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May 11, 2023

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Under Japanese GAAP)

Company name: Showa Sangyo Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 2004
 URL: <https://www.showa-sangyo.co.jp/>
 Representative: Hideyuki Tsukagoshi, President and CEO
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 Telephone: +81-3-3257-2036
 Scheduled date of annual general meeting of shareholders: June 23, 2023
 Scheduled date to commence dividend payments: June 26, 2023
 Scheduled date to file annual securities report: June 23, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2023	335,053	16.5	4,184	(24.8)	6,525	(0.8)	7,776	94.1
March 31, 2022	287,635	12.4	5,564	(26.7)	6,576	(28.6)	4,006	(60.4)

Note: Comprehensive income For the fiscal year ended March 31, 2023: ¥9,339 million [89.6%]
 For the fiscal year ended March 31, 2022: ¥4,926 million [(61.6)%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	232.59	—	7.1	2.7	1.2
March 31, 2022	120.61	—	3.9	3.0	1.9

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended March 31, 2023: ¥681 million
 For the fiscal year ended March 31, 2022: ¥388 million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2023	247,770	116,362	45.6	3,378.49
March 31, 2022	231,306	109,089	45.7	3,161.88

Reference: Equity
 As of March 31, 2023: ¥112,997 million
 As of March 31, 2022: ¥105,697 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	(2,930)	(6,155)	6,136	6,221
March 31, 2022	1,334	(11,729)	8,405	9,170

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2022	–	30.00	–	30.00	60.00	2,006	49.7	1.9
Fiscal year ended March 31, 2023	–	30.00	–	35.00	65.00	2,174	27.9	2.0
Fiscal year ending March 31, 2024 (Forecast)	–	30.00	–	30.00	60.00		36.5	

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2024	360,000	7.4	7,500	79.2	8,600	31.8	5,500	(29.3)	164.44

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2023	33,985,420 shares
As of March 31, 2022	33,985,420 shares

- (ii) Number of treasury shares at the end of the period

As of March 31, 2023	539,290 shares
As of March 31, 2022	556,604 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023	33,435,305 shares
Fiscal year ended March 31, 2022	33,223,101 shares

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	218,339	22.6	938	(61.7)	4,022	20.3	6,693	193.1
March 31, 2022	178,078	13.1	2,447	(62.9)	3,343	(51.6)	2,284	(54.1)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2023	200.18	—
March 31, 2022	68.74	—

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2023	189,196	84,886	44.9	2,537.64
March 31, 2022	173,123	79,436	45.9	2,375.94

Reference: Equity

As of March 31, 2023: ¥84,886 million
As of March 31, 2022: ¥79,436 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Caution regarding forward-looking statements and others)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. In no way is the Company asserting assurances or guarantees of the achievement of any future business plan targets or measures stated herein.

For matters related to the financial results forecasts, please see “1. Overview of Operating Results and Others, (4) Future outlook” on page 4 of the attached materials (in Japanese only).

3. Consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	9,174	6,225
Notes receivable - trade	2,266	2,368
Accounts receivable - trade	47,233	52,936
Merchandise and finished goods	13,541	16,668
Work in process	2,372	3,378
Raw materials and supplies	30,813	38,700
Other	3,918	3,331
Allowance for doubtful accounts	(69)	(125)
Total current assets	109,251	123,484
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	31,536	32,297
Machinery, equipment and vehicles, net	24,154	24,632
Land	21,787	21,771
Leased assets, net	877	855
Construction in progress	5,291	2,170
Other, net	1,268	1,282
Total property, plant and equipment	84,915	83,010
Intangible assets		
Goodwill	1,265	1,120
Customer-related intangible assets	2,252	1,994
Other	1,096	1,364
Total intangible assets	4,613	4,479
Investments and other assets		
Investment securities	29,504	33,158
Long-term loans receivable	21	263
Bad debts	77	77
Retirement benefit asset	159	270
Other	2,870	3,132
Allowance for doubtful accounts	(107)	(106)
Total investments and other assets	32,525	36,795
Total non-current assets	122,054	124,286
Total assets	231,306	247,770

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	33,536	32,427
Short-term borrowings	16,322	16,477
Commercial papers	13,000	24,000
Lease liabilities	251	716
Accounts payable - other	10,758	11,262
Income taxes payable	687	2,129
Provision for bonuses	1,850	1,894
Notes payable - facilities	195	271
Electronically recorded obligations - facilities	3,014	1,594
Other	3,063	3,709
Total current liabilities	82,679	94,484
Non-current liabilities		
Bonds payable	18,000	18,000
Long-term borrowings	4,494	1,853
Lease liabilities	860	346
Deferred tax liabilities	2,665	3,303
Provision for retirement benefits for directors (and other officers)	33	31
Retirement benefit liability	9,250	9,194
Asset retirement obligations	466	461
Other	3,765	3,730
Total non-current liabilities	39,536	36,922
Total liabilities	122,216	131,407
Net assets		
Shareholders' equity		
Share capital	14,293	14,293
Capital surplus	7,768	7,866
Retained earnings	76,980	82,751
Treasury shares	(1,184)	(1,148)
Total shareholders' equity	97,858	103,762
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,336	8,592
Deferred gains or losses on hedges	217	(8)
Foreign currency translation adjustment	364	487
Remeasurements of defined benefit plans	(80)	162
Total accumulated other comprehensive income	7,839	9,234
Non-controlling interests	3,392	3,365
Total net assets	109,089	116,362
Total liabilities and net assets	231,306	247,770

(2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	287,635	335,053
Cost of sales	241,431	289,511
Gross profit	46,203	45,542
Selling, general and administrative expenses	40,639	41,357
Operating profit	5,564	4,184
Non-operating income		
Interest income	2	2
Dividend income	467	575
Share of profit of entities accounted for using equity method	388	681
Foreign exchange gains	–	91
Rental income from real estate (company house and others)	126	126
Insurance claim income	88	768
Other	401	498
Total non-operating income	1,474	2,743
Non-operating expenses		
Interest expenses	228	214
Compensation for damage	8	120
Foreign exchange losses	130	–
Other	96	67
Total non-operating expenses	463	403
Ordinary profit	6,576	6,525
Extraordinary income		
Gain on sale of non-current assets	10	5,247
Gain on sale of investment securities	9	–
Gain on revision of retirement benefit plan	–	45
National subsidies	120	54
Total extraordinary income	140	5,347
Extraordinary losses		
Loss on abandonment of non-current assets	363	397
Loss on sale of non-current assets	0	2
Loss on tax purpose reduction entry of non-current assets	100	54
Impairment losses	293	407
Harbors quay dredging cost	–	62
Other	126	39
Total extraordinary losses	884	964
Profit before income taxes	5,832	10,908
Income taxes - current	1,637	2,947
Income taxes - deferred	147	78
Total income taxes	1,785	3,026
Profit	4,047	7,882
Profit attributable to non-controlling interests	40	105
Profit attributable to owners of parent	4,006	7,776

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	4,047	7,882
Other comprehensive income		
Valuation difference on available-for-sale securities	84	1,313
Deferred gains or losses on hedges	127	(226)
Remeasurements of defined benefit plans, net of tax	277	242
Share of other comprehensive income of entities accounted for using equity method	390	128
Total other comprehensive income	879	1,456
Comprehensive income	4,926	9,339
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,894	9,172
Comprehensive income attributable to non-controlling interests	32	167

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	12,778	6,112	75,109	(1,336)	92,662
Changes during period					
Issuance of new shares	1,515	1,515			3,031
Dividends of surplus			(2,135)		(2,135)
Profit attributable to owners of parent			4,006		4,006
Purchase of treasury shares				(8)	(8)
Restricted share-based remuneration		12		32	45
Purchase of shares of consolidated subsidiaries		78			78
Conversion of convertible bond-type bonds with share acquisition rights		50		127	178
Net changes in items other than shareholders' equity					-
Total changes during period	1,515	1,656	1,871	151	5,195
Balance at end of period	14,293	7,768	76,980	(1,184)	97,858

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	7,211	90	7	(357)	6,952	3,465	103,080
Changes during period							
Issuance of new shares					-		3,031
Dividends of surplus					-		(2,135)
Profit attributable to owners of parent					-		4,006
Purchase of treasury shares					-		(8)
Restricted share-based remuneration					-		45
Purchase of shares of consolidated subsidiaries					-		78
Conversion of convertible bond-type bonds with share acquisition rights					-		178
Net changes in items other than shareholders' equity	124	127	357	277	887	(73)	813
Total changes during period	124	127	357	277	887	(73)	6,009
Balance at end of period	7,336	217	364	(80)	7,839	3,392	109,089

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	14,293	7,768	76,980	(1,184)	97,858
Changes during period					
Dividends of surplus			(2,006)		(2,006)
Profit attributable to owners of parent			7,776		7,776
Purchase of treasury shares				(4)	(4)
Restricted share-based remuneration		6		40	47
Purchase of shares of consolidated subsidiaries		90			90
Net changes in items other than shareholders' equity					—
Total changes during period	—	97	5,770	36	5,904
Balance at end of period	14,293	7,866	82,751	(1,148)	103,762

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	7,336	217	364	(80)	7,839	3,392	109,089
Changes during period							
Dividends of surplus					—		(2,006)
Profit attributable to owners of parent					—		7,776
Purchase of treasury shares					—		(4)
Restricted share-based remuneration					—		47
Purchase of shares of consolidated subsidiaries					—		90
Net changes in items other than shareholders' equity	1,255	(225)	123	242	1,395	(26)	1,368
Total changes during period	1,255	(225)	123	242	1,395	(26)	7,272
Balance at end of period	8,592	(8)	487	162	9,234	3,365	116,362

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	5,832	10,908
Depreciation	9,990	9,906
Impairment losses	293	407
Increase (decrease) in retirement benefit liability	226	(56)
Decrease (increase) in retirement benefit asset	(159)	(111)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(21)	(1)
Increase (decrease) in allowance for doubtful accounts	13	54
Interest and dividend income	(470)	(577)
Interest expenses	228	214
Share of loss (profit) of entities accounted for using equity method	(388)	(681)
Loss (gain) on sale and retirement of property, plant and equipment and intangible assets	353	(4,847)
Loss (gain) on sale and valuation of investment securities	60	–
Insurance claim income	(64)	(768)
Decrease (increase) in trade receivables	(7,995)	(5,805)
Decrease (increase) in inventories	(10,818)	(12,013)
Increase (decrease) in trade payables	6,987	(1,109)
Other, net	8	1,260
Subtotal	4,077	(3,219)
Interest and dividends received	658	854
Interest paid	(222)	(217)
Proceeds from insurance income	64	768
Income taxes paid	(3,298)	(1,637)
Income taxes refund	55	520
Net cash provided by (used in) operating activities	1,334	(2,930)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from investing activities		
Payments into time deposits	(2)	(2)
Proceeds from withdrawal of time deposits	2	2
Short-term loan advances	(212)	–
Proceeds from collection of short-term loans receivable	263	–
Purchase of investment securities	(55)	(1,260)
Proceeds from sale and redemption of investment securities	16	–
Purchase of property, plant and equipment	(11,187)	(9,899)
Proceeds from sale of property, plant and equipment	47	6,151
Payments for retirement of property, plant and equipment	(173)	(217)
Payments for asset retirement obligations	(25)	(16)
Investments and loan advances	(447)	(976)
Proceeds from divestments and collection of loans receivable	10	22
Other, net	34	40
Net cash provided by (used in) investing activities	(11,729)	(6,155)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings and commercial papers	13,000	9,019
Proceeds from long-term borrowings	500	300
Repayments of long-term borrowings	(1,466)	(803)
Redemption of convertible bond-type bonds with share acquisition rights	(1,175)	–
Repayments of lease liabilities	(281)	(243)
Dividends paid	(2,135)	(2,006)
Dividends paid to non-controlling interests	(15)	(32)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(3)	(70)
Purchase of treasury shares	(16)	(4)
Other, net	–	(21)
Net cash provided by (used in) financing activities	8,405	6,136
Net increase (decrease) in cash and cash equivalents	(1,989)	(2,949)
Cash and cash equivalents at beginning of period	11,160	9,170
Cash and cash equivalents at end of period	9,170	6,221