

# Consolidated Financial Results for the Three Months Ended June 30, 2022 [IFRS]



August 10, 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: August 10, 2022

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, 2022 (April 1, 2022 to June 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	%
Three months ended								
June 30, 2022	4,368	12.5	546	15.7	529	16.6	368	18.1
June 30, 2021	3,884	40.9	471	130.1	453	141.0	311	157.0

	Profit attributable to owners of parent		Comprehensive income	
	Million yen	%	Million yen	%
Three months ended				
June 30, 2022	361	15.5	371	18.5
June 30, 2021	313	158.6	313	159.7

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended				
June 30, 2022	26.05		26.05	
June 30, 2021	22.50		22.40	

(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, 2022	22,667		14,932		14,896		65.7	
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	—				
Fiscal year ending March 31, 2023 (Forecast)		0.00	—	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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half	8,600	4.5	1,090	(13.0)	1,048	(13.9)	730	(13.4)
Full year	17,000	5.8	2,200	3.0	2,120	2.7	1,465	3.8

	Profit attributable to owners of parent		Basic earnings per share	
	Million yen	%	Yen	
First half	730	(13.7)	52.53	
Full year	1,465	0.8	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):
    - June 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:
    - June 30, 2022: 207,234 shares
    - March 31, 2022: 207,234 shares
  - 3) Average number of shares during the period:
    - Three months ended June 30, 2022: 13,895,766 shares
    - Three months ended June 30, 2021: 13,929,992 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, 2022, the Japanese economy showed signs of recovery in business confidence due in part to the easing of restrictions on social activity, although the effects of the novel coronavirus infection are still visible. On the other hand, the situation remains unpredictable, as there are still plenty of downside risks to the economy, such as the sharp rise in resource prices caused by the Russian invasion of Ukraine, the supply chain disruptions caused by the spread of the novel coronavirus infection and the enforcement of strict lockdown measures in China, as well as exchange rate and other fluctuations in financial and capital markets.

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, while total construction investments in April to May 2022 showed signs of stagnation at ¥7,500 billion (down 0.3% year on year), demand was seen mainly in the private sector. Against the backdrop of the aforementioned environment, the Scaffolding Equipment Division saw demand mainly for our mainstay wedge binding type scaffolding and next generation scaffolding. 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 are reviewing 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 three months ended June 30, 2022 came to 12.5% (improved by 0.4 percentage points year on year).

As a result of the above, revenue for the three months ended June 30, 2022 amounted to ¥4,368 million (up 12.5% year on year). Operating profit was ¥546 million (up 15.7% year on year). Profit before tax amounted to ¥529 million (up 16.6% year on year), and profit attributable to owners of parent amounted to ¥361 million (up 15.5% 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, against the backdrop of strong demand for construction work projects. In particular, thanks to a continued high interest in safety equipment to improve safety at construction sites, customer inquiries for and sales of our products with excellent workability remained strong.

As a result, revenue of the Scaffolding Equipment Division for the three months ended June 30, 2022 amounted to ¥3,098 million (up 2.0% year on year).

#### 2) Logistics Equipment Division

In the Logistics Equipment Division, with an eye toward the post-pandemic society, there were signs of revitalization of production activity and an increase in distribution volume in various industries. Reflecting these situations, in addition to stable orders received for the existing repeated projects, the newly acquired projects for pallets to transport materials for electrical equipment significantly contributed to the increase in revenue.

As a result, revenue of the Logistics Equipment Division for the three months ended June 30, 2022 amounted to ¥1,270 million (up 50.0% year on year).

(Thousand yen)

Name of product and service		For the three months ended June 30, 2021	For the three months ended June 30, 2022
Scaffolding equipment	Wedge binding type scaffolding	1,794,255	1,886,807
	Next generation scaffolding	519,618	491,038
	Other scaffolding equipment	723,400	720,390
	Subtotal	3,037,273	3,098,236
Logistics equipment	Pallets	847,089	1,270,388
	Subtotal	847,089	1,270,388
Total		3,884,363	4,368,625

Note: Revenue stated in other scaffolding equipment and pallets includes revenue derived from leases under IFRS 16 of ¥86,413 thousand in the three-month period of the previous fiscal year and ¥127,880 thousand in the period under review.

## (2) Explanation of Financial Position

### (Assets)

Current assets at the end of the first quarter of the fiscal year under review increased by ¥98 million from the end of the previous fiscal year to ¥9,179 million, mainly due to factors such as an increase in trade and other receivables of ¥877 million and an increase in inventories of ¥531 million, despite a decrease in cash and cash equivalents of ¥1,357 million. Additionally, non-current assets increased by ¥53 million from the end of the previous fiscal year to ¥13,487 million. The increase was primarily attributable to an increase in property, plant and equipment of ¥60 million. As a result, total assets increased by ¥151 million from the end of the previous fiscal year to ¥22,667 million.

### (Liabilities)

Current liabilities at the end of the first quarter of the fiscal year under review increased by ¥397 million from the end of the previous fiscal year to ¥3,949 million, mainly due to factors such as an increase in trade and other payables of ¥242 million and an increase in borrowings of ¥262 million. Additionally, non-current liabilities decreased by ¥19 million from the end of the previous fiscal year to ¥3,784 million. As a result, total liabilities increased by ¥377 million from the end of the previous fiscal year to ¥7,734 million.

### (Equity)

Total equity at the end of the first quarter of the fiscal year under review decreased by ¥225 million from the end of the previous fiscal year to ¥14,932 million. This was mainly attributable to factors such as the posting of profit attributable to owners of parent of ¥361 million and dividends paid of ¥597 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 ¥2,103 million, a decrease of ¥1,357 million from the end of the previous fiscal year.

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

### (Cash flows from operating activities)

Net cash used in operating activities for the three months ended June 30, 2022 was ¥617 million (inflow of ¥144 million for the corresponding period of the previous fiscal year). The main factors affecting cash inflows are related to profit before tax of ¥529 million, depreciation and amortization of ¥151 million, and an increase in trade and other payables of ¥460 million. The main factors affecting cash outflows are related to income taxes paid of ¥416 million, an increase in trade and other receivables of ¥856 million, and an increase in inventories of ¥531 million.

(Cash flows from investing activities)

Net cash used in investing activities for the three months ended June 30, 2022 was ¥371 million, an increase of ¥89 million year on year. The main factor affecting cash outflows is purchase of property, plant and equipment of ¥353 million.

(Cash flows from financing activities)

Net cash used in financing activities for the three months ended June 30, 2022 was ¥372 million, a decrease of ¥491 million year on year. The main factor affecting cash inflows is proceeds from short-term borrowings of ¥247 million, while the main factor affecting cash outflows is dividends paid of ¥580 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, 2023, 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, 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 June 30, 2022
<b>Assets</b>		
Current assets		
Cash and cash equivalents	3,460,569	2,103,076
Trade and other receivables	2,759,028	3,636,979
Inventories	2,467,765	2,999,304
Other current assets	393,795	440,262
Total current assets	9,081,159	9,179,622
Non-current assets		
Property, plant and equipment	2,450,806	2,510,827
Right-of-use assets	324,090	309,760
Goodwill	9,221,769	9,221,769
Intangible assets	1,371,800	1,375,197
Other financial assets	55,942	57,979
Other non-current assets	10,115	12,271
Total non-current assets	13,434,524	13,487,806
Total assets	22,515,684	22,667,428



(Thousand yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	1,192,304	1,434,420
Borrowings	1,622,952	1,885,594
Income taxes payable	416,686	173,000
Other financial liabilities	125,254	123,061
Other current liabilities	195,211	333,885
Total current liabilities	3,552,409	3,949,962
Non-current liabilities		
Borrowings	3,234,979	3,237,025
Provisions	45,520	45,531
Other financial liabilities	237,062	216,710
Deferred tax liabilities	283,230	281,574
Other non-current liabilities	3,900	3,900
Total non-current liabilities	3,804,693	3,784,742
Total liabilities	7,357,103	7,734,704
Equity		
Share capital	153,576	153,576
Capital surplus	6,919,802	6,919,802
Retained earnings	8,211,397	7,975,851
Treasury shares	(163,101)	(163,101)
Other components of equity	9,065	10,437
Total equity attributable to owners of parent	15,130,740	14,896,567
Non-controlling interests	27,840	36,155
Total equity	15,158,581	14,932,723
Total liabilities and equity	22,515,684	22,667,428

(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, 2021	For the three months ended June 30, 2022
Revenue	3,884,363	4,368,625
Cost of sales	(2,937,165)	(3,316,142)
Gross profit	947,198	1,052,483
Selling, general and administrative expenses	(478,341)	(508,942)
Other income	3,482	3,239
Other expenses	(392)	(516)
Operating profit	471,947	546,263
Finance income	191	70
Finance costs	(18,215)	(16,845)
Profit before tax	453,924	529,488
Income tax expense	(142,144)	(161,155)
Profit	311,779	368,332
Profit attributable to		
Owners of parent	313,447	361,972
Non-controlling interests	(1,667)	6,360
Profit	311,779	368,332
Earnings per share		
Basic earnings per share (yen)	22.50	26.05
Diluted earnings per share (yen)	22.40	26.05

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

(Thousand yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Profit	311,779	368,332
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	–	(663)
Total of items that will not be reclassified to profit or loss	–	(663)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	1,976	3,990
Total of items that may be reclassified to profit or loss	1,976	3,990
Other comprehensive income, net of tax	1,976	3,327
Comprehensive income	313,756	371,660
Comprehensive income attributable to:		
Owners of parent	314,455	363,344
Non-controlling interests	(699)	8,315
Comprehensive income	313,756	371,660

(3) Condensed Quarterly Consolidated Statement of Changes in Equity  
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

For the Three Months Ended June 30, 2022 (From April 1, 2022 to June 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	–	–	361,972	–	–	–	–	361,972	6,360	368,332
Other comprehensive income	–	–	–	–	(663)	2,035	1,371	1,371	1,955	3,327
Comprehensive income	–	–	361,972	–	(663)	2,035	1,371	363,344	8,315	371,660
Purchase of treasury shares	–	–	–	–	–	–	–	–	–	–
Dividends	–	–	(597,517)	–	–	–	–	(597,517)	–	(597,517)
Total transactions with owners	–	–	(597,517)	–	–	–	–	(597,517)	–	(597,517)
Balance at end of period	153,576	6,919,802	7,975,851	(163,101)	(801)	11,239	10,437	14,896,567	36,155	14,932,723

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

(Thousand yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Cash flows from operating activities		
Profit before tax	453,924	529,488
Depreciation and amortization	146,357	151,801
Finance income and finance costs	18,023	16,775
Loss on disposal of property, plant and equipment	0	0
Share-based payment expenses	—	775
Decrease (increase) in inventories	(69,792)	(531,193)
Decrease (increase) in trade and other receivables	(73,729)	(856,962)
Increase (decrease) in trade and other payables	253,370	460,106
Other	27,008	39,935
Subtotal	755,163	(189,273)
Interest and dividends received	191	70
Interest paid	(11,035)	(11,165)
Income taxes paid	(599,412)	(416,793)
Net cash provided by (used in) operating activities	144,907	(617,161)
Cash flows from investing activities		
Purchase of property, plant and equipment	(282,208)	(353,283)
Purchase of intangible assets	(200)	(15,300)
Payments for acquisition of financial assets	—	(2,969)
Other	273	(4)
Net cash provided by (used in) investing activities	(282,134)	(371,556)
Cash flows from financing activities		
Proceeds from short-term borrowings	—	247,596
Repayments of short-term borrowings	(57,295)	(2,296)
Payments of financial expenditures	(3,059)	(2,599)
Dividends paid	(479,524)	(580,874)
Purchase of treasury shares	(299,239)	—
Repayments of lease liabilities	(24,898)	(34,086)
Net cash provided by (used in) financing activities	(864,018)	(372,260)
Effect of exchange rate changes on cash and cash equivalents	2,254	3,485
Net increase (decrease) in cash and cash equivalents	(998,990)	(1,357,493)
Cash and cash equivalents at beginning of period	4,738,197	3,460,569
Cash and cash equivalents at end of period	3,739,207	2,103,076

(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 three-month period in the previous fiscal year has been reclassified.

As a result, ¥10,628 thousand which was presented as “cost of sales” in the condensed quarterly consolidated statement of profit or loss for the three-month period in the previous fiscal year has been reclassified as “selling, general and administrative expenses.”

(Significant subsequent events)

There is no relevant information.