



Financial Results Briefing for FY2022 (Ended March 31, 2022)

May 25, 2022

Showa Sangyo Co., Ltd.



Agenda

- 1** Overview of financial results for FY2022
- 2 Earnings forecast for FY2023
- 3 Key strategies of Medium-Term Management Plan 20–22
- 4 Topics

Overview of Consolidated Financial Results (Comparison with New Standard)

(0.1 billions of yen)	FY2021	FY2021	FY2022	Change	Year-on-Year	FY2022
	(Actual results)	(After application of new standard*)				
Net sales	2,559	2,384	2,876	492	20.6%	2,875
Flour milling business	743	727	781	54	7.4%	
Vegetable oils and household foods business	885	850	1,004	154	18.2%	
Starches and sweeteners business	366	336	513	177	52.7%	
Animal feed business	516	421	528	107	25.2%	
Other	49	48	48	0	0.2%	
Operating profit	75	75	55	▲20	▲26.7%	52
Ordinary profit	92	92	65	▲26	▲28.6%	62
Profit	101	101	40	▲61	▲60.4%	40

*An approximation after applying the accounting standard for revenue recognition

Main factors

Net sales

- (+) Increase in sales volume due to newly consolidated Boso oil and fat Co., Ltd. and San-ei Sucrochemical Co., Ltd.
- (+) Price revision due to soaring market price of grain raw material

Operating profit

- (-) Higher raw material costs due to soaring market price of grain raw material
- (-) Decrease in demand due to continuing impact of COVID-19

Profit

- (-) Decrease in gain on bargain purchase due to making of Boso oil and fat Co., Ltd. into a subsidiary

Factors for Changes in Consolidated Operating Profit

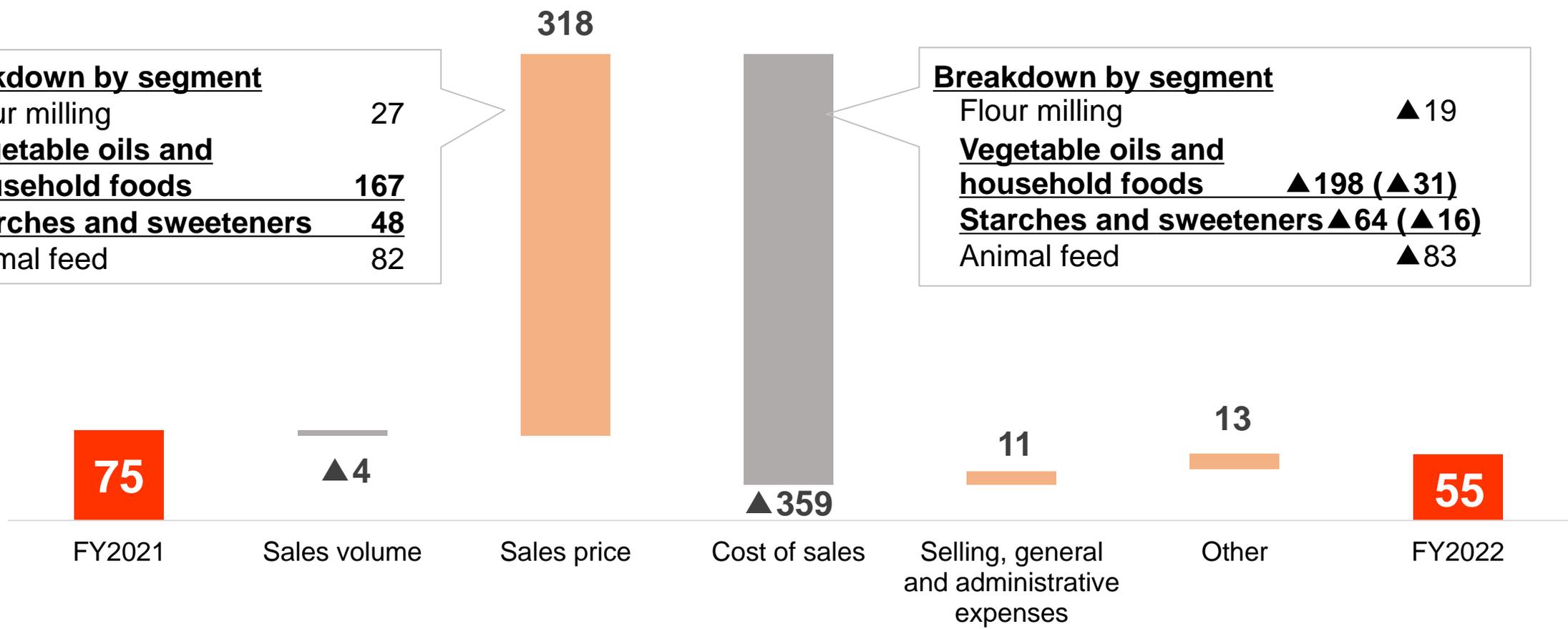


Breakdown by segment

Flour milling	27
Vegetable oils and household foods	167
Starches and sweeteners	48
Animal feed	82

Breakdown by segment

Flour milling	▲19
Vegetable oils and household foods	▲198 (▲31)
Starches and sweeteners	▲64 (▲16)
Animal feed	▲83



By Segment: Flour Milling Business

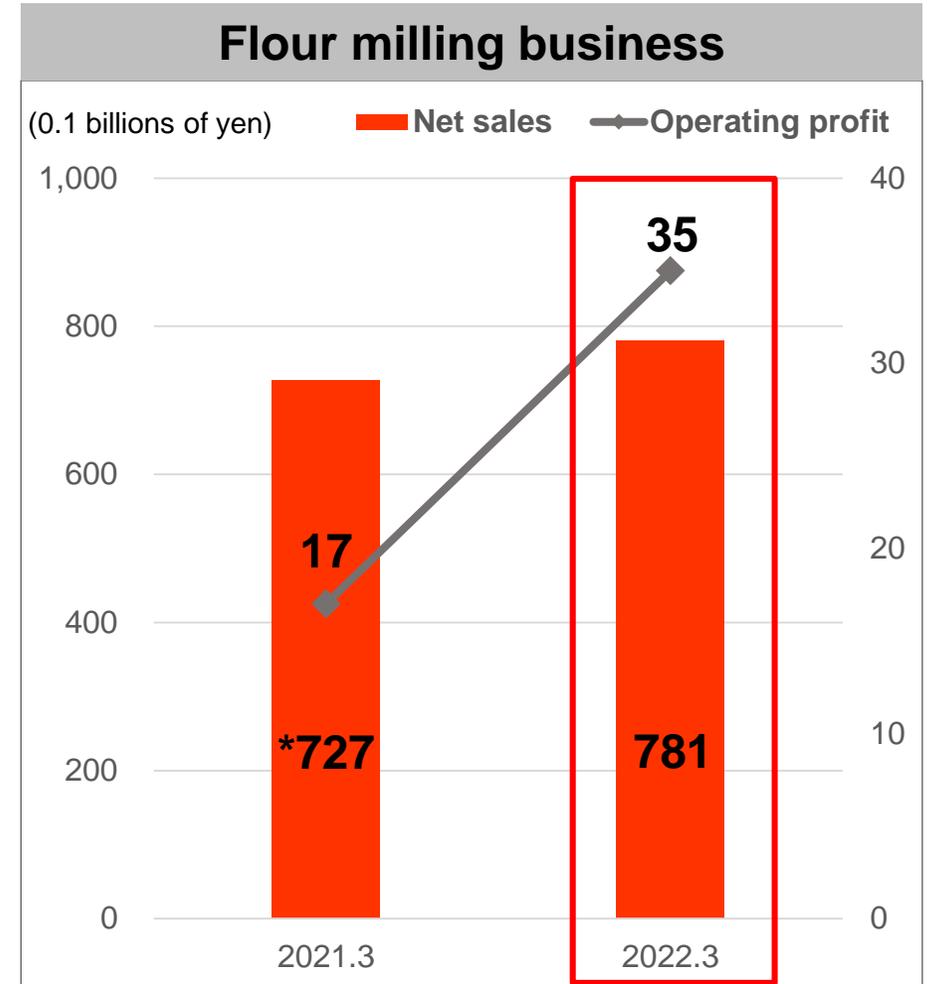
Main Business



Wheat flour, premixes, bread, bran

Specific initiatives

- (1) Collaboration with Solution Sales Department newly set up on April 1, 2021
- (2) Implementation of proposal-based sales in the with/post-COVID-19 market by utilizing our strength in market analysis
- (3) Promotion of structural reform of earnings in baked bread business
- (4) Further strengthening of Group's five-company and seven-plant structure
- (5) Strengthening of roles in production and sales by integrating sales with Naigai Flour Milling Co., Ltd. (Integrated as of October 1, 2021)



*An approximation after applying the accounting standard for revenue recognition

By Segment: Vegetable Oils and Household Foods Business

Main Business

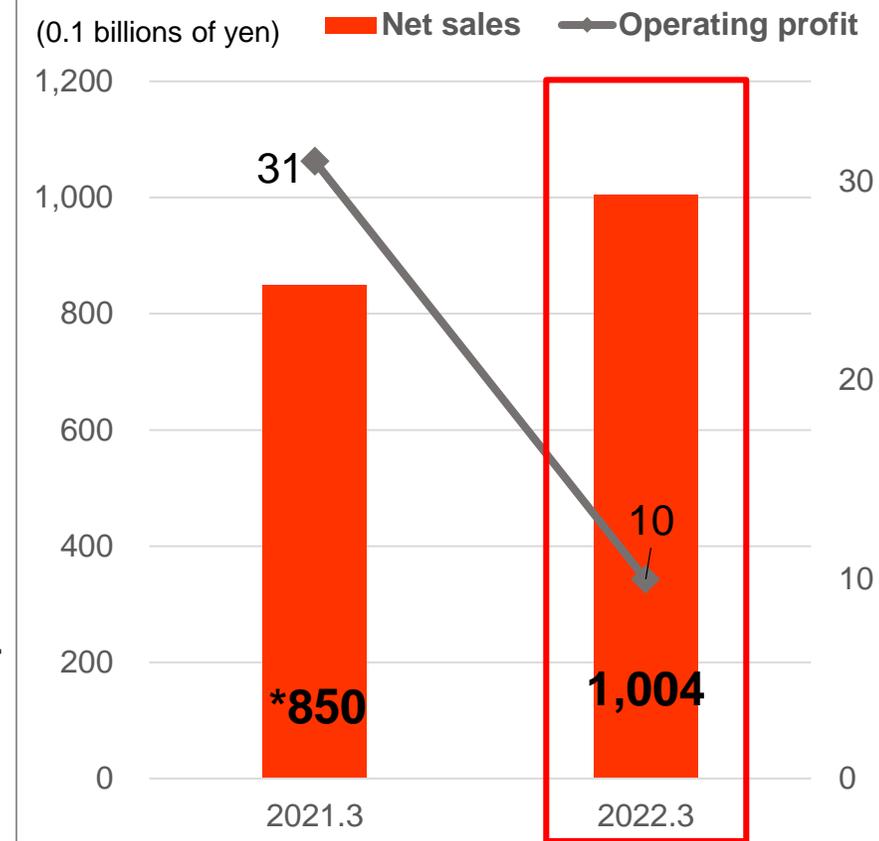


Edible oil, soybean protein, premixes, pasta, household foods, frozen foods

Specific initiatives

- (1) Rectification of sales price (price revision) is top priority due to soaring raw material costs
- (2) Expansion of sales through collaboration with flour milling, starches and sweeteners businesses and others, development of new markets, and enhancement of approaches
- (3) Development and sales of value-added vegetable oil such as semi-fluid vegetable oil and long-lasting oil for bakeries
= Establishment of an earnings structure less susceptible to market prices
- (4) Reduction of logistics and purchasing costs through joint procurement, etc. with Boso oil and fat
- (5) Further sales expansion of plant-based foods (soybean protein, etc.)
- (6) Launch of household products *Tappuri Daizumiito No Boroneze Sosu* (bolognese sauce full of soybean meat) and *Mo Tsutsumanai! Mazegyoza No Moto* (filling mix for unwrapped Chinese dumplings) (March 1, 2022)

Vegetable oils and household foods business



* An approximation after applying the accounting standard for revenue recognition

By Segment: Starches and Sweeteners Business

Main Business

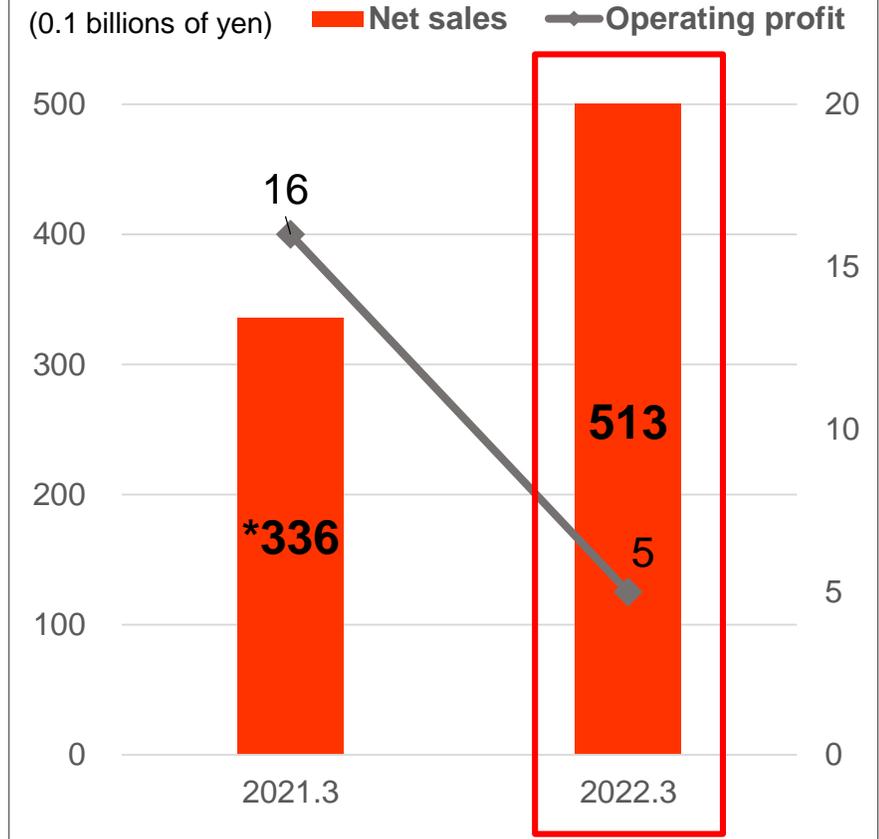


Saccharified products, cornstarch, processed starch

Specific initiatives

- (1) Rectification of sales price (price revision) is top priority due to soaring raw material costs
- (2) Further improvement of productivity with value proposition through a three-plant system
 = Showa Sangyo (Kashima), Shikishima Starch MFG, and San-ei Sucrochemical
- (3) Strengthening of B2B marketing with integrated sales, research, and development
- (4) Sales expansion of series of unique products such as powdered starch syrup and crystalline glucose collaborated with other businesses
- (5) Demonstration of Group synergy with San-ei Sucrochemical

Starches and sweeteners business



* An approximation after applying the accounting standard for revenue recognition

By Segment: Animal Feed Business

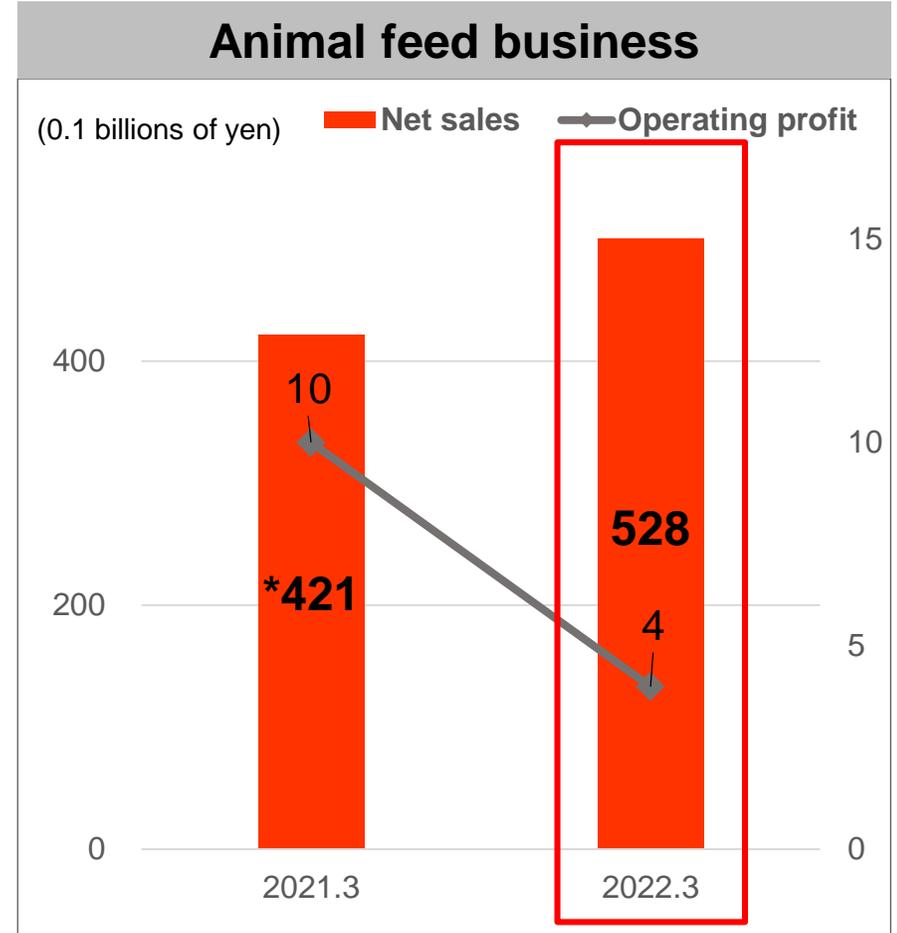
Main Business



Mixed animal feed, eggs and processed egg products

Specific initiatives

- (1) Strengthening of collaboration with Group companies
 - = Comprehensive expansion of sales from animal feed to eggs mainly via Showa Keiran
 - = Strengthening of adaptability to needs for heated animal feed via Kyushu Showa Sangyo
- (2) Expansion of sales through proposal-based sales utilizing our edge in handling multiple raw materials
- (3) Strengthening of sales of high-value-added products, namely synthetic milk and oligosaccharide animal feed
- (4) Price revision due to soaring raw material costs



* An approximation after applying the accounting standard for revenue recognition

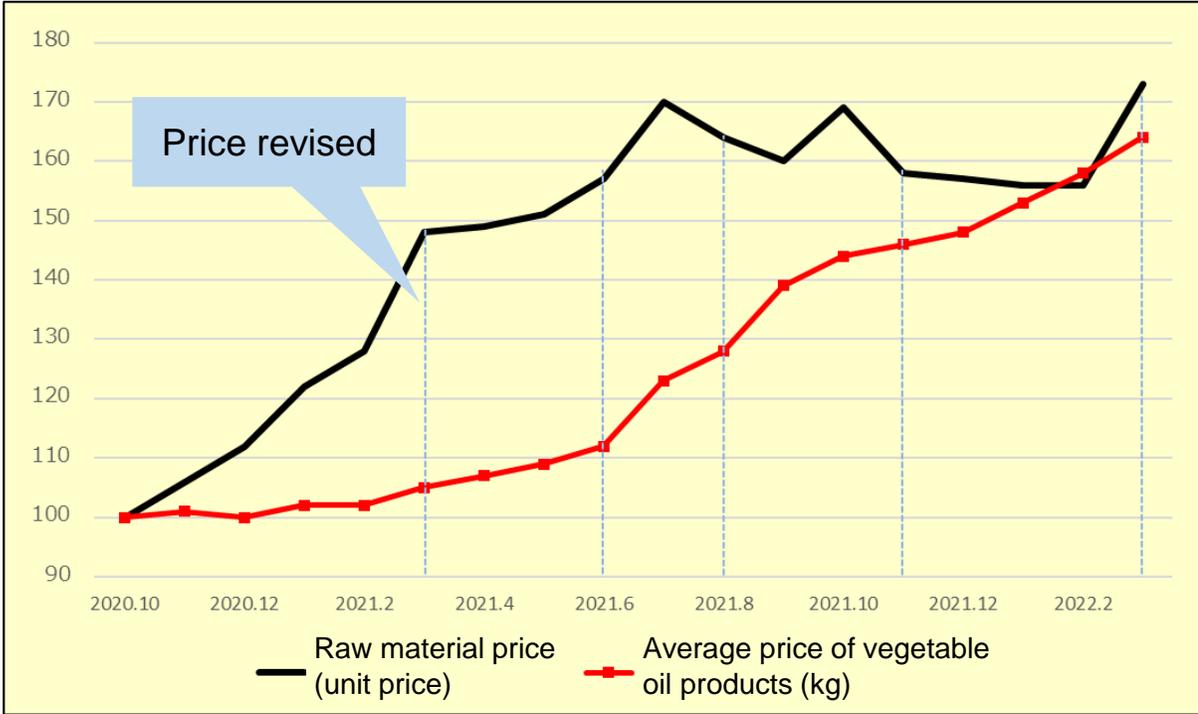
Implementation of Price Revision

Category	Revision date	Price revision range
Commercial wheat flour	(1) 2021/6/19	Strong 110 yen/25 kg, Medium-strength/weak 80 yen/25 kg
	(2) 2021/12/20	Strong 315 yen/25 kg, Medium-strength/weak 345 yen/25 kg
	(3) 2022/6/20	Strong 370 yen/25 kg, Medium-strength/weak 325 yen/25 kg
	Total	Strong 795 yen/25 kg, Medium-strength/weak 750 yen/25 kg
Household wheat flour, premixes, pasta	(1) 2021/7/1	Wheat flour approx. 2–3%, premix approx. 2–4%, pasta approx. 2–3%
	(2) 2022/1/4	Wheat flour approx. 4–9%, premix approx. 4–6%, pasta approx. 5–9%
	(3) 2022/7/1 2022/8/1	Wheat flour/premix approx. 2–7% Pasta approx. 3–7%
	Total	Wheat flour approx. 8–19%, premix approx. 8–17%, pasta approx. 10–19%
Household/commercial vegetable oil products	(1) 2021/3/1	Household general purpose oil 30 yen/, 18-liter can 500 yen/can, mini/single 30 yen/kg or more
	(2) 2021/6/1	Household edible oil 30 yen/, 18-liter can 500 yen/can, mini/single 30 yen/kg or more
	(3) 2021/8/2	Household edible oil 50 yen/, 18-liter can 800 yen/can, mini/single 50 yen/kg or more
	(4) 2021/11/1	Household edible oil 30 yen/, 18-liter can 500 yen/can, mini/single 30 yen/kg or more
	(5) 2022/3/1	Household edible oil 40 yen/, 18-liter can 700 yen/can, mini/single 40 yen/kg or more
	(6) 2022/7/1	General-purpose oil 60 yen/kg, olive oil 160 yen/kg, rice bran oil 90 yen/kg, sunflower oil 90 yen/kg or more
	Total	General-purpose oil 240 yen/kg or more
Commercial soybean protein	(1) 2021/7/1	Soybean protein products 30 yen/kg or more
	(2) 2022/4/1	Soybean protein products 30 yen/kg or more
	Total	Soybean protein products 60 yen/kg or more
Commercial cornstarch and saccharified products	*Price revision implemented in April and September 2021 (no press release announcement)	
	(1) 2022/4/1	Cornstarch products 15 yen/kg, saccharified products 10 yen/kg
	(2) 2022/7/1	Cornstarch products 15 yen/kg, saccharified products 10–30 yen/kg

Progress of Price Revision (Soybean and Rapeseed)

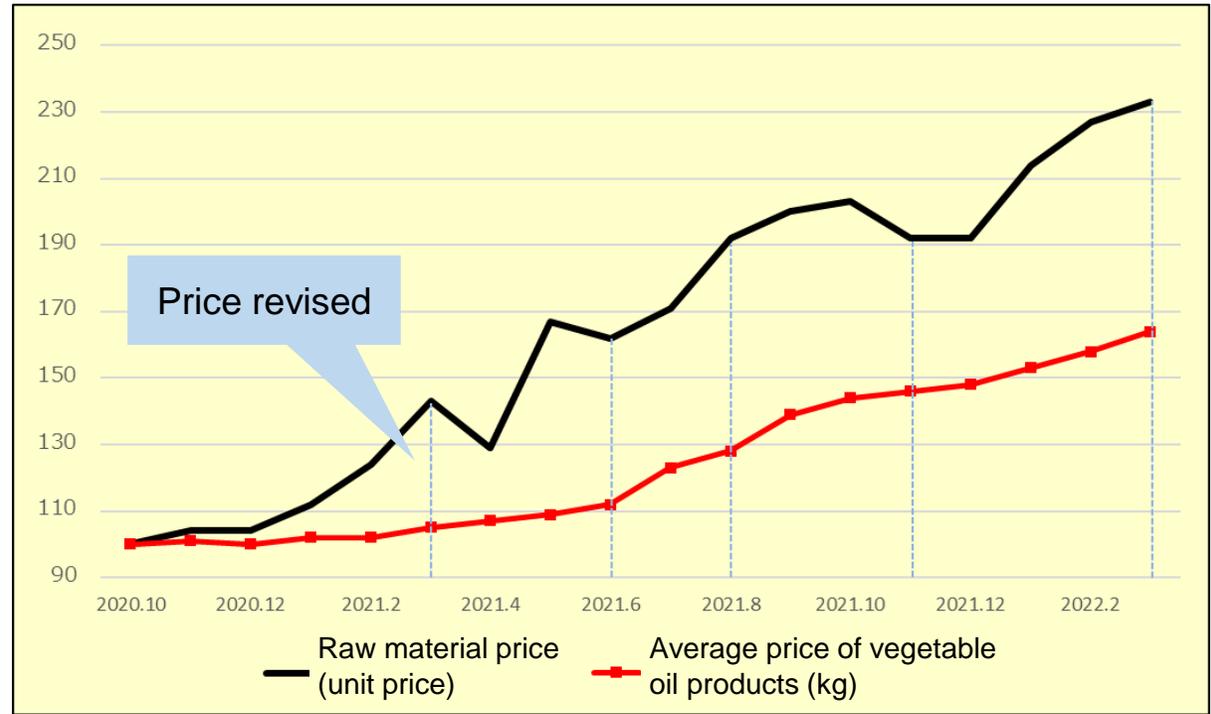
■ (Precondition) Changes in raw material price (unit price) and product price when prices in October 2020 are set as 100
 *Sourced by Showa Sangyo data

Soybean price



- **Soybean price (unit price)**
Price soared significantly and rapidly driven by strong demand for vegetable oil and continues to be high
- **Revision of vegetable oil product prices**
Price was revised five times in March, June, August, and November 2021, and March 2022 (also planned in July 2022)

Rapeseed price

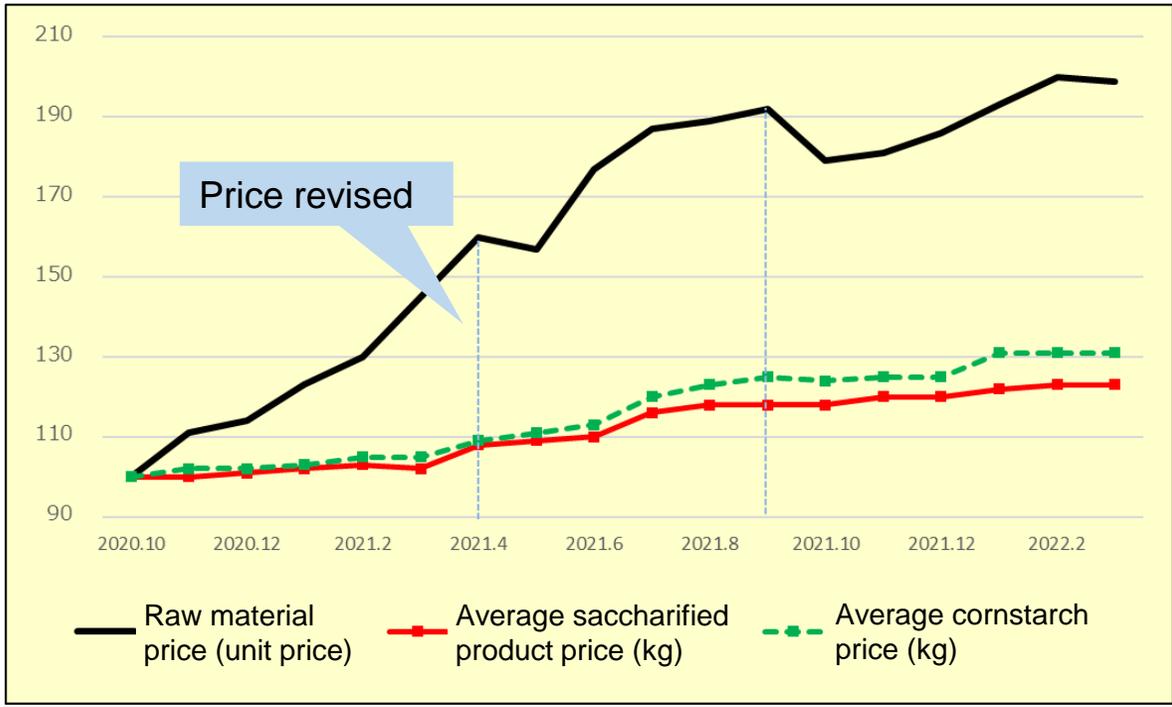


- **Rapeseed price**
Price continues to mark a record high due to strong demand for vegetable oil and significant decrease in production caused by heat wave in Canada
- **Revision of vegetable oil product prices**
Price was revised five times in March, June, August, and November 2021, and March 2022 (also planned in July 2022)

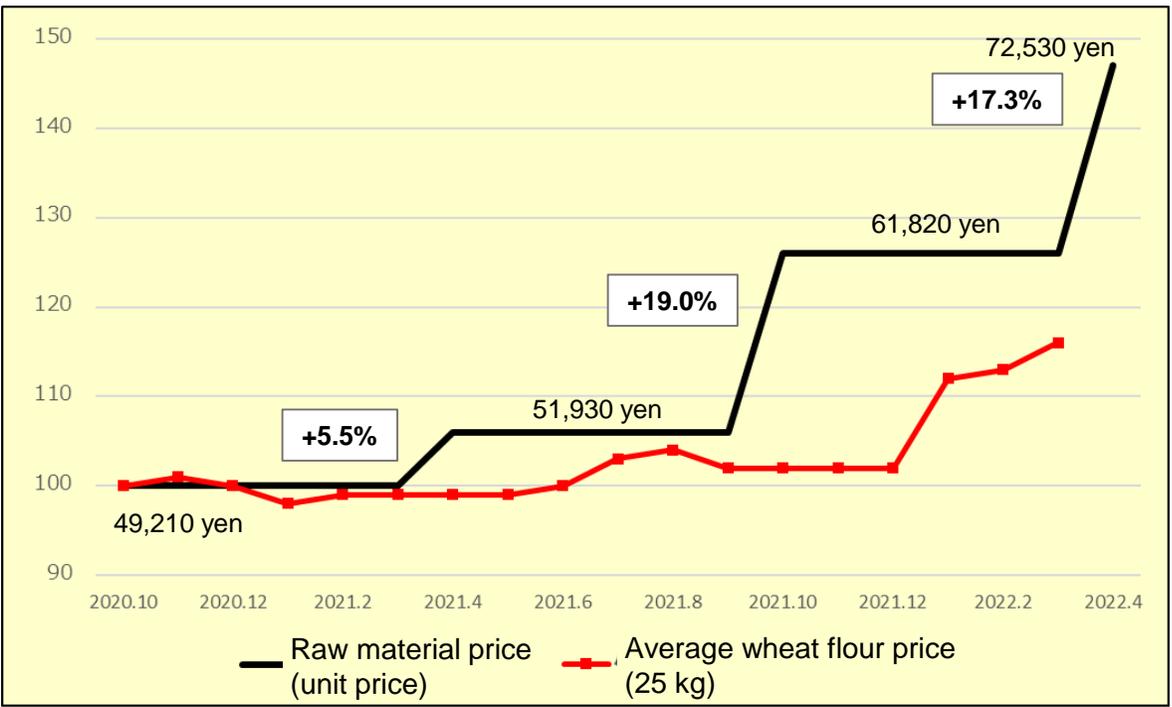
Progress of Price Revision (Corn and Wheat)

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

Corn price



Wheat price



● Corn price

Price soared significantly and rapidly due to China's large-scale purchase and decrease in production in Brazil, and continues to be high

● Revision of saccharified products and cornstarch prices

Price was revised in April and September 2021, and April 2022 (also planned in July 2022)

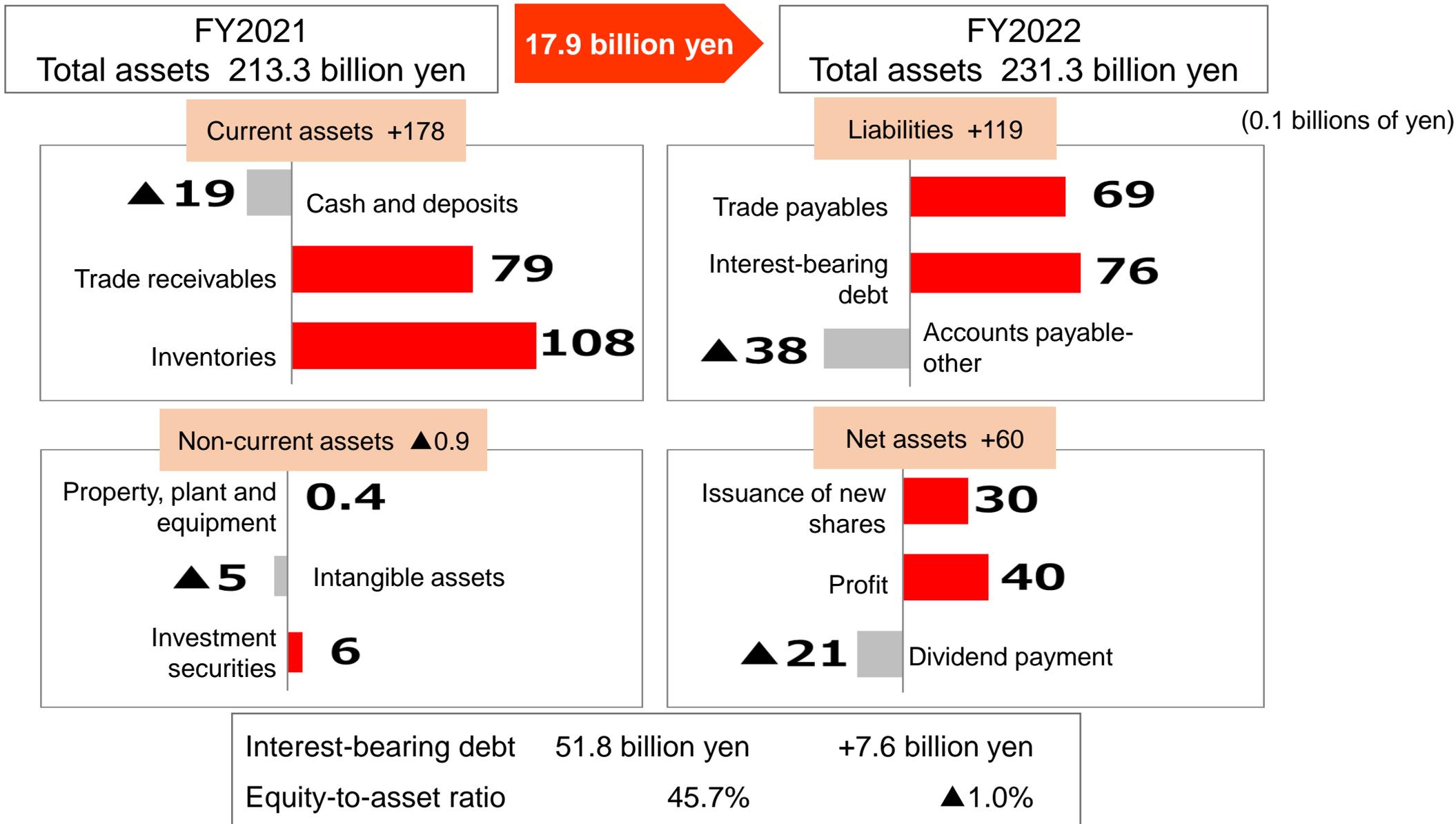
● Wheat price

Government resale price of imported wheat increased by 5.5% in terms of five-brand average in April 2021, 19.0% in October 2021, and 17.3% in April 2022

● Revision of wheat flour price

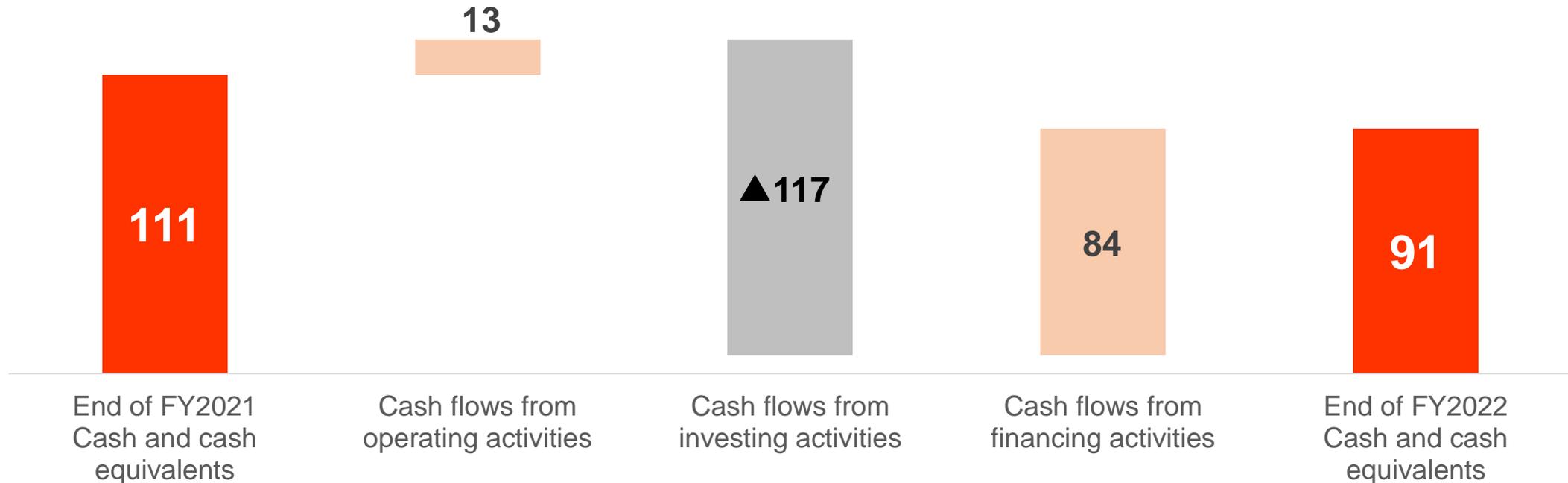
Price was revised in June and December 2021 (also planned in June 2022)

Overview of Consolidated Balance Sheet



Cash Flows

(0.1 billions of yen)

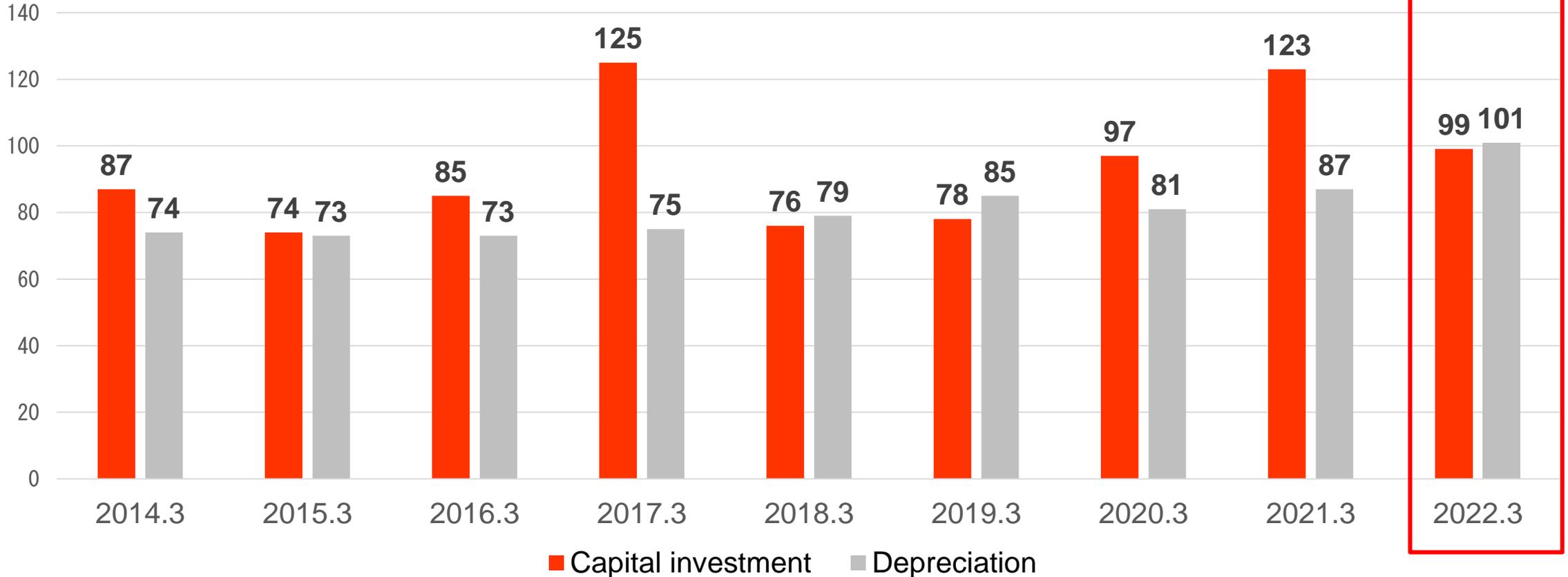


- Cash and cash equivalents: Decreased 2.0 billion yen from the beginning of the period
- Cash flows from operating activities: Increase in trade receivables and inventories, increase in trade payables
- Cash flows from investment activities: Expenditures associated with construction of Funabashi Premix No. 2 Plant
- Cash flows from financing activities: Increase due to issuance of commercial paper

Change in Capital Investment and Depreciation

Consolidated basis

(0.1 billions of yen)



[Capital Investment]

Construction of Funabashi Premix No. 2 Plant, completion of fuel conversion construction for the Kashima Plant cogeneration facility, etc.

[Depreciation]

Operation of new facilities at Kashima Plant, etc.

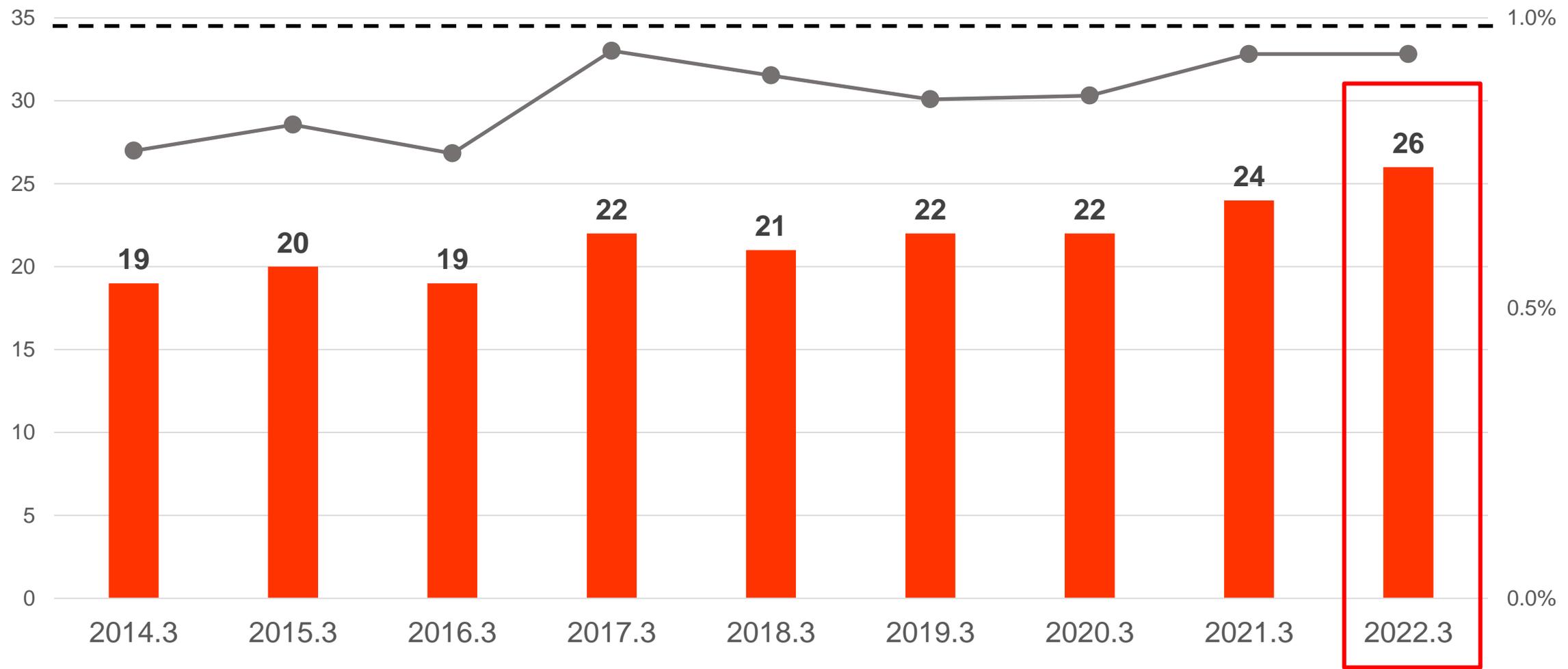
Change in R&D Expenditures

Consolidated basis

(0.1 billions of yen)

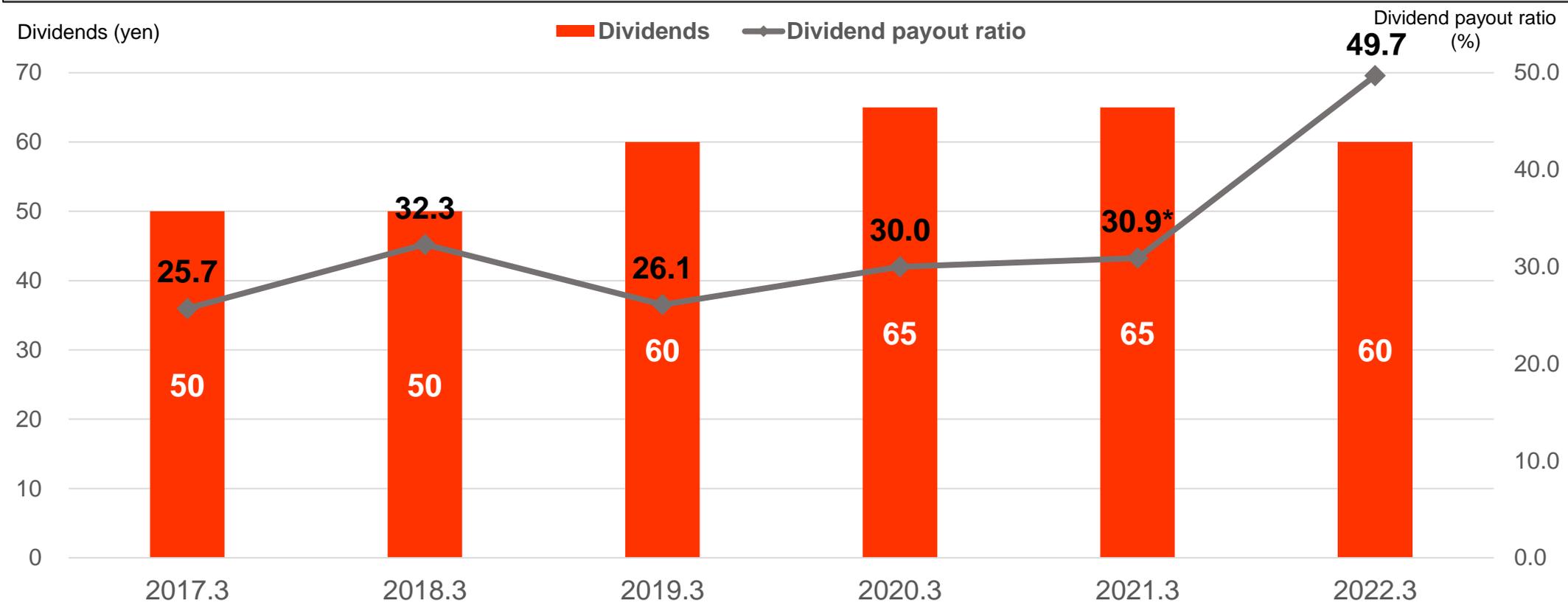
■ R&D expenditures ● Ratio to net sales (right-hand scale)

Ratio to net sale



Return to Shareholders (Dividends)

Change of dividends per share and dividend payout ratio



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

Dividend payout ratio

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

Agenda

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Overview of financial results for FY2022

2

Earnings forecast for FY2023

3

Key strategies of Medium-Term Management Plan 20–22

4

Topics

Earnings forecast for FY2023

(0.1 billions of yen)	FY2023 (Forecast)	FY2022
Net sales	-	2,876
Operating profit	To be determined	55
Ordinary profit	-	65
Profit	-	40

Background to earnings forecast to be determined

- (1) Concern over further rise in market price and prolongation of high price level due to the increasingly serious Ukraine situation, in addition to the unprecedented high level of market price of grain raw material
- (2) Rapid depreciation of the yen against the U.S. dollar in the foreign exchange rate and higher energy prices
- (3) Remaining uncertainty about when COVID-19 will settle down

Based on the above, financial results for FY2023 are extremely difficult to compute reasonably at present

Going forward, earnings forecasts will be announced promptly as soon as computation can be made

Key Measures by Segment

Common measures for all businesses

- (1) Revision of price due to increase in grain raw material costs and utility costs
- (2) Stable procurement of raw materials as a grain solution company

Flour milling business

- (1) Improvement of productivity through integrated management system of five Group companies
- (2) Continuation of structural reform of earnings in baked bread business
- (3) Strategic sales of export flour

Vegetable oils and household foods business

- (1) Promotion of proposal-based sales focusing on profitability
- (2) Strengthening of sales of premium oil and premix products
- (3) Adaptability to needs for plant-based foods

Starches and sweeteners business

- (1) Review of sales mix by channel for stable earnings
- (2) Sales expansion of functional saccharified products to new markets
- (3) Further improvement of productivity through Group's three-plant system

Animal feed business

- (1) Strengthening of collaboration with Group companies
- (2) Strengthening of sales of high-value-added products and branded livestock products
- (3) Earnings increase through partial change in raw material mixture

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Long-Term Vision

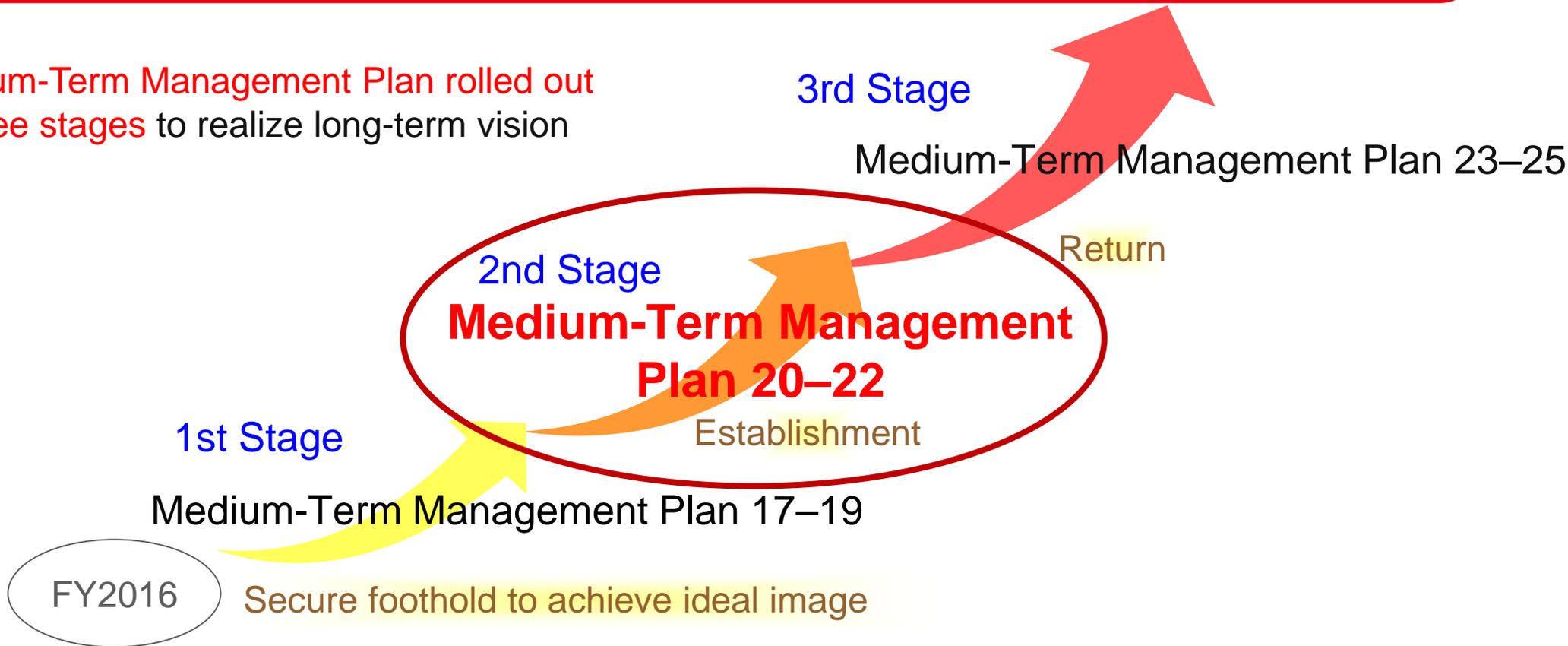
Ideal image (long-term vision)

SHOWA Next Stage for 2025

[Period] FY2017 to FY2025 (9 years)

[Target] Consolidated net sales: 400.0 billion yen, consolidated ordinary profit: 20.0 billion yen

Medium-Term Management Plan rolled out
in three stages to realize long-term vision



Medium-Term Management Plan 20–22

Basic concept

SHOWA New Value Creation:
New Value Only SHOWA Can Create

[Period] FY2020 to FY2022 (3 years)

Basic policy

Establishment

Basic strategies

- (1) Strengthening of core businesses
- (2) Expansion of business domains
- (3) Contribution to solving social problems
- (4) Rebuilding of platform
- (5) Strengthening of stakeholder engagement

Numerical target

Consolidated net sales	280.0 billion yen
Consolidated ordinary profit	13.0 billion yen
ROE	9.0% or more

Key Strategies of Final Fiscal Year of Medium-Term Management Plan 20–22

- (1) Initiatives with San-ei Sucrochemical
- (2) Initiatives with Boso oil and fat
- (3) Structural reform of earnings in baked bread business
- (4) Strengthening of development and sales of plant-based foods
- (5) Enhancement of proposals for food services by Solution Sales Department

(1) Initiatives with San-ei Sucrochemical

Promotion of Synergy Demonstration Project through mutual collaboration

- San-ei Sucrochemical is contributing to full-year results for the fiscal year under review as it was made into a subsidiary in December 2020
- Domestic production share of crystalline glucose is 70% when combining use for pharmaceuticals and foods

*Company's calculation based on figures from survey by JAPAN STARCH & SWEETENERS INDUSTRY ASSOCIATION

■ Demonstration of economies of scale in purchasing raw materials and materials

- Cost reduction of raw materials and materials through promotion of joint procurement, etc.
- Decentralization of producing areas (such as Brazil) as BCP measures, and launch of test-based usage in terms of raw material procurement

■ Merge of research and development

- Promotion of new product development and application development utilizing San-ei Sucrochemical's unique products such as oligosaccharic acid

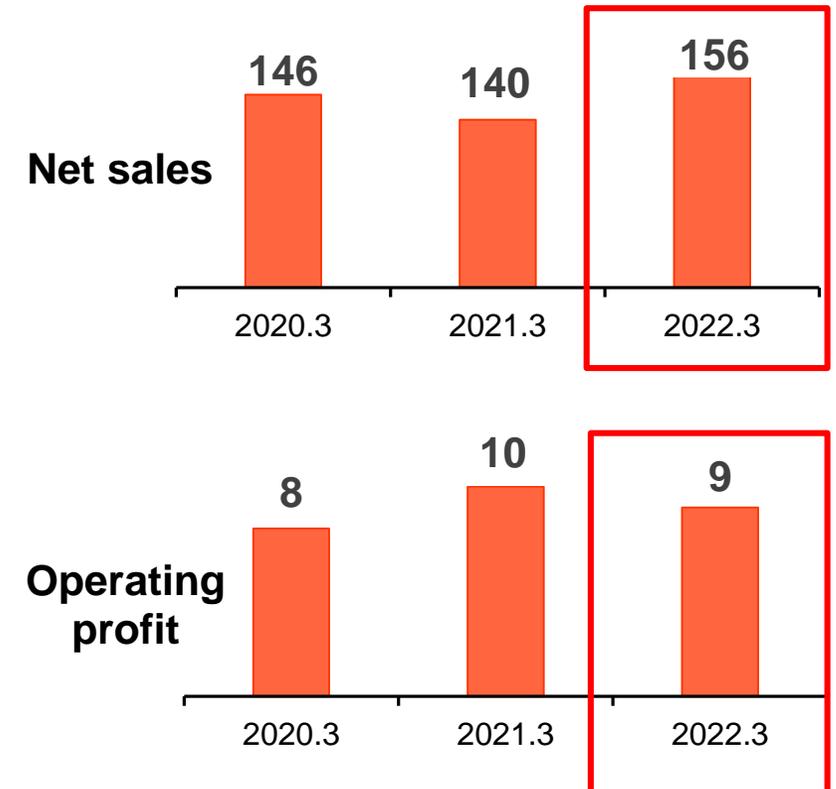
■ Improvement of logistics efficiency and promotion of *white logistics* (an effort to improve the productivity of truck transportation, improve the efficiency of logistics, and reduce the burden on truck drivers)

- Promotion of efficiency by streamlining production and distribution bases in both east and west

■ Demonstration of synergy in production technology

- Cost reduction through BCP measures and standardization of machinery through development of a complementary system in the three plants handling starches and sweeteners (Showa Sangyo, San-ei Sucrochemical, and Shikishima Starch MFG)

Performance of San-ei Sucrochemical (0.1 billions of yen)

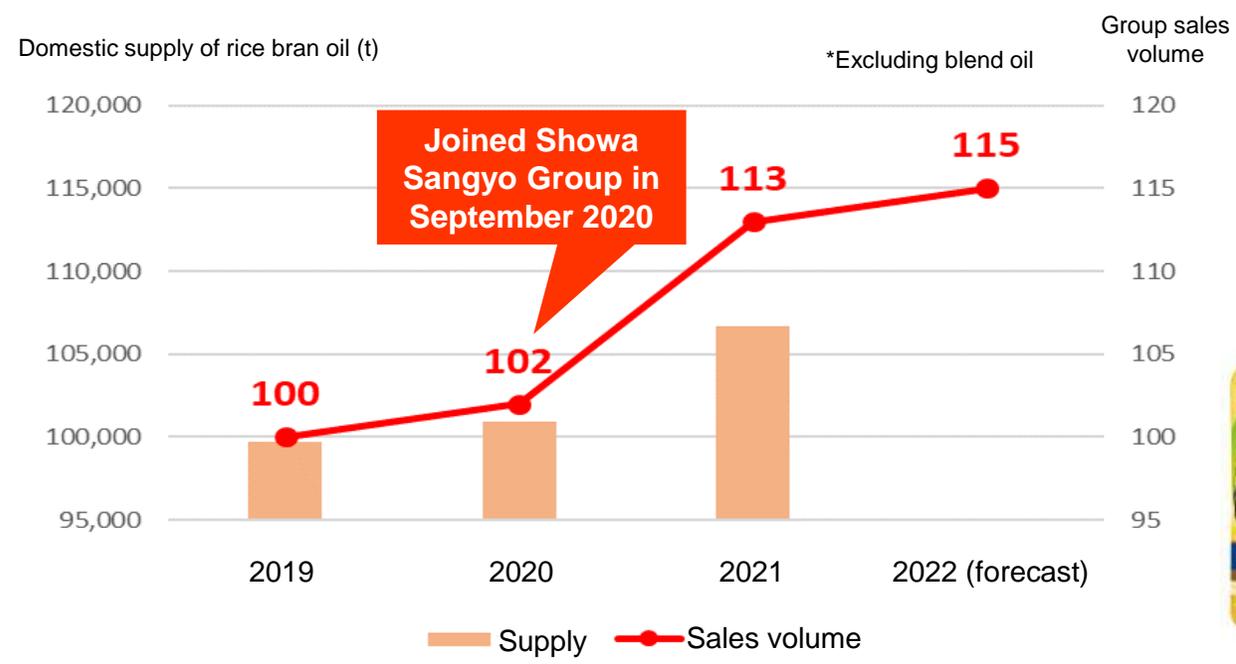


(2) Initiatives with Boso oil and fat

Strengthening of sales of rice bran oil through collaboration of products and markets

- Strengthening of competitiveness by incorporating rice bran oil, a new type of oil, into the Group
- Strengthening and expansion of vegetable oils and household foods business by maximizing advantages of the two companies through mutual utilization of the management resources and expertise each have

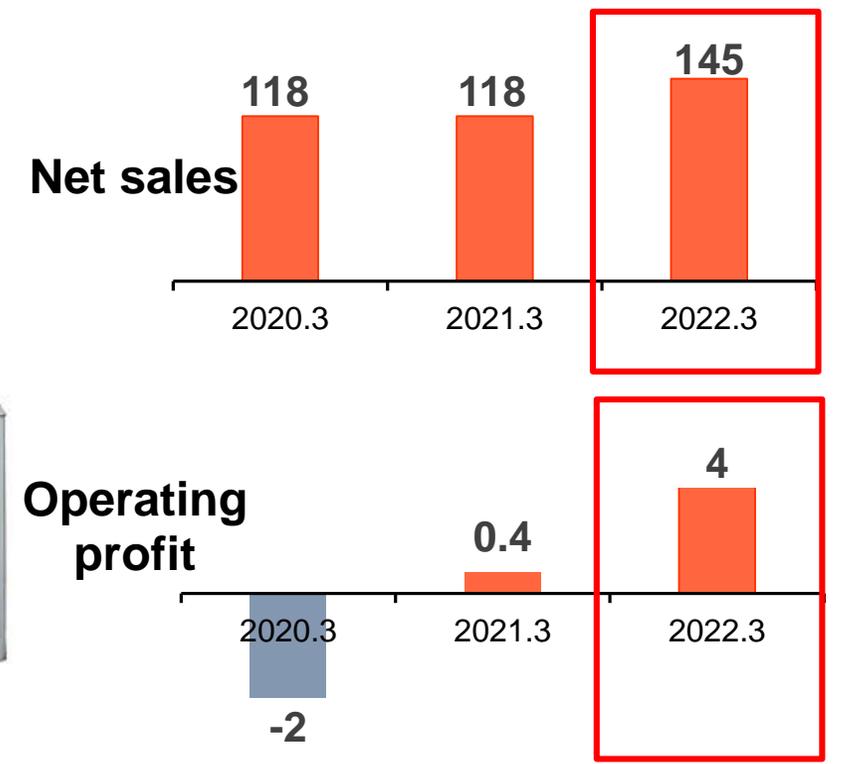
Change in growth rate of Group sales volume of rice bran oil



Supply: Sourced from Japan Industrial Cooperative Association of Rice Bran Oil
 Sales volume: Index when 2019 is set as 100

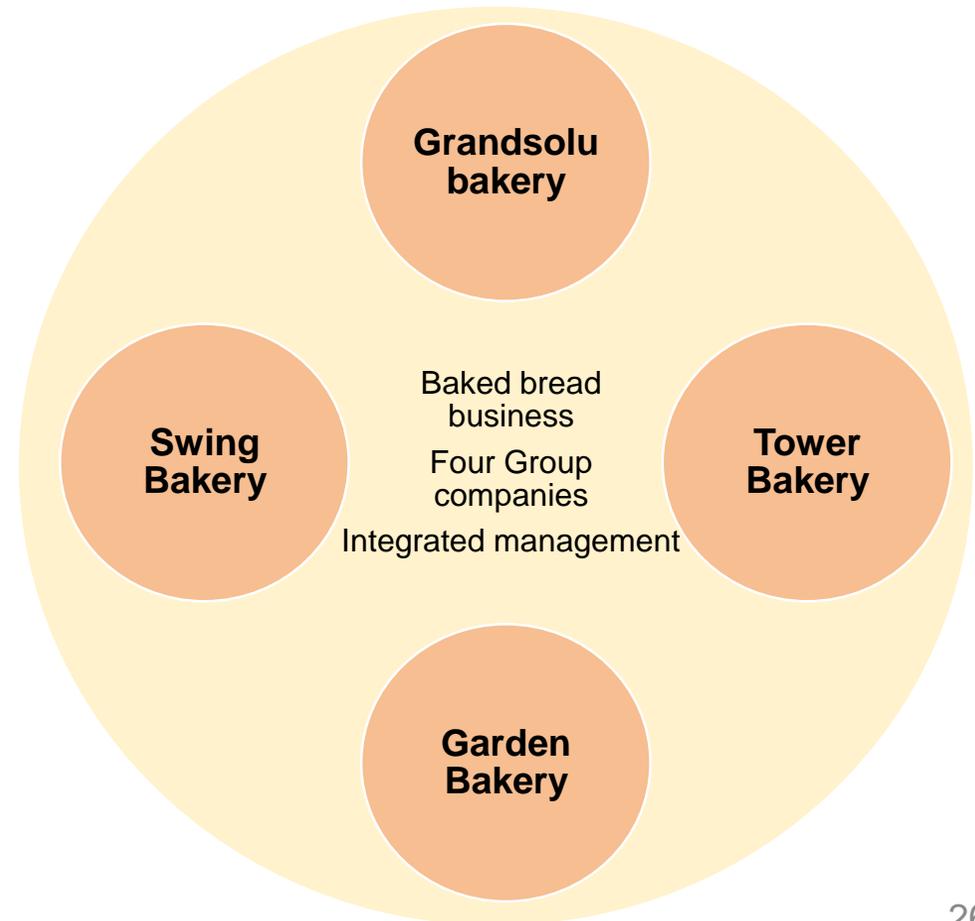


Performance of Boso oil and fat (0.1 billions of yen)



Optimization and improvement in efficiency of management through integrated management by four Group companies

- Earnings increase in baked bread business through radical reform in earnings structure
- Development of unprecedented new products and proposal of creating exciting sales floors
- **Speeding up of decision-making**
 - Consolidation of decision-making system and advancement of integrated management of four companies and unity of each company’s vector
- **Strengthening of product development capabilities responding to changes**
 - Promotion of product development focusing on value despite high raw material costs
- **Striving to create exciting sales floors**
 - Proposal of unprecedented health- and family-oriented products through open innovation with the aim of creating exciting sales floors



Earnings increase
+0.87 billion yen

(4) Strengthening of development and sales of plant-based foods

Steady presence in the growing plant-based food market

- Strengthening of sales of soybean protein = FY2022 results: net sales of 2.1 billion yen
- Development and sales of *Daizu Hi! Ga* (soybean germ material), a new soybean-based material, to adapt to growing health needs
- Price revised twice in one year (applicable to deliveries made from July 1, 2021 and April 1, 2022) for the first time in approximately 13 years

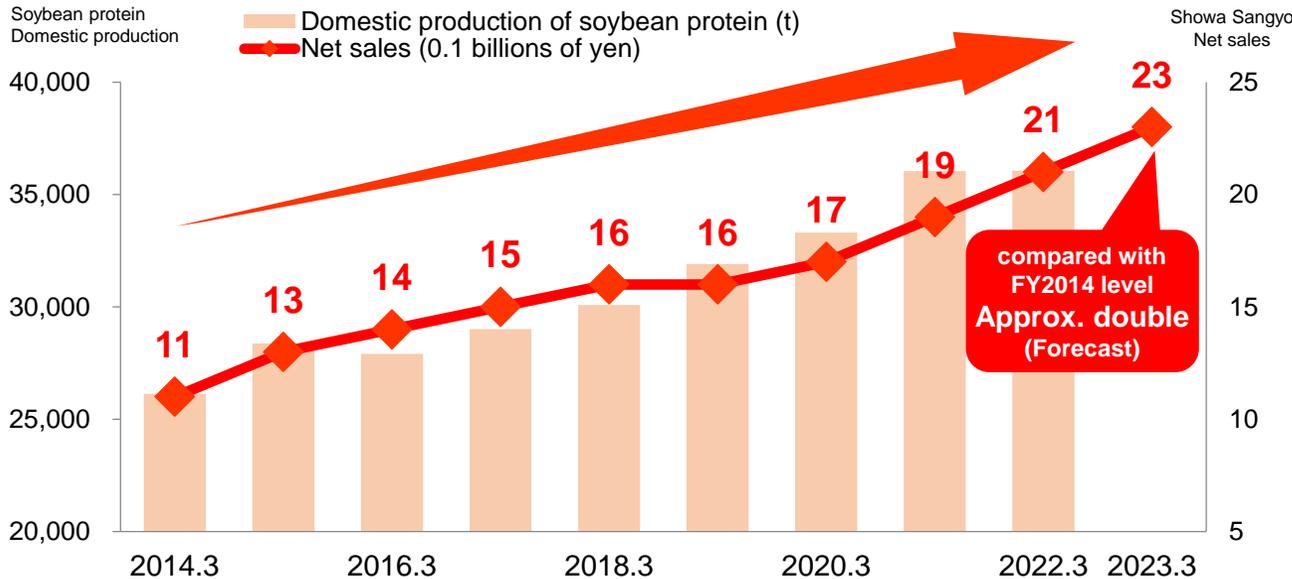
1. Strengthening of sales of soybean protein

- **Sales expansion of new commercial product MEATEX E-1**
 Wide-ranging proposals for confectionery use such as cereal, in addition to meat

2. Strengthening of development of healthcare promotional products

- **Development and sales of new product *Daizu Hi! Ga***
 Development of a new material making use of flavor and shape of the soybean germ itself

Changes in net sales of soybean protein



*Domestic production of soybean protein: Sourced from Japan Vegetable Protein Food Association (Forecast)

New product *Daizu Hi! Ga*

- Rich in isoflavone and oligosaccharide
- Proposals possible for various purposes such as rice, bread, sweets, delicacies, and frozen foods

(5) Enhancement of Proposals for Food Services by Solution Sales Department

Provision of value sought by customers through cross-sectional one-stop sales

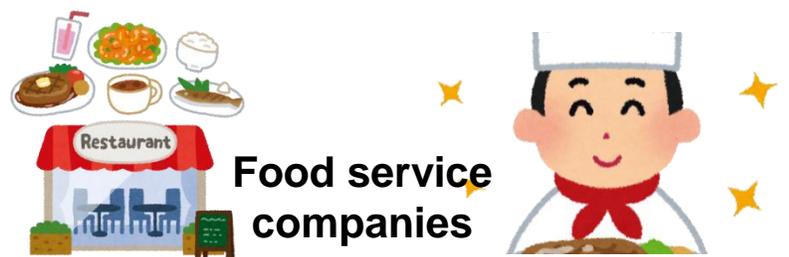
Business model of Solution Sales Department

An organization set up to provide one-stop, solution-type (customer problem-solving) proposals based on market information and research to customers of food services by utilizing Showa Sangyo Group products

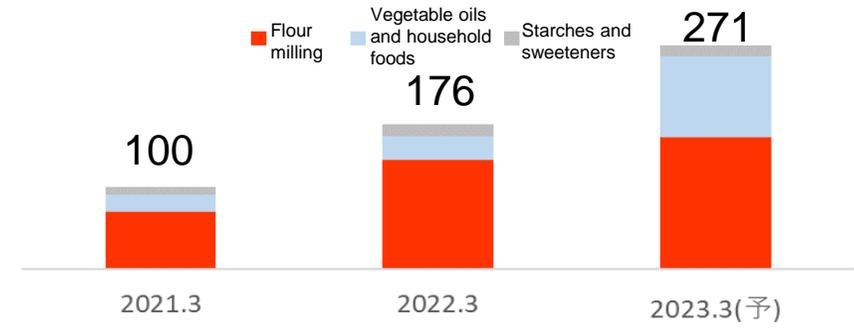
Solution Sales Department



One-stop proposal by problem-solving professionals with knowledge of grain



Change in net sales for food services (Index when March 2021 is set as 100)



- (1) Strengthening of proposal-based sales by incorporating market needs**
 - Identification of issues involving store operation
- (2) Strengthening of personnel development**
 - Implementation of systematic education to acquire knowledge of flour milling, vegetable oils, starches and sweeteners to realize one-stop proposals
- (3) Pursuit of sales in a way that understands customers' issues**
 - Direct approach to person in charge of developing menus with the aim of providing more value than is sought by customers

Going forward, extension of initiatives to company-wide basis

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1) Launch of Operation of Funabashi Premix No. 2 Plant

Strengthening of premix production and sales (launch of operation scheduled for June 2022)

- Increase in premix market share through realization of high productivity via latest automation equipment and IoT
- Strengthening of price competitiveness through reduction of workforce to address shortage of labor
- Improvement of customer satisfaction through plant design that thoroughly pursues food safety

Premix No. 2 Plant

Investment amount	6.2 billion yen
Construction area	5-story, steel-framed structure Total floor area: approx. 11,000 m ²
Operation	Manufacture and packaging of premixes
Productivity	Approx. 28,000 tons per year (1.8 times)



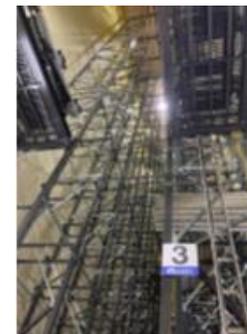
Building



Automated packaging line



Automatic weighing instrument



Warehouse



Automated guided vehicle

2) Measures for Sustainability (1)

New establishment of Showa Sangyo Group Environmental Goals

- Strengthening of initiatives to address “Reduction of greenhouse gas by 46% from FY2013 level” determined by the Japanese government in 2021, and recent environmental issues

(1) Reduction of CO₂ emissions

“Reduction of CO₂ emissions by **46%** or more by FY2030”

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

(2) Reduction of food loss and waste

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

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

(3) Reduction of water consumption

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

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

2) Measures for Sustainability (2)

Initiatives toward realization of diversity management

- Initiatives to create a workplace where each and every employee can fully demonstrate his or her own strength based on the Showa Sangyo Group INC Policy

Showa Sangyo Group INC Policy

1. Inclusion

We will accept diverse values and ideas of each employee, and utilize the differences to create innovation

2. Normalization

We will respect the individuality of each employee and regard all matters as natural, with no exception, to create a workplace where everyone can shine equally

3. Cooperation

Each employee will share the corporate philosophy on an equal footing, work toward the same goals, and mutually endeavor to grow with willingness

Support for work-life balance

Expansion of flexible working style

- Expansion of telecommuting
- Implementation of measures with job relocation taken into account
- Provision of information on support for work-life balance

(1) Promotion of women's participation and advancement

Goal: Double or more the percentage of women assuming managerial positions

(compared with FY2016–FY2018 average; by March 31, 2023)

Measures

- Implementation of training for female employees
- Implementation of management training for those serving in managerial positions



(2) Promotion of employment of persons with disabilities

Development of a support system by INC Promotion Office

- Promotion of development of new occupational field
- Number of persons based on statutory employment rate exceeded by five (as of February 1, 2022)

(3) Promotion of elderly participation and advancement

Amendment of re-employment system

- Review of personnel policy looking ahead to a future mandatory employment of up to 70 years of age (planned in April 2023)

3) Introduction of new household products

New on the market on March 1, 2022

Tappuri Daizumiito No Boroneze Sosu
(bolognese sauce full of soybean meat)

Mo Tsutsumanai! Mazegyoza No Moto
(filling mix for unwrapped Chinese dumplings)

Showa Sangyo **×** San-ei Sucrochemical
Soybean meat Oligosaccharide acid

This bolognese pasta sauce, full of soybean meat with refreshing sourness of tomato, is cholesterol-free, low-fat, and allows you to take in 12.6 g of protein per serving.

Renewed product launched in March 2021!

The recipe and composition of premix was revised in the renewed product so that the cooking time to complete the dish will be approximately half as long as it was before. More crispness has also been added.





穀物ソリューション・カンパニー



昭和産業グループ

Cautionary notes regarding forward-looking statements

The figures included in this material are formulated based on information currently available and certain assumptions judged to be reasonable. As this material contains potential risks and uncertainties, we do not guarantee its achievement or future performance.

Furthermore, as actual results, etc. may also significantly differ from the forward-looking statements included in this material, you should refrain from making investment decisions based solely on this material.

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

Reference Materials

Change in Quarterly Net Sales and Operating Profit

(millions of yen)		1Q			2Q			3Q			4Q		
		2021.3	2022.3	Amount of change									
Net sales	Flour milling	18,441	20,150	1,709	18,715	18,743	28	19,248	19,921	673	17,911	19,340	1,429
	Vegetable oils and household foods	19,974	23,841	3,866	22,211	24,398	2,187	24,399	26,848	2,449	21,949	25,339	3,390
	Starches and sweeteners	8,831	11,763	2,932	8,262	12,932	4,670	8,245	13,504	5,259	11,269	13,150	1,881
	Animal feed	12,668	11,880	▲788	12,598	13,713	1,115	13,320	13,985	665	13,034	13,241	207
	Other	1,201	1,239	38	1,277	1,253	▲24	1,189	1,082	▲107	1,254	1,312	58
	Total	61,117	68,875	7,758	63,063	71,039	7,976	66,400	75,341	8,941	65,417	72,380	6,963
Operating profit	Flour milling	423	762	339	362	806	444	674	859	185	245	1,128	883
	Vegetable oils and household foods	963	▲176	▲1,139	738	▲9	▲747	1,156	844	▲312	261	361	100
	Starches and sweeteners	566	224	▲342	501	302	▲199	574	300	▲274	36	▲276	▲312
	Animal feed	251	219	▲32	282	252	▲30	334	54	▲280	150	▲41	▲191
	Other	465	403	▲62	394	398	4	527	372	▲155	440	370	▲70
	Company-wide expenses and others	▲385	▲391	▲6	▲385	▲385	0	▲474	▲419	55	▲-506	▲394	112
	Total	2,284	1,042	▲1,242	1,893	1,364	▲529	2,790	2,011	▲779	627	1,147	520