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February 10, 2023

Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Under Japanese GAAP)

Company name: Showa Sangyo Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 2004
 URL: <https://www.showa-sangyo.co.jp/>
 Representative: Kazuhiko Niitsuma, President and CEO
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 Scheduled date to file quarterly securities report: February 13, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(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 | % |
| Nine months ended | | | | | | | | |
| December 31, 2022 | 253,146 | 17.6 | 4,562 | 3.3 | 6,574 | 23.8 | 4,043 | 23.2 |
| December 31, 2021 | 215,255 | 12.9 | 4,417 | (36.6) | 5,309 | (35.3) | 3,282 | (64.0) |

Note: Comprehensive income For the nine months ended December 31, 2022: ¥5,210 million [31.8%]
 For the nine months ended December 31, 2021: ¥3,952 million [(62.2)%]

| | Basic earnings per share | Diluted earnings per share |
|-------------------|--------------------------|----------------------------|
| Nine months ended | Yen | Yen |
| December 31, 2022 | 120.95 | – |
| December 31, 2021 | 98.99 | – |

(2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio |
|-------------------|-----------------|-----------------|-----------------------|
| As of | Millions of yen | Millions of yen | % |
| December 31, 2022 | 259,591 | 112,234 | 41.9 |
| March 31, 2022 | 231,306 | 109,089 | 45.7 |

Reference: Equity
 As of December 31, 2022: ¥108,870 million
 As of March 31, 2022: ¥105,697 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, 2022 | – | 30.00 | – | 30.00 | 60.00 |
| Fiscal year ending March 31, 2023 | – | 30.00 | – | | |
| Fiscal year ending March 31, 2023 (Forecast) | | | | 30.00 | 60.00 |

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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 | 338,000 | 17.5 | 4,000 | (28.1) | 5,500 | (16.4) | 3,200 | (20.1) | 95.72 |

Note: Revisions to the earnings forecasts of most recently announced: None

* **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 December 31, 2022 | 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 December 31, 2022 | 538,729 shares |
| As of March 31, 2022 | 556,604 shares |

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

| | |
|-------------------------------------|-------------------|
| Nine months ended December 31, 2022 | 33,431,671 shares |
| Nine months ended December 31, 2021 | 33,155,678 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 nine months ended December 31, 2022, (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, 2022 | As of December 31, 2022 |
|--|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 9,174 | 7,611 |
| Notes and accounts receivable - trade | 49,500 | 64,584 |
| Merchandise and finished goods | 13,541 | 16,919 |
| Work in process | 2,372 | 3,836 |
| Raw materials and supplies | 30,813 | 38,097 |
| Other | 3,918 | 3,687 |
| Allowance for doubtful accounts | (69) | (104) |
| Total current assets | 109,251 | 134,632 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 31,536 | 33,315 |
| Machinery, equipment and vehicles, net | 24,154 | 24,727 |
| Land | 21,787 | 21,772 |
| Other, net | 7,437 | 4,119 |
| Total property, plant and equipment | 84,915 | 83,934 |
| Intangible assets | | |
| Goodwill | 1,265 | 1,156 |
| Customer-related assets | 2,252 | 2,059 |
| Other | 1,096 | 1,247 |
| Total intangible assets | 4,613 | 4,463 |
| Investments and other assets | | |
| Investment securities | 29,504 | 32,954 |
| Retirement benefit asset | 159 | 225 |
| Other | 2,969 | 3,487 |
| Allowance for doubtful accounts | (107) | (106) |
| Total investments and other assets | 32,525 | 36,560 |
| Total non-current assets | 122,054 | 124,958 |
| Total assets | 231,306 | 259,591 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 33,536 | 31,366 |
| Short-term borrowings | 16,322 | 26,914 |
| Commercial papers | 13,000 | 30,000 |
| Income taxes payable | 687 | 434 |
| Provision for bonuses | 1,850 | 701 |
| Other | 17,282 | 19,222 |
| Total current liabilities | 82,679 | 108,640 |
| Non-current liabilities | | |
| Bonds payable | 18,000 | 18,000 |
| Long-term borrowings | 4,494 | 2,680 |
| Provision for retirement benefits for directors (and other officers) | 33 | 30 |
| Retirement benefit liability | 9,250 | 9,338 |
| Other | 7,758 | 8,666 |
| Total non-current liabilities | 39,536 | 38,716 |
| Total liabilities | 122,216 | 147,356 |

(Millions of yen)

| | As of March 31, 2022 | As of December 31, 2022 |
|---|----------------------|-------------------------|
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 14,293 | 14,293 |
| Capital surplus | 7,768 | 7,866 |
| Retained earnings | 76,980 | 79,017 |
| Treasury shares | (1,184) | (1,146) |
| Total shareholders' equity | 97,858 | 100,030 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 7,336 | 8,402 |
| Deferred gains or losses on hedges | 217 | (226) |
| Foreign currency translation adjustment | 364 | 648 |
| Remeasurements of defined benefit plans | (80) | 15 |
| Total accumulated other comprehensive income | 7,839 | 8,839 |
| Non-controlling interests | 3,392 | 3,363 |
| Total net assets | 109,089 | 112,234 |
| Total liabilities and net assets | 231,306 | 259,591 |

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

(Millions of yen)

| | Nine months ended December 31, 2021 | Nine months ended December 31, 2022 |
|---|--|--|
| Net sales | 215,255 | 253,146 |
| Cost of sales | 180,232 | 217,640 |
| Gross profit | 35,022 | 35,505 |
| Selling, general and administrative expenses | 30,605 | 30,943 |
| Operating profit | 4,417 | 4,562 |
| Non-operating income | | |
| Interest income | 1 | 1 |
| Dividend income | 446 | 553 |
| Share of profit of entities accounted for using equity method | 284 | 582 |
| Insurance claim income | 82 | 743 |
| Other | 417 | 466 |
| Total non-operating income | 1,233 | 2,347 |
| Non-operating expenses | | |
| Interest expenses | 172 | 160 |
| Compensation for damage | 4 | 82 |
| Foreign exchange losses | 101 | 55 |
| Other | 63 | 36 |
| Total non-operating expenses | 341 | 334 |
| Ordinary profit | 5,309 | 6,574 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 10 | 2 |
| Gain on sale of investment securities | 9 | – |
| Gain on revision of retirement benefit plan | – | 45 |
| National subsidies | 100 | – |
| Total extraordinary income | 120 | 48 |
| Extraordinary losses | | |
| Loss on abandonment of non-current assets | 223 | 261 |
| Loss on sale of non-current assets | 0 | 2 |
| Loss on tax purpose reduction entry of non-current assets | 100 | – |
| Impairment losses | 120 | 407 |
| Harbors quay dredging cost | – | 62 |
| Loss on valuation of investment securities | 62 | 12 |
| Total extraordinary losses | 507 | 747 |
| Profit before income taxes | 4,922 | 5,876 |
| Income taxes - current | 1,080 | 1,200 |
| Income taxes - deferred | 492 | 498 |
| Total income taxes | 1,572 | 1,698 |
| Profit | 3,350 | 4,177 |
| Profit attributable to non-controlling interests | 67 | 134 |
| Profit attributable to owners of parent | 3,282 | 4,043 |

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

| | Nine months ended December 31, 2021 | Nine months ended December 31, 2022 |
|--|--|--|
| Profit | 3,350 | 4,177 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 210 | 1,166 |
| Deferred gains or losses on hedges | (19) | (454) |
| Remeasurements of defined benefit plans, net of tax | 93 | 95 |
| Share of other comprehensive income of entities accounted for using equity method | 317 | 224 |
| Total other comprehensive income | 602 | 1,032 |
| Comprehensive income | 3,952 | 5,210 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 3,891 | 5,044 |
| Comprehensive income attributable to non-controlling interests | 60 | 166 |