks recognized by our Group		Financial impact item	Financial impact				Response to critical risk Major initiatives implemented by March 2024 are shown in brackets []. • Measures to minimize risks
Type 1	Type 2	Item							1.5°C / 2°C		4°C		
									2030	2050	2030	2050	
									Flour Milling, Vegetable Oils, Starch and Sweetener	Flour Milling, Vegetable Oils, Starch and Sweetener	Flour Milling, Vegetable Oils, Starch and Sweetener	Flour Milling, Vegetable Oils, Starch and Sweetener	
Transitional risk	Policies, laws, and regulations	Carbon tax / carbon price	●	●	●	• Due to stronger regulations, a carbon tax is applied to the CO ₂ emissions in Group manufacturing processes and across the entire supply chain, so costs increase.	• Carbon tax applied to manufacturing processes	Increase in cost of sales (increase in indirect costs)	C, B, A	C, A, A	—	—	• Reduce CO ₂ emissions through energy conservation, purchase of renewable energy, fuel conversion, etc. [In 2021, the fuel for the cogeneration facilities at the Kashima Plant was switched from coal to city gas.] • Expand the use of biomass fuels, as well as gather information and study the practical application of hydrogen, fuel ammonia, and the next generation thermal energy industry to achieve carbon neutrality. (Roadmap to be developed during the period of Medium-term Management Plan 23-25) • Increase in low carbon energy procurement rate with our own facilities [The Kashima plant's biomass boiler, installed in 2009, is still in use.] • Procurement of low cost low carbon energy • Internal Carbon Pricing (ICP) has been implemented at Showa Sangyo on a non-consolidated basis from FY2024, and will be applied to investments and measures that contribute to the reduction of CO ₂ emissions.
		New regulations promoting decarbonization	●	●	●	• There is demand for switching over to renewable energy and CO ₂ reduction in the manufacturing process, so due to investment in additional facilities, costs increase.	• Increase in facility investment to achieve low carbon manufacture	Increase in facility investment, cost of sales (increase in expenses)	C, C, C	C, C, B	—	—	

Scenario analysis: Financial Impact of Opportunities

Evaluation of financial impact													
A: Financial impact is expected to be 2 billion yen or more													
B: Financial impact is expected to be between 1 billion yen and 2 billion yen													
Opportunity			Flour Milling Business	Vegetable Oils Business	Starches and Sweeteners Business	Social changes; Critical opportunities recognized by our Group		Financial impact item	Financial impact				Response to critical opportunity Major initiatives implemented by March 2024 are shown in brackets []. • Measures to maximize opportunities
Type 1	Type 2	Item							1.5°C / 2°C		4°C		
									2030	2050	2030	2050	
									Flour Milling, Vegetable Oils, Starch and Sweetener	Flour Milling, Vegetable Oils, Starch and Sweetener	Flour Milling, Vegetable Oils, Starch and Sweetener	Flour Milling, Vegetable Oils, Starch and Sweetener	
Opportunity	Market	Changes in consumer preferences	—	●	—	• The plant-based food market expands due to heightened buying due to consumers' consideration for sustainability, and demand for vegetable protein, etc. increases.	• Increase in demand for vegetable protein in plant-based food market	Increase in net sales (increase in quantity of sales)	—, C, —	—, C, —	—	—	• Expansion of sales and stable supply in plant-based food market
		Changes in client desires	—	●	—	• Demand for multi-purpose vegetable oils increases, and demand for vegetable oil products manufactured with low environmental burden increases.	• Increase in demand for vegetable oil products with low environmental burden	Increase in net sales (increase in quantity of sales)	—, C, —	—, C, —	—	—	• Sale of vegetable oil products manufactured with low environmental burden along the entire product lifecycle • New business initiatives in the fine chemical business (business in the health food and cosmetics fields through the development of functional materials derived from rice, soybeans, and sunflowers)
			—	●	—	• Demand for biofuel materials as a low carbon energy increases.	• Increase in demand for biofuel materials	Increase in net sales (increase in quantity of sales)	—, C, —	—, C, —	—, C, —	—, C, —	• Sales and promotion of effective use of manufacturing process by-products in biofuels • Initiatives for advanced utilization of biomass and a new oleochemical business (business utilizing by-products generated in the process of rice oil and sunflower oil production).

In FY2023, we formulated the Sustainability-Linked Financing Framework and entered into a Sustainability-Linked Loan agreement for the purpose of reducing burden on the environment, which is the third of the five key strategies in the Medium-Term Management Plan 23-25, although this is not related to the response for critical risk. In the Starches and Sweeteners Business, we are thinking of developing and proposing products that quench thirst and prevent heatstroke in response to the growing need for such products as average temperatures rise. We are also considering product development and proposal to meet the expansion of an immunology market. In the Flour Milling Business, our vision is to develop and offer environmentally friendly products that meet customer needs.

Our Group will continue to make investigations to properly reflect opportunities due to climate change in our management plan and business strategy. We will continue our initiatives in reducing environmental burden in manufacturing and along the entire product lifecycle, and move forward with strengthening a sustainable supply chain united with customers, in order to grasp customer environmental strategy and to meet demand standards relative to environmental burden.

Reducing Burden on the Environment

KPI and Targets

	Year for Standard	Medium-term Management Plan Targets (FY2025)	Showa Sangyo Group Environment Targets	
Reduction of CO ₂ emissions	FY2013	-30% or more	FY2030 Targets	-46% or more
Reduction of food loss	FY2018	-30% or more	FY2025 Targets	-30% or more
Reduction of water usage (basic unit)	FY2019	-9% or more	FY2030 Targets	-12% or more
Reduction of plastic usage* (basic unit)	FY2013	-7% or more	FY2030 Targets	-25% or more

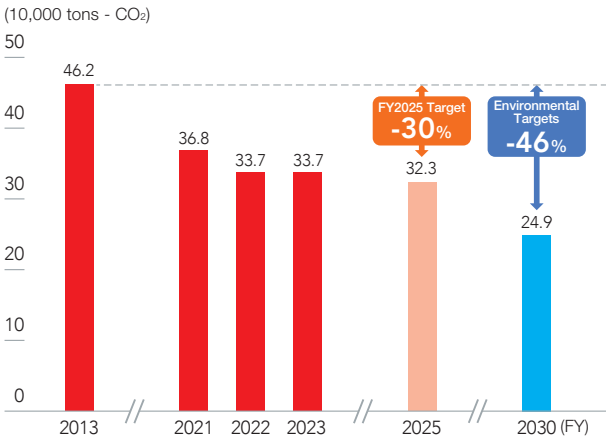
* Single-use plastic used in petroleum-derived container and packaging materials

Reduction of CO₂ Emissions

The Showa Sangyo Group has set targets for a reduction of 30% or more by FY2025 under Medium-term Management Plan 23-25 and 46% or more by FY2030 (both compared to FY2013). Progress towards these targets is managed by the CO₂ Emissions Reduction Subcommittee composed of Showa Sangyo and Group companies with high CO₂ emissions.

As part of our initiatives to achieve the targets, we are promoting activities to conserve energy through new technology and the sharing of best practice for addressing the environmental issues of individual companies, including the items listed in the table below. In FY2023, we achieved a reduction of 27.0% in CO₂ emissions compared to FY2013, the same level as in FY2022 despite an increase in operating volume. Going forward, we will carry out capital investment in energy conservation utilizing the Internal Carbon Pricing system introduced in FY2024, while promoting the use of renewable energy such as wood chips as boiler fuel. Additionally, since switching town gas, which is used as a fuel for generating electricity and steam, to non-fossil fuels is key to achieving carbon neutrality, we are paying attention to moves towards practical use of next-generation thermal energy, such as hydrogen and fuel ammonia.

Trend in CO₂ Emissions (Showa Sangyo Group)



* In the tabulation of results, the most recent adjusted emission factor for each year is used for the emission factor of power purchased from electric power companies.
* The aggregation range for calculation of CO₂ emissions has fluctuations due to increases and decreases in the number of Group companies. In FY2023, the aggregation range includes 27 companies (Showa Sangyo and its consolidated subsidiary companies).

FY	Business site	Main initiatives	CO ₂ reductions (/year)
2021	[Kashima Plant]	• Switch of fuel for cogeneration equipment (coal to town gas)	Approx. 63,000 tons
2022	[Kashima Plant]	• Use of by-products, etc. from oil and fat manufacturing processes as biomass fuels (fatty acids, dark oil, etc.)	Approx. 5,800 tons
	[Itako Mix Branch Plant]	• Installation of solar power generating facilities based on PPA model*	Approx. 150 tons
2023	[Funabashi Plant]	• Installation of solar power generating facilities based on PPA model	Approx. 200 tons (forecast)
2024	[Itako Mix Branch Plant] [Funabashi Plant] [RD&E Center]	• Introduction of renewable energy power	Approx. 7,600 tons (forecast)
2025-2026	[Kashima Plant]	• Introduction of biomass boiler (scheduled to be completed during FY2025 and to commence operation in FY2026)	Approx. 37,000 tons (forecast)

* PPA model (Power Purchase Agreement): A business model in which the power consumer purchases the electricity from solar power generation facilities installed and paid for by the power generator for a certain period of time

Reduction of Food Loss

The Showa Sangyo Group has set a target for a reduction of 30% or more (compared to FY2018) in food loss by FY2025. Progress toward the target is managed by the Food Loss Reduction Subcommittee composed of Showa Sangyo and Group companies with high volumes of food loss.

Food loss incurs processing costs and leads to an increase in environmental burden, including CO₂ emission and requirement for landfilling of incineration ash, etc. when burned as combustible garbage.

In FY2023, we optimized raw material usage through process improvements, enhanced accuracy of supply and demand, and worked on lengthening best-before date, resulting in a reduction of 33.6% compared to FY2018.

We will continue our activities to reduce food loss to enable this reduction to be maintained and increased by FY2025 and we will strive to utilize resources effectively and reduce environmental burden going forward.

Reduction of Water Usage

The Showa Sangyo Group has set targets for a reduction in water usage basic units (usage divided by production volume) of 9% or more by FY2025 and 12% or more by FY2030 (both compared to FY2019). Progress towards these targets is managed by the Water Usage Reduction Subcommittee composed of Showa Sangyo and Group companies with high water usage.

Amid the progression of global warming and the growing global population, “water risk” always ranks high with the

threat increasing year by year. Accordingly, we must work to reduce “water risk” in our business activities.

In FY2023, we worked on process improvement to reduce water used and water for cleaning in our manufacturing processes, resulting in a reduction of 8.3% compared to FY2019.

We will continue working to reduce water usage going forward in order to make effective use of limited water resources.

Reduction of Plastic Usage

The Showa Sangyo Group has set targets for a reduction in usage basic units of single-use plastics derived from fossil fuels which are used once and then thrown away of 7% or more by FY2025 and 25% or more by FY2030 (both compared to FY2013). Progress towards these targets is managed by the Plastic Usage Reduction Subcommittee composed of Showa Sangyo and Group companies with high single-use plastic usage.

As part of our initiatives to achieve the targets, we have

been looking into packaging materials with little environmental burden, new packaging technologies, and other measures.

In FY2023, we took steps that including revising the packaging materials for household pancake mix and replacing some of the plastic with biomass materials, resulting in a 3.5% reduction compared to FY2013.

As the weight of packaging per product is rising due to the need for smaller volume products, we will continue working to reduce plastic usage going forward.

Responding to the 2024 problem of logistics

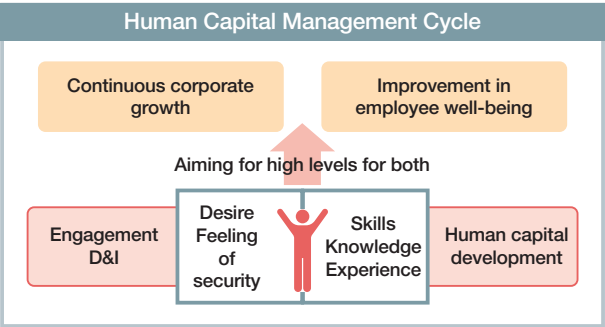
Based on the “Guidelines for shipper and logistics operator initiatives for logistics rationalization and productivity improvement” announced jointly by the Ministry of Economy, Trade and Industry, Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Land, Infrastructure, Transport and Tourism in June 2023 to accelerate the response to the 2024 problem of logistics, Showa Sangyo established its Voluntary Action Plan to optimize logistics and increase productivity in March 2024.

Based on the Voluntary Action Plan, we will assess and reduce time spent on waiting for, loading, and unloading cargo and other tasks as part of our initiatives for “logistics streamlining and rationalization.” In terms of rationalization of freight agreements, we will ascertain the actual situation of loading and unloading work and pay appropriate compensation for such work while making the elimination of any incidental work a major requirement.

Furthermore, with respect to long-distance truck transportation, we will work to reduce the working hours of truck drivers by reviewing stock points and promoting modal shift to realize stable deliveries and supply while also reducing CO₂ emissions.

Human Capital Management

The Showa Sangyo Group promotes human capital management as part of Key Strategy (4) Rebuilding Our Platform, which is one of the Five Key Strategies under Medium-term Management Plan 23-25 in order to realize SHOWA Next Stage for 2025, our ideal identity for FY2025 (Long-term Vision). The Showa Sangyo Group places the highest priority on “human capital” as management capital which supports continuous growth of the corporation, and by performing proactive and continual strategic investment in “human capital,” we achieve “continuous corporate growth” and “improvement in employee well-being.”



Initiative themes	Medium-term Management Plan Targets
1. Drastic promotion of D&I	Proportion of women in management positions: Above 10% in FY2025
2. Strategic investment in human capital	Investment in reskilling: More than double in FY2025 (vs. FY2021)
3. Improvement of employee engagement	Engagement score: Target score to be announced during the term of the Medium-term Management Plan 23-25

A workplace where employees can work with energy and peace of mind

Under the Showa Sangyo Group Diversity Management Declaration established in 2018, we have positioned Drastic promotion of D&I as a priority area for Key Strategy (5) Reinforcing Stakeholder Engagement in Medium-term Management Plan 23-25. We will create an environment in which diverse human

resources can work comfortably and positively influence each other so that they can easily demonstrate their individual abilities. In doing so, we will foster an organizational culture that promotes employee well-being and enables them to perform at their best as individuals and as teams.

1. Drastic Promotion of D&I

Promoting active participation by people with disabilities

In January 2019, Showa Sangyo established the INC* Promotion Section (currently the Diversity & Inclusion (D&I) Promotion Section) to promote diversity management as a dedicated organization within the Human Resources Department (currently the Human Capital Strategy Department). As the first stage of its activities, the Section worked to further promote the employment of people with disabilities. We work to assign employees with disabilities and develop occupational categories that are suited to each individual to enable them to experience job satisfaction and actively participate at the Group on a daily basis and over the long term.

In FY2023, in the development of a new occupational category, employees with disabilities used the Group's frozen dough to bake and sell bread to in-house employees, which was very popular.

As of March 31, 2024, the employment rate of people with disabilities was 2.9%, which achieved the statutory



A scene from baking and selling bread



A scene from mail sorting

employment rate again as in the previous fiscal year.

* Inclusion, Normalization and Cooperation

Comments from employees in the Diversity & Inclusion (D&I) Promotion Section



Kazuya Takahashi
Diversity & Inclusion (D&I) Promotion Section, Human Capital Strategy Department

In the computer work, I manage online conference reservations and enter accounting documents, while the general administrative jobs I do include sorting, sending, and delivering mail. The work is commissioned by each department. Although some of it is difficult, I feel that I am really contributing to the company when the person in charge thanks me after I have finished the work, and this is rewarding.



Eisuke Ichiishi
Team Leader, Diversity & Inclusion (D&I) Promotion Section, Human Capital Strategy Department

There are seven people with disabilities working in the department, and they are engaged in work that makes use of their individual characteristics and areas of expertise. Recently, the work commissioned by other departments has become more challenging, and the employees have improved their skills as a result. We will create a more stable system while taking care to ensure that everyone can deliver their best performance.

Promoting active participation by women

Showa Sangyo is taking a variety of initiatives, such as considering measures and holding events, with the aim of “realizing more diversity in the participation of female employees in management.”

In FY2023, we sent female managers and management position candidates nominated by the company on courses for female employees to provide opportunities to broaden their perspectives away from work.

The proportion of women in management positions set out in the Medium-term Management Plan Targets is 7.7% in April 2022, 8.9% in April 2023, and 9.6% in April 2024.

	April 2022	April 2023	April 2024
Number of women in management positions	22	26	29
Proportion of women in management positions	7.7%	8.9%	9.6%

A workplace in which it is easy to work for diverse employees

Based on the Act on Promotion of Public Understanding of Diversity of Sexual Orientation and Gender Identity, in FY2023, we revised rules of employment and various other rules to give consideration to employees with diverse sexual orientation and gender identity, and the Showa Sangyo Group worked to ensure that employees are aware of the revisions.

Promoting diverse work styles

We have revised the existing rules on work from home and established the SHOWA Teleworking Program to harness the motivation for work and capabilities of each and every employee. The program is designed to provide support for combining work with childcare, family care, and medical treatment in addition to improving work-life balance and productivity.

Also, our reemployment program, which we revised in 2022, allows employees aged over 60 to work shorter hours or fewer days and to take on side jobs or a second jobs, and approximately 10% of the employees are using the program.

2. Improvement of Employee Engagement

Conducting engagement surveys and improvement activities

Based on the results of the annual engagement survey, Showa Sangyo implements improvement activities in each workplace. We aim to improve the well-being of each and every employee and their desire to contribute to the company through creation of workplaces with a high degree of psychological safety, and encouraging such through acquisition of management skills by managers.

In an example of improvement activities, the Kashima Plant is working to improve engagement by introducing “thank gifts” for employees to express their appreciation of each other and sharing examples of improvement through groupwork by managers and visits to each other's workplaces in cooperation with the Human Capital Strategy Department.

At present, we are analyzing the group analysis results for each workplace to identify indicators that impact the engagement score for each department. Going forward, we will verify these indicators over time and announce target values for engagement scores during the term of the Medium-term Management Plan 23-25.



A scene from groupwork by managers

Initiatives to increase the sense of belonging

We are also implementing initiatives that address employees' sense of belonging to the Company as an important theme from the perspectives of enabling employees to work enthusiastically with a sense of attachment to the company or organization and prevent employees from leaving their jobs.

(i) SHOWA Meister (tempura) initiative

As the first manufacturer to bring the world tempura batter mix, we have introduced and operate the SHOWA Meister (tempura) in-house recognition program. We renewed the program in FY2023 to address the theme of increasing the sense of belonging.

In FY2023, the cafeterias at three plants held a Tempura Day event which involved offering tempura dishes made using Showa Sangyo tempura batter mix on the same day. The tempura dishes, which were created with unique ideas at each plant, were a big hit and the project was very popular with employees.



Tempura dishes on Tempura Day

(ii) Holding a tempura photo contest

We held a tempura photo contest for Showa Sangyo Group employees from December 2023 to January 2024. There were 132 entries, including photos of tempura employees and their families had made and introductions of recommended tempura restaurants for each other.

3. Promotion of Occupation Safety and Health and Health and Productivity Management

Showa Sangyo Health Declaration and the promotion system

Based on the idea that “employee health is the foundation of the Company,” we announced the “Showa Sangyo Health Declaration” in April, 2017, as we strive for “cultivation of a corporate culture where employees put health first (self-care promotion)” and “advancement of working style reform (improvement in workplace environment).” Every year, the Management Committee establishes the year’s policy on health and productivity improvement measures, and centered around the Human Capital Strategy Department, we link with industrial physicians, health insurance associations, and all offices and plants, so the entire Company works as one as we strive to promote health of our employees.

Promotion of health and productivity management

(i) Initiatives to promote health

We held the SHOWA Healthy Breakfast Photo Competition for Showa Sangyo Group employees to raise awareness of the importance of breakfast and further increase interest in dietary habits. 145 employees took part in the competition.

We also held the Smart Steps Walk using smartphones in which 244 Group employees competed to achieve the target number of steps.



SHOWA Prize award-winning works

(ii) Utilizing stress checks

Based on stress checks performed every year, we grasp the percentage of people with high stress, and help with measures

to prevent stress through utilization of self-care, subordinate assistance, and meetings with industrial physicians, etc. We also analyze each item in the stress check and take measures that feed into mental health care such as improving the workplace environment.

(iii) Eliminating harassment

As measures to eliminate harassment, in FY2023, we ascertained the existence of harassment using an anonymous questionnaire and we have put in place a system that makes it easier to seek help when harassment occurs, including ensuring employees know about the internal reporting hotline and in-house consultation office. We also implemented education and training for Showa Sangyo Group employees in order to prevent harassment.

In recognition of the initiatives described above, we were selected under the Certified Health & Productivity Management Outstanding Organizations Recognition Program for the third year in a row.



Safety and health initiatives

We implement various measures on a day-to-day basis to prevent occupational accidents, including analysis of near-miss accidents, hazard prediction training, safety patrols, and 5S activities. In FY2023, we established the Safe Labor Promotion Committee (Committee chairman: Person in charge of the Corporate Division) to further improve the level of safety and health. In FY2023, the Committee chairman visited sites to exchange opinions with site managers and raise awareness of safety and health.

Developing human resources capable of creating value in the midst of change

To respond to rapid changes in the business environment and use our strengths to survive the competition, it is essential to ensure the “capacity to understand the true cause of customers’ issues and provide the best solution” and the “capacity to face an uncertain future and create new value through future-

based mindset.” To further improve these two capacities, we are establishing “enhancing problem-solving abilities” and “promoting innovation” as concepts in the Company’s human capital development and we will systematically develop the next generation of leaders to carry the business forward.

1. Strategic Assignment and Development

Upgrading human resources management

(i) Introducing a talent management system and formulating personnel plans

In FY2023, we introduced a full-scale talent management system and established an environment that enables the sharing and utilization of human resources information on

employees in accordance with authority. At present, we are formulating personnel plans based on business strategy and we are utilizing the talent management system to implement the cycle of recruitment, assignment, education and training, and evaluation appropriately as we work to upgrade human resources management.

(ii) Human resources development with an emphasis on dialogue between superiors and subordinates

At Showa Sangyo, an evaluation system is set in place as a management tool for developing the capabilities of subordinates. Through meetings with the superior held every quarter, we promote behavior for target achievement and support the growth of each and every employee.

In addition, to provide opportunities for thinking about their own careers (ideal state and jobs), we have created My Career (a career sheet for making an inventory of work experience and their own strengths and weaknesses) and hold Career Design Meetings with the superior.

(iii) Introducing the SHOWA Career Challenge Program, a voluntary transfer program

In FY2023, we implemented the SHOWA Career Challenge Program, a voluntary transfer program, for young and mid-level employees in order to broaden the range of employees’ career development.

Promoting innovation

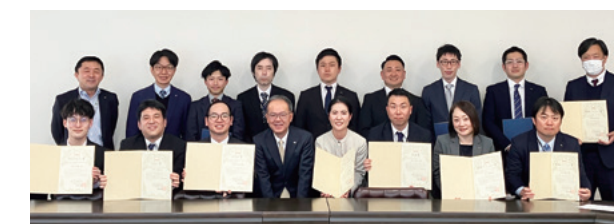
(i) Renewing our personnel framework

Under our personnel framework, which we renewed in 2021, we established Grade P (Planning, Pioneer). This is a position to support the development and success of human resource

to drive “the setting of goals from a medium-to long-term perspective and creation of new strengths,” such as activities to expand the Group’s business fields and to develop sources of corporate value. Grade P are positions for which employees with the motivation to establish new businesses and create innovation are selected. We selected three employees for Grade P positions in April 2022, and they have been taking on new challenges aimed at realizing Key Strategy (2) Expansion of Our Business Fields under Medium-term Management Plan 23-25.

(ii) Holding the “New Business Contest”

To develop human resources and foster a corporate culture that can create new strengths with a future-based mindset, we have been holding “New Businesses Creation Contest SHOWA 3.0” since FY2022. Showa Sangyo Group employees are eligible to enter and there were 36 entries in FY2023.



Award ceremony for contest winners

2. Education and Training Initiatives

Supporting human resources growth through the training system

The core of our Company’s training system is level-specific training, which we perform with “supporting the growth of autonomous human capital and fostering next-generation leaders” as our goal. All training is mutually linked with the personnel system and various measures for career development, so training serves the role of signposts that lead to career development of oneself and one’s subordinates. Furthermore, separate from level-specific training, we hold an annual “Showa Juku,” for education of all employees including those of Group companies for the purpose of gaining understanding of management policy and obtaining information necessary as the Company’s employees.

Showa Juku FY2023 themes

- Deepen your understanding of Medium-term Management Plan 23-25
- To improve employee well-being (about LGBTQ, childcare leave system, preventing harassment)
- For safe, secure food, etc.

Please see the corporate website for more details on the training system. (Japanese text only)
<https://www.showa-sangyo.co.jp/corporate/sustainability/social/employee/human-capital/>

(i) Promoting reskilling by holding career design training

We held career design training for employees aged in their 40s

and 50s to provide a situation in which they can think about their own careers and actively participate on an ongoing basis. After the training, we provided career consulting with career consultants for those employees who wanted it and encouraged independent study through distance education, stepping up our investment in reskilling our employees.



(ii) Holding the Cargill-SHOWA Meeting

In FY2023, we held the Cargill-SHOWA Meeting with Cargill Japan LLC for the first time in five years. The meeting was held in North America and 15 employees, mainly young and mid-level employees, took part. The objectives were to see and hear about the source of Showa Sangyo’s supply chain and to enhance understanding of the Company’s business and broaden their perspectives through direct interaction with Cargill to help in developing their future careers.

The amount of investment in reskilling as set out in the Medium-term Management Plan Targets in FY2023 was 1.4 times more than in FY2021.

Stakeholder Engagement

The Showa Sangyo Group engages in information disclosure and dialogue in various ways with all of our stakeholders. While gaining trust from stakeholders by increasing management transparency, we aim to have everyone gain a deeper understanding of our Group's unique business model, as we move to increase opportunities for dialogue and provide more optimal, relevant information disclosure, and further advance our partnerships.

Medium-term Management Plan 23-25 “Reinforcing Stakeholder Engagement”

We strive for improvement in trust through timely, relevant information disclosure and promotion of dialogue with all of our stakeholders. Furthermore, we will foster bidirectional communication and learn the expectations and worries of stakeholders and society, as we move forward with initiatives that fulfill our social responsibility.

Measures to Reinforce Stakeholder Engagement



Dialogue with Our Stakeholders

We are proceeding with IR activities with the goal of deepening the understanding of our Group's direction in all of our stakeholders. Along with reflecting the various opinions and desires expressed in dialogue in our Group's corporate activities, we will link this to creation of value as a “Grain Solution Company” that solves customer issues through grains.

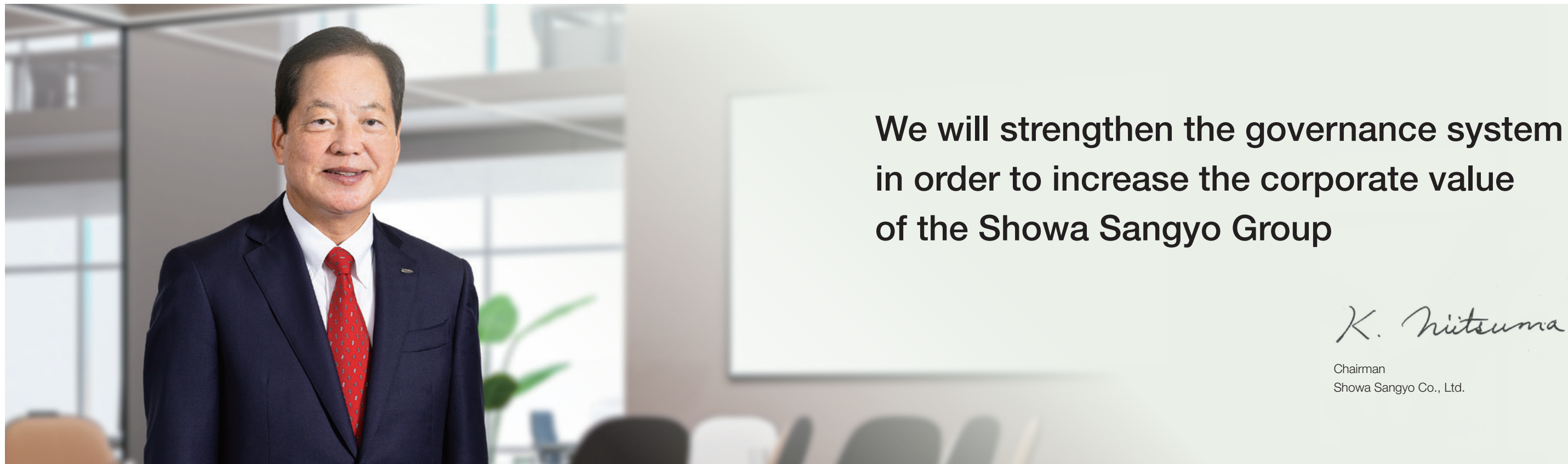
Primary Stakeholders	Interests and Expectations of Stakeholders	Result and Impact of Measures to Improve Engagement
Employees	<ul style="list-style-type: none"> • Proper management in the personnel framework • Improvement of engagement, value of work • Workplace in which it is easy to work • Human capital development, education • Promotion of diversity and inclusion • Respect for human rights • Promote work-life balance 	<ul style="list-style-type: none"> ▶ See the left page for the measures. • Establishment of the Multi-Stakeholder Policy (Japanese text only) <ul style="list-style-type: none"> https://www.showa-sangyo.co.jp/corporate/sustainability/showasangyo/stakeholder/ • Showa Sangyo Health Declaration • Proportion of women in management positions 9.6% (as of April 1, 2024) • “Eruboshi (2 stars)” acquired in 2021
Customers & Clients	<ul style="list-style-type: none"> • Stably supply safe, reliable and high-quality foods • Proposals that make use of our strength of handling various grains • Fair business practices, transactions • Improve quality through collaboration 	<ul style="list-style-type: none"> ▶ See the left page for the measures. • Establishment of the Multi-Stakeholder Policy and the Declaration of Partnership Building (Japanese text only) <ul style="list-style-type: none"> https://www.showa-sangyo.co.jp/corporate/sustainability/showasangyo/stakeholder/
Shareholders & Investors	<ul style="list-style-type: none"> • Appropriate information disclosure • Highly transparent management • Continuous and stable profit distribution • Strengthening IR for individual shareholders and domestic and overseas institutional investors • Providing opportunities for communications with our top management • Improve corporate value 	<ul style="list-style-type: none"> ▶ See the left page and the table below for the measures and their results
Environment & Community & NGO & NPO	<ul style="list-style-type: none"> • Endorsement of domestic and international environmental initiatives • Providing food in cooperation with NPOs • Sincere dialogue and activities • Reduction of CO₂ emissions and waste • Use renewable energy • Contribute to and interact with communities around plants and sites 	<ul style="list-style-type: none"> ▶ See the left page for the measures. • Utilization of plant tours (after recovery from COVID-19 crisis) • Continuous dialogue with the region at all offices and plants

Status of IR-related Activities (FY2023)

Our basic stance is to disclose information promptly in accordance with the fair disclosure rules. We will respond to our stakeholders' requests by providing information accurately, promptly and proactively.

Activities	Results	Contents
Financial briefings for analysts	2 times	Explanation of financial results and initiatives for institutional investors and analysts in May (4Q) and November (2Q).
Plant tours for analysts	1 time	Tour of our mainstay Kashima Plant (silos, berth, manufacturing process, etc.).
Individual IR for analysts	29 times	Briefing for institutional investors and securities analysts on our business, financial results, and initiatives on a case-by-case basis.
Company briefings for individual investors	1 time	Briefing for individual investors on our business, business model, shareholder returns, etc.
Individual financial briefings for major shareholders	5 times	Separate explanation on financial results and initiatives in May (4Q).

Chairman's Message



The Showa Sangyo Group is a Grain Solution Company that makes full use of grains, the earth's bounty, to provide people with safe and reliable food in a stable manner under the management philosophy of "Contributing to healthy, rich, and varied meals." As a food manufacturer that handles the largest volume of grains in Japan, we are leveraging our Group's unique strengths to combine ingredients processed from a wide variety and large volume of grains and their processing technologies. In this way, we are becoming a total food coordinator as a corporate group that can provide customers with delicious answers.

We see the new lifestyles and changing values that have emerged since the COVID-19 pandemic as opportunities for sustainable growth and increased shareholder value. We will further improve and reinforce our group governance system, so that we are recognized as a corporate group useful and necessary to society.

Reinforcing the Group-wide Governance System

Our Long-term Vision, SHOWA Next Stage for 2025, describes our vision for FY2025, which marks the 90th anniversary

of our founding. Based on this vision, we are proactively working to strengthen our core businesses and expand our business fields. Today, the number of our Group companies has increased to 37. We have grown into a corporate group with a diverse range of businesses. The evolution of the Group's governance is required to improve profitability and productivity in the medium to long term and to achieve further sustainable growth. We have therefore introduced new policies and processes. In April 2023, we radically reorganized our Sales Division for the first time since our founding. At the same time, we introduced ROIC, a framework for upgrading and enhancing the business portfolio management throughout the Group, with the businesses at its core. Through these measures, we are working to realize Group-wide synergies, integrated business management, and securing profitability. In order to continue this business portfolio management, we have introduced a system to monitor and evaluate the performance of Group companies by delegating authority to the director in charge of our business to manage budgets, results, and other matters. In addition, in order to support the management and governance of the Group from a bird's eye view, a dedicated officer in charge of Group Personnel and Governance has been appointed to resolve various

We will strengthen the governance system in order to increase the corporate value of the Showa Sangyo Group

K. Nitsuma

Chairman
Showa Sangyo Co., Ltd.

issues faced by Group companies. We will continue to work to ensure the effectiveness of corporate governance as one of the most important management issues.

Showa Sangyo Group Code of Conduct

Responding to changes in the business environment and achieving sustainable growth entails thorough compliance with laws and regulations, as well as a strengthened risk management system. To ensure this, we have established the Showa Sangyo Group Code of Conduct. This Code of Conduct is based on the guiding principles, SHOWA Spirit. By instilling this spirit in all employees, we are committed to enforcing compliance, upholding business ethics, strengthening the brand, increasing added value, and reducing environmental burdens. Furthermore, a dedicated organization provides ongoing training on compliance, management policies, and other matters to thoroughly enforce the internal control system among all employees. In this way, we will fulfill our responsibilities to all stakeholders as a corporate group worthy of the market's trust.

Each company in our Group has a different origin and

history. Before joining us, each company had its own philosophy, corporate culture, accounting system, etc. They differed in size. They also varied in their level of governance and engagement maturity. Nevertheless, we will work together to implement a business portfolio management system and develop business strategies from an environmental, social and governance (ESG) perspective. Through these efforts, we are determined to expand business opportunities, create sustainable value, achieve growth and contribute to society. We also recognize the urgent need to improve our global business management and governance systems as we seek to expand into overseas markets, particularly in fast-growing Asia, including the full development of our premix business in Vietnam, as well as in China and Taiwan.

As a Grain Solution Company, we will continue to strive for further development of the Group's governance to live up to the trust and expectations of our customers. All Group employees will work as one to move forward "toward the 90th anniversary, and beyond" with our eyes firmly fixed on the future.

We sincerely ask for your continued support.

List of Officers (As of July 1, 2024)

Directors



Kazuhiko Niitsuma
Chairman
Number of shares owned: 68,332

Career
Apr. 1981
Jun. 2001
Nov. 2006
Jun. 2009
Jun. 2012
Jun. 2014
Apr. 2016
Apr. 2020
Apr. 2023
Joined the Company
General Manager, Principal Account Sales Division
General Manager, Flour Milling Department
Officer
Managing Director
Senior Managing Director
President
President and CEO
Chairman (current position)



Hideyuki Tsukagoshi
President and CEO
Number of shares owned: 15,625

Career
Feb. 1992
Jun. 2013
Apr. 2015
Apr. 2018
Apr. 2021
Jun. 2021
Apr. 2023
Joined the Company
General Manager, Fukuoka Branch
General Manager, Management Planning Department
Officer
Managing Officer
Director Managing Officer
President and CEO (current position)



Tatsuya Yamaguchi
Director Managing Officer
Number of shares owned: 28,523

Career
Apr. 1984
Apr. 2007
Jun. 2009
Jun. 2014
Apr. 2018
Jun. 2018
Apr. 2024
Joined the Company
General Manager, Sapporo Branch
General Manager, Household Foods Department
Officer
Managing Officer
Director Managing Officer (current position)
In charge of Business Management & Sales Division (current position)



Masashi Ohno
Director Managing Officer
Number of shares owned: 8,866

Career
Apr. 1987
Apr. 2016
Apr. 2019
Apr. 2022
Jun. 2022
Apr. 2023
Joined the Company
General Manager, Funabashi Plant
Officer
Managing Officer
Director Managing Officer (current position)
In charge of Technical Division (current position)



Yoshihiro Hosoi
Director Managing Officer
Number of shares owned: 5,461

Career
Apr. 1985
May 2011
Apr. 2016
Apr. 2018
Apr. 2022
Apr. 2023
Jun. 2023
Joined the Company
General Manager, Real Estate Department
General Manager, Information System Department
Officer
Managing Officer
In charge of Corporate Division (current position)
Director Managing Officer (current position)



Naoko Mikami
Outside Director
Number of shares owned: 1,100

Career
Apr. 1983
Apr. 2007
Jan. 2010
Jun. 2011
Jun. 2012
Apr. 2017
Jun. 2017
Jun. 2019
Jan. 2020
Jun. 2021
Mar. 2022
Mar. 2024
Joined Ajinomoto Co., Inc.
Visiting Professor of Musashino University
Joined C'BON COSMETICS Co., Ltd.
Executive Officer, in charge of Production Department
Director, in charge of Production Department
In charge of Administration Division
Managing Director and Executive Officer
Representative Director, Vice President, and Executive Officer
Representative Director, Vice President, Executive Officer, in charge of Product Development Division
Outside Director of the Company (current position)
Outside Director of Earth Corporation (current position)
Outside Director of Kuraray Co., Ltd. (current position)



Akira Karasawa
Outside Director
Number of shares owned: 0

Career
Apr. 1983
Apr. 2010
Jul. 2014
Oct. 2015
Jul. 2019
Feb. 2023
Jun. 2024
Joined the Ministry of Agriculture, Forestry and Fisheries
Director-General of the Fisheries Policy Planning Department, Fisheries Agency
Director-General of the Crop Production Department, the Agricultural Production Bureau, the Ministry of Agriculture, Forestry and Fisheries
Director-General for Policy Planning of the Ministry of Agriculture, Forestry and Fisheries
Ambassador Extraordinary and Plenipotentiary to the Republic of Palau
Executive Advisor of The Norinchukin Bank (current position)
Outside Director of the Company (current position)



Mami Taira
Outside Director
Number of shares owned: 0

Career
Oct. 1987
Oct. 1990
Sep. 1991
Apr. 1992
Oct. 2002
May 2011
May 2014
Mar. 2016
Jun. 2016
Jun. 2020
Jun. 2024
Joined Tohatsu Awoki & Sanwa (currently Deloitte Touche Tohmatsu LLC)
Joined Yoshio Hayakawa Tax Accountant Office
Registered as a certified public accountant
Registered as a tax accountant
Partner of Hayakawa/Taira Tax Accountant Office (current position)
Outside Audit and Supervisory Board Member of Aeon Mall Co., Ltd.
Outside Director
Outside Audit and Supervisory Board Member of ISEKI & CO., LTD. (current position)
Outside Director, Audit and Supervisory Committee Member, Suzuden Corporation (current position)
Outside Director, Audit and Supervisory Committee Member, Sushiro Global Holdings Co., Ltd. (currently FOOD & LIFE COMPANIES Ltd.) (current position)
Outside Director of the Company (current position)



Susumu Oyanagi
Director (Standing Audit and Supervisory Committee Member)
Number of shares owned: 22,301

Career
Apr. 1983
Apr. 2008
Apr. 2010
Apr. 2012
Jun. 2013
Apr. 2016
Jun. 2018
Jun. 2023
Jun. 2023
Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)
General Manager, Securities Department, Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
General Manager, Credit Engineering Department
General Manager, General Affairs Department of the Company
Officer
Managing Officer
Director Managing Officer
Director
Director Audit and Supervisory Committee Member (current position)



Joji Sugo
Outside Director (Audit and Supervisory Committee Member)
Number of shares owned: 100

Career
Apr. 1984
Jun. 2002
Feb. 2006
Jun. 2011
Jun. 2013
Jun. 2014
Jun. 2016
Jun. 2018
Jun. 2021
Jun. 2021
Jun. 2023
Jun. 2024
Joined The Chiba Bank, Ltd.
General Manager, Makuharishintoshin Branch
General Manager, Ichikawa Regional Corporate Banking Department, Ichikawa Branch
General Manager, Treasury Division
General Manager, Credit Division
Executive Officer and General Manager, Credit Division
Director and Managing Executive Officer
Deputy President of Chibagin Research Institute, Corporation
President, Chibagin JCB Card Co., Ltd. (current Chibagin Card Co., Ltd.)
President, Chibagin DC Card Co., Ltd. (current Chibagin Card Co., Ltd.)
Outside Director (Audit and Supervisory Committee Member) of the Company (current position)
Chair of the board, CHIBAGIN LEASING CO., LTD. (current position)



Toshihiro Teshima
Outside Director (Audit and Supervisory Committee Member)
Number of shares owned: 300

Career
Apr. 1983
Apr. 1987
Sep. 1992
Jul. 2007
Jun. 2008
Apr. 2017
Apr. 2018
Jun. 2021
Jun. 2023
Jun. 2023
Mar. 2024
Joined Yamaichi Securities Co., Ltd.
Joined Smith Barney, Harris Upham Co., Ltd.
Joined Yasuda Fire & Marine Insurance Co., Ltd.
General Manager, General Planning Department, Yasuda Enterprise Development Co., Ltd.
Senior Managing Director
Executive Officer and General Manager, Corporate Legal Department, Sampo Japan Nipponkoa Insurance Inc. (currently Sampo Japan Insurance Inc.)
Executive Officer and General Manager, Corporate Legal Department, Sampo Holdings, Inc.
Director and Managing Executive Officer, Sampo Japan Nipponkoa Insurance Inc. (currently Sampo Japan Insurance Inc.)
Director, Sampo Holdings, Inc.
Outside Director (Audit and Supervisory Committee Member) of Mizuho Trust & Banking Co., Ltd. (current position)
Outside Director (Audit and Supervisory Committee Member) of the Company (current position)
Outside Audit & Supervisory Board Member of Katakura Industries Co., Ltd. (current position)

Officers

Senior Managing Officer

Hidekazu Takahashi In charge of Technical Planning Dept., Logistics Dept., Kashima Plant, Kobe Plant, and Funabashi Plant

Managing Officer

Hiroshi Ino In charge of Group Personnel, Group Governance

Takaya Komai General Manager, Osaka Branch

Takaaki Suzuki In charge of Ingredients Sales Dept., Food Process Sales Dept., Retailer Sales Dept., Principal Account Sales Dept., Solution Sales Dept. and Overseas Business Development & Sales Dept.

Officers

Keiichi Hinokuma Representative Director and President, Shosan Shoji Co., Ltd.

Takayuki Ota Representative Director and President, San-ei Surochemical Co., Ltd.

Toshiyuki Kaneko Representative Director and President, Boso oil and fat Co., Ltd.

Junji Kokuryo Representative Director and President, Swing Bakery Co., Ltd., Grandsolu bakery Co., Ltd., Garden Bakery Inc. and Tower Bakery Co., Ltd.

Noriaki Arakawa Representative Director and President, Kyushu Showa Sangyo Co., Ltd.

Michiyo Senba Representative Director and President, Okumoto Flour Milling Co., Ltd.

Toshihiko Nagai General Manager, Kashima Plant
Representative Director and President, Kashima Silo Co., Ltd.

Masabumi Suzuki General Manager, Research & Engineering Dept.

Kentarou Abe General Manager, Animal Feed Business Dept.

Yukinobu Oyama General Manager, Food Business Dept.

Hidenori Takahashi General Manager, Planning Dept.

Daisuke Kawazu General Manager, Development Dept.

Hidefumi Takeuchi General Manager, Overseas Business Development & Sales Dept.

Messages from Outside Directors

We have received a message from outside directors who bring important outside perspectives to the governance of the Showa Sangyo Group.



I hope that your various measures will produce results and increase profitability

Naoko Mikami

Outside Director

The Showa Sangyo Group is a single group of companies that handles multiple grains. This is quite unique in Japan. I realize that the Group is aware of its own strength as grain professionals and is quickly providing customers with grain solutions by creating synergy through the combination of a wide variety of grain-derived ingredients and processing technologies.

Under the Medium-term Management Plan 23-25, which is the final stage of the Long-term Vision, logical and specific measures have been steadily implemented, and their validity has been properly evaluated.

In April 2023, in order to strengthen the core business, the sales departments were fundamentally reorganized into a one-stop type sales organization that can provide optimal solutions for each customer. I hope that its en-

hanced ability to make proposals will lead to concrete results that are reflected in numerical management data. To date, each business has expanded through TOB and M&A. I appreciate that the functions of each business have been strategically integrated to increase profitability and contribute to the numerical management data.

I look forward to seeing the Company accelerate the development of new value-added businesses and overseas expansion, thereby further increasing its profitability.

Proactive sustainability initiatives are also reported to the Board of Directors for a constructive exchange of ideas. I will continue to contribute to increasing corporate value as well as further reinforcing corporate governance.



I will contribute to increasing Showa Sangyo's corporate value by drawing on my experience in Japanese and international public administration

Akira Karasawa

Outside Director

I was appointed as an outside director of Showa Sangyo at the June 2024 General Meeting of Shareholders. For 35 years, from 1983 to 2018, I was involved in the planning and development of food, agriculture, forestry and fisheries policies in various sectors at the Ministry of Agriculture, Forestry and Fisheries. Particularly in the last few years, I was responsible for policy related to rice, wheat and other major grains, as well as sugar. So, from that perspective, I was observing the flour milling industry and other related industries. That observation shaped my image of Showa Sangyo as a company that, unlike other companies, does not limit itself to specific businesses such as flour milling, but has a unique strategy of developing a wide range of businesses in other food sectors such as vegetable oil and animal feed. Now that food needs are more diverse than ever, I have high expectations that this is the time for

Showa Sangyo to take full advantage of the synergistic effects of its various businesses.

After retiring from the Ministry of Agriculture, Forestry and Fisheries, I also served as Ambassador Extraordinary and Plenipotentiary to the Republic of Palau for approximately three and a half years, gaining a wide range of administrative experience both in Japan and abroad. I have never been directly involved in corporate management, but in the course of government administration, accurate policy decisions must always be made from the perspective of consumers and citizens. At the same time, there must be strict compliance with legal standards and detailed accountability to the Diet, the media, etc. As an outside director, I will make the most of my experience in public administration and contribute to increasing Showa Sangyo's corporate value.



I will contribute to the governance of the Showa Sangyo Group by leveraging my experience as an outside director in various companies

Mami Taira

Outside Director

I was appointed as an outside director at the June 2024 General Meeting of Shareholders. Last year, the Showa Sangyo Group formulated the Medium-Term Management Plan 23-25 as the final stage of its Long-term Vision SHOWA Next Stage for 2025. In FY2023, the first year of the plan, the Company achieved increases in both sales and profits. In particular, it fundamentally reorganized its sales departments for the first time since its foundation. I feel that Showa Sangyo is making steady progress toward its future vision.

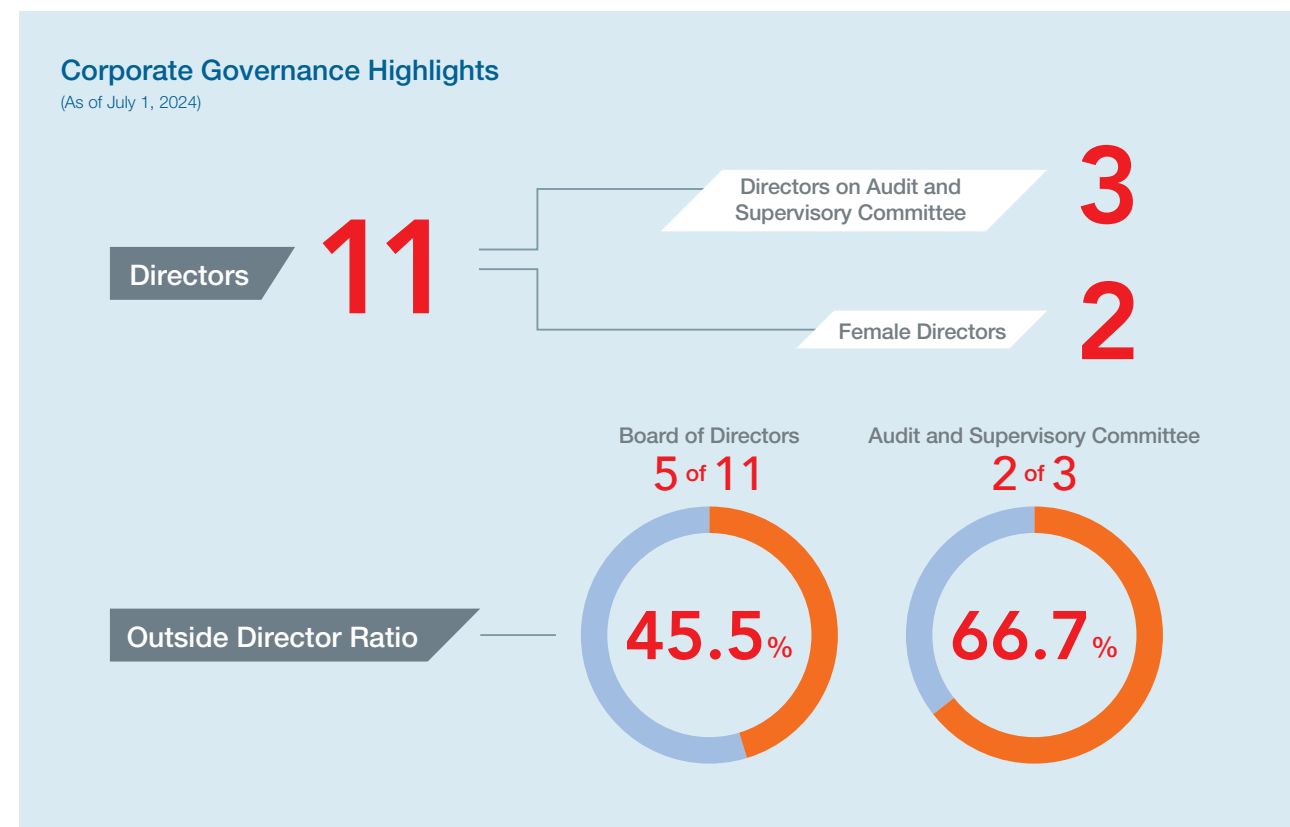
On the other hand, the stock market has recently called for a number of governance improvements. These include the implementation of the management with awareness of cost of capital and share price, the improvement of stakeholder engagement, and the promotion of ESG and sustainable management. The Showa Sangyo Group has

positioned these market demands as strategies (3), (4), and (5) that support sustainable growth among the Five Key Strategies of its Medium-term Management Plan. The Company intends to deepen them to further enhance its corporate value. This raises my expectations.

As a certified public accountant, I have been involved in the financial strategies of numerous companies. As an outside director, I have also helped various companies with diversity management, including the advancement of women, and with the restructuring of governance systems since the early days of corporate governance reform. With this experience, I would like to contribute to the further enhancement of the Showa Sangyo Group's corporate value by monitoring and advising not only in the areas of treasury and finance, but also in overall corporate governance.



Corporate Governance



Basic Policy

In accordance with its management philosophy of “contributing to healthy, rich, and varied meals,” the Showa Sangyo Group aims to enhance the trust of all stakeholders, including shareholders, customers, and employees, as well as to realize its sustainable growth and the medium to long term

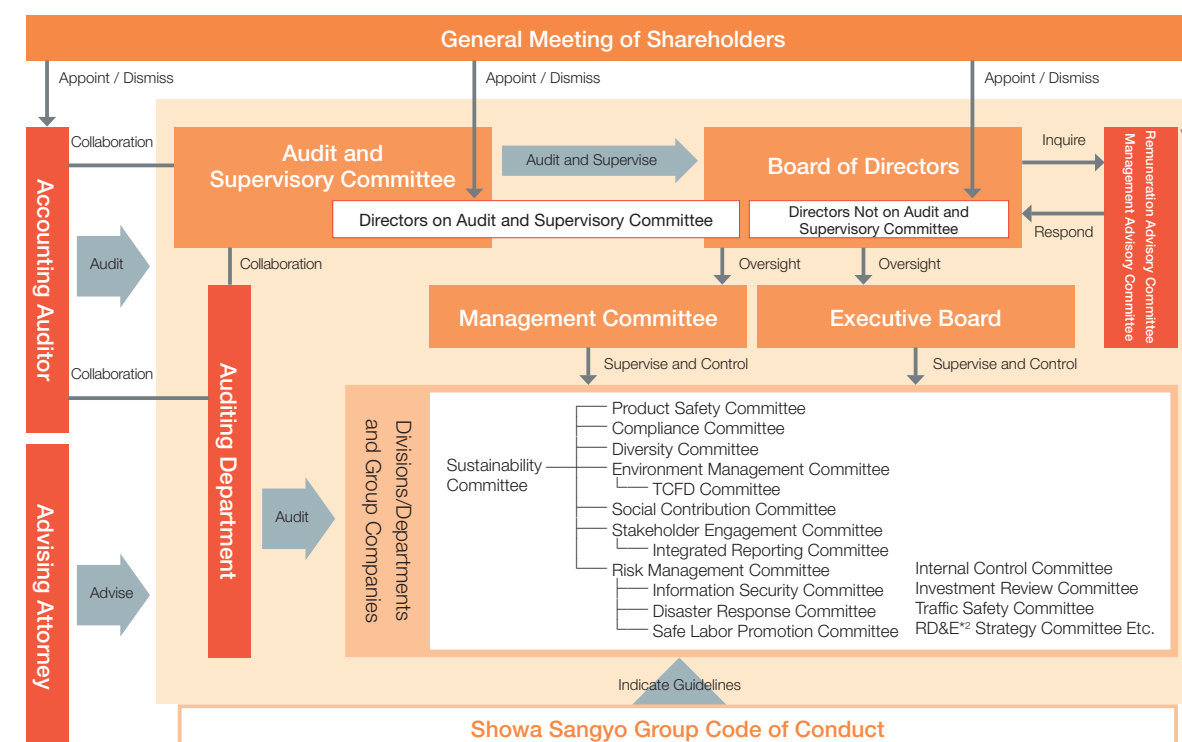
enhancement of its corporate value. As the concrete policy for achieving this goal, we have established the Showa Sangyo Corporate Governance Guidelines, and we will work to ensure the effectiveness of corporate governance as one of our most important management issues.

For details, please refer to the **Corporate Governance Guidelines and the Corporate Governance Report. (Japanese text only)**
<https://www.showa-sangyo.co.jp/corporate/ir/management/cg/policy/>

History of Our Governance Initiatives



Corporate Governance System Chart



*1 Discretionary advisory bodies of the Board of Directors *2 Research, Development and Engineering

• Board of Directors

The Company's Board of Directors consists of a total of 11 members, including five outside directors. The Board of Directors makes decisions on the execution of important business operations of the Group and supervises the execution of duties by directors and officers.

• Audit and Supervisory Committee

The Audit and Supervisory Committee consists of two outside directors and one inside director, for a total of three members. The Audit and Supervisory Committee supervises the execution of duties by the Board of Directors in cooperation with the Accounting Auditor and the Company's Auditing Department.

• Executive Board

We established the Executive Board as a subordinate organization of the Board of Directors for the purpose of reporting on matters related to, among other things, the execution of duties by directors and officers, and for the purpose of keeping management on the same page. The board is composed of directors (including outside directors) and officers and meets once a month.

• Management Committee

We established the Management Committee as a subordinate organization of the Board of Directors for the purpose of discussing important matters related to the execution of the business, and for the purpose of keeping management on the same page. The committee is composed of the manager or director in charge of each division, all officers at the managing officer level and above, and all of directors on the Audit and Supervisory Committee (excluding outside directors).

• Management Advisory Committee

This committee composed solely of outside directors is a discretionary advisory body of the Board of Directors. It functions to ensure the appropriateness, objectivity, timeliness, and transparency of processes related to matters such as evaluation of the performance of directors and officers, as well as to their selection and dismissal. It also addresses management issues such as the development of the next generation of management talent.

• Remuneration Advisory Committee

This committee composed solely of outside directors is a discretionary advisory body of the Board of Directors that responds to inquiries on matters such as proposed remuneration for directors and officers. The Board of Directors determines executive compensation after receiving a response from the committee, ensuring objectivity and transparency in the compensation determination process. Remuneration for directors is determined in accordance with the publicly-available Executive Remuneration Policy and the Policy on Determination of Details of Remuneration, etc. for Directors.

• About Our Committees

We have established various inter-divisional committees as organizations to deal with the various long-term themes related to the management of the Group. Each committee is chaired by a director and works to resolve the various issues for which it is responsible through decision-making and proposals to management regarding said matters.

Director Skill Matrices

Based on the Group’s management philosophy of “contributing to healthy, rich, and varied meals,” we have formulated SHOWA Next Stage for 2025, our Long-term Vision of the Group as a Grain Solution Company for the period until the end of FY2025. We are currently pursuing the realization of this vision through the development and implementation of three Medium-term Management Plans each covering a three-year period. Throughout this entire process, we will strive to achieve the sustainable growth of our Group and the enhancement of our corporate value in order to fulfil our

responsibilities to all of our stakeholders.
 We believe that our directors have the knowledge, experience, and other qualifications needed to advance this effort, and expect they will be able to demonstrate their expertise in the process. The skill matrices of each director is as shown below.
 All of the directors possess the skills to promote ESG management, which enables the Group to solve social issues through its business and enhance its corporate value from the perspective of its CSV strategies.

Items on the Director Skill Matrices

Skill Items	Expected Knowledge / Experience
Business Management	As an internal director, they currently serve or have experience serving as a director in management position of any of the companies within the Group, or have an equivalent level of knowledge to such a person, and are expected to demonstrate their expertise as a director of the Company. On the other hand, our outside directors have the knowledge and experience of having served as directors in management positions at other companies, and are expected to demonstrate their expertise as a director of the Company.
Business Strategy	They are well-versed in the state of raw grain affairs overseas. In addition to their knowledge and experience in working closely with government agencies and related organizations, they have knowledge and experience in building relationships with various stakeholders while keeping abreast of market trends in the food industry in order for the Company to implement its management strategies. As such, we expect them to demonstrate their expertise as a director of the Company to help it contribute to society by procuring raw grains that support the domestic food supply from overseas and conducting our business as a Grain Solution Company.
Overseas Business	They have knowledge and experience negotiating with overseas companies on behalf of a company to conclude business alliances and other agreements. As such, we expect them to demonstrate their expertise as a director of the Company.
R&D Engineering / Logistics Treasury / Finance Governance / Risk Management Digitalization	They are not only well versed in the field in question, but also have the knowledge and experience to provide appropriately management and oversight. Therefore, we expect that they will be able to demonstrate their expertise as a director of the Company to help the Group execute its management strategy and achieve sustainable growth and increase its corporate value.

Name	Position / Responsibility in the Company	Attribute	Expected Knowledge / Experience							
			Business Management	Business Strategy	Overseas Business	R&D	Engineering / Logistics	Treasury / Finance	Governance / Risk Management	Digitalization
Male Kazuhiko Niitsuma	Chairman		●	●	●				●	
Male Hideyuki Tsukagoshi	President and CEO		●	●					●	
Male Tatsuya Yamaguchi	Director Managing Officer In charge of Business Management & Sales Division		●	●						
Male Masashi Ohno	Director Managing Officer In charge of Technical Division		●			●	●			
Male Yoshihiro Hosoi	Director Managing Officer In charge of Corporate Division, General Manager of Planning Management Dept.		●					●	●	●
Female Naoko Mikami	Outside Director	Outside Director Independent Officer	●			●	●			
Male Akira Karasawa	Outside Director	Outside Director Independent Officer		●	●				●	
Female Mami Taira	Outside Director	Outside Director Independent Officer	●					●	●	
Male Susumu Oyanagi	Director (Standing Audit and Supervisory Committee Member)		●					●	●	●
Male Toshihiro Teshima	Outside Director (Audit and Supervisory Committee Member)	Outside Director Independent Officer	●					●	●	
Male Joji Sugo	Outside Director (Audit and Supervisory Committee Member)	Outside Director Independent Officer	●					●	●	

* Skills listed are areas in which directors are expected to demonstrate particular expertise.

Major Initiatives of the Board of Directors

The main items considered by the Board of Directors in FY2023 are as follows:

Items to be discussed	The number of the items	Contents
Voting Items	48	Capital and business alliances, introduction of new facilities, acquisition of new assets, sale of assets held, sale of stock held, revision of executive compensation system, donations, etc.
Reporting Items	22	Disclosure of information on TCFD, human capital management, overview of overseas business, overview of R&D, status of intellectual property, overview of Risk Management Committee activities, overview of information security measures, etc.

Board of Directors Effectiveness Assessments

The Company's Corporate Governance Guidelines stipulate that "the Board of Directors shall analyze and evaluate the effectiveness of the Board of Directors as a whole every year based on self-evaluations of each director." Regarding FY2023, all 11 directors responded to a questionnaire-based survey in May 2024, and the results were analyzed and evaluated by the Board of Directors.

With regard to the overall operation of the Board of Directors, the Board believes that the frequency of meetings

and deliberation time are appropriate, and that a sufficient number of directors, including independent outside officers, have been secured in order to ensure the effectiveness of its decision-making and oversight functions. On the other hand, some issues were raised, such as the need for regular reporting on the progress of the Medium-term Management Plan and deeper discussions on growth strategies. We will continue to evaluate the effectiveness of the Board of Directors on a regular basis with a view to improving it.

Reason for Appointment as Outside Director

Name	Attendance at Board of Directors and Audit and Supervisory Committee Meetings (FY2023)		Reason for Appointment
	Board of Directors	Audit and Supervisory Committee	
Naoko Mikami	16/16	–	We expect that she will strengthen the decision-making and oversight functions of the Board of Directors by leveraging her experience and extensive knowledge of corporate management.
Akira Karasawa (appointed on June 25, 2024)	–	–	We expect that he will strengthen the Board's decision-making and oversight functions with his expertise in agriculture, forestry, fisheries and food policy, as he has served as Director-General for Policy Planning of the Ministry of Agriculture, Forestry and Fisheries and Ambassador Extraordinary and Plenipotentiary.
Mami Taira (appointed on June 25, 2024)	–	–	We expect that she will strengthen the Board's decision-making and oversight functions through her expertise in finance and accounting as a certified public accountant and tax accountant, as well as her high-level insight into corporate governance.
Toshihiro Teshima	13/13	10/10	We expect that he will further strengthen the Company's risk management by leveraging his many years of experience at a non-life insurance company and his extensive knowledge of risk management.
Joji Sugo	13/13	10/10	We expect that he will strengthen the Company's financial policy, etc., by leveraging his long years of experience at financial institutions and his extensive knowledge.

Assistance System for Outside Directors

Assistance is provided to outside directors through the Board of Directors Secretariat. As the Board of Directors has made the move to paperless meeting, outside directors are provided with computers that give them early access to meeting materials. With regard to important agenda items such as M&As, detailed explanations are provided in advance by the department in charge, etc. in an effort to provide the informa-

tion needed to make decisions.

We also provide outside directors with opportunities to see our plants, R&D facilities, and Group companies in person, while engaging in discussions with local managers, staff, etc. This is done in an effort to make them aware of the actual situation of the company.

Remuneration of Directors and Officers

Basic Policy on Determining Remuneration

On March 1, 2024, we updated and published the Executive Remuneration Policy, which became effective in FY2024. Its purpose is to ensure that the executive remuneration functions as a sound incentive to contribute to the sustainable growth

of the Group and to the enhancement of its corporate value over the medium and long term. To this end, it establishes the following basic policies:

- (1) Executive remuneration must contribute to the sustainable growth of the Group and the medium to long term enhancement of its corporate value.
- (2) Executive remuneration must contribute to sharing value with shareholders and fostering a shareholder-oriented management mindset.
- (3) Executive remuneration must consider not only short term performance, but it should also be linked to medium and long term performance.
- (4) Remuneration levels must be sufficient to attract and retain excellent personnel.
- (5) Consideration must be given to creating value for various stakeholders.
- (6) Executive remuneration must be designed to be both transparent and objective, and it must be decided through an appropriate process that ensures this.

Process for Determining Remuneration

In order to ensure transparency and objectivity in the process of determining directors' remuneration, as well as the results of said process, the Board of Directors entrusts the President and CEO with the final decision on directors' remuneration by resolution of the Board of Directors, after deliberation by the Remuneration Advisory Committee, a discretionary advisory

body of the Board of Directors. The Remuneration Advisory Committee meets as required in the process of determining the remuneration system for directors and the specific amounts of remuneration for each director. The committee met a total of three times in FY2023.

Remuneration System

The remuneration system for directors consists of monetary remuneration and stock-based remuneration.

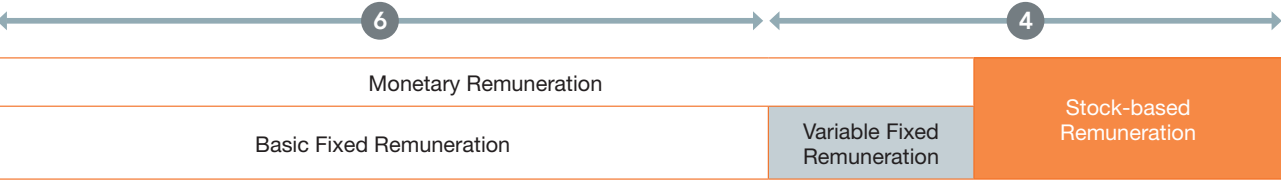
Monetary remuneration consists of a basic fixed remuneration determined in accordance with the nature of the position, including job duties, as well as monetary remuneration as a short-term incentive (variable fixed remuneration) determined with consideration given to the performance of the Company and the individual director in the previous fiscal year. As a general rule, the ratio of these remunerations is 6:4 in favor of basic fixed remuneration (6) against variable fixed remuneration and stock-based remuneration (4). In order to share value with the Company's shareholders, between variable fixed remuneration and stock-based remuneration, stock-

based remuneration accounts for the majority. Variable fixed remuneration is determined based on the individual's level of contribution to the Company, including the company's performance and their individual performance, with consideration of the nature of each director's commitment to single-year performance as milestones for achieving medium to long term performance targets.

Meanwhile, stock-based remuneration is determined in accordance with the director's position, etc, after comprehensively considering their roles, responsibilities, etc. It serves as a medium to long term incentive to enhance the Group's corporate value over this same time scale, and to share interests with the Company's shareholders.

Remuneration System Diagram

* More than half is stock-based remuneration.



Risk Management

Basic Policy

The Showa Sangyo Group has established the Risk Management Committee in accordance with the Basic Policy on Risk Management and works to strengthen prompt and

appropriate responses to address serious risks to corporate management.

Risk Management Promotion System

Once a year, the Group's Risk Management Committee, chaired by the person in charge of the Corporate Division, identifies risks that could hinder the achievement of management targets. The Committee then conducts risk assessment by assessing the severity of each identified risk in accordance with the risk criteria consisting of a matrix of management impact and the likelihood of occurrence.

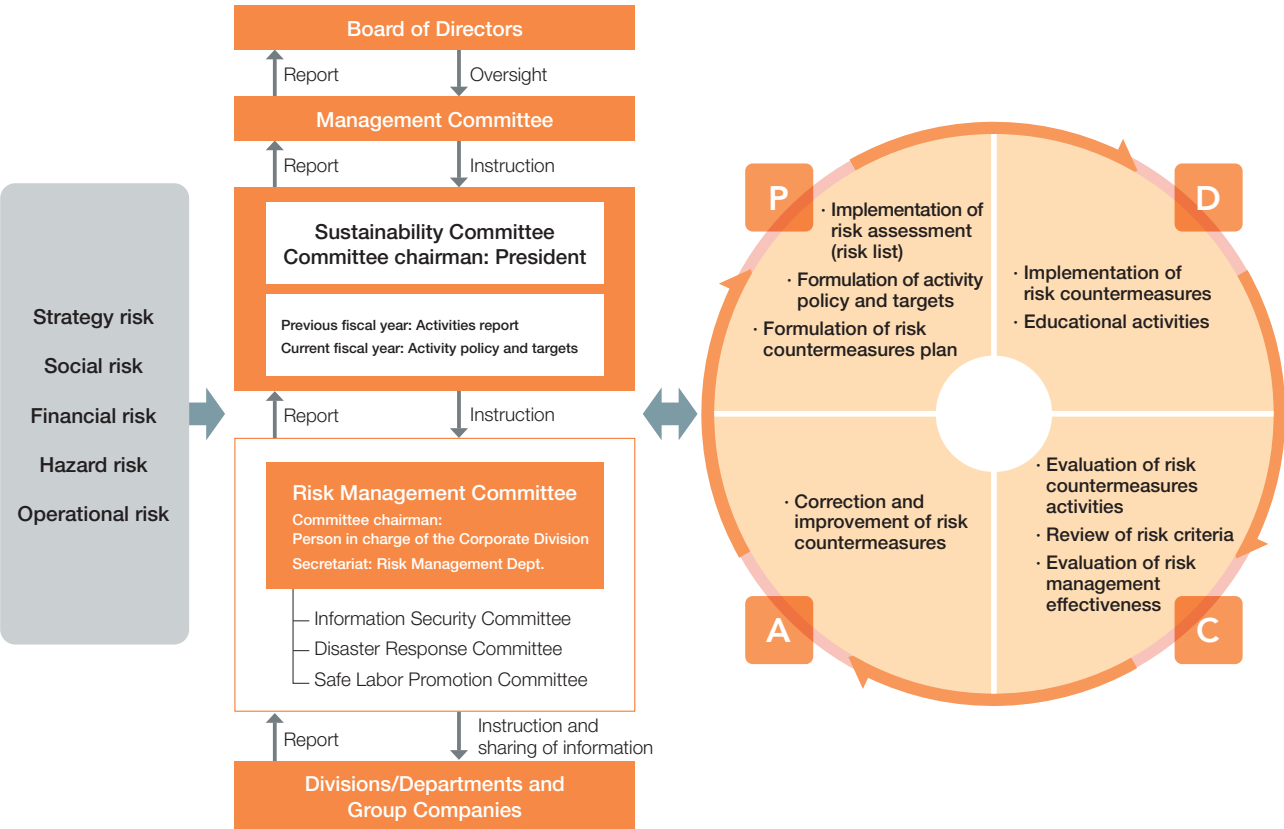
In particular, for very serious risks, the person in charge of each division reports to the Risk Management Committee on the response policy, and the committee monitors the response status and implements improvements and guidance, thereby developing ongoing risk management activities to reduce risk.

Business Continuity Plan (BCP)

The purpose of our Business Continuity Plan (BCP) is to ensure the continuation or early recovery of our business operations, with the safety of human life as the highest priority, in the event of an emergency that could significantly affect our business, such as a major natural disaster or pandemic.

In addition, to ensure the functionality of the BCP and increase its effectiveness, we regularly review and update various manuals and conduct drills as part of our peacetime efforts.

Diagram of Risk Management Promotion System



Identifying Serious Risks

The risks that could have a serious impact on management are as follows.

Risk Category	Main Related Risks	Risk Category	Main Related Risks
1. Raw grain procurement (fluctuations in grain prices and foreign exchange, etc.)	<ul style="list-style-type: none">Sharp fluctuations in grain prices and foreign exchange marketsSustainable procurement of raw grain	7. Corporate acquisitions and joint ventures	<ul style="list-style-type: none">Risk of impairment, including goodwill
2. Product safety	<ul style="list-style-type: none">Concerns about product safety and reliabilityIncreased costs for product recalls due to product defectsCustomer attrition due to decline in trust	8. Securing human resources	<ul style="list-style-type: none">Concerns about a serious shortage of human resources due to a decline in the labor force, changes in the employment situation, etc.
3. Disasters, accidents, and infectious diseases	<ul style="list-style-type: none">Inability of employees to attend workDisruption of supply chainShutdown of plant operations	9. Declining birth rate, aging society and declining population	<ul style="list-style-type: none">Concerns about loss of growth opportunities due to shrinkage of the Japanese market in the core business
4. Information security	<ul style="list-style-type: none">Shutdown of system due to cyberattackCompensation for damages due to information leaks	10. Compliance	<ul style="list-style-type: none">Possibility of legal penalties and social sanctionsConcerns about undermining stakeholder trust
5. Climate change	<ul style="list-style-type: none">Risk of transition to low-carbon societyPhysical risk due to intensification of abnormal weather and average temperature rise, etc.	11. Intellectual property	<ul style="list-style-type: none">Loss of competitive advantage due to inadequate rights managementConcerns about loss of trust in our brand due to infringement of rights
6. Human rights	<ul style="list-style-type: none">Decline in competitiveness and corporate value (decline in employee productivity, loss of outstanding human resources, damage to corporate image and trust, etc.)	12. Logistics-related risks	<ul style="list-style-type: none">Concerns about logistics slowdowns due to driver shortagesImpact on business performance and financial position due to rising logistics costs, etc.

Please see the corporate website for the main measures to address each risk. (Japanese text only)
<https://www.showa-sangyo.co.jp/corporate/sustainability/governance/risk/management/>

Toward risk management that maintains and enhances corporate value

Toshihiro Teshima
Outside Director (Audit and Supervisory Committee Member)



The Great East Japan Earthquake and other major natural disasters, the three-year COVID-19 pandemic, and geopolitical risks such as the prolonged war in Ukraine. These include risks to plant equipment and employee safety, risks associated with changes in consumer lifestyles, and risks associated with fluctuations in raw material grain prices and exchange rates. Showa Sangyo has responded appropriately and promptly to the various risks that have emerged over the past decade or so. This fact clearly demonstrates the effectiveness of the Group's Risk Management Promotion System.

I appreciate that, under the leadership of management, all employees share the same risk management objectives and effectively implement the PDCA cycle of identifying, analyzing, evaluating and responding to risks.

In recent years, however, with the changing times, we must address increasingly diverse and sophisticated risks, such as information security risk, human rights risk, and climate change risk. The Company analyzes, evaluates and monitors these new risks and changes in their importance to take corrective actions, but it must respond even more quickly.

Note that risk management deals primarily with risks that should be avoided or mitigated. However, I believe there are some strategic and financial risks that should be taken deliberately. I expect the Company to firmly maintain its corporate value through risk avoidance and mitigation, and to further enhance its corporate value by taking appropriate risks.


Compliance

Basic Policy

Based on the Showa Sangyo Group Code of Conduct, we ensure compliance by acting in pursuit of what is right as human beings with an awareness of the demands of society rather than simply complying with laws and regulations to continue being a company that is trust by all stakeholders. Therefore, to ensure sound corporate activities, senior management will position compliance as the most important management issue and take the lead in promoting it while each and every employee will play a role as a compliance practitioner.

Basic Policy on Compliance

- (i) Fair market transactions
- (ii) Appropriate information management and protection of intellectual property rights
- (iii) Appropriate relationships with government and administrative authorities
- (iv) Blocking relationships with anti-social forces

 Please see the corporate website for more details on the Basic Policy on Compliance. (Japanese text only)
<https://www.showa-sangyo.co.jp/corporate/sustainability/governance/compliance/>

System

The Compliance Committee (Committee chairman: Person in charge of the Corporate Division) has been established as the central body in the development, maintenance, and enhancement of the Group's compliance system. It clarifies and disseminates the Group's compliance policy, identifies issues that change depending on social circumstances, and deliberates on and discusses countermeasures.

Specifically, it establishes guidelines for company-wide

compliance activities and employee awareness raising activities and promotes the development and enhancement of systems for compliance with corporate ethics and laws and regulations through comprehensive surveys of and dissemination of information on laws and regulations that must be observed in business activities, reporting on the operational status of the internal reporting system, and highlighting points for strengthening the response to laws and regulations.

Promotion Activities

In FY2023, we implemented the “Questionnaire on Awareness and Status of Compliance” for all Group employees with the objective of ascertaining Group employee awareness of compliance and compliance issues in workplaces.

Based on the results of the questionnaire, we have been actively engaging in educational and awareness-raising activities to enhance compliance. In FY2023, we expanded the distribution of “Compliance Newsletter” on the intranet to the entire Group. We aim to regularly share information and raise awareness about compliance overall by distributing “Compliance Newsletter” every other month.

Moreover, in initiatives to strengthen our educational programs, we have distributed a “Compliance Manual” and “Compliance Handbook” to all Group officers and employees,

in addition to conducting regular reviews and training. In FY2023, we held a nationwide training session on the Anti-Monopoly Act by an external instructor.

In addition, in light of recent legal revisions, we are working to disseminate information to ensure legal compliance related to the internal reporting system and the Act on the Protection of Personal Information. With regards to the internal reporting system, we actively communicate the basic policy and system of the reporting system through training for new employees and the company intranet and strive to enhance operations.

We will continue to promote understanding and awareness of compliance education and work to enhance management systems.

Blocking Relationships with Anti-social Forces

The Showa Sangyo Group does not maintain any relationships with anti-social forces or with groups or companies that have relationships with anti-social forces. In terms of specific

measures to achieve this, we have established a response system to ensure the blocking of such relationships, including automation of primary screening for counterparty risk checks.

Internal Reporting System

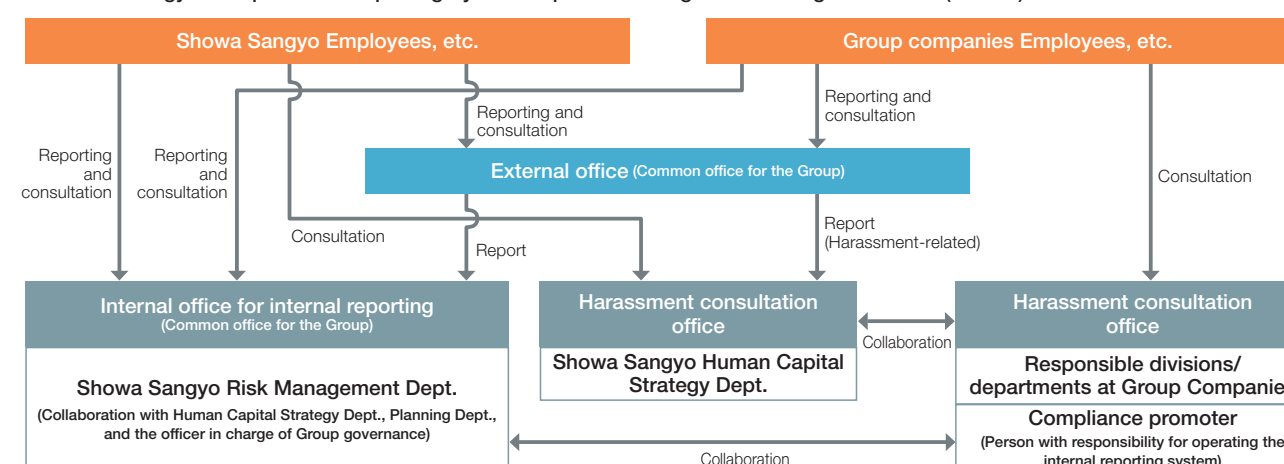
The Group has established an internal reporting system, which protects whistleblowers and handles reports. Based on the content of these reports, we strive to improve the workplace by detecting misconduct at an early stage and identifying issues for improvement to create places where employees can work with more peace of mind.

We revised the system based on the objectives of the amended Whistleblower Protection Act, and implemented

the revised Showa Sangyo Group Internal Reporting System Rules in 2022. Together with revising the rules, we also gave consideration to convenience for employees, including establishing a new external office for reporting on legal violations in general and enabling anonymous reporting.

In terms of consultation on harassment, we have established and operate a harassment consultation office in accordance with the Showa Sangyo Group Harassment Prevention Rules.

Showa Sangyo Group Internal Reporting System Report Receiving and Handling Framework (Outline)



I will contribute to enhancing Group-wide compliance

Joji Sugo

Outside Director (Audit and Supervisory Committee Member)

To realize the Showa Sangyo Group's management philosophy which is “Contributing to healthy, rich, and varied meals,” we have established the “Code of Conduct,” which is the ideal form of conduct for earning the trust of all stakeholders through corporate activities. Based on the “Code of Conduct,” we are clarifying the guiding principles for employees while further promoting dissemination through the formulation of a “Compliance Manual,” which is a concrete guidebook, and other measures. In recent years, there have been incidents in which loss of trust due to violations of laws and regulations by corporations, including fraudulent accounting, information leaks, and harassment has had a significant impact on business survival. This has caused public concern. Lack of understanding of compliance is what lies behind such problems. I believe

it is important for each and every employee to base all their work on compliance and act on a daily basis with a constant awareness about what compliance is needed for each task and workplace. In this situation, the Showa Sangyo Group will proactively enhance and strengthen the institutional elements related to compliance, such as the holding of various committee meeting, including the Compliance Committee, encouraging the use of the internal reporting system in order to detect and rectify violations at the earliest possible opportunity, and the implementation of questionnaires for all employees. I will also continue contributing to the upgrading of corporate governance, including the enhancement of Group-wide compliance, from an independent and impartial standpoint.

Corporate Profile

(As of March 31, 2024)

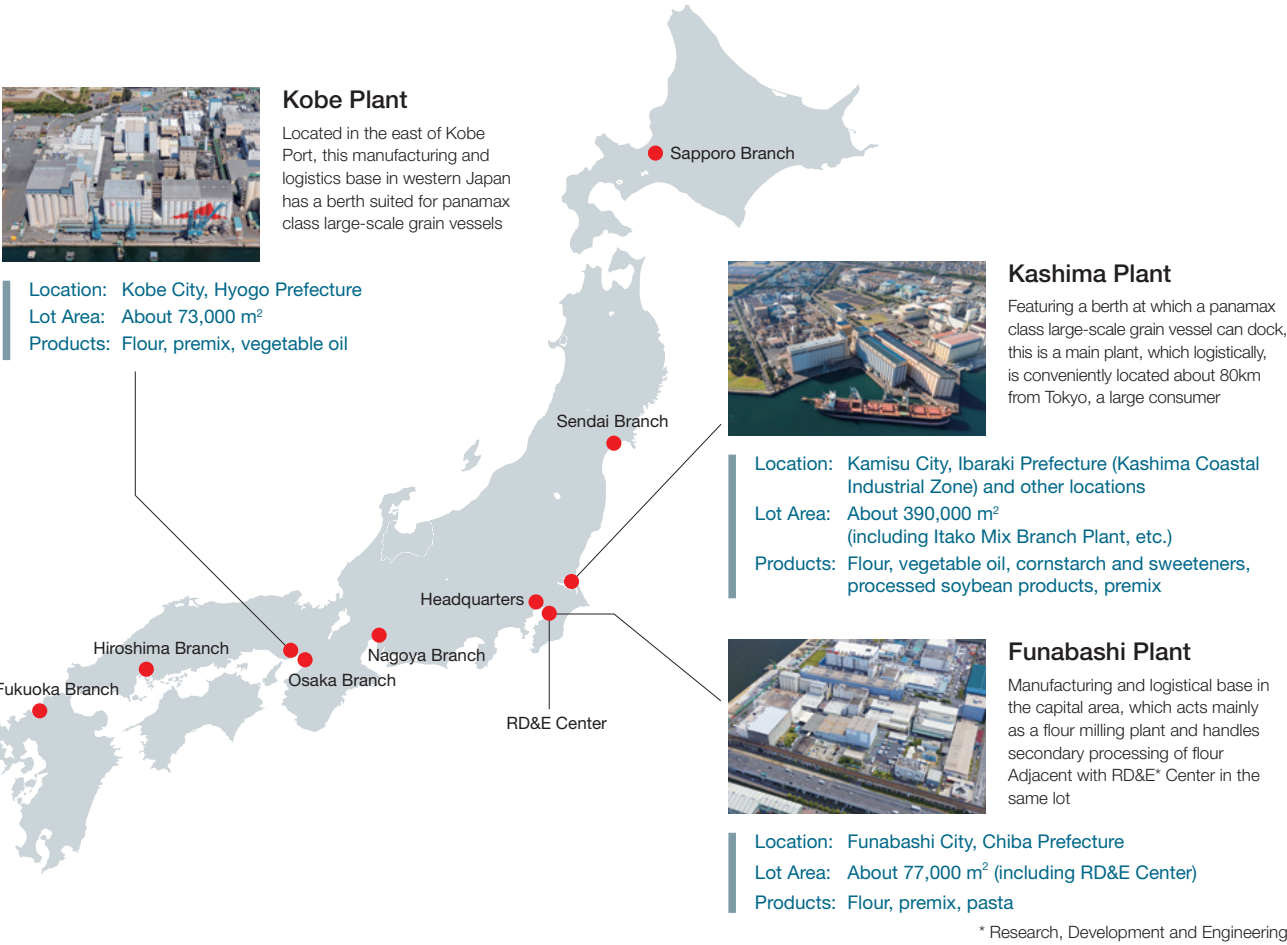
Company Name	Showa Sangyo Co., Ltd.
Headquarters Location	2-2-1, Uchikanda, Chiyoda-ku, Tokyo
Representative	President and CEO Hideyuki Tsukagoshi
Established	February 18, 1936
Capital	¥14,293,508,177
Number of Employees	Company: 1,270 Consolidated: 2,858

Main Group Companies

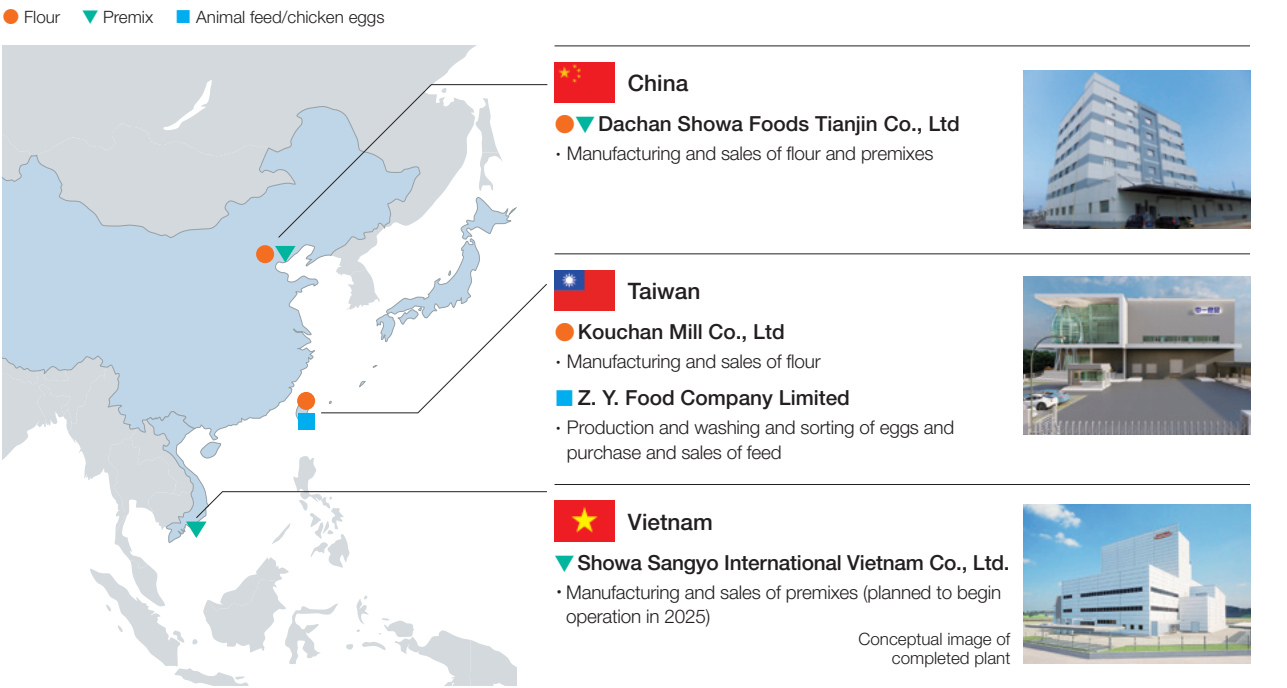
(As of June 30, 2024)

Company Name	Business Duties
● Shosan Shoji Co., Ltd.	Wholesale of foods and feed and insurance agency business, etc.
● Okumoto Flour Milling Co., Ltd.	Manufacturing and sales of flour, premixes and pasta, etc.
● Boso oil and fat Co., Ltd.	Production and sales of rice oils
● Shikishima Starch MFG. Co., Ltd.	Manufacturing and sales of corn starch and corn sweeteners
● San-ei Sucrochemical Co., Ltd.	Manufacturing and sales of corn sweeteners, lactic acid bacteria and Bifidobacterium
● Kyushu Showa Sangyo Co., Ltd.	Manufacturing and sales of animal feed and sales of livestock produce
● Kida Flour Mills Co., Ltd.	Manufacturing and sales of flour and premixes
● Naigai Flour Milling Co., Ltd.	Manufacturing and sales of flour
● Central Flour Milling Co., Ltd.	Manufacturing and sales of flour
● Swing Bakery Co., Ltd.	Manufacturing and sales of bread
● Grandsolu bakery Co., Ltd.	Manufacturing and sales of frozen dough
● Garden Bakery Inc.	Manufacturing and sales of bread
● Tower Bakery Co., Ltd.	Manufacturing and sales of bread and frozen dough
● Nagaokayuryo Co., Ltd.	Production and sales of rice oils
● Kumiai-yushi Co., Ltd.	Production and sales of soup, fatty acid
● Musashiyushi Co., Ltd.	Production and sales of rice oils
● Minaminihonkomeabura Co., Ltd.	Production and sales of rice oils
● Tokyoyushikogyo Co., Ltd.	Production and sales of rice oils
● Showa Frozen Foods Co., Ltd.	Manufacturing and sales of frozen foods
● Showa Keiran Co., Ltd.	Washing and sorting of eggs and purchase and sales of feed
● Shosan Kaihatsu Co., Ltd.	Commercial building and other property rental business
● Shourei Co., Ltd.	Freezer and refrigerated warehouse operations
● Oban Co., Ltd.	Wholesale of ingredients for Japanese confectionery and cookware
● Showa Sangyo International Vietnam Co., Ltd.	Manufacturing and sales of premixes
● Shosan Business Services Co., Ltd.	Consulting on corporate management for Showa Sangyo Group companies and other businesses
● Shosan Transportation Co., Ltd.	Truck transportation and loading/unloading operations
● Star Bakery Co., Ltd.	Property rental business
▼ Okada Unso Co., Ltd.	Freight truck transportation
▼ Showa Sangyo Vietnam Co., Ltd.	Technical consulting for food plants
▼ Kimishima Farm Ltd.	Egg production based on raising of poultry
■ Nagoya futo Silo Co., Ltd.	Grain silo
■ Kouchan Mill Co., Ltd.	Manufacturing and sales of flour
■ Tsuji Oil Mills Co., Ltd.	Production and sales of rice oils
■ Z.Y. Food Company Limited	Production and washing and sorting of eggs and purchase and sales of feed
■ Shibushi Silo Co., Ltd.	Grain silo
■ Kashima Silo Co., Ltd.	Grain silo
■ Shin Nihon Chemical Co., Ltd.	Manufacturing and sales of food enzyme

Japanese Domestic Offices and Plants - 3 Manufacturing Bases



Foreign Business



Financial and Non-financial Highlights (11 Years)

		FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Operating Results												
Net sales	(Millions of yen)	246,418	245,111	247,823	233,206	233,166	255,905	254,017	255,997	287,635	335,053	346,358
Operating profit	(Millions of yen)	8,550	7,142	7,951	8,786	6,556	8,443	8,808	7,594	5,564	4,184	13,146
Operating profit margin	(%)	3.5	2.9	3.2	3.8	2.8	3.3	3.5	3.0	1.9	1.2	3.8
Ordinary profit	(Millions of yen)	9,638	8,108	8,977	9,514	7,737	9,786	10,160	9,213	6,576	6,525	16,558
Profit attributable to owners of parent	(Millions of yen)	6,458	5,287	5,941	6,167	4,893	7,254	6,764	10,115	4,006	7,776	12,358
Financial Position												
Total assets	(Millions of yen)	154,544	160,778	157,941	164,959	170,544	174,711	173,451	213,309	231,306	247,770	262,238
Net assets	(Millions of yen)	61,716	69,180	71,600	75,368	81,049	86,211	88,721	103,080	109,089	116,362	133,253
Equity ratio	(%)	38.2	41.3	43.6	44.4	45.8	47.4	49.2	46.7	45.7	45.6	49.4
ROA	(%)	6.3	5.1	5.6	5.9	4.6	5.7	5.8	4.8	3.0	2.7	6.5
Interest-bearing debt	(Millions of yen)	39,634	36,413	33,502	32,922	34,343	30,925	29,940	45,421	52,927	61,394	53,998
Debt-equity ratio	(Times)	0.67	0.55	0.49	0.45	0.44	0.37	0.35	0.46	0.50	0.54	0.42
Return On Equity (ROE)	(%)	11.2	8.4	8.8	8.7	6.5	9.0	8.0	10.9	3.9	7.1	10.2
Cash Flows												
Cash flows from operating activities	(Millions of yen)	10,296	13,800	13,036	19,098	9,582	18,590	15,634	13,769	1,334	-2,930	23,751
Cash flows from investing activities	(Millions of yen)	-9,432	-9,122	-8,428	-9,923	-11,773	-8,208	-7,599	-26,376	-11,729	-6,155	-12,401
Free cash flow	(Millions of yen)	1,493	4,677	4,607	9,174	-2,191	10,382	8,034	-12,606	-10,395	-9,086	11,350
Cash flows from financing activities	(Millions of yen)	-2,309	-4,733	-4,443	-4,753	-404	-7,525	-4,686	13,800	8,405	6,136	-9,435
Per Share Indicators												
Earnings per share	(Yen)	39.80	33.09	37.18	194.26 ^{*1}	154.97	229.65	216.45	319.67	120.61	232.59	369.44
Net assets per share	(Yen)	369.75	415.45	430.83	2,318.46 ^{*1}	2,476.29	2,622.82	2,738.26	3,079.85	3,161.88	3,378.49	3,875.58
Dividend per share	(Yen)	9.00	9.00	10.00	10.00	30.00 ^{*2}	60.00	65.00	65.00	60.00	65.00	80.00
Dividend payout ratio	(%)	22.6	27.2	26.9	25.7	32.3	26.1	30.0	20.3	49.7	27.9	21.7
Other												
Capital investment	(Millions of yen)	8,716	7,430	8,570	12,595	7,654	7,847	9,697	12,434	9,877	9,449	14,402
Depreciation	(Millions of yen)	7,460	7,397	7,304	7,582	7,930	8,556	8,146	8,816	9,990	9,906	10,214
R&D expenses	(Millions of yen)	1,943	2,011	1,970	2,222	2,119	2,222	2,212	2,489	2,643	2,734	2,715
Non-financial Indicators												
CO ₂ emissions ^{*3}	(10,000 t)	34.1	34.0	33.7	32.9	32.5	34.0	33.5	40.9	36.8	33.7	33.7
Energy consumption (crude oil equivalent) ^{*3}	(1,000 kl)	132	133	136	136	137	148	147	184	182	178	177
Water consumption ^{*3}	(1,000 t)	5,861	5,734	5,841	5,749	6,144	6,342	6,247	14,990	14,779	13,980	13,255
Number of employees on the consolidated basis	(Employees)	2,037	2,057	2,042	2,103	2,139	2,376	2,421	2,899	2,870	2,863	2,858

^{*1} Showa Sangyo implemented a reverse stock split with a ratio of 1:5 for the Company's common stock on October 1, 2017. Accordingly, earnings per share and net assets per share are calculated as if the reverse stock split had been implemented at the beginning of FY2016.

^{*2} The dividend per share of 30 yen in 2017 consists of an interim dividend of 5 yen before the reverse stock split and a year-end dividend of 25 yen after the reverse stock split.

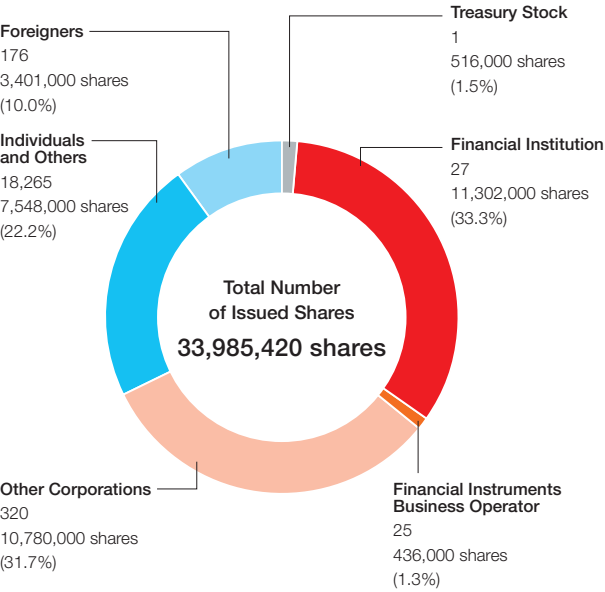
^{*3} The aggregation range has fluctuations due to increases and decreases in the number of Group companies. In FY2023, the aggregation range includes 27 companies (Showa Sangyo and its consolidated subsidiary companies).

Share Information

(As of March 31, 2024)

Stock Code	: 2004	Total Number of Authorized Shares	: 131,000,000 shares
Listed Stock Exchange	: TSE Prime	Total Number of Issued Shares	: 33,985,420 shares (including 516,538 shares of treasury stock)
Number of Shares Per Unit	: 100 shares	Number of Shareholders	: 18,814

Stock Distribution Status by Owner



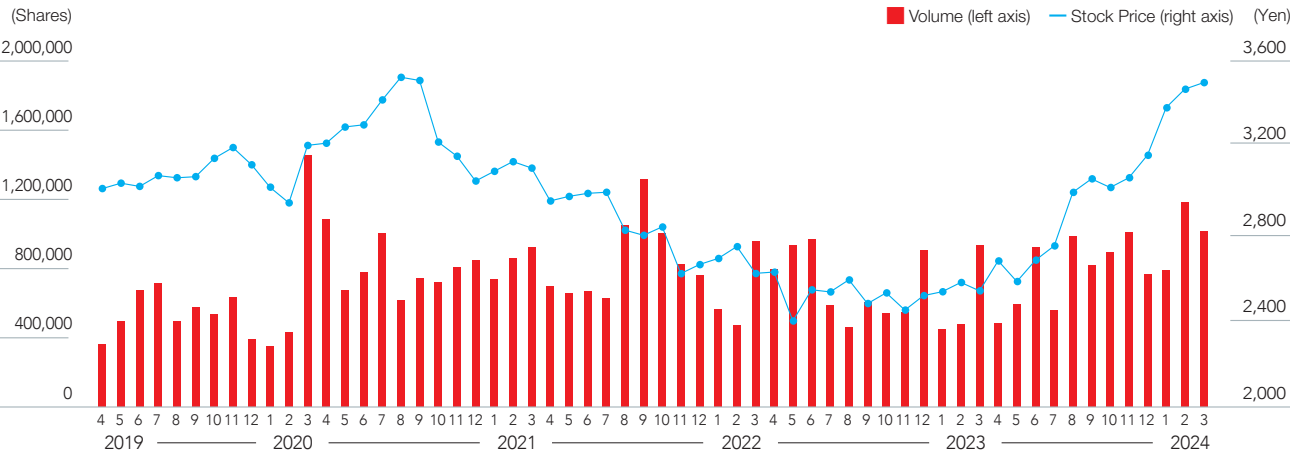
Major Shareholder

Shareholder Name	Number of Shares Held (thousands of shares)	Shareholding Ratio (%)
ITOCHU Corporation	2,540	7.6
The Master Trust Bank of Japan, Ltd. (trust account)	2,345	7.0
The Chiba Bank, Ltd.	1,542	4.6
MITSUI & CO., LTD.	1,540	4.6
Yuasa Funashoku Co., Ltd.	1,233	3.7
Sompo Japan Insurance Inc.	1,197	3.6
Showa Sangyo Business Partner Stockholder Association	1,153	3.4
The Norinchukin Bank	1,103	3.3
Cargill Japan LLC	940	2.8
Pension Trust Business, Mizuho Trust & Banking Co., Ltd., Mizuho Bank, Ltd.	900	2.7

(Note) Shareholding ratio is calculated excluding treasury stock.

Stock Price

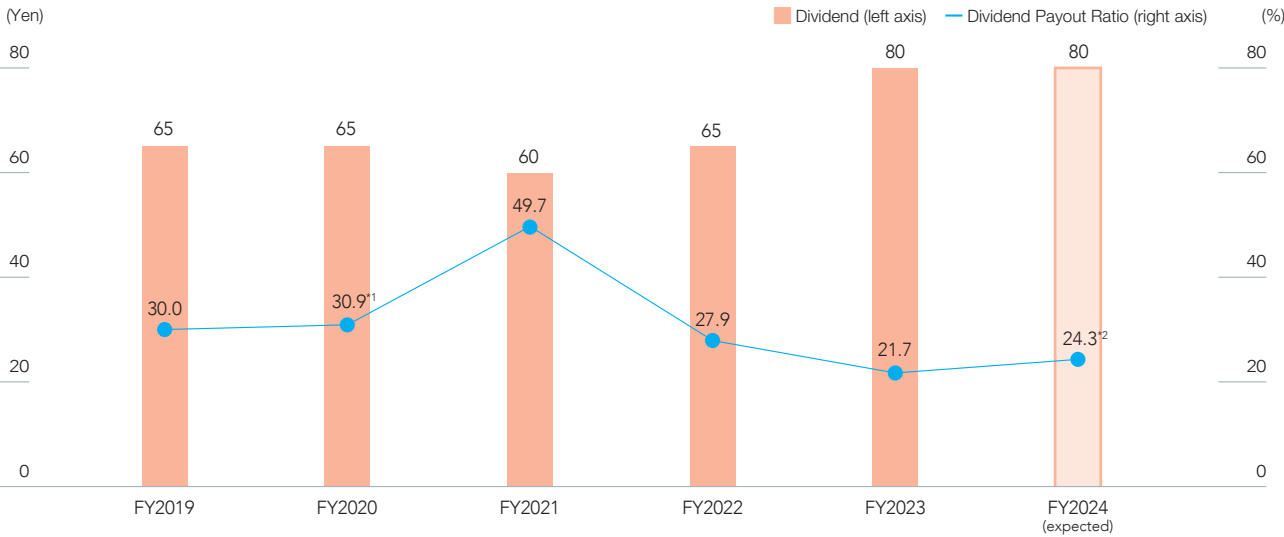
Trends in Stock Price / Volume



	FY2019	FY2020	FY2021	FY2022	FY2023
Highest Stock Price (Yen)	3,265	3,645	3,140	2,673	3,605
Lowest Stock Price (Yen)	2,853	3,000	2,590	2,359	2,515
Return On Equity (ROE) (%)	8.0	10.9	3.9	7.1	10.2
Price-Book Ratio (PBR) (Times)	1.17	1.01	0.83	0.75	0.90

Shareholder Return (Dividends)

Trend in Dividend / Dividend Payout Ratio per Share



*1 The dividend payout ratio for FY2020 excludes the influence due to gain on negative goodwill. The dividend payout ratio including the influence due to gain on negative goodwill is 20.3%.

*2 The dividend payout ratio for FY2024 excludes the impact of the cancellation of treasury shares in May 2024.

About the Cover Illustration

Showa Sangyo supports Paralympic Art, which aims at “creating a world where people with disabilities can fulfill their dreams through art.”
The cover illustration for this report was provided by Paralympic Art.



Artist Profile

<<Artist Name>> KOTO
<<Title>> Delivering Deliciousness from Grains!
<<Artwork Concept>>
I painted a lot of different grains and the delicious foods that can be made from them. I hope you can see the connection between grains and foods, and that they look delicious.
My motto is “Enjoy painting.”

Results

- ◎ Second prize at the Paralympic Art World Cup 2018
- ◎ Design of the ornamental loincloth for Enho, sumo wrestler, donated by AiAi International Corporation
- ◎ Design of mural and lighting for B2 floor of Tokyu Department Store tenant in Shibuya Scramble Square
- Excellent Award, Kiki/Manyoshu Category, Kuniumi Manga World Cup
- ◎ Yokohama a la mode, at the FOOD&TIME ISETAN YOKOHAMA ART AWARD 2020
- ◎ Installation art at the FOOD & TIME ISETAN OFUNA
- COLORFULL Dinosaur, small wallet in collaboration with QuatroGats
- ◎ Commercialization by DAISO
- ◎ Design of New Balance9BOX T-shirt
- ◎ Interior wall of Tokyu Food Show, Shibuya
- ◎ Design of the collaboration box of Paralympic Art, Qoo10, and Maybelline New York

◎ Paralympic Art-related accomplishments
○ KOTO's own accomplishments



穀物ソリューション・カンパニー

SHOWA

昭和産業グループ

Showa Sangyo Co., Ltd.

(Contact information)

Public & Investor Relations Division, Planning Dept.

2-2-1, Uchikanda, Chiyoda-ku, Tokyo 101-8521, Japan

Tel: +81-3-3257-2042

Fax: +81-3-3257-2097

URL: <https://www.showa-sangyo.co.jp/en/ir/>

Date of publication: December 2024