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November 10, 2023

Consolidated Financial Results for the Six Months Ended September 30, 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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 Scheduled date to file quarterly securities report: November 13, 2023
 Scheduled date to commence dividend payments: December 6, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly 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 six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

(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	%
Six months ended								
September 30, 2023	175,582	7.4	7,352	217.2	8,558	158.4	5,730	194.2
September 30, 2022	163,410	16.8	2,317	(3.7)	3,312	13.1	1,947	8.0

Note: Comprehensive income For the six months ended September 30, 2023: ¥9,083 million [165.9%]
 For the six months ended September 30, 2022: ¥3,415 million [6.8%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	171.31	-
September 30, 2022	58.28	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	262,487	124,293	46.0
March 31, 2023	247,770	116,362	45.6

Reference: Equity
 As of September 30, 2023: ¥120,821 million
 As of March 31, 2023: ¥112,997 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	–	30.00	–	35.00	65.00
Fiscal year ending March 31, 2024	–	30.00			
Fiscal year ending March 31, 2024 (Forecast)			–	40.00	70.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

Regarding the revision to the forecast of cash dividends, please refer to “Notice Concerning Revision to Full-Year Earnings Forecasts (Consolidated/Non-consolidated) and Revision to Dividends Forecast (Dividend Increase)” (in Japanese only) published today (November 10, 2023).

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
Full year	340,000	1.5	10,000	139.0	12,000	83.9	9,000	15.7	268.98

Note: Revisions to the earnings forecasts most recently announced: Yes

Regarding the revision to the consolidated earnings forecasts, please refer to “Notice Concerning Revision to Full-Year Earnings Forecasts (Consolidated/Non-consolidated) and Revision to Dividends Forecast (Dividend Increase)” (in Japanese only) published today (November 10, 2023).

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) 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

(4) Number of issued shares (common shares)

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

As of September 30, 2023	33,985,420 shares
As of March 31, 2023	33,985,420 shares

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

As of September 30, 2023	520,529 shares
As of March 31, 2023	539,290 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2023	33,453,473 shares
Six months ended September 30, 2022	33,423,996 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

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. Qualitative information regarding settlement of accounts for the six months ended September 30, 2023, (3) Explanation of consolidated financial forecasts and other forward-looking statements” on page 3 of the attached materials (in Japanese only).

Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	6,225	8,057
Notes and accounts receivable - trade	55,305	60,898
Merchandise and finished goods	16,668	15,657
Work in process	3,378	2,922
Raw materials and supplies	38,700	39,473
Other	3,331	4,214
Allowance for doubtful accounts	(125)	(93)
Total current assets	123,484	131,131
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	32,297	31,693
Machinery, equipment and vehicles, net	24,632	25,958
Land	21,771	21,771
Other, net	4,308	5,031
Total property, plant and equipment	83,010	84,455
Intangible assets		
Goodwill	1,120	1,048
Customer-related intangible assets	1,994	1,866
Other	1,364	1,230
Total intangible assets	4,479	4,145
Investments and other assets		
Investment securities	33,158	39,043
Retirement benefit asset	270	313
Other	3,472	3,512
Allowance for doubtful accounts	(106)	(113)
Total investments and other assets	36,795	42,755
Total non-current assets	124,286	131,356
Total assets	247,770	262,487
Liabilities		
Current liabilities		
Notes and accounts payable - trade	32,427	35,360
Short-term borrowings	16,477	14,901
Commercial papers	24,000	23,000
Income taxes payable	2,129	2,461
Provision for bonuses	1,894	1,920
Other	17,555	20,391
Total current liabilities	94,484	98,036
Non-current liabilities		
Bonds payable	18,000	18,000
Long-term borrowings	1,853	3,809
Provision for retirement benefits for directors (and other officers)	31	27
Retirement benefit liability	9,194	9,363
Other	7,842	8,956
Total non-current liabilities	36,922	40,157
Total liabilities	131,407	138,193

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	14,293	14,293
Capital surplus	7,866	7,876
Retained earnings	82,751	87,311
Treasury shares	(1,148)	(1,108)
Total shareholders' equity	103,762	108,372
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,592	11,286
Deferred gains or losses on hedges	(8)	249
Foreign currency translation adjustment	487	734
Remeasurements of defined benefit plans	162	178
Total accumulated other comprehensive income	9,234	12,448
Non-controlling interests	3,365	3,472
Total net assets	116,362	124,293
Total liabilities and net assets	247,770	262,487

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income**Quarterly consolidated statement of income (cumulative)**

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	163,410	175,582
Cost of sales	140,537	147,075
Gross profit	22,873	28,507
Selling, general and administrative expenses	20,555	21,154
Operating profit	2,317	7,352
Non-operating income		
Interest income	1	2
Dividend income	366	492
Share of profit of entities accounted for using equity method	415	383
Foreign exchange gains	–	32
Other	356	440
Total non-operating income	1,138	1,350
Non-operating expenses		
Interest expenses	107	100
Compensation for damage	3	4
Foreign exchange losses	7	–
Other	26	40
Total non-operating expenses	144	145
Ordinary profit	3,312	8,558
Extraordinary income		
Gain on sale of non-current assets	2	1
Gain on sale of investment securities	–	7
Gain on revision of retirement benefit plan	45	–
National subsidies	–	35
Total extraordinary income	47	44
Extraordinary losses		
Loss on abandonment of non-current assets	142	282
Loss on sale of non-current assets	2	0
Impairment losses	396	–
Harbors quay dredging cost	62	–
Other	–	60
Total extraordinary losses	604	343
Profit before income taxes	2,755	8,259
Income taxes - current	1,022	2,453
Income taxes - deferred	(289)	(31)
Total income taxes	733	2,421
Profit	2,021	5,837
Profit attributable to non-controlling interests	73	106
Profit attributable to owners of parent	1,947	5,730

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	2,021	5,837
Other comprehensive income		
Valuation difference on available-for-sale securities	834	2,582
Deferred gains or losses on hedges	224	257
Remeasurements of defined benefit plans, net of tax	75	16
Share of other comprehensive income of entities accounted for using equity method	259	390
Total other comprehensive income	1,394	3,246
Comprehensive income	3,415	9,083
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,303	8,945
Comprehensive income attributable to non-controlling interests	112	138

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	2,755	8,259
Depreciation	4,826	4,869
Impairment losses	396	–
Decrease (increase) in trade receivables	(4,160)	(5,600)
Decrease (increase) in inventories	(14,600)	692
Increase (decrease) in trade payables	4,542	2,933
Other, net	(699)	851
Subtotal	(6,938)	12,006
Interest and dividends received	652	727
Interest paid	(104)	(98)
Income taxes paid	(902)	(2,138)
Income taxes refund	520	6
Net cash provided by (used in) operating activities	(6,773)	10,503
Cash flows from investing activities		
Payments into time deposits	(1)	(1)
Purchase of investment securities	(1,225)	(26)
Proceeds from sale and redemption of investment securities	–	7
Purchase of shares of subsidiaries and associates	–	(1,711)
Purchase of property, plant and equipment	(5,782)	(4,908)
Proceeds from sale of property, plant and equipment	36	2
Payments for retirement of property, plant and equipment	(13)	(97)
Payments for asset retirement obligations	(16)	(0)
Investments and loan advances	(663)	(68)
Proceeds from divestments and collection of loans receivable	10	20
Other, net	–	81
Net cash provided by (used in) investing activities	(7,656)	(6,702)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings and commercial papers	15,000	(1,540)
Proceeds from long-term borrowings	300	2,000
Repayments of long-term borrowings	(513)	(1,080)
Repayments of lease liabilities	(135)	(123)
Dividends paid	(1,003)	(1,170)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(18)	–
Purchase of treasury shares	(1)	(2)
Other, net	(32)	(51)
Net cash provided by (used in) financing activities	13,595	(1,969)
Net increase (decrease) in cash and cash equivalents	(834)	1,831
Cash and cash equivalents at beginning of period	9,170	6,221
Cash and cash equivalents at end of period	8,336	8,052