

Consolidated Financial Results for the Six Months Ended September 30, 2021 [IFRS]



November 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: November 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: 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, 2021 (April 1, 2021 to September 30, 2021)

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

| | Revenue | | Operating profit | | Profit before tax | | Profit | |
|--------------------|-------------|--------|------------------|--------|-------------------|--------|-------------|--------|
| Six months ended | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| September 30, 2021 | 8,231 | 29.0 | 1,252 | 68.1 | 1,217 | 71.1 | 842 | 71.8 |
| September 30, 2020 | 6,381 | (31.9) | 745 | (39.0) | 711 | (40.0) | 490 | (39.8) |

| | Profit attributable to owners of parent | | Comprehensive income | |
|--------------------|---|--------|----------------------|--------|
| Six months ended | Million yen | % | Million yen | % |
| September 30, 2021 | 846 | 74.9 | 845 | 71.9 |
| September 30, 2020 | 483 | (40.6) | 492 | (39.6) |

| | Basic earnings per share | | Diluted earnings per share | |
|--------------------|--------------------------|--|----------------------------|--|
| Six months ended | Yen | | Yen | |
| September 30, 2021 | 61.19 | | 60.94 | |
| September 30, 2020 | 34.33 | | 34.19 | |

(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, 2021 | 22,111 | 14,496 | 14,434 | 65.3 |
| 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 | — | 0.00 | | | |
| Fiscal year ending March 31, 2022 (Forecast) | | | — | 40.00 | 40.00 |

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 | |
|-----------|-------------|------|------------------|------|-------------------|------|-------------|------|
| Full year | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| | 16,000 | 15.2 | 2,050 | 10.6 | 1,977 | 10.8 | 1,372 | 10.4 |

| | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|--|------|-----------------------------|
| Full year | Million yen | % | Yen |
| | 1,372 | 11.4 | 100.00 |

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):
 - September 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:
 - September 30, 2021: 380,000 shares
 - March 31, 2021: - shares
 - 3) Average number of shares during the period:
 - Six months ended September 30, 2021: 13,825,930 shares
 - Six months ended September 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 5 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, 2021, the Japanese economy continued to face challenging conditions, including the persistence of various restrictions 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 due to the continued risk of an economic downturn, including signs of supply chain delays in terms of supply and demand, with the economy in the process of recovering from the coronavirus crisis.

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 from April to August 2021 were ¥20,100 billion (up 1.1% year on year), showing signs of recovery mainly in private-sector demand. 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, revenue grew substantially due to increased demand for transportation equipment and large warehousing-related projects in line with the recovery in the economy and business activities.

In terms of profit, large warehousing-related projects for major e-commerce companies in logistics equipment, in addition to a recovery in sales of scaffolding equipment, both contributed significantly to profit amid continued demand for high value-added products such as safety equipment. Meanwhile, the Group has taken measures to reduce costs and curb expenditures, as well as reviewing the prices of products, due to a greater-than-expected rise in the price of steel materials, the main raw material for our products. As a result, the operating profit ratio for the six months ended September 30, 2021 came to 15.2% (improved by 3.5 percentage points year on year).

As a result of the above, revenue for the six months ended September 30, 2021 amounted to ¥8,231 million (up 29.0% year on year). Operating profit was ¥1,252 million (up 68.1% year on year). Profit before tax amounted to ¥1,217 million (up 71.1% year on year), and profit attributable to owners of parent amounted to ¥846 million (up 74.9% 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 for our mainstay wedge binding type scaffolding and next generation scaffolding was firm, including indications that scaffolding equipment rental companies were increasing their holdings, against the backdrop of resilience in demand for 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 six months ended September 30, 2021 amounted to ¥6,422 million (up 18.2% 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. This also led to an increase in demand for the logistics equipment that we supply including, for example, an increase in demand and transportation volumes for the liquid agents used in semiconductor manufacturing. Reflecting these situations, revenue increased significantly, due to new project acquisition in addition to the growth evident in repeated projects.

As a result, revenue of the Logistics Equipment Division for the six months ended September 30, 2021 amounted to ¥1,808 million (up 91.4% year on year).

(Thousand yen)

| Name of product and service | | For the six months ended September 30, 2020 | For the six months ended September 30, 2021 |
|-----------------------------|-----------------------------------|--|--|
| Scaffolding equipment | Wedge binding type scaffolding | 2,913,751 | 3,928,758 |
| | Next generation scaffolding | 973,795 | 1,012,076 |
| | Other scaffolding equipment | 1,548,614 | 1,482,163 |
| | Subtotal | 5,436,162 | 6,422,998 |
| Logistics equipment | Pallets | 945,211 | 1,808,989 |
| | Subtotal | 945,211 | 1,808,989 |
| Total | | 6,381,373 | 8,231,988 |

(2) Explanation of Financial Position

(Assets)

Current assets at the end of the second quarter of the fiscal year under review decreased by ¥295 million from the end of the previous fiscal year to ¥8,995 million, mainly due to factors such as a decrease in cash and cash equivalents of ¥1,232 million, despite an increase in trade and other receivables of ¥590 million and an increase in inventories of ¥368 million. Additionally, non-current assets increased by ¥169 million from the end of the previous fiscal year to ¥13,115 million. The increase was primarily attributable to an increase in property, plant and equipment of ¥116 million. As a result, total assets decreased by ¥125 million from the end of the previous fiscal year to ¥22,111 million.

(Liabilities)

Current liabilities at the end of the second quarter of the fiscal year under review increased by ¥102 million from the end of the previous fiscal year to ¥2,531 million, mainly due to factors such as an increase in trade and other payables of ¥544 million, despite a decrease in income taxes payable of ¥179 million. Additionally, non-current liabilities decreased by ¥280 million from the end of the previous fiscal year to ¥5,083 million. The decrease was primarily attributable to a decrease in borrowings of ¥243 million. As a result, total liabilities decreased by ¥178 million from the end of the previous fiscal year to ¥7,614 million.

(Equity)

Total equity at the end of the second quarter of the fiscal year under review increased by ¥53 million from the end of the previous fiscal year to ¥14,496 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 ¥846 million and dividends paid of ¥493 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 ¥3,505 million, a decrease of ¥1,232 million from the end of the previous fiscal year.

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

(Cash flows from operating activities)

Net cash provided by operating activities for the six months ended September 30, 2021 was ¥293 million, a decrease of ¥765 million year on year. The main factors affecting cash inflows are related to profit before tax of ¥1,217 million, depreciation and amortization of ¥279 million and an increase in trade and other payables of ¥488 million. The main factors affecting cash outflows are related to income taxes paid of ¥598 million, an increase in trade and other receivables of ¥654 million and an increase in inventories of ¥368 million.

(Cash flows from investing activities)

Net cash used in investing activities for the six months ended September 30, 2021 was ¥342 million, an increase of ¥298 million year on year. The main factor affecting cash outflows is purchase of property, plant and equipment of ¥343 million.

(Cash flows from financing activities)

Net cash used in financing activities for the six months ended September 30, 2021 was ¥1,185 million, an increase of ¥332 million year on year. The main factor affecting cash outflows is dividends paid of ¥497 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 and dividends forecast, the Company has revised the forecast announced on May 13, 2021. For details, please refer to “Notice Regarding Revisions to Financial Results Forecasts (IFRS) and Dividend Forecasts,” released on November 8, 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 September 30, 2021 |
|-------------------------------|-------------------------|-----------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 4,738,197 | 3,505,505 |
| Trade and other receivables | 3,006,431 | 3,596,483 |
| Inventories | 1,483,489 | 1,852,432 |
| Other current assets | 62,739 | 40,866 |
| Total current assets | 9,290,857 | 8,995,288 |
| Non-current assets | | |
| Property, plant and equipment | 2,054,202 | 2,171,177 |
| Right-of-use assets | 380,906 | 370,088 |
| Goodwill | 9,221,769 | 9,221,769 |
| Intangible assets | 1,237,608 | 1,300,755 |
| Other financial assets | 41,194 | 40,627 |
| Other non-current assets | 10,303 | 11,373 |
| Total non-current assets | 12,945,985 | 13,115,791 |
| Total assets | 22,236,842 | 22,111,080 |

(Thousand yen)

| | As of March 31, 2021 | As of September 30, 2021 |
|---|-------------------------|-----------------------------|
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 803,637 | 1,348,062 |
| Borrowings | 581,206 | 496,942 |
| Income taxes payable | 593,931 | 414,000 |
| Other financial liabilities | 92,854 | 115,546 |
| Other current liabilities | 357,363 | 156,565 |
| Total current liabilities | <u>2,428,993</u> | <u>2,531,116</u> |
| Non-current liabilities | | |
| Borrowings | 4,717,504 | 4,474,233 |
| Provisions | 45,518 | 45,528 |
| Other financial liabilities | 293,969 | 272,998 |
| Deferred tax liabilities | 303,835 | 287,128 |
| Other non-current liabilities | 3,900 | 3,900 |
| Total non-current liabilities | <u>5,364,727</u> | <u>5,083,788</u> |
| Total liabilities | <u>7,793,721</u> | <u>7,614,905</u> |
| Equity | | |
| Share capital | 153,576 | 153,576 |
| Capital surplus | 6,969,569 | 6,969,569 |
| Retained earnings | 7,252,148 | 7,604,611 |
| Treasury shares | — | (299,239) |
| Other components of equity | 4,010 | 5,642 |
| Total equity attributable to owners of parent | <u>14,379,305</u> | <u>14,434,160</u> |
| Non-controlling interests | 63,816 | 62,014 |
| Total equity | <u>14,443,121</u> | <u>14,496,175</u> |
| Total liabilities and equity | <u>22,236,842</u> | <u>22,111,080</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, 2020 | For the six months ended September 30, 2021 |
|--|--|--|
| Revenue | 6,381,373 | 8,231,988 |
| Cost of sales | (4,761,315) | (6,068,888) |
| Gross profit | 1,620,058 | 2,163,100 |
| Selling, general and administrative expenses | (908,123) | (920,092) |
| Other income | 38,541 | 11,412 |
| Other expenses | (5,172) | (1,505) |
| Operating profit | 745,303 | 1,252,914 |
| Finance income | 155 | 314 |
| Finance costs | (33,542) | (35,480) |
| Profit before tax | 711,916 | 1,217,747 |
| Income tax expense | (221,424) | (375,049) |
| Profit | 490,492 | 842,698 |
| Profit attributable to | | |
| Owners of parent | 483,730 | 846,067 |
| Non-controlling interests | 6,761 | (3,369) |
| Profit | 490,492 | 842,698 |
| Earnings per share | | |
| Basic earnings per share (yen) | 34.33 | 61.19 |
| Diluted earnings per share (yen) | 34.19 | 60.94 |

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

(Thousand yen)

| | For the six months ended September 30, 2020 | For the six months ended September 30, 2021 |
|---|--|--|
| Profit | 490,492 | 842,698 |
| Other comprehensive income | | |
| Items that may be reclassified to profit or loss | | |
| Exchange differences on translation of foreign operations | 1,552 | 3,200 |
| Total of items that may be reclassified to profit or loss | 1,552 | 3,200 |
| Other comprehensive income, net of tax | 1,552 | 3,200 |
| Comprehensive income | 492,045 | 845,898 |
| Comprehensive income attributable to | | |
| Owners of parent | 484,515 | 847,699 |
| Non-controlling interests | 7,529 | (1,801) |
| Comprehensive income | 492,045 | 845,898 |

(3) Condensed Quarterly Consolidated Statement of Changes in Equity
For the Six Months Ended September 30, 2020 (From April 1, 2020 to September 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 | — | — | 483,730 | — | — | 483,730 | 6,761 | 490,492 |
| Other comprehensive income | — | — | — | 785 | 785 | 785 | 767 | 1,552 |
| Comprehensive income | — | — | 483,730 | 785 | 785 | 484,515 | 7,529 | 492,045 |
| 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 | 6,504,072 | (749) | (749) | 13,619,569 | 54,908 | 13,674,478 |

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 |

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Thousand yen)

| | For the six months ended September 30, 2020 | For the six months ended September 30, 2021 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before tax | 711,916 | 1,217,747 |
| Depreciation and amortization | 346,966 | 279,248 |
| Finance income and finance costs | 33,387 | 35,166 |
| Loss (gain) on sale of fixed assets | (15) | — |
| Loss on disposal of property, plant and equipment | 285 | 0 |
| Share-based payment expenses | 14,306 | — |
| Decrease (increase) in inventories | 228,914 | (368,272) |
| Decrease (increase) in trade and other receivables | (175,892) | (654,084) |
| Increase (decrease) in trade and other payables | 351,197 | 488,054 |
| Other | 112 | (88,939) |
| Subtotal | 1,511,177 | 908,920 |
| Interest and dividends received | 155 | 314 |
| Interest paid | (19,425) | (21,700) |
| Income taxes paid | (432,922) | (598,776) |
| Income taxes refund | — | 4,383 |
| Net cash provided by (used in) operating activities | 1,058,985 | 293,140 |
| Cash flows from investing activities | | |
| Proceeds from sale of property, plant and equipment | 19,419 | — |
| Purchase of property, plant and equipment | (66,019) | (343,271) |
| Purchase of intangible assets | — | (200) |
| Other | 1,832 | 570 |
| Net cash provided by (used in) investing activities | (44,767) | (342,901) |
| Cash flows from financing activities | | |
| Proceeds from short-term borrowings | 33,973 | — |
| Repayments of short-term borrowings | — | (85,424) |
| Repayments of long-term borrowings | (250,000) | (250,000) |
| Payments of financial expenditures | (4,544) | (5,580) |
| Capital contribution from non-controlling interests | 32,788 | — |
| Dividends paid | (618,384) | (497,121) |
| Purchase of treasury shares | — | (299,239) |
| Repayments of lease liabilities | (46,982) | (48,503) |
| Net cash provided by (used in) financing activities | (853,150) | (1,185,870) |
| Effect of exchange rate changes on cash and cash equivalents | 1,228 | 2,938 |
| Net increase (decrease) in cash and cash equivalents | 162,296 | (1,232,691) |
| Cash and cash equivalents at beginning of period | 3,120,411 | 4,738,197 |
| Cash and cash equivalents at end of period | 3,282,707 | 3,505,505 |

(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.