

Consolidated Financial Results for the Six Months Ended September 30, 2022 [IFRS]



November 11, 2022

Company name: Shinwa Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange and Nagoya Stock Exchange

Code number: 3447

URL: <http://www.shinwa-jp.com/en/relation/index.html>

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Scheduled date of filing the quarterly securities report: November 11, 2022

Scheduled date of commencing dividend payments: –

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 1, 2022 to September 30, 2022)

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

	Revenue		Operating profit		Profit before tax		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
September 30, 2022	8,909	8.2	1,113	(11.2)	1,077	(11.5)	752	(10.7)
September 30, 2021	8,231	29.0	1,252	68.1	1,217	71.1	842	71.8

	Profit attributable to owners of parent		Comprehensive income	
	Million yen	%	Million yen	%
Six months ended				
September 30, 2022	744	(12.1)	756	(10.6)
September 30, 2021	846	74.9	845	71.9

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
September 30, 2022	53.53	53.52
September 30, 2021	61.19	60.94

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Equity attributable to owners of parent to total assets
	Million yen	Million yen	Million yen	%
As of September 30, 2022	22,439	15,325	15,287	68.1
As of March 31, 2022	22,515	15,158	15,130	67.2

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2022	Yen –	Yen 0.00	Yen –	Yen 43.00	Yen 43.00
Fiscal year ending March 31, 2023	–	0.00			
Fiscal year ending March 31, 2023 (Forecast)			–	43.00	43.00

Note: Revision to the dividends forecast announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit	
Full year	Million yen 17,000	% 5.8	Million yen 2,200	% 3.0	Million yen 2,120	% 2.7	Million yen 1,465	% 3.8

	Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen 1,465	% 0.8	Yen 105.43

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

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in change in scope of consolidation): No
- (2) Changes in accounting policies and changes in accounting estimates
 - 1) Changes in accounting policies required by IFRS: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
- (3) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
 - September 30, 2022: 14,103,000 shares
 - March 31, 2022: 14,103,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - September 30, 2022: 197,118 shares
 - March 31, 2022: 207,234 shares
 - 3) Average number of shares during the period:
 - Six months ended September 30, 2022: 13,899,691 shares
 - Six months ended September 30, 2021: 13,825,930 shares

*These consolidated financial results are outside the scope of quarterly review by Certified Public Accountants or auditing corporations.

*Explanation of the proper use of financial results forecast and other notes

Financial results forecasts were prepared based on information available at the time of the announcement of this document, and actual results may differ from the forecasts owing to a wide range of factors. For the conditions that form the assumptions for the financial results forecasts, please refer to (4) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information in 1. Qualitative Information on Quarterly Financial Results for the Period under Review on page 4 of the Attachment.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

During the six months ended September 30, 2022, the Japanese economy continued to show signs of a gradual recovery in business confidence as a result of various policies and other measures implemented in anticipation of a new phase of the life with corona, although the effects of the novel coronavirus infection were still visible. On the other hand, the situation remains unpredictable, as there are still plenty of downside risks to the economy, such as the continuing sharp rise in both consumer and resource prices caused by sharp exchange rate fluctuations, the supply chain situation that is still far from stable, and the future development of the Russian invasion of Ukraine.

In the construction industry, which is the main supply destination of our products, demand was seen for our mainstay wedge binding type scaffolding and next generation scaffolding on the back of total construction investment that amounted to 20 trillion yen from April to August 2022 (up 1.2% year on year), according to “Comprehensive construction statistics” published by the Ministry of Land, Infrastructure, Transport and Tourism. Also, the Logistics Equipment Division saw an increasing demand for various types of transportation equipment in line with the recovery trend in the economy and business activities.

In terms of profit, we have reviewed the sales price of products to maintain profitability, amid rising prices of steel materials, the main raw material for our products. Furthermore, while working to curb costs, we have improved working conditions of our employees with a view to enhancing their motivation. As a result, the operating profit ratio for the six months ended September 30, 2022 came to 12.5% (fell by 2.7 percentage points year on year).

As a result of the above, revenue for the six months ended September 30, 2022 amounted to ¥8,909 million (up 8.2% year on year). Operating profit was ¥1,113 million (down 11.2% year on year). Profit before tax amounted to ¥1,077 million (down 11.5% year on year), and profit attributable to owners of parent amounted to ¥744 million (down 12.1% year on year).

As the Group is comprised of a single business segment, information regarding the revenue of each Division is provided below.

1) Scaffolding Equipment Division

In the Scaffolding Equipment Division, demand continued for our mainstay wedge binding type scaffolding and next generation scaffolding against the backdrop of strong demand for construction work projects. Meanwhile, factors such as the continuing surge in building materials prices strengthened the tendency to procure scaffolding equipment on a rental basis. This resulted in continued strong demand from scaffolding equipment rental companies, but stuttering demand from companies having their own scaffolding equipment.

As a result, revenue of the Scaffolding Equipment Division for the six months ended September 30, 2022 amounted to ¥6,165 million (down 4.0% year on year).

2) Logistics Equipment Division

In the Logistics Equipment Division, there were signs of revitalization of production activity and an increase in distribution volume in various industries. Reflecting these situations, demand was strong for repeated projects, leading to stable acquisition of orders. In addition, projects for pallets to transport materials for electrical equipment and projects for logistics equipment for the building materials field, a new industrial sector for the Company, significantly contributed to the increase in revenue.

As a result, revenue of the Logistics Equipment Division for the six months ended September 30, 2022 amounted to ¥2,743 million (up 51.7% year on year).

(Thousand yen)

Name of product and service		For the six months ended September 30, 2021	For the six months ended September 30, 2022
Scaffolding equipment	Wedge binding type scaffolding	3,928,758	3,883,619
	Next generation scaffolding	1,012,076	880,463
	Other scaffolding equipment	1,482,163	1,401,210
	Subtotal	6,422,998	6,165,293
Logistics equipment	Pallets	1,808,989	2,743,828
	Subtotal	1,808,989	2,743,828
Total		8,231,988	8,909,122

Note: Revenue stated in other scaffolding equipment and pallets includes revenue derived from leases under IFRS 16 of ¥186,574 thousand in the six-month period of the previous fiscal year and ¥263,269 thousand in the period under review.

(2) Explanation of Financial Position

(Assets)

Current assets at the end of the second quarter of the fiscal year under review decreased by ¥93 million from the end of the previous fiscal year to ¥8,987 million, mainly due to factors such as a decrease in cash and cash equivalents of ¥1,583 million, despite an increase in trade and other receivables of ¥1,165 million and an increase in inventories of ¥596 million. Additionally, non-current assets increased by ¥16 million from the end of the previous fiscal year to ¥13,451 million. As a result, total assets decreased by ¥76 million from the end of the previous fiscal year to ¥22,439 million.

(Liabilities)

Current liabilities at the end of the second quarter of the fiscal year under review increased by ¥50 million from the end of the previous fiscal year to ¥3,602 million, mainly due to factors such as an increase in borrowings of ¥310 million, despite a decrease in trade and other payables of ¥189 million. Additionally, non-current liabilities decreased by ¥293 million from the end of the previous fiscal year to ¥3,510 million. The decrease was primarily attributable to a decrease in borrowings of ¥245 million. As a result, total liabilities decreased by ¥243 million from the end of the previous fiscal year to ¥7,113 million.

(Equity)

Total equity at the end of the second quarter of the fiscal year under review increased by ¥166 million from the end of the previous fiscal year to ¥15,325 million. This was mainly attributable to factors such as the posting of profit attributable to owners of parent of ¥744 million and dividends paid of ¥597 million.

(3) Overview of Cash Flows

Cash and cash equivalents (hereinafter “cash”) at the end of the second quarter of the fiscal year under review was ¥1,877 million, a decrease of ¥1,583 million from the end of the previous fiscal year.

Cash flows from each activity for the six months ended September 30, 2022 and their primary factors are as follows:

(Cash flows from operating activities)

Net cash used in operating activities for the six months ended September 30, 2022 was ¥473 million (inflow of ¥293 million for the corresponding period of the previous fiscal year). The main factors affecting cash inflows are related to profit before tax of ¥1,077 million, depreciation and amortization of ¥302 million, and an increase in trade and other payables of ¥141 million. The main factors affecting cash outflows are related to income taxes paid of ¥418 million, an increase in trade and other receivables of ¥1,188 million, and an increase in inventories of ¥595 million.

(Cash flows from investing activities)

Net cash used in investing activities for the six months ended September 30, 2022 was ¥491 million, an increase of ¥148 million year on year. The main factor affecting cash outflows is purchase of property, plant and equipment of ¥461 million.

(Cash flows from financing activities)

Net cash used in financing activities for the six months ended September 30, 2022 was ¥625 million, a decrease of ¥559 million year on year. The main factor affecting cash inflows is proceeds from short-term borrowings of ¥425 million, while the main factors affecting cash outflows are dividends paid of ¥598 million, repayments of long-term borrowings of ¥250 million, and repayments of short-term borrowings of ¥129 million.

(4) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information

No change has been made to the full-year consolidated financial results forecasts announced in the consolidated financial results on May 13, 2022.

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Thousand yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and cash equivalents	3,460,569	1,877,041
Trade and other receivables	2,759,028	3,924,783
Inventories	2,467,765	3,063,890
Other current assets	393,795	121,882
Total current assets	<u>9,081,159</u>	<u>8,987,598</u>
Non-current assets		
Property, plant and equipment	2,450,806	2,485,597
Right-of-use assets	324,090	294,222
Goodwill	9,221,769	9,221,769
Intangible assets	1,371,800	1,375,091
Other financial assets	55,942	62,847
Other non-current assets	10,115	11,927
Total non-current assets	<u>13,434,524</u>	<u>13,451,456</u>
Total assets	<u>22,515,684</u>	<u>22,439,055</u>

(Thousand yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	1,192,304	1,002,773
Borrowings	1,622,952	1,933,873
Income taxes payable	416,686	350,000
Other financial liabilities	125,254	120,127
Other current liabilities	195,211	195,812
Total current liabilities	<u>3,552,409</u>	<u>3,602,587</u>
Non-current liabilities		
Borrowings	3,234,979	2,989,610
Provisions	45,520	45,542
Other financial liabilities	237,062	193,482
Deferred tax liabilities	283,230	278,425
Other non-current liabilities	3,900	3,900
Total non-current liabilities	<u>3,804,693</u>	<u>3,510,962</u>
Total liabilities	<u>7,357,103</u>	<u>7,113,549</u>
Equity		
Share capital	153,576	153,576
Capital surplus	6,919,802	6,919,671
Retained earnings	8,211,397	8,357,937
Treasury shares	(163,101)	(155,130)
Other components of equity	9,065	11,561
Total equity attributable to owners of parent	<u>15,130,740</u>	<u>15,287,616</u>
Non-controlling interests	27,840	37,889
Total equity	<u>15,158,581</u>	<u>15,325,505</u>
Total liabilities and equity	<u>22,515,684</u>	<u>22,439,055</u>

(2) Condensed Quarterly Consolidated Statements of Profit or Loss and Comprehensive Income
Condensed Quarterly Consolidated Statement of Profit or Loss
For the Six-Month Period

(Thousand yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Revenue	8,231,988	8,909,122
Cost of sales	<u>(6,047,844)</u>	<u>(6,758,992)</u>
Gross profit	2,184,143	2,150,130
Selling, general and administrative expenses	(941,135)	(1,026,445)
Other income	11,412	6,726
Other expenses	<u>(1,505)</u>	<u>(17,390)</u>
Operating profit	1,252,914	1,113,020
Finance income	314	265
Finance costs	<u>(35,480)</u>	<u>(35,886)</u>
Profit before tax	1,217,747	1,077,399
Income tax expense	<u>(375,049)</u>	<u>(325,095)</u>
Profit	<u>842,698</u>	<u>752,303</u>
Profit attributable to:		
Owners of parent	846,067	744,058
Non-controlling interests	<u>(3,369)</u>	<u>8,245</u>
Profit	842,698	752,303
Earnings per share		
Basic earnings per share (yen)	61.19	53.53
Diluted earnings per share (yen)	60.94	53.52

Condensed Quarterly Consolidated Statement of Comprehensive Income
For the Six-Month Period

(Thousand yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit	842,698	752,303
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	—	618
Total of items that will not be reclassified to profit or loss	—	618
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	3,200	3,680
Total of items that may be reclassified to profit or loss	3,200	3,680
Other comprehensive income, net of tax	3,200	4,299
Comprehensive income	845,898	756,602
Comprehensive income attributable to		
Owners of parent	847,699	746,553
Non-controlling interests	(1,801)	10,048
Comprehensive income	845,898	756,602

(3) Condensed Quarterly Consolidated Statement of Changes in Equity
For the Six Months Ended September 30, 2021 (From April 1, 2021 to September 30, 2021)

(Thousand yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		Total equity attributable to owners of parent	Non-controlling interests	Total equity	
					Exchange differences on translation of foreign operations	Total other components of equity				
Balance at beginning of period	153,576	6,969,569	7,252,148	–	–	4,010	4,010	14,379,305	63,816	14,443,121
Profit	–	–	846,067	–	–	–	–	846,067	(3,369)	842,698
Other comprehensive income	–	–	–	–	–	1,632	1,632	1,632	1,568	3,200
Comprehensive income	–	–	846,067	–	–	1,632	1,632	847,699	(1,801)	845,898
Purchase of treasury shares	–	–	–	(299,239)	–	–	–	(299,239)	–	(299,239)
Dividends	–	–	(493,605)	–	–	–	–	(493,605)	–	(493,605)
Total transactions with owners	–	–	(493,605)	(299,239)	–	–	–	(792,844)	–	(792,844)
Balance at end of period	153,576	6,969,569	7,604,611	(299,239)	–	5,642	5,642	14,434,160	62,014	14,496,175

For the Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)

(Thousand yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		Total other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity	
					Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations					
Balance at beginning of period	153,576	6,919,802	8,211,397	(163,101)	–	(138)	9,203	9,065	15,130,740	27,840	15,158,581
Profit	–	–	744,058	–	–	–	–	–	744,058	8,245	752,303
Other comprehensive income	–	–	–	–	–	618	1,877	2,495	2,495	1,803	4,299
Comprehensive income	–	–	744,058	–	–	618	1,877	2,495	746,553	10,048	756,602
Dividends	–	–	(597,517)	–	–	–	–	–	(597,517)	–	(597,517)
Share-based payment transactions	–	(131)	–	7,971	–	–	–	–	7,839	–	7,839
Total transactions with owners	–	(131)	(597,517)	7,971	–	–	–	–	(589,678)	–	(589,678)
Balance at end of period	153,576	6,919,671	8,357,937	(155,130)	–	480	11,081	11,561	15,287,616	37,889	15,325,505

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Thousand yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from operating activities		
Profit before tax	1,217,747	1,077,399
Depreciation and amortization	279,248	302,831
Finance income and finance costs	35,166	35,621
Loss (gain) on sale of fixed assets	–	(445)
Loss on disposal of property, plant and equipment	0	11
Share-based payment expenses	–	2,734
Decrease (increase) in inventories	(368,272)	(595,811)
Decrease (increase) in trade and other receivables	(654,084)	(1,188,642)
Increase (decrease) in trade and other payables	488,054	141,718
Other	(88,939)	193,061
Subtotal	908,920	(31,520)
Interest and dividends received	314	265
Interest paid	(21,700)	(24,526)
Income taxes paid	(598,776)	(418,163)
Income taxes refund	4,383	–
Net cash provided by (used in) operating activities	293,140	(473,944)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	–	35
Purchase of property, plant and equipment	(343,271)	(461,213)
Purchase of intangible assets	(200)	(23,915)
Payments for acquisition of financial assets	–	(6,009)
Other	570	(3)
Net cash provided by (used in) investing activities	(342,901)	(491,106)
Cash flows from financing activities		
Proceeds from short-term borrowings	–	425,646
Repayments of short-term borrowings	(85,424)	(129,612)
Repayments of long-term borrowings	(250,000)	(250,000)
Payments of financial expenditures	(5,580)	(5,167)
Dividends paid	(497,121)	(598,248)
Purchase of treasury shares	(299,239)	–
Repayments of lease liabilities	(48,503)	(68,599)
Net cash provided by (used in) financing activities	(1,185,870)	(625,982)
Effect of exchange rate changes on cash and cash equivalents	2,938	7,505
Net increase (decrease) in cash and cash equivalents	(1,232,691)	(1,583,528)
Cash and cash equivalents at beginning of period	4,738,197	3,460,569
Cash and cash equivalents at end of period	3,505,505	1,877,041

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Changes in methods of presentation)

Condensed Quarterly Consolidated Statement of Profit or Loss

Effective from the current fiscal year, the Group has recorded a portion of expenses that had previously been classified as “cost of sales” as “selling, general and administrative expenses.” This change was made to more accurately represent the expenses incurred at our equipment distribution center in light of the content of business activities, after the expenses were reviewed to consider the relocation and expansion of the equipment distribution center for the purpose of strengthening the Group’s rental business under the Medium-Term Management Plan. To reflect this change in method of presentation, the condensed quarterly consolidated statement of profit or loss for the six-month period in the previous fiscal year has been reclassified.

As a result, ¥21,043 thousand which was presented as “cost of sales” in the condensed quarterly consolidated statement of profit or loss for the six-month period in the previous fiscal year has been reclassified as “selling, general and administrative expenses.”

(Significant subsequent events)

There is no relevant information.