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Consolidated Financial Results for the Year Ended August 31, 2023 [Japanese GAAP]

October 13, 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 Annual General Meeting of Shareholders: November 16, 2023
Scheduled date of commencing dividend payments: November 17, 2023
Scheduled date of filing annual securities report: November 17, 2023
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, 2023 (September 1, 2022 to August 31, 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	%
Fiscal year ended August 31, 2023	76,114	7.1	4,995	(4.2)	5,144	(7.8)	3,585	(5.3)
August 31, 2022	71,062	16.2	5,213	30.3	5,582	34.8	3,784	36.7

(Note) Comprehensive income: Fiscal year ended August 31, 2023: ¥ 4,098 million [(21.8)%]
Fiscal year ended August 31, 2022: ¥ 5,238 million [56.6%]

	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, 2023	268.08	-	9.5	8.5	6.6
August 31, 2022	283.26	-	11.1	9.3	7.3

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended August 31, 2023: ¥ - million
Fiscal year ended August 31, 2022: ¥ - million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
August 31, 2023	58,924	39,246	66.4	2,923.33
August 31, 2022	62,699	36,249	57.6	2,701.98

(Reference) Equity: As of August 31, 2023: ¥ 39,104 million
As of August 31, 2022: ¥ 36,109 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
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
August 31, 2023	1,219	(1,869)	(1,138)	17,269
August 31, 2022	7,504	(1,550)	(2,327)	18,846

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	Millions of yen	%	%
August 31, 2022	-	37.00	-	48.00	85.00	1,135	30.0	3.3
August 31, 2023	-	36.00	-	54.00	90.00	1,203	33.6	3.2
Fiscal year ending August 31, 2024 (Forecast)	-	50.00	-	50.00	100.00		53.5	

(Note) Breakdown of the year-end dividend for the fiscal year ended August 31, 2023 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2024 (September 1, 2023 to August 31, 2024)

(% 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
Six months ending February 29, 2024	35,000	(15.7)	1,600	(52.5)	1,650	(50.5)	1,100	(52.0)	82.23
Full year	72,000	(5.4)	3,500	(29.9)	3,650	(29.1)	2,500	(30.3)	186.89

* 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, 2023:	14,415,319 shares
August 31, 2022:	14,415,319 shares

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

August 31, 2023:	1,038,500 shares
August 31, 2022:	1,051,291 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended August 31, 2023:	13,373,348 shares
Fiscal Year ended August 31, 2022:	13,360,280 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended August 31, 2023 (September 1, 2022 to August 31, 2023)

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

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
August 31, 2023	55,254	5.6	1,913	(25.3)	2,922	(4.0)	2,164	(0.5)
August 31, 2022	52,319	6.8	2,560	10.6	3,044	9.2	2,174	10.1

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
August 31, 2023	161.83	-
August 31, 2022	162.79	-

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
August 31, 2023	44,470	29,630	66.6	2,215.05
August 31, 2022	45,855	28,348	61.8	2,121.29

(Reference) Equity: As of August 31, 2023: ¥ 29,630 million
As of August 31, 2022: ¥ 28,348 million

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2024 (September 1, 2023 to August 31, 2024)

(% indicates changes from the previous corresponding period.)

Six months ending	Net sales		Ordinary profit		Net income		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
February 29, 2024	28,000	(2.9)	850	(45.6)	650	(41.0)	48.59
Full year	56,000	1.3	2,400	(17.9)	1,800	(16.8)	134.56

Consolidated Financial Statements

Consolidated Balance Sheets

(Thousands of yen)

	As of August 31, 2022	As of August 31, 2023
Assets		
Current assets		
Cash and deposits	19,337,843	17,795,843
Notes receivable - trade	482,384	956,019
Accounts receivable - trade	10,857,162	10,414,919
Electronically recorded monetary claims - operating	4,094,727	6,175,433
Merchandise and finished goods	11,335,436	6,362,089
Work in process	2,375,103	1,432,710
Raw materials and supplies	725,989	785,064
Other	3,092,749	3,084,765
Allowance for doubtful accounts	(3,195)	(3,995)
Total current assets	52,298,200	47,002,849
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,041,992	7,258,659
Accumulated depreciation	(4,046,021)	(4,242,155)
Buildings and structures, net	1,995,971	3,016,504
Machinery, equipment and vehicles	4,682,091	5,018,986
Accumulated depreciation	(3,397,045)	(3,582,138)
Machinery, equipment and vehicles, net	1,285,045	1,436,847
Land	2,802,410	2,809,978
Construction in progress	386,281	73,744
Other	1,616,820	2,004,468
Accumulated depreciation	(1,200,561)	(1,378,308)
Other, net	416,259	626,160
Total property, plant and equipment	6,885,967	7,963,235
Intangible assets	1,056,674	1,053,511
Investments and other assets		
Investment securities	2,093,681	2,534,231
Deferred tax assets	85,294	73,774
Other	281,100	298,636
Allowance for doubtful accounts	(1,775)	(1,775)
Total investments and other assets	2,458,301	2,904,867
Total non-current assets	10,400,943	11,921,614
Total assets	62,699,144	58,924,463

(Thousands of yen)

	As of August 31, 2022	As of August 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,851,151	10,300,905
Electronically recorded obligations - operating	2,456,118	3,259,164
Current portion of long-term borrowings	13,408	-
Lease liabilities	39,297	91,006
Income taxes payable	779,028	388,464
Contract liabilities	9,544,018	2,535,186
Provision for bonuses	316,298	344,011
Provision for bonuses for directors (and other officers)	44,700	39,900
Other	1,126,833	1,058,683
Total current liabilities	25,170,855	18,017,321
Non-current liabilities		
Lease liabilities	416,411	430,010
Deferred tax liabilities	479,773	763,694
Deferred tax liabilities for land revaluation	196,166	196,166
Retirement benefit liability	33,131	42,581
Other	152,810	228,438
Total non-current liabilities	1,278,293	1,660,893
Total liabilities	26,449,149	19,678,214
Net assets		
Shareholders' equity		
Share capital	951,106	951,106
Capital surplus	1,695,421	1,711,740
Retained earnings	32,704,884	35,166,941
Treasury shares	(791,277)	(781,470)
Total shareholders' equity	34,560,135	37,048,318
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	482,037	723,088
Revaluation reserve for land	(641,184)	(641,184)
Foreign currency translation adjustment	1,708,295	1,974,691
Total accumulated other comprehensive income	1,549,147	2,056,595
Non-controlling interests	140,711	141,334
Total net assets	36,249,994	39,246,249
Total liabilities and net assets	62,699,144	58,924,463

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	For the fiscal year ended August 31, 2022	For the fiscal year ended August 31, 2023
Net sales	71,062,630	76,114,006
Cost of sales	58,793,139	63,160,766
Gross profit	12,269,491	12,953,240
Selling, general and administrative expenses		
Freight and packing costs	396,491	412,754
Salaries and bonuses	2,979,252	3,062,164
Provision for bonuses	238,095	250,603
Retirement benefit expenses	90,064	96,186
Provision for bonuses for directors (and other officers)	44,700	39,900
Depreciation	381,032	477,212
Rent expenses	365,214	383,019
Provision of allowance for doubtful accounts	(667)	799
Other	2,561,582	3,234,698
Total selling, general and administrative expenses	7,055,764	7,957,339
Operating profit	5,213,726	4,995,900
Non-operating income		
Interest income	34,698	49,729
Dividend income	41,700	40,743
Rental income	37,755	35,884
Refund income	32,628	134,999
Subsidy income	3,044	55,594
Purchase discounts	5,206	4,902
Foreign exchange gains	243,290	-
Other	24,096	65,834
Total non-operating income	422,421	387,688
Non-operating expenses		
Interest expenses	24,632	1,717
Foreign exchange losses	-	205,099
Other	28,833	32,027
Total non-operating expenses	53,465	238,844
Ordinary profit	5,582,683	5,144,745

(Thousands of yen)

	For the fiscal year ended August 31, 2022	For the fiscal year ended August 31, 2023
Extraordinary income		
Gain on sale of non-current assets	1,779	13,134
Total extraordinary income	1,779	13,134
Extraordinary losses		
Loss on sale of non-current assets	179	138
Loss on retirement of non-current assets	4,602	27,574
Loss on valuation of investment securities	19,305	-
Total extraordinary losses	24,087	27,713
Profit before income taxes	5,560,375	5,130,166
Income taxes - current	1,617,862	1,308,721
Income taxes - deferred	147,078	230,059
Total income taxes	1,764,940	1,538,781
Profit	3,795,434	3,591,385
Profit attributable to non-controlling interests	10,978	6,288
Profit attributable to owners of parent	3,784,456	3,585,096

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended August 31, 2022	For the fiscal year ended August 31, 2023
Profit	3,795,434	3,591,385
Other comprehensive income		
Valuation difference on available-for-sale securities	104,506	241,051
Deferred gains or losses on hedges	3,026	-
Foreign currency translation adjustment	1,335,876	266,396
Total other comprehensive income	1,443,408	507,447
Comprehensive income	5,238,843	4,098,833
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,205,302	4,095,643
Comprehensive income attributable to non-controlling interests	33,541	3,189

Consolidated Statements of Changes in Equity

For the fiscal year ended August 31, 2022

(Thousands of 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

For the fiscal year ended August 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	951,106	1,695,421	32,704,884	(791,277)	34,560,135
Changes during period					
Dividends of surplus			(1,123,039)		(1,123,039)
Profit attributable to owners of parent			3,585,096		3,585,096
Purchase of treasury shares				(289)	(289)
Disposal of treasury shares		16,319		10,097	26,416
Net changes in items other than shareholders' equity					
Total changes during period	-	16,319	2,462,056	9,807	2,488,183
Balance at end of period	951,106	1,711,740	35,166,941	(781,470)	37,048,318

	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	482,037	-	(641,184)	1,708,295	1,549,147	140,711	36,249,994
Changes during period							
Dividends of surplus							(1,123,039)
Profit attributable to owners of parent							3,585,096
Purchase of treasury shares							(289)
Disposal of treasury shares							26,416
Net changes in items other than shareholders' equity	241,051			266,396	507,447	623	508,070
Total changes during period	241,051	-	-	266,396	507,447	623	2,996,254
Balance at end of period	723,088	-	(641,184)	1,974,691	2,056,595	141,334	39,246,249

Consolidated Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended August 31, 2022	For the fiscal year ended August 31, 2023
Cash flows from operating activities		
Profit before income taxes	5,560,375	5,130,166
Depreciation	696,417	879,407
Amortization of goodwill	19,128	19,128
Increase (decrease) in allowance for doubtful accounts	(667)	799
Increase (decrease) in provision for bonuses	41,828	26,595
Increase (decrease) in provision for bonuses for directors (and other officers)	10,500	(4,800)
Increase (decrease) in retirement benefit liability	(1,540)	7,071
Interest and dividend income	(76,399)	(90,472)
Foreign exchange losses (gains)	(86,097)	(15,352)
Interest expenses	24,632	1,717
Loss (gain) on sale of property, plant and equipment	(1,600)	(12,996)
Loss on retirement of property, plant and equipment	4,602	27,574
Loss (gain) on valuation of investment securities	19,305	-
Decrease (increase) in trade receivables	1,385,731	(2,082,593)
Decrease (increase) in inventories	454,643	5,645,483
Increase (decrease) in trade payables	(1,738,097)	157,685
Increase (decrease) in accrued consumption taxes	146,649	347,387
Decrease (increase) in advance payments to suppliers	566,297	(827,766)
Increase (decrease) in contract liabilities	1,643,700	(6,908,669)
Other, net	138,375	529,534
Subtotal	8,807,785	2,829,900
Interest and dividends received	59,691	93,296
Interest paid	(24,225)	(1,730)
Income taxes paid	(1,339,021)	(1,707,519)
Income taxes refund	465	5,188
Net cash provided by (used in) operating activities	7,504,695	1,219,135

(Thousands of yen)

	For the fiscal year ended August 31, 2022	For the fiscal year ended August 31, 2023
Cash flows from investing activities		
Payments into time deposits	(3,439,852)	(3,517,180)
Proceeds from withdrawal of time deposits	3,333,531	3,476,425
Purchase of property, plant and equipment	(769,589)	(1,414,824)
Proceeds from sale of property, plant and equipment	4,673	18,002
Payments for retirement of property, plant and equipment	(381)	-
Purchase of intangible assets	(763,407)	(328,557)
Purchase of investment securities	-	(100,000)
Proceeds from sale and redemption of investment securities	100,000	-
Payments of guarantee deposits	(24,719)	(14,656)
Proceeds from refund of guarantee deposits	8,446	11,469
Other, net	380	-
Net cash provided by (used in) investing activities	(1,550,918)	(1,869,322)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,281,700)	-
Repayments of long-term borrowings	(19,992)	(13,408)
Repayments of lease liabilities	(35,034)	(44,557)
Purchase of treasury shares	(630)	(289)
Proceeds from disposal of treasury shares	-	59
Dividends paid	(987,772)	(1,077,713)
Dividends paid to non-controlling interests	(2,630)	(2,566)
Net cash provided by (used in) financing activities	(2,327,759)	(1,138,476)
Effect of exchange rate change on cash and cash equivalents	652,594	211,953
Net increase (decrease) in cash and cash equivalents	4,278,612	(1,576,709)
Cash and cash equivalents at beginning of period	14,567,717	18,846,330
Cash and cash equivalents at end of period	18,846,330	17,269,620