



Financial Results Briefing for 2Q of FY2024 (Ending March 31, 2024)

Showa Sangyo Co., Ltd.
President and CEO
Hideyuki Tsukagoshi
November 17, 2023

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Overview of financial results for 2Q of FY2024

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Earnings forecast for FY2024

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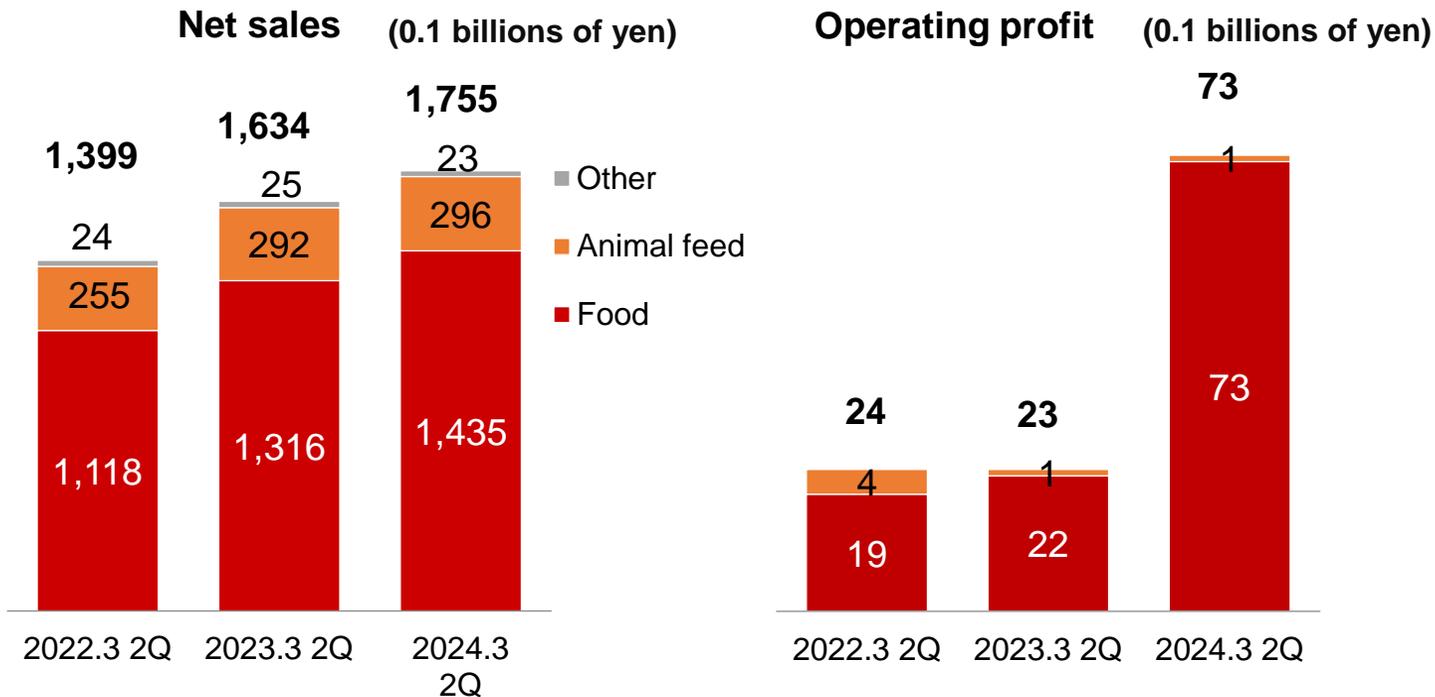
Progress of Medium-Term Management Plan 23-25

Overview of Consolidated Financial Results for 2Q of FY2024

(0.1 billions of yen)	FY2023 2Q	FY2024 2Q	Change (Year-on-Year)	Percentage of change (Year-on-Year)
Net sales	1,634	1,755	121	7.4%
Operating profit	23	73	50	217.2%
Ordinary profit	33	85	52	158.4%
Profit	19	57	37	194.2%

Key points of 2Q of FY2024

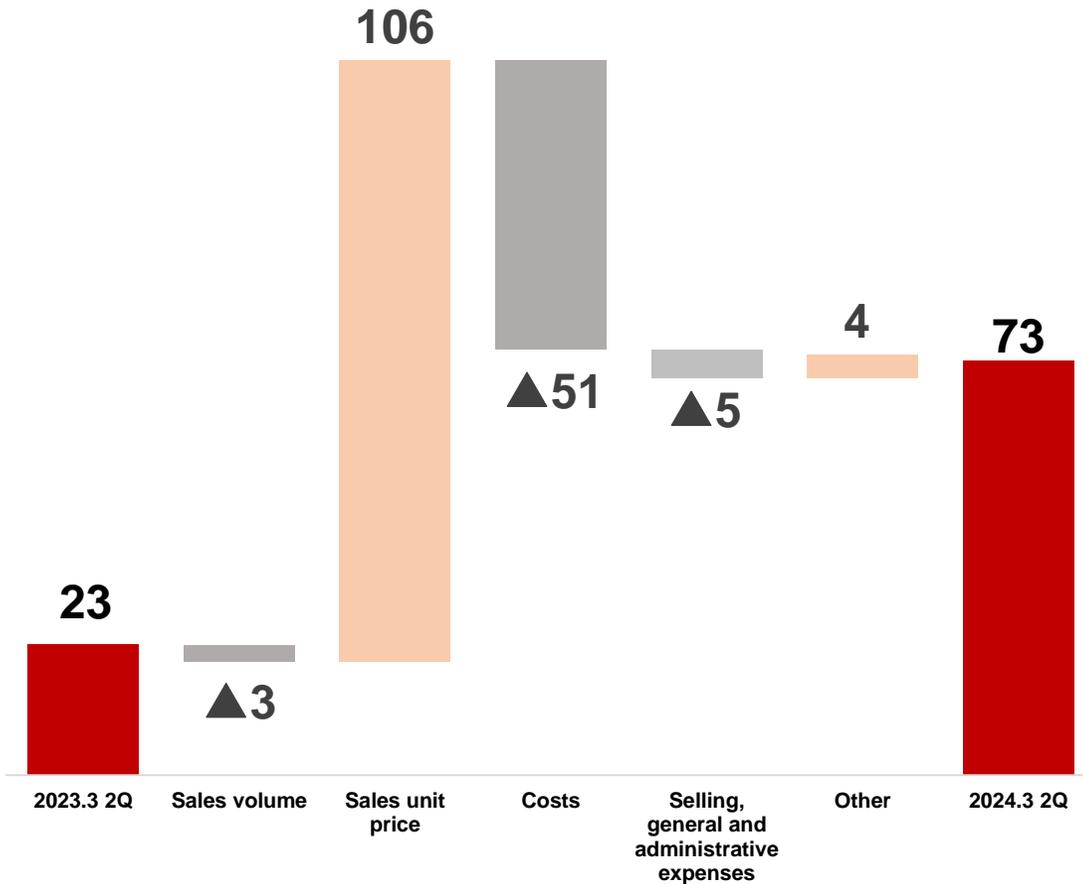
- (+) Easing of behavioral restrictions and recovery of inbound demand in line with the shift to the fifth category of COVID-19
- (+) Sales and profit increased as a result of proposal-based sales by target business type and focusing on sales at fair prices
- (-) Sales volume decreased due to prioritizing sales at fair prices in line with rising manufacturing costs, etc.
- (-) In the animal feed segment, sales volume of compounded feed and eggs decreased due to the spread of bird flu and heat waves



Factors for Changes in Operating Profit for 2Q of FY2024

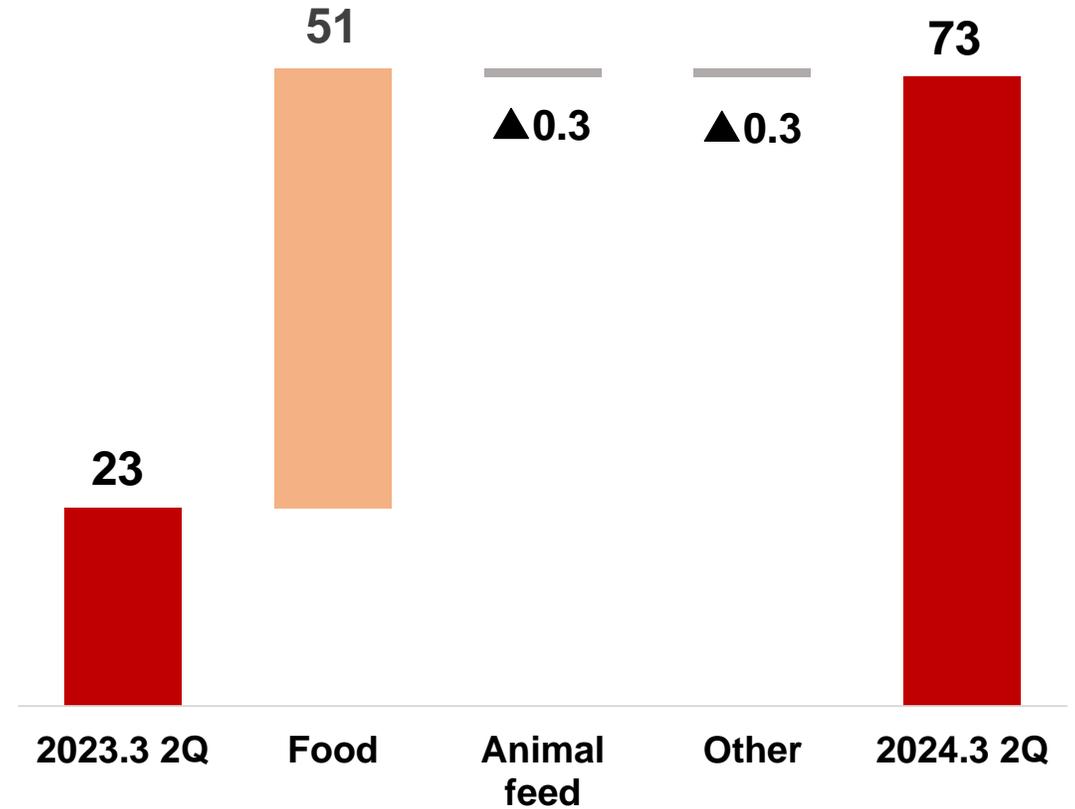
By factor

(0.1 billions of yen)



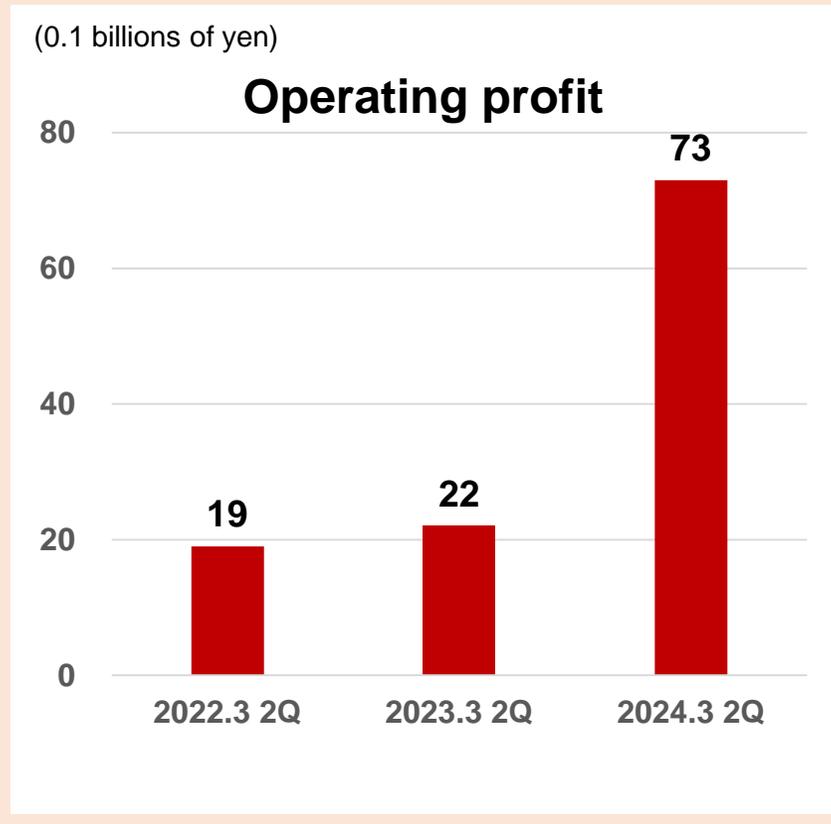
By segment

(0.1 billions of yen)



By Segment: Foods Business

(0.1 billions of yen)	2023.3 2Q	2024.3 2Q	Change
Net sales	1,316	1,435	118
Operating profit	22	73	51



Flour milling

Net sales and profit Increase



- ▶ Expansion of sales channels by strengthening proposals taking advantage of sales systems by business type
- ▶ Strengthening of cooperation among five companies and seven plants, including group companies
→ Group-wide development of initiatives such as improvement of productivity and cost reduction, and optimization of production sites
- ▶ Continuation of integrated business structural reform among four group companies in baked bread business
→ Productivity improvement and food waste reduction through consolidation of number of items and thorough cost management
- ▶ Strengthening premix production through cooperation among the Funabashi Premix No. 2 Plant and group companies
- ▶ Launching and expanding sales of new commercial wheat flour products
→ Expanding sales of “andJ”, using 100% domestic wheat flour, and launching “C blanc +” flour for confectionery

Vegetable oils

Net sales and profit Increase



- ▶ Stabilizing profits by optimizing sales prices and strengthening oil type portfolios
- ▶ Implementation of capital and business alliance with Tsuji Oil Mills
- ▶ Strengthening proposals for functional vegetable oils and other products utilizing other business channels
- ▶ Launch of a new soybean meat product “Sonomama Tsukaeru! (you can use it as is) Mаметan”

Starches and sweeteners

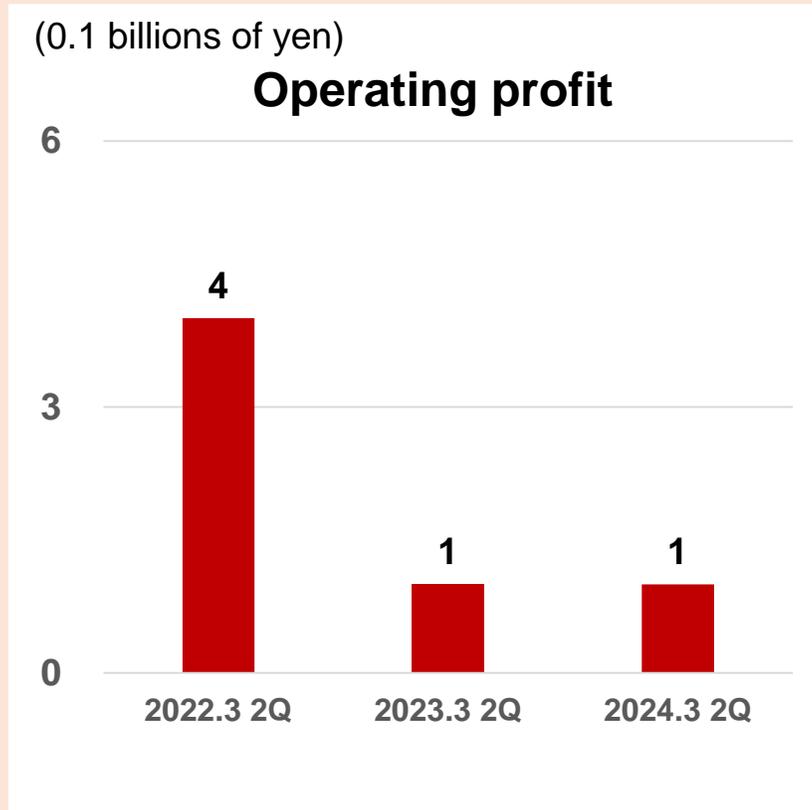
Net sales and profit Increase



- ▶ Appropriate price revisions through appropriate dissemination of information to customers
- ▶ Promotion of business structure reform including optimization of production sites integrated among three group companies (Showa Sangyo, Shikishima Starch MFG, and San-ei Sucochemical) and selection and concentration of product categories
- ▶ Promotion of expansion of sales of differentiated products
→ Powdered corn syrup, crystalline glucose, and San-ei Sucochemical’s unique acidic oligosaccharide, etc.

By Segment: Animal Feed Business

(0.1 billions of yen)	2023.3 2Q	2024.3 2Q	Change
Net sales	292	296	4
Operating profit	1	1	▲0



Mixed animal feed

- ▶ Promotion of sales at fair prices (price pass-on) commensurate with costs rising due to surging energy costs, etc.
- ▶ Decrease in sales volume affected by the spread of bird flu and heat waves
- ▶ Expansion of sales through proposals for solutions for issues that farms (customers) need to address
- ▶ Expansion of sales of high-value-added products, namely synthetic milk and oligosaccharide mixed animal feed

Eggs and others

- ▶ Expansion of profit scale and pursuit of stabilization through development of layered business strategy integrated between Showa Sangyo and Showa Keiran
- ▶ Development and sales of branded eggs taking advantage of synergy across the Group
- ▶ Creation of new value through pursuit of technology to make feed from unused raw materials

Initiatives for unused raw materials

■ Social issues (ESG) ■

Initiatives to contribute to the realization of a recycling-oriented and sustainable society by utilizing materials that are conventionally discarded

< Contribution from an ESG perspective >



■ Value creation (corporate profits) ■

Economic profits from converting non-valuable items (items whose disposal requires costs) into valuable items, and improvement of customer value through initiatives with customers of other businesses

<Contribution in economic value>

- 1 Overview of financial results for 2Q of FY2024
- 2 Earnings Forecast for FY2024**
- 3 Progress of Medium-Term Management Plan 23-25

Assumptions for Earnings Forecasts for FY2024

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

	FY2023				FY2024		
	April-June results	July-September results	October-December results	January-March results	April-June results	July-September results	October-March assumption
Wheat yen/t*1	61,820	72,530	72,530	72,530	72,530	76,750	72,290
Soybean ¢/Bu*2	1,653	1,641	1,474	1,475	1,501	1,440	1,361
Rapeseed C\$/MT*3	1,108	1,022	842	856	793	745	804
Corn ¢/Bu*4	730	738	665	663	653	592	500
Sea freight US\$/t*5	74.5	77.5	62	54.6	53	48.9	55
Exchange rate*6	120.02	133.27	141.63	136.04	133.39	140.04	144.00
LNG yen/kg*7	94.0	110.6	152.7	132.5	103.2	75.8	104.8

*1: Average price of five brands three months prior to the relevant period

*2: Average Chicago market price two months prior to the relevant period

*3: Average ICE market price two months prior to the relevant period

*4: Average Chicago market price two months prior to the relevant period

*5: Panamax vessel of U.S. Gulf-Japan (Based on corn)

*6: Average TTM two months prior to the relevant period

*7: Average unit price calculated from value and quantity of imported goods in the country of origin based on the actual monthly preliminary figures of Trade Statistics of Japan disclosed two months prior to the relevant period

Earnings forecast for FY2024

As a result of prioritizing sales at fair prices, we revised our forecast as follows (announced on November 10, 2023).

Earnings forecast

(0.1 billions of yen)	FY2023 (Results)	FY2024 (Initial forecast) *Announced on May 11	FY2024 (Revised forecast) *Announced on November 10
Net sales	3,350	3,600	3,400
Operating profit	41	75	100
Ordinary profit	65	86	120
Profit	77	55	90

Compared with initial forecast

Change	Percentage of change
▲200	▲5.6%
25	33.3%
34	39.5%
35	63.6%

Compared with FY2023 results

Change	Percentage of change
49	1.5%
58	139.0%
54	83.9%
12	15.7%

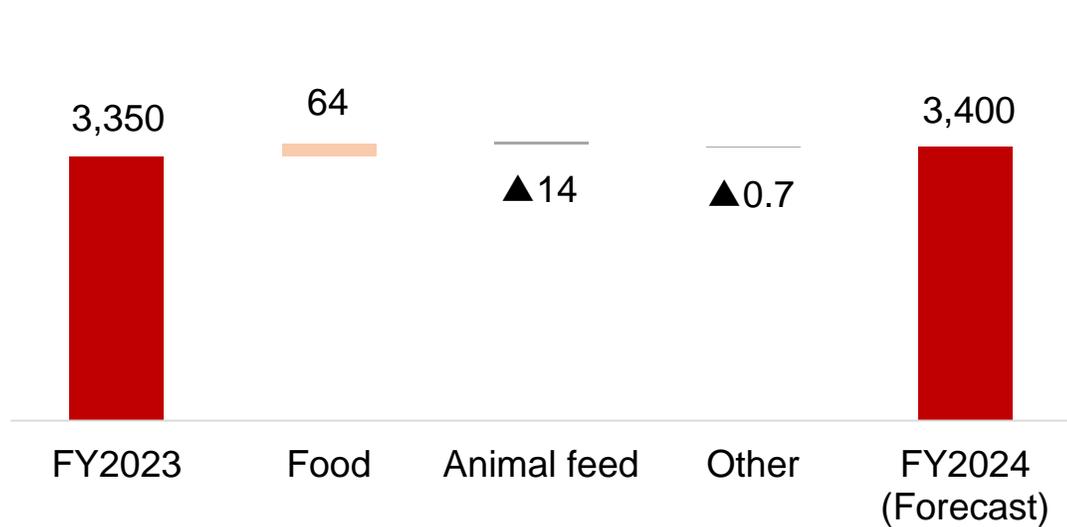
Earnings Forecast for FY2024

(0.1 billions of yen)	FY2023	FY2024 forecast	Change (Year-on-Year)	Percentage of change (Year- on-Year)
Net sales	3,350	3,400	49	1.5%
Food	2,705	2,770	64	
Animal feed	594	580	▲14	
Other	50	50	▲0.7	
Operating profit	41	100	58	139.0%
Food	39	99	59	
Animal feed	4	5	1	
Other	13	10	▲3	
Company-wide expenses, etc.	▲15	▲14	1	
Ordinary profit	65	120	54	83.9%
Profit	77	90	12	15.7%

Earnings Forecast for FY2024 (by Segment)

Change in net sales

(0.1 billions of yen)

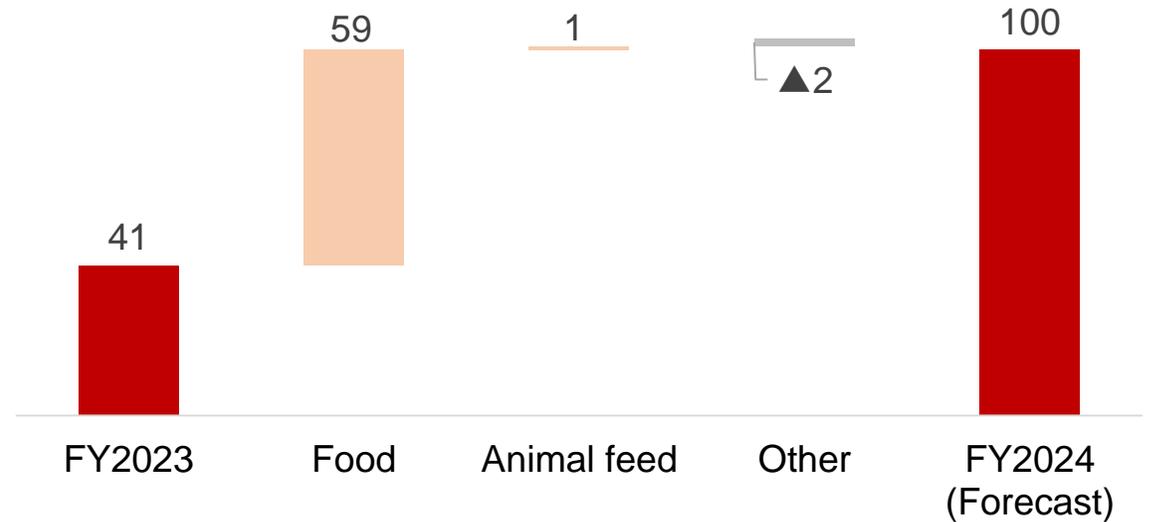


Food and Animal feed

- (+) Building of an efficient sales system through reorganization
- (+) Prioritizing sales at fair prices
- (+) Focus on development of new products and entry into new markets
- (+) Strengthening sales of functional products

Change in operating profit

(0.1 billions of yen)



Food and Animal feed

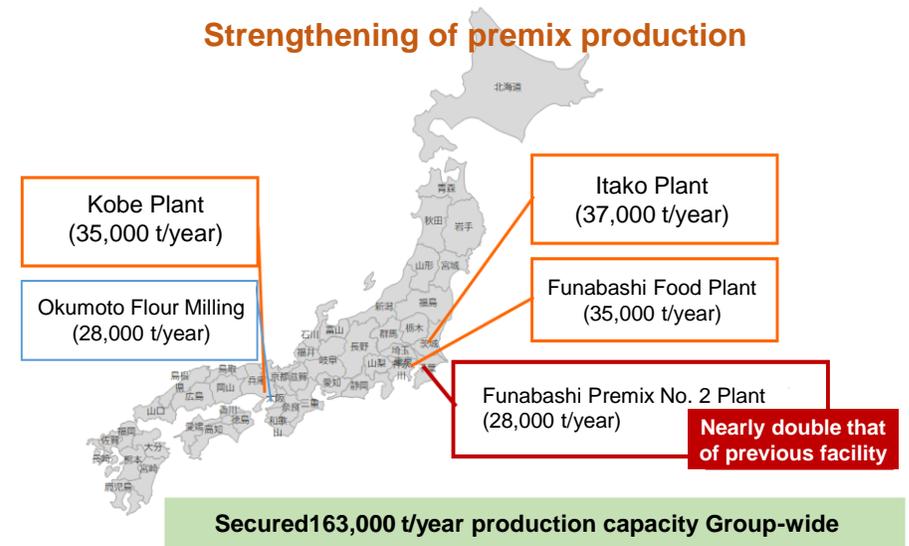
- (+) Building of an efficient sales system through reorganization
 - (+) Prioritizing sales at fair prices
 - (+) Focus on development of new products and entry into new markets
 - (+) Strengthening sales of functional products
- Other**
- (-) Decrease in profit due to decrease in cargo volume

Priority Measures for the Second Half (by Segment)

The market as a whole has yet to recover to pre-COVID-19 sales volumes, and the yen continues to weaken, keeping the outlook uncertain.
 Steady promotion of strategies in each category to secure profits.

Food Business: Flour Milling

- ▶ Development of new customers and markets by leveraging sales system by business type
- ▶ Further strengthening of cooperation among five companies and seven plants in the Group
 - ⇒ Raw material procurement - optimization of production sites - improvement of productivity
- ▶ Strengthening of premix production through cooperation among the Funabashi Premix No. 2 Plant and group companies
- ▶ Baked bread
 - ⇒ Continuing business restructuring and brushing up product development in response to changes in demand in stores



Food Business: Vegetable Oils

- ▶ Promoting collaboration initiatives with Tsuji Oil Mills through capital and business alliance
- ▶ Improvement of competitiveness and expansion in sales of rice bran oil and corn oil ⇒ strengthening alliance with Boso oil and fat and Tsuji Oil Mills
- ▶ Development and expansion of sales of functional oils and fats ⇒ promotion of proposal-based sales utilizing other business channels
- ▶ Development and sales of soybean processed products and new soybean protein materials
- ▶ Strengthening of sales system to expand sales of frozen foods

Priority Measures for the Second Half (by Segment)

Food Business: Starches and sweeteners

- ▶ Expansion of sales to target users and stabilization of earnings through review of customer portfolios
- ▶ Promotion of further diversification of raw material procurement channels
- ▶ Optimization of production sites and promotion of business structural reform integrated among three group companies
- ▶ Further promotion of differentiation strategies for products (powdered corn syrup, crystalline glucose, and acidic oligosaccharide, etc.), which are the Group's strengths
 ⇒ Enhancement of proposal-based sales using BtoB marketing functions



Animal Feed Business

- ▶ Sales at fair prices (price pass-on) commensurate with costs
- ▶ Efforts to recover sales volume of mixed animal feed for chickens
- ▶ Expansion of sales through proposals for solutions for issues that farms need to address
- ▶ Expansion of profit scale and pursuit of stabilization through development of layered business strategy integrated between Showa Sangyo and Showa Keiran
- ▶ Expansion of sales of high-value-added products, namely synthetic milk and oligosaccharide mixed animal feed
- ▶ Creation of new value through pursuit of technology to make feed from unused raw materials

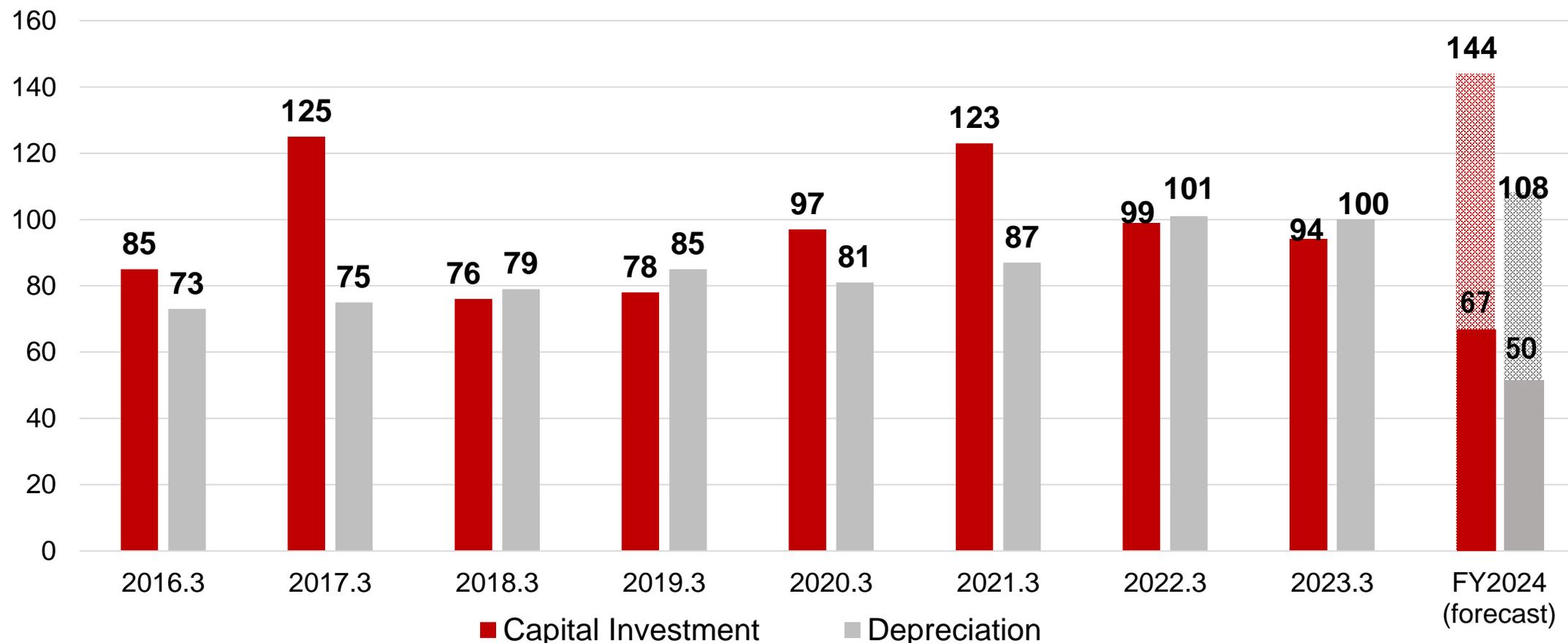
Initiatives for layered business strategy



Change in Capital Investment and Depreciation (Progress and Forecast for FY2024)

Consolidated basis

(0.1 billions of yen)



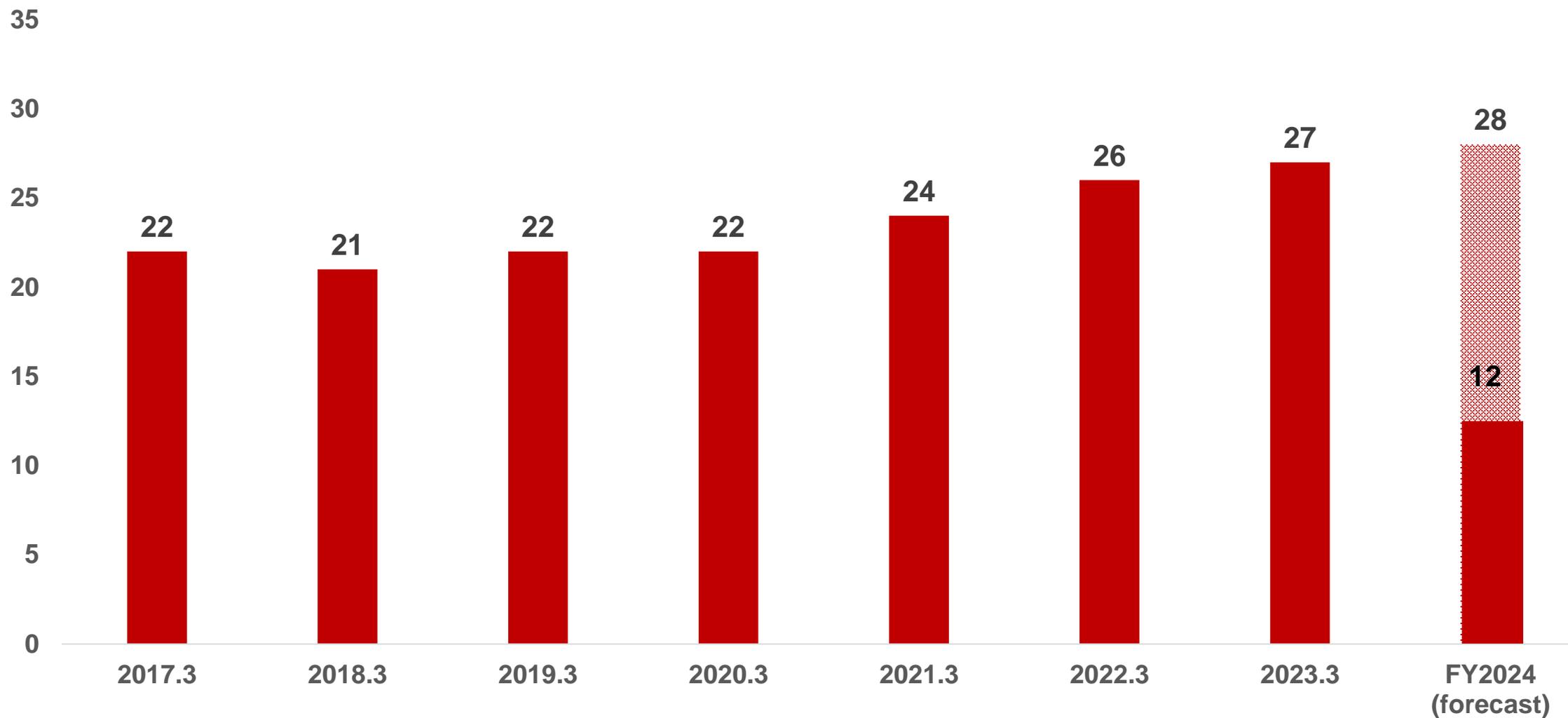
[Major Capital Investments]

Expansion of new facilities at Grandsolu Bakery, renewal of Kashima Plant facilities, renewal of headquarters core systems and renewal of San-ei Sucrochemical Co., Ltd. facilities, etc.

Change in R&D Expenditures

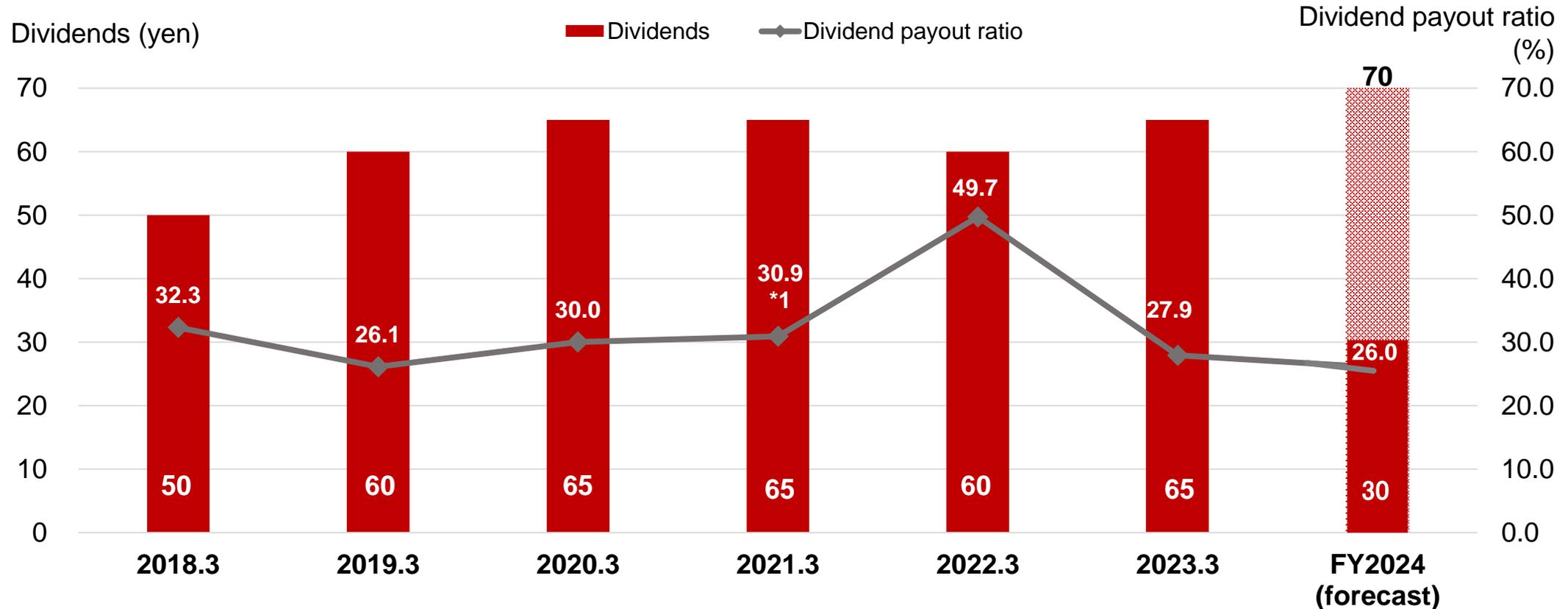
Consolidated basis

(0.1 billions of yen)



Return to Shareholders (Dividends)

Change in dividends per share and dividend payout ratio



Dividend payout ratio Approx. 30%

^{*1}: The dividend payout ratio for the fiscal year ending March 2021 does not include the impact of negative goodwill gains. If included, the ratio will be 20.3%

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Five Key Strategies of Medium-Term Management Plan 23-25

1 Strengthening Our Core Businesses

1. Evolution of the “Grain Solution”
 - Enhancement of sales by transformation into “one-stop” sales system
2. Expansion of business and enhancement of profitability through Group collaboration
3. Optimization of product composition
4. Expansion of value-added products sales through a differentiation strategy
5. Strengthening stable procurement

2 Expansion of Business Fields

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

3 Reducing Burden on the Environment

1. Continuous efforts to achieve our environmental goals
2. Reduction of packaging plastic
3. Advanced utilization of biomass
4. Developing road map to achieve carbon-neutrality

4 Rebuilding Our Platform

1. Establishment of organizational base through reorganization
2. Sophistication of business portfolio management through introduction of ROIC
3. Establishment of a system to sophisticate business through digitization and for DX

5 Enforcing Stakeholder Engagement

1. Drastic promotion of D&I
2. Promotion of strategic human resources development
3. Strengthening of information dissemination and enhancing recognition of the Group via SNS

Sophistication of sustainability management to support our Group’s sustainable growth

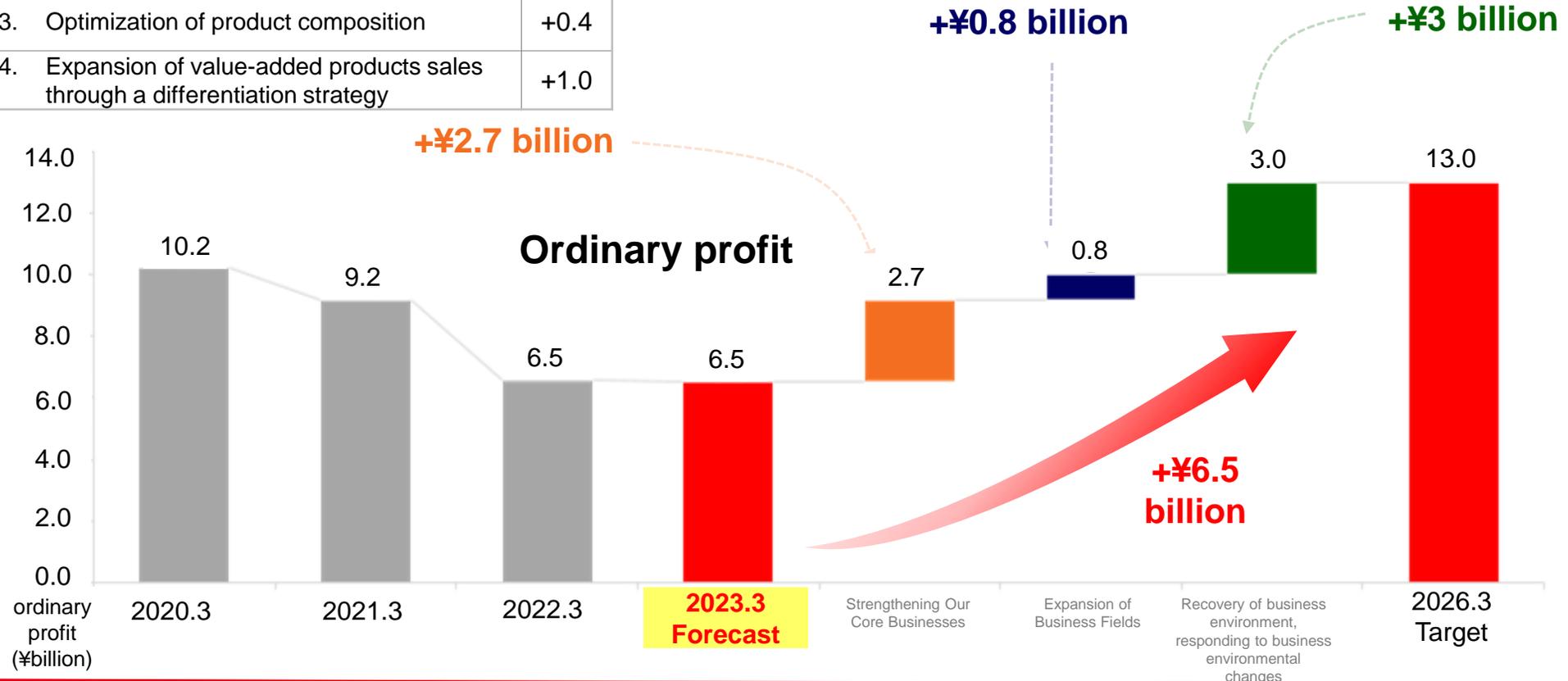
Quantitative Effects of Priority Measures on Ordinary Profit

We will aim to generate ordinary profit of **+6.5 billion yen** by steadily executing the following measures.

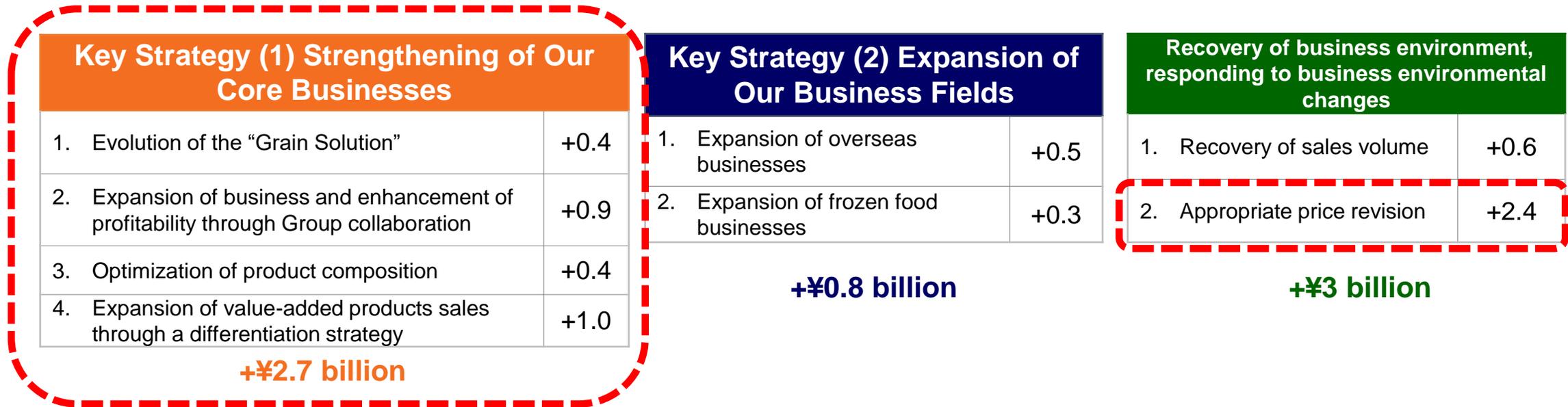
Key Strategy (1) Strengthening of Our Core Businesses	
1. Evolution of the "Grain Solution"	+0.4
2. Expansion of business and enhancement of profitability through Group collaboration	+0.9
3. Optimization of product composition	+0.4
4. Expansion of value-added products sales through a differentiation strategy	+1.0

Key Strategy (2) Expansion of Our Business Fields	
1. Expansion of overseas businesses	+0.5
2. Expansion of frozen food businesses	+0.3

Recovery of business environment, responding to business environmental changes	
1. Recovery of sales volume	+0.6
2. Appropriate price revision	+2.4



Quantitative Effects of Priority Measures on Ordinary Profit



[Issues recognized] Our earnings structure is highly affected by changes in the business environment

⇒ Promotion of (1) Strengthening of Our Core Businesses and (2) Expansion of Our Business Fields

Key Strategy (1) Strengthening of Our Core Businesses

1. Evolution of solutions -Effects of reorganization-

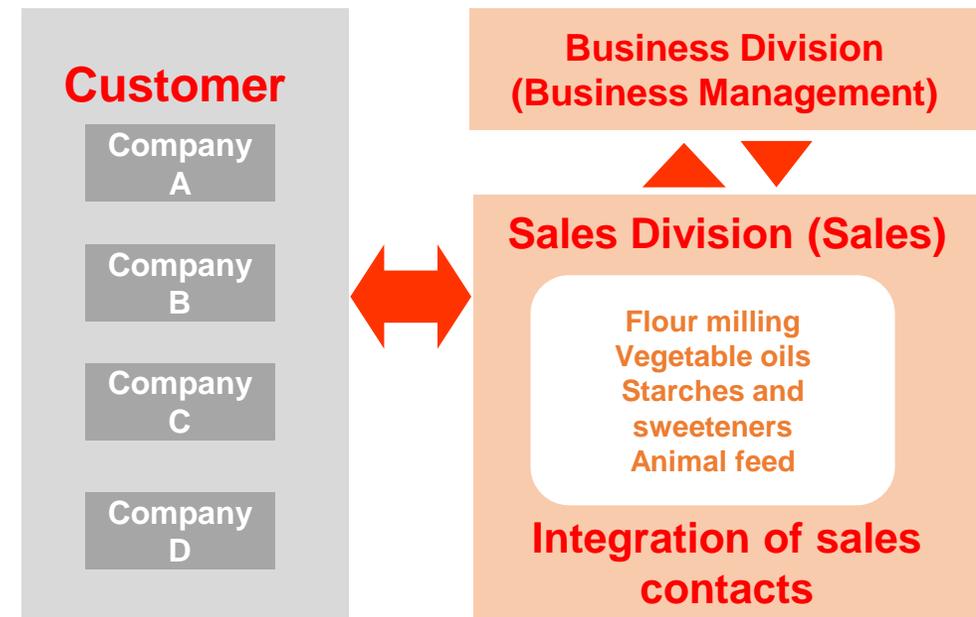
Promotion of "one-stop" solution proposals

- ▶ Strengthening of production and sales of premix products to meet customer needs
- ▶ Enhancing proposals for functional vegetable oils to Flour Milling Business channels
- ▶ Expansion of pasta sales to the restaurant industry

[Funabashi Premix No. 2 Plant]



["One-stop-type" sales system by business category and customer]



Key Strategy (1) Strengthening of Our Core Businesses

2. Expansion of business and enhancement of profitability through Group collaboration

[Baked bread]

- ▶ Continuing integrated business structural reform among four group companies
 ⇒ Productivity improvement and food waste reduction
- ▶ Brushing up product development in response to changes in demand in stores

[Flour Milling]

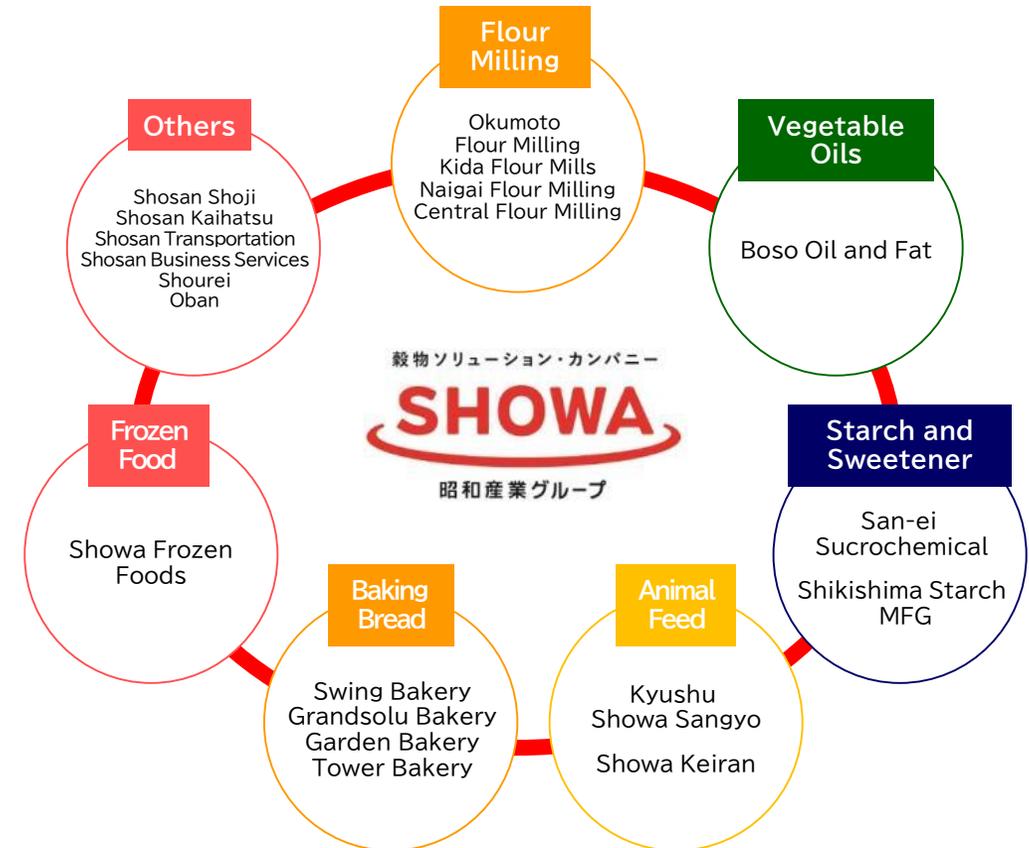
- ▶ Strengthening of cooperation among five companies and seven plants in the Group
 ⇒ Group-wide development of initiatives for productivity improvement and cost reduction

[Vegetable Oils]

- ▶ Strengthening of collaboration with Tsuji Oil Mills through capital and business alliance
- ▶ Continuing and enhancing initiatives to create synergy with Boso oil and fat

[Starches and sweeteners]

- ▶ Structural reforms through collaboration among three group companies, including initiatives to create synergy with San-ei Sucrochemical



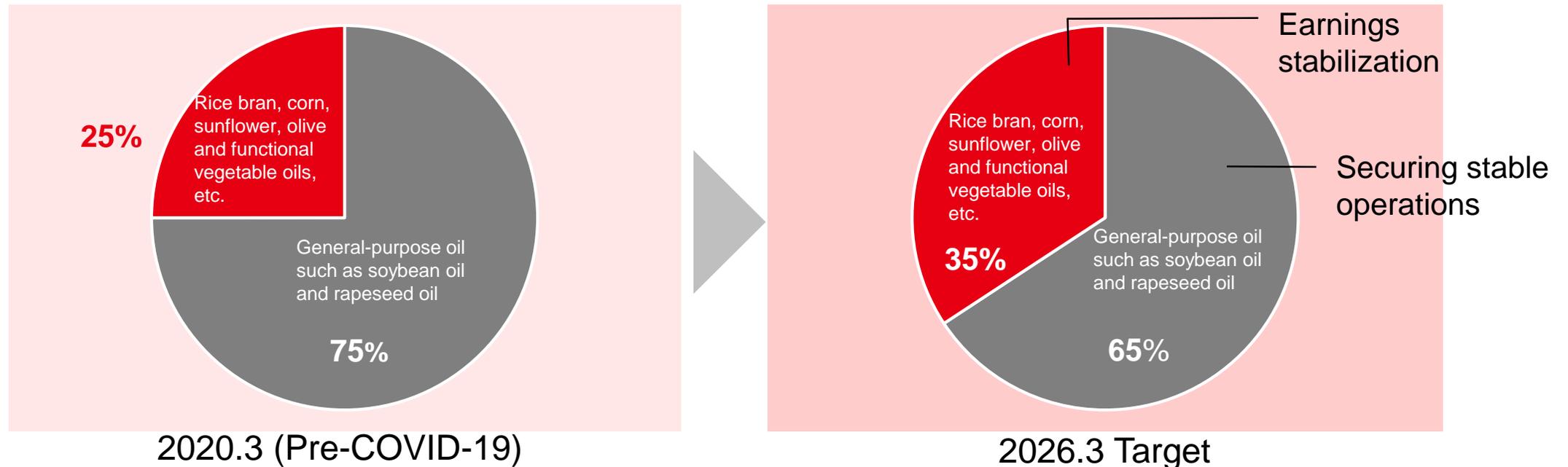
Key Strategy (1) Strengthening of Our Core Businesses

3. Optimization of product composition

Optimization of oil type portfolios

- ▶ Strengthening of rice bran oil and corn oil through alliances with Boso oil and fat and Tsuji Oil Mills
 ⇒ Development of a revenue structure less affected by changes in business environment through diversification of oil type

[Percentage of oil type in profit]



Key Strategy (1) Strengthening of Our Core Businesses

4. Expansion of value-added products sales through a differentiation strategy

Flour milling

- Strengthening of production and sales of small-package premix products to meet customer needs
- ⇒ Efficient production at Funabashi Premix No. 2 Plant



Vegetable oils

- Development and expansion of sales of functional frying oils
- Strengthening of development of processed oils and fats
- Expansion of sales of soybean protein



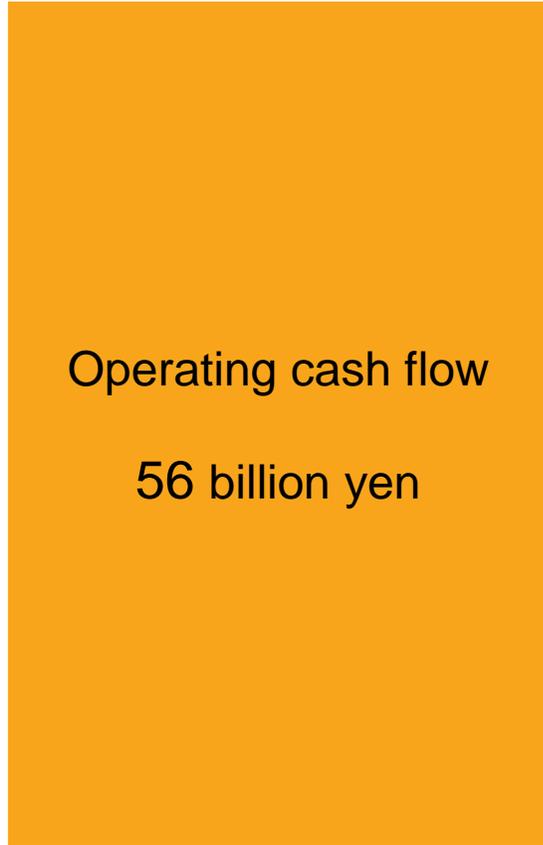
Starches and sweeteners

- Expansion of sales of functional powdered corn syrup and acidic oligosaccharide, the Group's original products
- Improvement of profitability of crystalline glucose
- Strengthen of lactic acid bacteria business

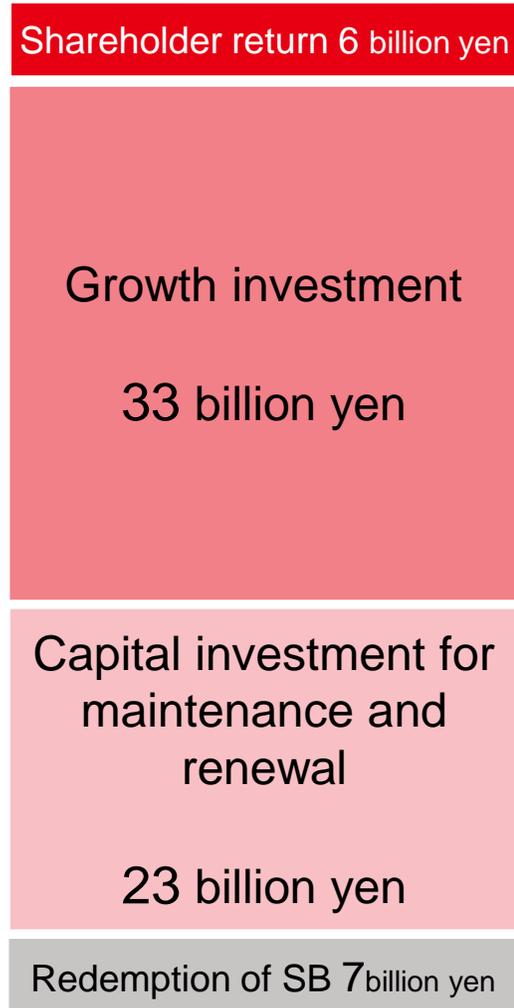


Capital Allocation (3-year-aggregate) - Fiscal 2023-2025

Cash in



Cash out

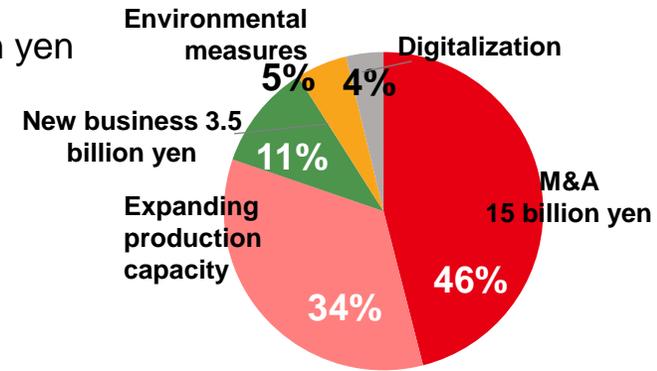


Cash in

- Operating cash flow** Harvest the fruits from implementation of , Medium-Term Management Plan's 1st & 2nd strategies and generate operating cash flow of **56 billion yen**
- Reduction of assets** Reduction of cross-shareholdings and non-core real estate
- Funding** Comprehensive ALM management and systematic funding plans

Cash out

- Shareholder return** Continue long-term stable dividend payout with a target **payout ratio of around 30%**
- Growth investment** Total: 33 billion yen



- Working capital** **Shorten CCC** by optimizing inventories to avoid working capital increase

Renewal of the Kobe Plant's flour milling multi-tier automated warehouse (scheduled to be completed in February 2026)

Key Strategy (1) Strengthening of Our Core Businesses - Improvement of logistics functions and efficiency -

Response to "The 2024 Problem" and "White Logistics"

- ▶ Centralized computerized management from manufacturing to storage, picking and shipping
- ▶ Reduce loading and waiting times by automating and saving manpower for labor-intensive tasks
- ▶ Promote reduction of environmental burden and logistics optimization to realize sustainable logistics

[Overview of new warehouse]

Address	Showa Sangyo Co., Ltd. Kobe Plant (5 Mikagehama-machi, Higashinada Ward, Kobe City)
Total floor area	3,900 m ² (warehouses, shipment area, etc.)
Total investment	3.5 billion yen
Storage items	Wheat flour products (paper-bagged for pallet)
Capacity of multi-tier automated warehouse	190,000 bags (4,750 tons)
Start of operation	February 2026

[Image of completion]



Key Strategy (3) Reducing Burden on the Environment ~ Reducing CO₂ Emissions ~

[Environmental goals] Reduction of 30% or more in FY2026 and 46% or more in FY2031

- ▶ Introduction of biomass power boiler utilizing renewable energy such as wood chips
 - ⇒ Reduce annual CO₂ emissions by about 37,000 tons
 - ⇒ The overall CO₂ reduction rate of Showa Sangyo Group is expected to be 37% or more (compared with FY2014)

[Overview of biomass power boiler]

Address	Showa Sangyo Co., Ltd. Kashima Plant (6 Higashifukashiba, Kamisu City, Ibaraki Prefecture)
Type of equipment	Wood-chip fired biomass power boiler, Capacity: 30 tons/h steam, 1,500 Kw power generation
CO ₂ reduction	Approximately 37,000 tons/year
Capital investment amount	Approximately 3.5 billion yen
Expected start of operation	FY2027

[(2009)Biomass boiler introduced at Kashima Plant]



Reference material

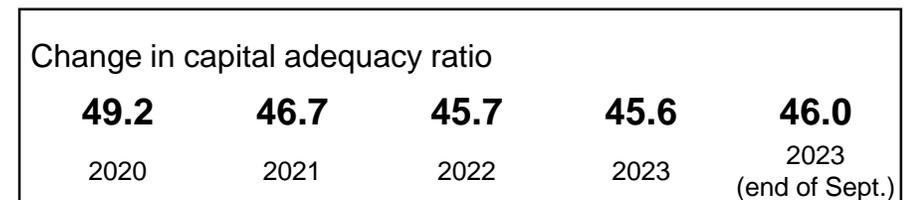
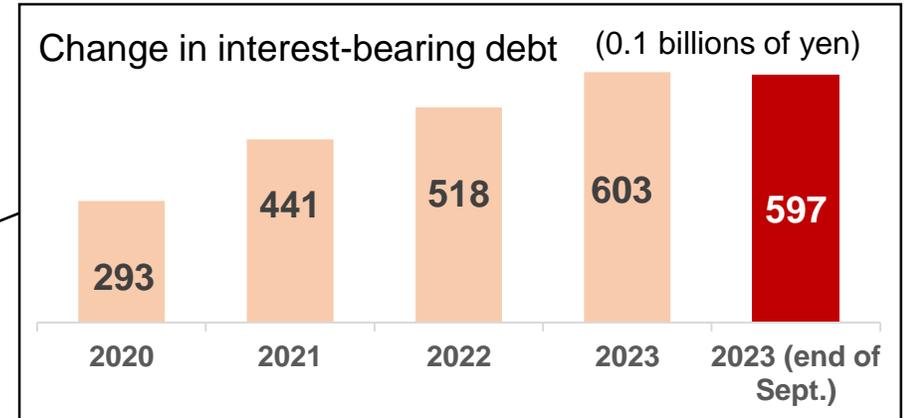
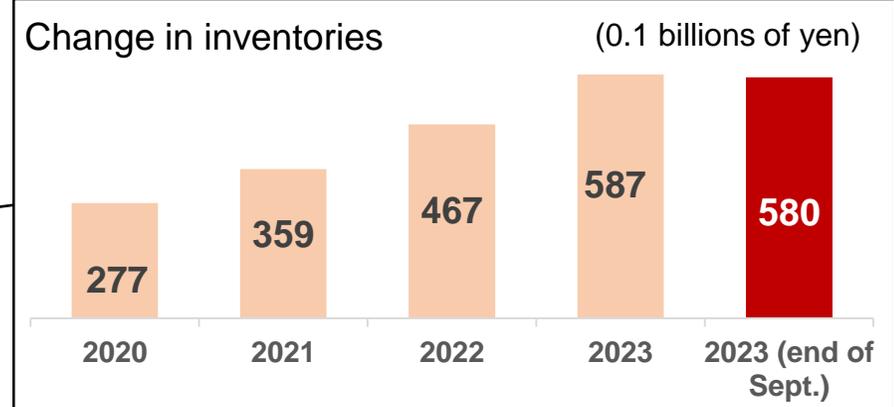
Overview of Consolidated Balance Sheet

Consolidated Balance Sheet

(0.1 billions of yen)

	Mar. 2023	Sep. 2023	Change
Current assets	1,234	1,311	76
Cash and deposits	62	80	18
Trade receivables	553	608	55
Inventories	587	580	▲ 6
Other	32	41	9
Non-current assets/Deferred assets	1,242	1,313	70
Property, plant and equipment/ Intangible assets	874	886	11
Investments and other assets	367	427	59
Total assets	2,477	2,624	147

	Mar. 2023	Sep. 2023	Change
Liabilities	1,314	1,381	67
Trade payables	324	353	29
Interest-bearing debt	603	597	▲ 6
Provision	18	19	0
Other	367	412	44
Net assets	1,163	1,242	79
Shareholders' equity	1,037	1,083	46
Comprehensive income and other	92	124	32
Non-controlling interests	33	34	1
Total liabilities and net assets	2,477	2,624	147



Cash Flows

(0.1 billions of yen)

	FY2023 2Q	FY2024 2Q	Change
Profit before income taxes	27	82	55
Depreciation <Non-cash items>	48	48	0
Impairment losses <Non-cash items>	3	-	△ 3
Change in working capital (trade receivables, inventories, trade payables)	△ 142	△ 19	122
Income taxes paid/refund	△ 3	△ 21	△ 17
Other	△ 1	14	16
Cash flows from operating activities	△ 67	105	172
Acquisition of property, plant and equipment	△ 57	△ 49	8
Acquisition of investment securities	△ 12	△ 0	11
Other	△ 6	△ 17	△ 11
Cash flows from investment activities	△ 76	△ 67	9
Free cash flow	△ 144	38	182
Short-term borrowings, commercial papers, long-term borrowings	147	△ 6	△ 154
Dividends paid	△ 10	△ 11	△ 1
Other	△ 1	△ 1	△ 0
Cash flows from financing activities	135	△ 19	△ 155
Cash and cash equivalents at end of period	83	80	△ 2

Change in Quarterly Net Sales and Operating Profit

(millions of yen)		1Q			2Q		
		2023.3	2024.3	Change	2023.3	2024.3	Change
Net sales	Food	65,695	73,665	7,969	65,935	69,864	3,928
	Animal feed	13,781	14,967	1,185	15,447	14,726	▲721
	Other	1,210	1,166	▲44	1,339	1,192	▲147
	Total	80,688	89,799	9,111	82,722	85,783	3,060
Operating profit	Food	1,973	3,353	1,380	242	3,967	3,724
	Animal feed	▲104	▲7	97	259	126	▲133
	Other	307	302	▲4	392	357	▲34
	Company-wide expenses, etc.	▲360	▲336	24	▲392	▲412	▲19
	Total	1,815	3,313	1,497	502	4,039	3,537



穀物ソリューション・カンパニー

SHOWA

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Notes regarding forecasts and projections

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 initial projections and plans mentioned 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 or assume any obligation to do so, regardless of future information, events or consequences caused by them.