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Consolidated Financial Results for the Year Ended August 31, 2022 [Japanese GAAP]

October 11, 2022

Company name: Shinwa Co., Ltd.
Stock exchange listing: Tokyo, Nagoya
Code number: 7607
URL: <https://www.shinwa-jpn.co.jp/>
Representative: Tetsuo Nemoto
Contact: Seiji Miwa
Phone: 052-796-2533

President & CEO
Executive Officer

Scheduled date of Annual General Meeting of Shareholders: November 17, 2022
Scheduled date of commencing dividend payments: November 18, 2022
Scheduled date of filing annual securities report: November 18, 2022
Availability of supplementary briefing material on annual financial results: Yes
Schedule of annual financial results briefing session: Yes

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended August 31, 2022 (September 01, 2021 to August 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended August 31, 2022	71,062	16.2	5,213	30.3	5,582	34.8	3,784	36.7
August 31, 2021	61,160	(10.2)	4,002	(17.2)	4,140	(13.6)	2,768	(16.3)

(Note) Comprehensive income: Fiscal year ended August 31, 2022: ¥ 5,238 million [56.6%]
Fiscal year ended August 31, 2021: ¥ 3,345 million [5.9%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended August 31, 2022	283.26	-	11.1	9.3	7.3
August 31, 2021	207.44	-	9.0	7.8	6.5

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended August 31, 2022: ¥ - million
Fiscal year ended August 31, 2021: ¥ - million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of August 31, 2022	62,699	36,249	57.6	2,701.98
August 31, 2021	56,905	31,951	56.0	2,385.09

(Reference) Equity: As of August 31, 2022: ¥ 36,109 million
As of August 31, 2021: ¥ 31,841 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 the end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended August 31, 2022	7,504	(1,550)	(2,327)	18,846
August 31, 2021	(1,035)	(1,017)	(3)	14,567

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
August 31, 2021	-	35.00	-	37.00	72.00	961	34.7	3.1
August 31, 2022	-	37.00	-	48.00	85.00	1,135	30.0	3.3
Fiscal year ending August 31, 2023 (Forecast)	-	36.00	-	36.00	72.00		32.1	

(Note) Breakdown of the year-end dividend for the fiscal year ended August 31, 2022 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2023 (September 01, 2022 to August 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ended February 28, 2023	38,179	2.7	2,420	(16.1)	2,534	(15.7)	1,708	(15.5)	127.81
Full year	73,000	2.7	4,200	(19.4)	4,400	(21.2)	3,000	(20.7)	224.48

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New	-	(Company name:)
Exclusion:	-	(Company name:)

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

- 1) Changes in accounting policies due to the revision of accounting standards: Yes
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

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

August 31, 2022:	14,415,319 shares
August 31, 2021:	14,415,319 shares

2) Total number of treasury shares at the end of the period:

August 31, 2022:	1,051,291 shares
August 31, 2021:	1,065,104 shares

3) Average number of shares during the period:

Fiscal Year ended August 31, 2022:	13,360,280 shares
Fiscal Year ended August 31, 2021:	13,346,639 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended August 31, 2022 (September 01, 2021 to August 31, 2022)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
August 31, 2022	52,319	6.8	2,560	10.6	3,044	9.2	2,174	10.1
August 31, 2021	48,998	(14.4)	2,315	(33.0)	2,788	(26.5)	1,975	(26.1)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
August 31, 2022	162.79	-
August 31, 2021	148.03	-

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
August 31, 2022	45,855	28,348	61.8	2,121.29
August 31, 2021	43,902	27,042	61.6	2,025.60

(Reference) Equity: As of August 31, 2022: ¥ 28,348 million
As of August 31, 2021: ¥ 27,042 million

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2023 (September 01, 2022 to August 31, 2023)

(% indicates changes from the previous corresponding period.)

Six months ended	Net sales		Ordinary profit		Net income		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
February 28, 2023	26,600	0.7	1,530	(12.3)	1,052	(14.4)	78.72
Full year	54,000	3.2	2,600	(14.6)	1,800	(17.2)	134.69

Consolidated Financial Statements

Consolidated Balance Sheets

(Thousand yen)

	As of August 31,2021	As of August 31,2022
Assets		
Current assets		
Cash and deposits	14,879,840	19,337,843
Notes and accounts receivable - trade	10,325,109	-
Notes receivable - trade	-	482,384
Accounts receivable - trade	-	10,857,162
Electronically recorded monetary claims - operating	5,688,652	4,094,727
Merchandise and finished goods	10,749,453	11,335,436
Work in process	1,777,287	2,375,103
Raw materials and supplies	929,745	725,989
Other	3,209,892	3,092,749
Allowance for doubtful accounts	(3,863)	(3,195)
Total current assets	47,556,118	52,298,200
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,901,951	6,041,992
Accumulated depreciation	(3,826,561)	(4,046,021)
Buildings and structures, net	2,075,390	1,995,971
Machinery, equipment and vehicles	4,300,324	4,682,091
Accumulated depreciation	(3,014,487)	(3,397,045)
Machinery, equipment and vehicles, net	1,285,837	1,285,045
Land	2,632,364	2,802,410
Construction in progress	79,550	386,281
Other	1,487,166	1,616,820
Accumulated depreciation	(1,037,293)	(1,200,561)
Other, net	449,872	416,259
Total property, plant and equipment	6,523,016	6,885,967
Intangible assets	436,423	1,056,674
Investments and other assets		
Investment securities	2,063,807	2,093,681
Deferred tax assets	68,882	85,294
Other	259,375	281,100
Allowance for doubtful accounts	(1,775)	(1,775)
Total investments and other assets	2,390,290	2,458,301
Total non-current assets	9,349,730	10,400,943
Total assets	56,905,848	62,699,144

(Thousand yen)

	As of August 31,2021	As of August 31,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,546,694	10,851,151
Electronically recorded obligations - operating	3,649,457	2,456,118
Short-term borrowings	1,197,700	-
Current portion of long-term borrowings	19,992	13,408
Lease liabilities	31,775	39,297
Income taxes payable	525,017	779,028
Advances received	6,752,169	-
Contract liabilities	-	9,544,018
Provision for bonuses	268,789	316,298
Provision for bonuses for directors (and other officers)	34,200	44,700
Other	864,676	1,126,833
Total current liabilities	23,890,473	25,170,855
Non-current liabilities		
Long-term borrowings	13,408	-
Lease liabilities	396,413	416,411
Deferred tax liabilities	273,973	479,773
Deferred tax liabilities for land revaluation	196,166	196,166
Retirement benefit liability	32,241	33,131
Other	151,963	152,810
Total non-current liabilities	1,064,166	1,278,293
Total liabilities	24,954,640	26,449,149
Net assets		
Shareholders' equity		
Share capital	951,106	951,106
Capital surplus	1,676,950	1,695,421
Retained earnings	29,908,859	32,704,884
Treasury shares	(801,250)	(791,277)
Total shareholders' equity	31,735,665	34,560,135
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	377,531	482,037
Deferred gains or losses on hedges	(3,026)	-
Revaluation reserve for land	(641,184)	(641,184)
Foreign currency translation adjustment	372,418	1,708,295
Total accumulated other comprehensive income	105,739	1,549,147
Non-controlling interests	109,802	140,711
Total net assets	31,951,207	36,249,994
Total liabilities and net assets	56,905,848	62,699,144

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended August 31,2021	For the fiscal year ended August 31,2022
Net sales	61,160,734	71,062,630
Cost of sales	50,881,845	58,793,139
Gross profit	10,278,888	12,269,491
Selling, general and administrative expenses		
Freight and packing costs	340,342	396,491
Salaries and bonuses	2,677,809	2,979,252
Provision for bonuses	203,301	238,095
Retirement benefit expenses	88,409	90,064
Provision for bonuses for directors (and other officers)	34,130	44,700
Depreciation	434,690	381,032
Rent expenses	330,131	365,214
Provision of allowance for doubtful accounts	14,908	(667)
Other	2,152,796	2,561,582
Total selling, general and administrative expenses	6,276,520	7,055,764
Operating profit	4,002,368	5,213,726
Non-operating income		
Interest income	17,968	34,698
Dividend income	27,297	41,700
Rental income	42,031	37,755
Refund income	15,019	32,628
Purchase discounts	5,785	5,206
Foreign exchange gains	2,060	243,290
Other	51,126	27,140
Total non-operating income	161,289	422,421
Non-operating expenses		
Interest expenses	11,809	24,632
Loss on valuation of golf club membership	4,230	-
Compensation expenses	-	24,530
Subsidy repayment	3,002	-
Other	3,852	4,302
Total non-operating expenses	22,895	53,465
Ordinary profit	4,140,762	5,582,683

(Thousand yen)

	For the fiscal year ended August 31,2021	For the fiscal year ended August 31,2022
Extraordinary income		
Gain on sale of non-current assets	3,411	1,779
Total extraordinary income	3,411	1,779
Extraordinary losses		
Loss on sale of non-current assets	663	179
Loss on retirement of non-current assets	12,437	4,602
Loss on valuation of investment securities	23,210	19,305
Other	1,997	-
Total extraordinary losses	38,309	24,087
Profit before income taxes	4,105,864	5,560,375
Income taxes - current	1,285,607	1,617,862
Income taxes - deferred	36,121	147,078
Total income taxes	1,321,728	1,764,940
Profit	2,784,135	3,795,434
Profit attributable to non-controlling interests	15,533	10,978
Profit attributable to owners of parent	2,768,602	3,784,456

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended August 31,2021	For the fiscal year ended August 31,2022
Profit	2,784,135	3,795,434
Other comprehensive income		
Valuation difference on available-for-sale securities	175,861	104,506
Deferred gains or losses on hedges	(12,537)	3,026
Foreign currency translation adjustment	397,722	1,335,876
Total other comprehensive income	561,046	1,443,408
Comprehensive income	3,345,182	5,238,843
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,318,375	5,205,302
Comprehensive income attributable to non-controlling interests	26,807	33,541

Consolidated Statements of Changes in Net Assets

For the fiscal year ended August 31,2021

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	951,106	1,659,724	28,114,328	(810,714)	29,914,443
Changes during period					
Dividends of surplus			(974,071)		(974,071)
Profit attributable to owners of parent			2,768,602		2,768,602
Purchase of treasury shares				(673)	(673)
Disposal of treasury shares		17,226		10,138	27,364
Net changes in items other than shareholders' equity					
Total changes during period	-	17,226	1,794,531	9,464	1,821,222
Balance at end of period	951,106	1,676,950	29,908,859	(801,250)	31,735,665

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	201,669	9,511	(641,184)	(25,304)	(455,307)	83,019	29,542,155
Changes during period							
Dividends of surplus							(974,071)
Profit attributable to owners of parent							2,768,602
Purchase of treasury shares							(673)
Disposal of treasury shares							27,364
Net changes in items other than shareholders' equity	175,861	(12,537)		397,722	561,046	26,783	587,830
Total changes during period	175,861	(12,537)	-	397,722	561,046	26,783	2,409,052
Balance at end of period	377,531	(3,026)	(641,184)	372,418	105,739	109,802	31,951,207

For the fiscal year ended August 31,2022

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	951,106	1,676,950	29,908,859	(801,250)	31,735,665
Changes during period					
Dividends of surplus			(988,431)		(988,431)
Profit attributable to owners of parent			3,784,456		3,784,456
Purchase of treasury shares				(630)	(630)
Disposal of treasury shares		18,471		10,603	29,074
Net changes in items other than shareholders' equity					
Total changes during period	-	18,471	2,796,025	9,973	2,824,469
Balance at end of period	951,106	1,695,421	32,704,884	(791,277)	34,560,135

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	377,531	(3,026)	(641,184)	372,418	105,739	109,802	31,951,207
Changes during period							
Dividends of surplus							(988,431)
Profit attributable to owners of parent							3,784,456
Purchase of treasury shares							(630)
Disposal of treasury shares							29,074
Net changes in items other than shareholders' equity	104,506	3,026		1,335,876	1,443,408	30,909	1,474,317
Total changes during period	104,506	3,026	-	1,335,876	1,443,408	30,909	4,298,787
Balance at end of period	482,037	-	(641,184)	1,708,295	1,549,147	140,711	36,249,994

Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended August 31,2021	For the fiscal year ended August 31,2022
Cash flows from operating activities		
Profit before income taxes	4,105,864	5,560,375
Depreciation	756,527	696,417
Amortization of goodwill	19,128	19,128
Increase (decrease) in allowance for doubtful accounts	3,863	(667)
Increase (decrease) in provision for bonuses	18,934	41,828
Increase (decrease) in provision for bonuses for directors (and other officers)	(2,370)	10,500
Increase (decrease) in retirement benefit liability	6,578	(1,540)
Interest and dividend income	(45,265)	(76,399)
Foreign exchange losses (gains)	7,308	(86,097)
Interest expenses	11,809	24,632
Loss on valuation of golf club membership	4,230	-
Loss (gain) on sale of property, plant and equipment	(2,748)	(1,600)
Loss on retirement of property, plant and equipment	12,437	4,602
Loss (gain) on valuation of investment securities	23,210	19,305
Loss (gain) on sale of investment securities	1,997	-
Decrease (increase) in trade receivables	(1,890,738)	1,385,731
Decrease (increase) in inventories	(5,061,473)	454,643
Increase (decrease) in trade payables	1,583,317	(1,738,097)
Increase (decrease) in accrued consumption taxes	(454,444)	146,649
Decrease (increase) in advance payments to suppliers	316,413	566,297
Increase (decrease) in advances received	1,214,341	-
Increase (decrease) in contract liabilities	-	1,643,700
Other, net	(268,304)	138,375
Subtotal	360,620	8,807,785
Interest and dividends received	17,012	59,691
Interest paid	(11,832)	(24,225)
Income taxes paid	(1,403,133)	(1,339,021)
Income taxes refund	2,269	465
Net cash provided by (used in) operating activities	(1,035,063)	7,504,695

(Thousand yen)

	For the fiscal year ended August 31,2021	For the fiscal year ended August 31,2022
Cash flows from investing activities		
Payments into time deposits	(3,785,216)	(3,439,852)
Proceeds from withdrawal of time deposits	3,736,796	3,333,531
Purchase of property, plant and equipment	(658,038)	(769,589)
Proceeds from sale of property, plant and equipment	7,846	4,673
Payments for retirement of property, plant and equipment	(286)	(381)
Purchase of intangible assets	(206,590)	(763,407)
Purchase of investment securities	(604,959)	-
Proceeds from sale and redemption of investment securities	416,285	100,000
Payments of guarantee deposits	(10,306)	(24,719)
Proceeds from refund of guarantee deposits	3,526	8,446
Proceeds from maturity of insurance funds	88,330	-
Purchase of golf club membership	(4,395)	-
Other, net	-	380
Net cash provided by (used in) investing activities	(1,017,006)	(1,550,918)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,129,800	(1,281,700)
Repayments of long-term borrowings	(129,734)	(19,992)
Repayments of lease liabilities	(29,188)	(35,034)
Purchase of treasury shares	(673)	(630)
Dividends paid	(973,772)	(987,772)
Dividends paid to non-controlling interests	(23)	(2,630)
Net cash provided by (used in) financing activities	(3,593)	(2,327,759)
Effect of exchange rate change on cash and cash equivalents	176,748	652,594
Net increase (decrease) in cash and cash equivalents	(1,878,915)	4,278,612
Cash and cash equivalents at beginning of period	16,446,632	14,567,717
Cash and cash equivalents at end of period	14,567,717	18,846,330