

# Consolidated Financial Results for the Three Months Ended June 30, 2021 [IFRS]



August 12, 2021

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: August 12, 2021

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

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

## 1. Consolidated Financial Results for the Three Months Ended June 30, 2021 (April 1, 2021 to June 30, 2021)

(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	%
Three months ended								
June 30, 2021	3,884	40.9	471	130.1	453	141.0	311	157.0
June 30, 2020	2,756	(36.1)	205	(56.7)	188	(58.7)	121	(59.6)

	Profit attributable to owners of parent		Comprehensive income	
	Million yen	%	Million yen	%
Three months ended				
June 30, 2021	313	158.6	313	159.7
June 30, 2020	121	(59.6)	120	(59.7)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended				
June 30, 2021	22.50		22.40	
June 30, 2020	8.60		8.57	

(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 June 30, 2021	21,505		13,964		13,900		64.6	
As of March 31, 2021	22,236		14,443		14,379		64.7	

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2021	Yen —	Yen 0.00	Yen —	Yen 35.00	Yen 35.00
Fiscal year ending March 31, 2022	—				
Fiscal year ending March 31, 2022 (Forecast)		0.00	—	32.00	32.00

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

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half	7,182	12.5	799	7.2	763	7.2	521	6.2
Full year	15,000	8.0	1,700	(8.3)	1,629	(8.7)	1,128	(9.2)

	Profit attributable to owners of parent		Basic earnings per share	
	Million yen	%	Yen	
First half	521	7.7	36.94	
Full year	1,128	(8.4)	80.00	

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):
    - June 30, 2021: 14,103,000 shares
    - March 31, 2021: 14,103,000 shares
  - 2) Total number of treasury shares at the end of the period:
    - June 30, 2021: 380,000 shares
    - March 31, 2021: - shares
  - 3) Average number of shares during the period:
    - Three months ended June 30, 2021: 13,929,992 shares
    - Three months ended June 30, 2020: 14,089,200 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 three months ended June 30, 2021, the Japanese economy continued to face widespread restrictions on socioeconomic activity due to the effect of the novel coronavirus infection. Although corporate earnings, the employment situation, and private consumption are showing signs of recovery and resilience in some areas, the situation is still unpredictable as shown by the wave-like movements of the number of new infections and measures to control them, as well as the emergence of highly infectious variant strains.

In the construction industry, which is the main supply destination of our products, according to the “Comprehensive construction statistics” published by the Ministry of Land, Infrastructure, Transport and Tourism, total construction investments in April and May 2021 was ¥7,900 billion (up 0.3% year on year), showing steady movement mainly in public works projects. Against the backdrop of this environment, revenue of our mainstay wedge binding type scaffolding and next generation scaffolding remained strong. In the Logistics Equipment Division, demand for transportation equipment increased in line with the recovery trend in the economy and business activities.

In terms of profit, demand for high value-added products such as safety equipment continued, and thus, a recovery in sales of both scaffolding equipment and logistics equipment contributed to the improvement in profitability. In terms of costs, the Group has taken multifaceted measures to reduce costs and curb expenditures in light of the fact that the price of steel materials, the main raw material for our products, has been rising as expected and that the economic environment continues to be less than optimistic. As a result, the operating profit ratio for the three months ended June 30, 2021 came to 12.1% (improved by 4.7 percentage points year on year).

As a result of the above, revenue for the three months ended June 30, 2021 amounted to ¥3,884 million (up 40.9% year on year). Operating profit was ¥471 million (up 130.1% year on year). Profit before tax amounted to ¥453 million (up 141.0% year on year), and profit attributable to owners of parent amounted to ¥313 million (up 158.6% 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, despite the current uncertain situation, demand for our mainstay wedge binding type scaffolding and next generation scaffolding was firm against the backdrop of recovery in construction work. In addition, as demand for safety equipment to improve safety at construction sites continued to be high, sales of our products with excellent workability, as well as customer inquiries to the products, remained strong.

As a result, revenue of the Scaffolding Equipment Division for the three months ended June 30, 2021 amounted to ¥3,037 million (up 32.6% year on year).

#### 2) Logistics Equipment Division

In the Logistics Equipment Division, with the recovery trend from the pandemic of the novel coronavirus infection, there was an increase in production activity and distribution volume in various industries. Reflecting these situations, the Group’s business remained solid, with new projects acquired and repeated projects growing. We also secured a stable number of large warehousing-related projects for major e-commerce companies.

As a result, revenue of the Logistics Equipment Division for the three months ended June 30, 2021 amounted to ¥847 million (up 81.7% year on year).

(Thousand yen)

Name of product and service		For the three months ended June 30, 2020	For the three months ended June 30, 2021
Scaffolding equipment	Wedge binding type scaffolding	1,180,886	1,794,255
	Next generation scaffolding	391,667	519,618
	Other scaffolding equipment	718,133	723,400
	Subtotal	2,290,686	3,037,273
Logistics equipment	Pallets	466,163	847,089
	Subtotal	466,163	847,089
Total		2,756,850	3,884,363

## (2) Explanation of Financial Position

### (Assets)

Current assets at the end of the first quarter of the fiscal year under review decreased by ¥890 million from the end of the previous fiscal year to ¥8,400 million, mainly due to factors such as a decrease in cash and cash equivalents of ¥998 million. Additionally, non-current assets increased by ¥159 million from the end of the previous fiscal year to ¥13,105 million. The increase was primarily attributable to an increase in property, plant and equipment of ¥187 million. As a result, total assets decreased by ¥731 million from the end of the previous fiscal year to ¥21,505 million.

### (Liabilities)

Current liabilities at the end of the first quarter of the fiscal year under review decreased by ¥216 million from the end of the previous fiscal year to ¥2,212 million, mainly due to factors such as a decrease in income taxes payable of ¥431 million, despite an increase in trade and other payables of ¥304 million. Additionally, non-current liabilities decreased by ¥35 million from the end of the previous fiscal year to ¥5,329 million. As a result, total liabilities decreased by ¥251 million from the end of the previous fiscal year to ¥7,541 million.

### (Equity)

Total equity at the end of the first quarter of the fiscal year under review decreased by ¥479 million from the end of the previous fiscal year to ¥13,964 million. This was mainly attributable to factors such as the purchase of treasury shares of ¥299 million, the posting of profit attributable to owners of parent of ¥313 million and dividends paid of ¥493 million.

## (3) Overview of Cash Flows

Cash and cash equivalents (hereinafter “cash”) at the end of the first quarter of the fiscal year under review was ¥3,739 million, a decrease of ¥998 million from the end of the previous fiscal year.

Cash flows from each activity for the three months ended June 30, 2021 and their primary factors are as follows:

### (Cash flows from operating activities)

Net cash provided by operating activities for the three months ended June 30, 2021 was ¥144 million, a

decrease of ¥448 million year on year. The main factors affecting cash inflows are related to profit before tax of ¥453 million, depreciation and amortization of ¥146 million. The main factors affecting cash outflows are related to income taxes paid of ¥599 million, an increase in trade and other receivables of ¥73 million and an increase in inventories of ¥69 million.

(Cash flows from investing activities)

Net cash used in investing activities for the three months ended June 30, 2021 was ¥282 million, an increase of ¥238 million year on year. The main factor affecting cash outflows is purchase of property, plant and equipment of ¥282 million.

(Cash flows from financing activities)

Net cash used in financing activities for the three months ended June 30, 2021 was ¥864 million, an increase of ¥268 million year on year. The main factor affecting cash outflows is dividends paid of ¥479 million and purchase of treasury shares of ¥299 million.

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

With regard to the consolidated financial results forecast for the fiscal year ending March 31, 2022, no change has been made to the first half and full-year consolidated financial results forecasts, which were announced in the consolidated financial results on May 13, 2021.

## 2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

### (1) Condensed Quarterly Consolidated Statement of Financial Position

	(Thousand yen)	
	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and cash equivalents	4,738,197	3,739,207
Trade and other receivables	3,006,431	3,037,996
Inventories	1,483,489	1,553,695
Other current assets	62,739	69,465
Total current assets	9,290,857	8,400,364
Non-current assets		
Property, plant and equipment	2,054,202	2,241,679
Right-of-use assets	380,906	354,010
Goodwill	9,221,769	9,221,769
Intangible assets	1,237,608	1,235,954
Other financial assets	41,194	40,922
Other non-current assets	10,303	11,057
Total non-current assets	12,945,985	13,105,394
Total assets	22,236,842	21,505,758



(Thousand yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	803,637	1,107,933
Borrowings	581,206	525,182
Income taxes payable	593,931	162,571
Other financial liabilities	92,854	91,551
Other current liabilities	357,363	325,024
Total current liabilities	2,428,993	2,212,263
Non-current liabilities		
Borrowings	4,717,504	4,720,593
Provisions	45,518	45,523
Other financial liabilities	293,969	271,198
Deferred tax liabilities	303,835	288,245
Other non-current liabilities	3,900	3,900
Total non-current liabilities	5,364,727	5,329,461
Total liabilities	7,793,721	7,541,725
Equity		
Share capital	153,576	153,576
Capital surplus	6,969,569	6,969,569
Retained earnings	7,252,148	7,071,990
Treasury shares	-	(299,239)
Other components of equity	4,010	5,018
Total equity attributable to owners of parent	14,379,305	13,900,915
Non-controlling interests	63,816	63,117
Total equity	14,443,121	13,964,033
Total liabilities and equity	22,236,842	21,505,758

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

(Thousand yen)

	For the three months ended June 30, 2020	For the three months ended June 30, 2021
Revenue	2,756,850	3,884,363
Cost of sales	(2,089,839)	(2,947,793)
Gross profit	667,011	936,569
Selling, general and administrative expenses	(474,335)	(467,712)
Other income	14,520	3,482
Other expenses	(2,116)	(392)
Operating profit	205,080	471,947
Finance income	20	191
Finance costs	(16,723)	(18,215)
Profit before tax	188,377	453,924
Income tax expense	(67,060)	(142,144)
Profit	121,317	311,779
Profit attributable to		
Owners of parent	121,207	313,447
Non-controlling interests	110	(1,667)
Profit	121,317	311,779
Earnings per share		
Basic earnings per share (yen)	8.60	22.50
Diluted earnings per share (yen)	8.57	22.40

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

(Thousand yen)

	For the three months ended June 30, 2020	For the three months ended June 30, 2021
Profit	121,317	311,779
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(506)	1,976
Total of items that may be reclassified to profit or loss	(506)	1,976
Other comprehensive income, net of tax	(506)	1,976
Comprehensive income	120,810	313,756
Comprehensive income attributable to		
Owners of parent	120,942	314,455
Non-controlling interests	(131)	(699)
Comprehensive income	120,810	313,756

(3) Condensed Quarterly Consolidated Statement of Changes in Equity  
For the Three Months Ended June 30, 2020 (From April 1, 2020 to June 30, 2020)

(Thousand yen)

	Share capital	Capital surplus	Retained earnings	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	150,125	6,951,814	6,640,266	(1,534)	(1,534)	13,740,672	47,378	13,788,051
Profit	–	–	121,207	–	–	121,207	110	121,317
Other comprehensive income	–	–	–	(265)	(265)	(265)	(241)	(506)
Comprehensive income	–	–	121,207	(265)	(265)	120,942	(131)	120,810
Dividends	–	–	(619,924)	–	–	(619,924)	–	(619,924)
Share-based payment transactions	–	14,306	–	–	–	14,306	–	14,306
Total transactions with owners	–	14,306	(619,924)	–	–	(605,618)	–	(605,618)
Balance at end of period	150,125	6,966,121	6,141,549	(1,799)	(1,799)	13,255,996	47,247	13,303,243

For the Three Months Ended June 30, 2021 (From April 1, 2021 to June 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	–	–	313,447	–	–	–	313,447	(1,667)	311,779
Other comprehensive income	–	–	–	–	1,007	1,007	1,007	968	1,976
Comprehensive income	–	–	313,447	–	1,007	1,007	314,455	(699)	313,756
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	7,071,990	(299,239)	5,018	5,018	13,900,915	63,117	13,964,033

## (4) Condensed Quarterly Consolidated Statement of Cash Flows

(Thousand yen)

	For the three months ended June 30, 2020	For the three months ended June 30, 2021
Cash flows from operating activities		
Profit before tax	188,377	453,924
Depreciation and amortization	176,478	146,357
Finance income and finance costs	16,702	18,023
Loss on disposal of property, plant and equipment	–	0
Share-based payment expenses	14,306	–
Decrease (increase) in inventories	263,216	(69,792)
Decrease (increase) in trade and other receivables	382,448	(73,729)
Increase (decrease) in trade and other payables	(73,027)	253,370
Other	67,192	27,008
Subtotal	1,035,695	755,163
Interest and dividends received	20	191
Interest paid	(9,657)	(11,035)
Income taxes paid	(432,829)	(599,412)
Net cash provided by (used in) operating activities	593,229	144,907
Cash flows from investing activities		
Purchase of property, plant and equipment	(45,152)	(282,208)
Purchase of intangible assets	–	(200)
Other	1,430	273
Net cash provided by (used in) investing activities	(43,721)	(282,134)
Cash flows from financing activities		
Repayments of short-term borrowings	–	(57,295)
Payments of financial expenditures	(3,481)	(3,059)
Capital contribution from non-controlling interests	32,447	–
Dividends paid	(600,697)	(479,524)
Purchase of treasury shares	–	(299,239)
Repayments of lease liabilities	(23,848)	(24,898)
Net cash provided by (used in) financing activities	(595,580)	(864,018)
Effect of exchange rate changes on cash and cash equivalents	(386)	2,254
Net increase (decrease) in cash and cash equivalents	(46,458)	(998,990)
Cash and cash equivalents at beginning of period	3,120,411	4,738,197
Cash and cash equivalents at end of period	3,073,952	3,739,207

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Significant subsequent events)

There is no relevant information.