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Consolidated Financial Results for the Six Months Ended February 28, 2023 [Japanese GAAP]

April 10, 2023

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: +81-52-796-2533

President & CEO
Executive Officer

Scheduled date of filing quarterly securities report: April 11, 2023
Scheduled date of commencing dividend payments: May 8, 2023
Availability of supplementary briefing material on quarterly financial results: Yes
Schedule of quarterly financial results briefing session: Yes

(Amounts of less than one millions of yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended February 28, 2023 (September 1, 2022 to February 28, 2023)

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

	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 February 28, 2023	41,514	11.7	3,365	16.7	3,333	10.9	2,291	13.3
February 28, 2022	37,162	29.4	2,883	60.5	3,006	64.2	2,021	66.7

(Note) Comprehensive income: Six months ended February 28, 2023: ¥ 1,994 million [(17.9)%]
Six months ended February 28, 2022: ¥ 2,428 million [67.8%]

	Basic earnings per share	Diluted earnings per share
Six months ended February 28, 2023	Yen 171.39	Yen -
February 28, 2022	151.36	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of February 28, 2023	Millions of yen 57,654	Millions of yen 37,619	65.0
August 31, 2022	62,699	36,249	57.6

(Reference) Equity: As of February 28, 2023: ¥ 37,480 million
As of August 31, 2022: ¥ 36,109 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended August 31, 2022	-	37.00	-	48.00	85.00
Fiscal year ending August 31, 2023	-	36.00			
Fiscal year ending August 31, 2023 (Forecast)			-	36.00	72.00

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of the 2nd quarter dividend for the fiscal year ending August 31, 2023 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2023 (September 1, 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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	73,000	2.7	4,200	(19.4)	4,400	(21.2)	3,000	(20.7)	224.48

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the six months ended February 28, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

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

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

February 28, 2023: 14,415,319 shares

August 31, 2022: 14,415,319 shares

2) Number of treasury shares at the end of the period:

February 28, 2023: 1,038,468 shares

August 31, 2022: 1,051,291 shares

3) Average number of shares outstanding during the period:

Six months ended February 28, 2023: 13,369,795 shares

Six months ended February 28, 2022: 13,356,403 shares

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of August 31, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	19,337,843	18,611,614
Notes receivable - trade	482,384	568,020
Accounts receivable - trade	10,857,162	11,738,221
Electronically recorded monetary claims - operating	4,094,727	5,575,941
Merchandise and finished goods	11,335,436	5,875,178
Work in process	2,375,103	1,658,941
Raw materials and supplies	725,989	812,200
Other	3,092,749	1,838,200
Allowance for doubtful accounts	(3,195)	(4,001)
Total current assets	52,298,200	46,674,317
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,995,971	1,935,765
Other, net	4,889,995	5,244,519
Total property, plant and equipment	6,885,967	7,180,285
Intangible assets		
Goodwill	28,693	19,128
Other	1,027,980	1,108,876
Total intangible assets	1,056,674	1,128,005
Investments and other assets		
Investment securities	2,093,681	2,305,066
Other	366,395	368,882
Allowance for doubtful accounts	(1,775)	(1,775)
Total investments and other assets	2,458,301	2,672,174
Total non-current assets	10,400,943	10,980,464
Total assets	62,699,144	57,654,781
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,851,151	10,399,885
Electronically recorded obligations - operating	2,456,118	3,375,071
Current portion of long-term borrowings	13,408	5,078
Income taxes payable	779,028	676,322
Contract liabilities	9,544,018	2,649,231
Provisions	360,998	376,227
Other	1,166,131	1,035,935
Total current liabilities	25,170,855	18,517,752
Non-current liabilities		
Retirement benefit liability	33,131	36,741
Other	1,245,162	1,481,005
Total non-current liabilities	1,278,293	1,517,746
Total liabilities	26,449,149	20,035,498

(Thousands of yen)

	As of August 31, 2022	As of February 28, 2023
Net assets		
Shareholders' equity		
Share capital	951,106	951,106
Capital surplus	1,695,421	1,711,702
Retained earnings	32,704,884	34,354,822
Treasury shares	(791,277)	(781,356)
Total shareholders' equity	34,560,135	36,236,274
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	482,037	564,348
Deferred gains or losses on hedges	-	(2,544)
Revaluation reserve for land	(641,184)	(641,184)
Foreign currency translation adjustment	1,708,295	1,324,029
Total accumulated other comprehensive income	1,549,147	1,244,648
Non-controlling interests	140,711	138,360
Total net assets	36,249,994	37,619,283
Total liabilities and net assets	62,699,144	57,654,781

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

(Thousands of yen)

	For the six months ended February 28, 2022	For the six months ended February 28, 2023
Net sales	37,162,614	41,514,497
Cost of sales	30,891,658	34,232,368
Gross profit	6,270,956	7,282,128
Selling, general and administrative expenses	3,387,156	3,916,394
Operating profit	2,883,799	3,365,733
Non-operating income		
Interest income	13,924	18,504
Dividend income	15,305	17,381
Foreign exchange gains	80,907	-
Rental income	18,874	18,176
Other	42,182	30,402
Total non-operating income	171,194	84,465
Non-operating expenses		
Interest expenses	22,548	889
Foreign exchange losses	-	109,056
Compensation expenses	24,548	-
Other	1,289	7,041
Total non-operating expenses	48,386	116,987
Ordinary profit	3,006,607	3,333,211
Extraordinary income		
Gain on sale of non-current assets	1,219	6,856
Total extraordinary income	1,219	6,856
Extraordinary losses		
Loss on sale and retirement of non-current assets	2,443	211
Total extraordinary losses	2,443	211
Profit before income taxes	3,005,382	3,339,856
Income taxes - current	885,569	816,197
Income taxes - deferred	91,517	224,694
Total income taxes	977,086	1,040,892
Profit	2,028,296	2,298,964
Profit attributable to non-controlling interests	6,694	7,553
Profit attributable to owners of parent	2,021,601	2,291,411

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Thousands of yen)

	For the six months ended February 28, 2022	For the six months ended February 28, 2023
Profit	2,028,296	2,298,964
Other comprehensive income		
Valuation difference on available-for-sale securities	109,181	82,311
Deferred gains or losses on hedges	(52,292)	(2,544)
Foreign currency translation adjustment	343,336	(384,266)
Total other comprehensive income	400,225	(304,499)
Comprehensive income	2,428,521	1,994,464
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,415,392	1,996,796
Comprehensive income attributable to non-controlling interests	13,128	(2,331)

Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six months ended February 28, 2022	For the six months ended February 28, 2023
Cash flows from operating activities		
Profit before income taxes	3,005,382	3,339,856
Depreciation	339,062	361,754
Amortization of goodwill	9,564	9,564
Increase (decrease) in allowance for doubtful accounts	16	805
Increase (decrease) in provision for bonuses	49,928	45,563
Increase (decrease) in provision for bonuses for directors (and other officers)	(18,400)	(28,890)
Interest and dividend income	(29,230)	(35,886)
Foreign exchange losses (gains)	(64,603)	4,594
Interest expenses	22,548	889
Loss (gain) on sale of property, plant and equipment	(1,142)	(6,776)
Decrease (increase) in trade receivables	(1,653,323)	(2,651,250)
Decrease (increase) in inventories	382,168	5,795,495
Increase (decrease) in trade payables	(230,332)	632,618
Increase (decrease) in accrued consumption taxes	593,204	415,982
Decrease (increase) in advance payments to suppliers	893,242	274,315
Increase (decrease) in contract liabilities	3,001,020	(6,684,628)
Other, net	22,991	512,425
Subtotal	6,322,097	1,986,435
Interest and dividends received	23,922	30,197
Interest paid	(22,298)	(869)
Income taxes paid	(525,718)	(962,041)
Income taxes refund	465	-
Net cash provided by (used in) operating activities	5,798,468	1,053,721
Cash flows from investing activities		
Payments into time deposits	(3,096,588)	(3,114,251)
Proceeds from withdrawal of time deposits	108,135	112,884
Purchase of property, plant and equipment and intangible assets	(512,562)	(770,162)
Proceeds from sale of property, plant and equipment and intangible assets	3,030	7,891
Purchase of investment securities	-	(100,000)
Other, net	252	(2,564)
Net cash provided by (used in) investing activities	(3,497,733)	(3,866,203)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,224,300)	-
Repayments of long-term borrowings	(8,330)	(8,330)
Dividends paid	(493,313)	(640,545)
Repayments of lease liabilities	(16,172)	(22,087)
Purchase of treasury shares	(393)	(156)
Dividends paid to non-controlling interests	(21)	-
Net cash provided by (used in) financing activities	(1,742,531)	(671,119)
Effect of exchange rate change on cash and cash equivalents	228,008	(212,787)
Net increase (decrease) in cash and cash equivalents	786,212	(3,696,389)
Cash and cash equivalents at beginning of period	14,567,717	18,846,330
Cash and cash equivalents at end of period	15,353,930	15,149,940