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May 13, 2022

Consolidated Financial Results for the Fiscal Year Ended March 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
 Inquiries: Hidenori Takahashi, General Manager of General Affairs Dept.
 Telephone: +81-3-3257-2182
 Scheduled date of annual general meeting of shareholders: June 24, 2022
 Scheduled date to commence dividend payments: June 27, 2022
 Scheduled date to file annual securities report: June 24, 2022
 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, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2022	287,635	12.4	5,564	(26.7)	6,576	(28.6)	4,006	(60.4)
March 31, 2021	255,997	0.8	7,594	(13.8)	9,213	(9.3)	10,115	49.5

Note: Comprehensive income For the fiscal year ended March 31, 2022: ¥4,926 million [(61.6)%]
 For the fiscal year ended March 31, 2021: ¥12,815 million [116.6%]

	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
	Yen	Yen	%	%	%
Fiscal year ended					
March 31, 2022	120.61	—	3.9	3.0	1.9
March 31, 2021	319.67	299.41	10.9	4.8	3.0

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended March 31, 2022: ¥388 million
 For the fiscal year ended March 31, 2021: ¥501 million

Note: Diluted earnings per share is not indicated for the fiscal year ended March 31, 2022 due to the absence of potential shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
March 31, 2022	231,306	109,089	45.7	3,161.88
March 31, 2021	213,309	103,080	46.7	3,079.85

Reference: Equity
 As of March 31, 2022: ¥105,697 million
 As of March 31, 2021: ¥99,614 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, 2022	1,334	(11,729)	8,405	9,170
March 31, 2021	13,769	(26,376)	13,800	11,160

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			
Fiscal year ended March 31, 2021	Yen —	Yen 30.00	Yen —	Yen 35.00	Yen 65.00	Millions of yen 2,089	% 20.3	% 2.2
Fiscal year ended March 31, 2022	—	30.00	—	30.00	60.00	2,006	49.7	1.9
Fiscal year ending March 31, 2023 (Forecast)	—	—	—	—	—		—	

Note: The forecasts for the annual dividends per share and payout ratio for the fiscal year ending March 31, 2023 are yet to be determined due to the difficulty in providing a reasonable calculation of the earnings forecasts at this point in time. When it becomes possible to disclose the dividends forecasts, we will announce them promptly.

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
Fiscal year ending March 31, 2023	—	—	—	—	—	—	—	—	—

Note: The consolidated earnings forecasts for the fiscal year ending March 31, 2023 are yet to be determined due to the difficulty in providing a reasonable calculation of the contributing factors at this point in time. When it becomes possible to disclose the earnings forecasts, we will announce them promptly.
The details are described in “1. Overview of Operating Results and Others, (4) Future outlook” on page 4 of the attached materials (in Japanese only).

* **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: Yes
- (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, 2022	33,985,420 shares
As of March 31, 2021	32,969,979 shares

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

As of March 31, 2022	556,604 shares
As of March 31, 2021	625,888 shares

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

Fiscal year ended March 31, 2022	33,223,101 shares
Fiscal year ended March 31, 2021	31,643,452 shares

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2022	178,078	13.1	2,447	(62.9)	3,343	(51.6)	2,284	(54.1)
March 31, 2021	157,392	(3.8)	6,599	(7.2)	6,906	(10.2)	4,973	21.8

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2022	68.74	–
March 31, 2021	157.16	147.20

Note: Diluted earnings per share is not indicated for the fiscal year ended March 31, 2022 due to the absence of potential shares.

(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, 2022	173,123	79,436	45.9	2,375.94
March 31, 2021	158,058	75,712	47.9	2,340.49

Reference: Equity

As of March 31, 2022: ¥79,436 million
As of March 31, 2021: ¥75,712 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, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	11,164	9,174
Notes and accounts receivable - trade	41,504	–
Notes receivable - trade	–	2,266
Accounts receivable - trade	–	47,233
Merchandise and finished goods	10,389	13,541
Work in process	1,594	2,372
Raw materials and supplies	23,923	30,813
Other	2,828	3,918
Allowance for doubtful accounts	(53)	(69)
Total current assets	91,352	109,251
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	32,544	31,536
Machinery, equipment and vehicles, net	26,032	24,154
Land	21,811	21,787
Leased assets, net	988	877
Construction in progress	2,170	5,291
Other, net	1,322	1,268
Total property, plant and equipment	84,872	84,915
Intangible assets		
Goodwill	1,409	1,265
Customer-related assets	2,509	2,252
Other	1,284	1,096
Total intangible assets	5,204	4,613
Investments and other assets		
Investment securities	28,805	29,504
Long-term loans receivable	31	21
Bad debts	79	77
Retirement benefit asset	–	159
Other	3,073	2,870
Allowance for doubtful accounts	(109)	(107)
Total investments and other assets	31,881	32,525
Total non-current assets	121,957	122,054
Total assets	213,309	231,306

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,549	33,536
Short-term borrowings	17,480	16,322
Current portion of convertible bond-type bonds with share acquisition rights	4,384	–
Commercial papers	–	13,000
Lease liabilities	288	251
Accounts payable - other	14,585	10,758
Income taxes payable	1,881	687
Provision for bonuses	1,803	1,850
Notes payable - facilities	352	195
Electronically recorded obligations - facilities	1,774	3,014
Other	2,205	3,063
Total current liabilities	71,305	82,679
Non-current liabilities		
Bonds payable	18,000	18,000
Long-term borrowings	4,302	4,494
Lease liabilities	966	860
Deferred tax liabilities	2,341	2,665
Provision for retirement benefits for directors (and other officers)	54	33
Retirement benefit liability	9,023	9,250
Asset retirement obligations	482	466
Other	3,752	3,765
Total non-current liabilities	38,923	39,536
Total liabilities	110,229	122,216
Net assets		
Shareholders' equity		
Share capital	12,778	14,293
Capital surplus	6,112	7,768
Retained earnings	75,109	76,980
Treasury shares	(1,336)	(1,184)
Total shareholders' equity	92,662	97,858
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,211	7,336
Deferred gains or losses on hedges	90	217
Foreign currency translation adjustment	7	364
Remeasurements of defined benefit plans	(357)	(80)
Total accumulated other comprehensive income	6,952	7,839
Non-controlling interests	3,465	3,392
Total net assets	103,080	109,089
Total liabilities and net assets	213,309	231,306

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	255,997	287,635
Cost of sales	209,359	241,431
Gross profit	46,638	46,203
Selling, general and administrative expenses	39,044	40,639
Operating profit	7,594	5,564
Non-operating income		
Interest income	3	2
Dividend income	428	467
Share of profit of entities accounted for using equity method	501	388
Foreign exchange gains	235	–
Rental income from real estate (company house and others)	128	126
Insurance claim income	69	88
Other	703	401
Total non-operating income	2,069	1,474
Non-operating expenses		
Interest expenses	190	228
Bond issuance costs	87	–
Compensation for damage	69	8
Foreign exchange losses	–	130
Other	102	96
Total non-operating expenses	450	463
Ordinary profit	9,213	6,576
Extraordinary income		
Gain on sale of non-current assets	4	10
Gain on sale of investment securities	34	9
Gain on bargain purchase	3,463	–
National subsidies	53	120
Total extraordinary income	3,556	140
Extraordinary losses		
Loss on abandonment of non-current assets	583	363
Loss on sale of non-current assets	592	0
Loss on tax purpose reduction entry of non-current assets	–	100
Impairment losses	21	293
Other	150	126
Total extraordinary losses	1,346	884
Profit before income taxes	11,422	5,832
Income taxes - current	2,738	1,637
Income taxes - deferred	(1,489)	147
Total income taxes	1,248	1,785
Profit	10,173	4,047
Profit attributable to non-controlling interests	58	40
Profit attributable to owners of parent	10,115	4,006

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	10,173	4,047
Other comprehensive income		
Valuation difference on available-for-sale securities	1,796	84
Deferred gains or losses on hedges	(65)	127
Remeasurements of defined benefit plans, net of tax	671	277
Share of other comprehensive income of entities accounted for using equity method	238	390
Total other comprehensive income	2,641	879
Comprehensive income	12,815	4,926
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,756	4,894
Comprehensive income attributable to non-controlling interests	59	32

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	12,778	5,103	67,007	(3,889)	80,999
Changes during period					
Dividends of surplus			(2,047)		(2,047)
Profit attributable to owners of parent			10,115		10,115
Purchase of treasury shares				(7)	(7)
Restricted share-based remuneration		20		39	60
Purchase of shares of consolidated subsidiaries		6			6
Conversion of convertible bond-type bonds with share acquisition rights		980		2,521	3,502
Increase (decrease) due to change in fiscal year-end of consolidated subsidiaries			33		33
Net changes in items other than shareholders' equity					-
Total changes during period	-	1,008	8,101	2,553	11,663
Balance at end of period	12,778	6,112	75,109	(1,336)	92,662

	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	5,187	152	-	(1,029)	4,310	3,411	88,721
Changes during period							
Dividends of surplus					-		(2,047)
Profit attributable to owners of parent					-		10,115
Purchase of treasury shares					-		(7)
Restricted share-based remuneration					-		60
Purchase of shares of consolidated subsidiaries					-		6
Conversion of convertible bond-type bonds with share acquisition rights					-		3,502
Increase (decrease) due to change in fiscal year-end of consolidated subsidiaries					-		33
Net changes in items other than shareholders' equity	2,024	(61)	7	671	2,641	54	2,695
Total changes during period	2,024	(61)	7	671	2,641	54	14,358
Balance at end of period	7,211	90	7	(357)	6,952	3,465	103,080

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

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	11,422	5,832
Depreciation	8,816	9,990
Impairment losses	21	293
Gain on bargain purchase	(3,463)	–
Increase (decrease) in retirement benefit liability	(555)	226
Decrease (increase) in retirement benefit asset	–	(159)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(21)	(21)
Increase (decrease) in allowance for doubtful accounts	(18)	13
Interest and dividend income	(432)	(470)
Interest expenses	190	228
Share of loss (profit) of entities accounted for using equity method	(501)	(388)
Loss (gain) on sale and retirement of property, plant and equipment and intangible assets	1,171	353
Loss (gain) on sale and valuation of investment securities	57	60
Decrease (increase) in trade receivables	1,097	(7,995)
Decrease (increase) in inventories	(4,086)	(10,818)
Increase (decrease) in trade payables	1,637	6,987
Other, net	502	8
Subtotal	15,837	4,141
Interest and dividends received	630	658
Interest paid	(189)	(222)
Income taxes paid	(2,517)	(3,298)
Income taxes refund	9	55
Net cash provided by (used in) operating activities	13,769	1,334

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from investing activities		
Payments into time deposits	(2)	(2)
Proceeds from withdrawal of time deposits	22	2
Short-term loan advances	(350)	(212)
Proceeds from collection of short-term loans receivable	367	263
Purchase of investment securities	(203)	(55)
Proceeds from sale and redemption of investment securities	364	16
Purchase of shares of subsidiaries and associates	(2,630)	–
Purchase of property, plant and equipment	(10,506)	(11,187)
Proceeds from sale of property, plant and equipment	1,331	47
Payments for retirement of property, plant and equipment	(256)	(173)
Payments for asset retirement obligations	(60)	(25)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(14,366)	–
Investments and loan advances	(323)	(447)
Proceeds from divestments and collection of loans receivable	83	10
Other, net	154	34
Net cash provided by (used in) investing activities	(26,376)	(11,729)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings and commercial papers	(782)	13,000
Proceeds from long-term borrowings	500	500
Repayments of long-term borrowings	(1,640)	(1,466)
Redemption of convertible bond-type bonds with share acquisition rights	–	(1,175)
Proceeds from issuance of bonds	17,912	–
Repayments of lease liabilities	(118)	(281)
Dividends paid	(2,047)	(2,135)
Dividends paid to non-controlling interests	(3)	(15)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(5)	(3)
Purchase of treasury shares	(7)	(16)
Other, net	(5)	–
Net cash provided by (used in) financing activities	13,800	8,405
Net increase (decrease) in cash and cash equivalents	1,194	(1,989)
Cash and cash equivalents at beginning of period	9,885	11,160
Increase (decrease) in cash and cash equivalents resulting from change in fiscal year-end of subsidiaries	80	–
Cash and cash equivalents at end of period	11,160	9,170