

# Consolidated Financial Results for the Nine Months Ended December 31, 2023 [IFRS]



February 14, 2024

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: February 14, 2024

Scheduled date of commencing dividend payments: –

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: None

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

## 1. Consolidated Financial Results for the Nine Months Ended December 31, 2023

(April 1, 2023 to December 31, 2023)

(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	%
Nine months ended December 31, 2023	9,675	(20.2)	694	(50.0)	656	(50.9)	441	(52.2)
December 31, 2022	12,130	(4.0)	1,389	(26.8)	1,338	(27.4)	923	(27.0)

	Profit attributable to owners of parent		Comprehensive income		Basic earnings per share	Diluted earnings per share
	Million yen	%	Million yen	%	Yen	Yen
Nine months ended December 31, 2023	439	(52.9)	444	(51.4)	31.58	–
December 31, 2022	932	(27.8)	914	(28.0)	67.06	67.05

(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 December 31, 2023	20,871	15,339	15,330	73.5
As of March 31, 2023	21,294	15,552	15,545	73.0

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2023	–	0.00	–	32.00	32.00
Fiscal year ending March 31, 2024	–	16.00	–		
Fiscal year ending March 31, 2024 (Forecast)				16.00	32.00

Note: Revision to the dividends forecast announced most recently: None

**3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024**  
**(April 1, 2023 to March 31, 2024)**

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Full year	15,100	2.3	1,371	(8.7)	1,317	(8.2)	907	(8.0)

	Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Yen
Full year	907	(10.0)	65.24

Note: Revision to the financial results forecast announced most recently: None

**\* Notes:**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
  - 1) Changes in accounting policies required by IFRS: None
  - 2) Changes in accounting policies other than 1) above: None
  - 3) Changes in accounting estimates: None
- (3) Total number of issued shares (common shares)
  - 1) Total number of issued shares at the end of the period (including treasury shares):
    - December 31, 2023: 14,103,000 shares
    - March 31, 2023: 14,103,000 shares
  - 2) Total number of treasury shares at the end of the period:
    - December 31, 2023: 198,634 shares
    - March 31, 2023: 192,518 shares
  - 3) Average number of shares during the period:
    - Nine months ended December 31, 2023: 13,905,744 shares
    - Nine months ended December 31, 2022: 13,901,762 shares

\*These quarterly 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 on page 4 of the attachments.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

During the first nine months of the current fiscal year, the Japanese economy was supported by upturns in consumer spending, capital expenditures and employment and other positive trends in social activities. However, the outlook remains uncertain as there is still a risk of an economic downturn due to the prolonged weakness of the yen, high prices of materials and resources, concerns about the outlook for the Chinese economy, and the conflicts in the Middle East and Ukraine.

In the construction industry, which is the main source of demand for our products, construction investments were generally stable, amounting to ¥37 trillion between April and November 2023 (up 2.4% year on year), according to “Comprehensive Construction Statistics” published by the Ministry of Land, Infrastructure, Transport and Tourism. However, according to “Building Starts Statistics” by the said ministry, the number of residential and non-residential construction starts during the same period decreased 6.6% from one year earlier to 594,496 and the total floor area of construction starts was down 10.2% to 70,249 thousand square meters. Although construction investments increased, the level of construction starts is low. This is mainly the result of the high cost and shortage of building materials as well as the shortage of construction workers and rising wages for these workers. The Japanese government is firmly committed to making consistent and rapid progress with measures to increase the country’s resilience to natural disasters as unusual weather events become increasingly severe and frequent. Furthermore, large urban redevelopment projects are likely to continue for many more years.

In this difficult business climate, there were many activities for generating sales that included proposals to customers that combine purchases and rentals of scaffolding for more flexibility. In addition, we made progress with preparations for increasing sales in categories where long-term demand growth is expected and of new products for projects for resilience to natural disasters. For example, we continued to supply our multi-level linked scaffolding, which is ideal for high-rise buildings, and started selling and renting Rapid Floor™, a suspended system scaffold that was developed with a large bridge construction company and construction equipment leasing company.

In the Logistics Equipment Division, there was a decline in orders even though demand is generally recovering. The main reason is variations in different industries regarding the volume and timing of the required equipment. A delay in the recognition of sales resulting from a large logistics warehouse order also affected the performance of this division. Sales activities are aimed at adding more market sectors for logistics equipment by identifying opportunities involving demand and projects in industries not yet served by this division.

Activities to hold down expenses are continuing. To maintain sound relationships with partner companies and a production framework capable of restoring the volume of products we supply, we responded to requests from these companies to revise prices. Selling, general and administration expenses decreased because of a big downturn in shipping and delivery expenses due to the smaller volume of products shipped. To maintain the soundness of our organization, we increased expenditures and benefits for employees. There were also expenses for the start of a shareholder benefit program as part of measures to distribute earnings to shareholders.

As a result, revenue for the first nine months decreased 20.2% from one year earlier to ¥9,675 million. Operating profit was down 50.0% to ¥694 million, profit before tax was down 50.9% to ¥656 million, and profit attributable to owners of parent was down 52.9% to ¥439 million.

The following section explains the performance of business divisions because the Shinwa Group has one business segment.

## 1) Scaffolding Equipment Division

Customers are continuing to rent rather than purchase scaffolding equipment because of the high prices of materials and products and the rising wages for construction workers since the third quarter of the previous fiscal year. There are also challenges due to postponements and delays of construction projects caused by the shortage of construction workers. Although the demand for scaffolding equipment is stable, some customers are pushing back purchases of wedge binding type scaffolding. In addition, the sales volume decreased year on year because there was a large volume of purchases in the first nine months of the previous fiscal year prior to price revisions.

Sales in this division have been recovering primarily because of the large volume of scaffolding rentals since October and strong demand for next-generation scaffolding. However, a large order that was expected earlier in the fiscal year has been delayed to the fourth quarter.

As a result, revenue for the first nine months in the Scaffolding Equipment Division decreased 15.3% to ¥7,182 million.

## 2) Logistics Equipment Division

The Logistics Equipment Division received orders, primarily for large logistics warehouse equipment and other repeat projects, steadily during the first nine months because of a higher level of production in many industries. Sales decreased because of a decline in the volume of orders for bulk containers for shipping liquids and the delay to the fourth quarter of one-time sales of products for large logistics warehouses, the transportation of materials for electrical equipment and other applications.

As a result, revenue for the first nine months in the Logistics Equipment Division decreased 31.7% to ¥2,493 million.

(Thousand yen)

Name of product and service		For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Scaffolding equipment	Wedge binding type scaffolding	5,155,426	3,877,435
	Next generation scaffolding	1,278,559	1,297,181
	Other scaffolding equipment	2,048,569	2,007,720
	Subtotal	8,482,555	7,182,337
Logistics equipment	Pallets	3,648,386	2,493,087
	Subtotal	3,648,386	2,493,087
Total		12,130,942	9,675,425

Note: Revenue stated in other scaffolding equipment and pallets includes revenue from leases under IFRS 16 of ¥416,811 thousand in the nine months ended December 31, 2022 and ¥345,409 thousand in nine months ended December 31, 2023.

## (2) Explanation of Financial Position

### (Assets)

Current assets at the end of the third quarter of the current fiscal year decreased by ¥378 million from the end of the previous fiscal year to ¥7,583 million, mainly due to factors such as a decrease in cash and cash equivalents of ¥409 million and a decrease in inventories of ¥303 million despite an increase in trade and other receivables of ¥267 million. Non-current assets decreased by ¥44 million from the end of the previous fiscal year to ¥13,287 million. As a result, total assets decreased by ¥423 million from the end of the previous fiscal year to ¥20,871 million.

(Liabilities)

Current liabilities at the end of the third quarter of the current fiscal year decreased by ¥2,163 million from the end of the previous fiscal year to ¥3,078 million, mainly due to factors such as a decrease in borrowings of ¥2,752 million due to the refinancing of the syndicated loan. Non-current liabilities increased by ¥1,952 million from the end of the previous fiscal year to ¥2,453 million, mainly due to factors such as an increase in borrowings of ¥1,960 million due to the refinancing of the syndicated loan. As a result, total liabilities decreased by ¥210 million from the end of the previous fiscal year to ¥5,532 million.

(Equity)

Total equity at the end of the third quarter of the current fiscal year decreased by ¥213 million from the end of the previous fiscal year to ¥15,339 million. This was mainly attributable to factors such as the posting of profit attributable to owners of parent of ¥439 million and dividends paid of ¥667 million.

(3) Overview of Cash Flows

Cash and cash equivalents (hereinafter “cash”) at the end of the first nine months of the current fiscal year was ¥1,654 million, a decrease of ¥409 million from the end of the previous fiscal year.

Cash flows from each activity for the first nine months of the current fiscal year and their primary factors are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities for the first nine months of the current fiscal year was ¥1,529 million, an increase of ¥1,366 million year on year. Main factors affecting cash inflows were profit before tax of ¥656 million, an increase in trade and other payables of ¥563 million, depreciation and amortization of ¥434 million and a decrease in inventories of ¥303 million. The main factors affecting cash outflows were income taxes paid of ¥351 million and an increase in trade and other receivables of ¥269 million.

(Cash flows from investing activities)

Net cash used in investing activities for the first nine months of the current fiscal year was ¥396 million, a decrease of ¥198 million year on year. The main factors affecting cash outflows were purchase of property, plant and equipment of ¥390 million.

(Cash flows from financing activities)

Net cash used in financing activities for the first nine months of the current fiscal year was ¥1,543 million, an increase of ¥453 million year on year. Main factors include proceeds from long-term borrowings of ¥2,500 million due to the refinancing of the syndicated loan and repayments of long-term borrowings of ¥3,250 million.

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

There are no revisions to the fiscal year forecast for consolidated sales and earnings that was announced on May 12, 2023, because examinations are under way concerning the outlook for changes in market conditions and results of operations. An announcement will be made promptly if any revisions are needed.

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

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

	(Thousand yen)	
	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	2,063,796	1,654,684
Trade and other receivables	2,450,073	2,718,005
Inventories	3,406,646	3,103,298
Other current assets	41,560	107,565
Total current assets	7,962,077	7,583,554
Non-current assets		
Property, plant and equipment	2,403,561	2,394,131
Right-of-use assets	240,048	210,289
Goodwill	9,221,769	9,221,769
Intangible assets	1,387,641	1,362,648
Other financial assets	68,259	90,594
Other non-current assets	11,537	8,455
Total non-current assets	13,332,817	13,287,889
Total assets	21,294,895	20,871,443

(Thousand yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	664,207	1,278,635
Borrowings	4,242,189	1,490,019
Income taxes payable	122,676	—
Other financial liabilities	89,510	67,513
Other current liabilities	122,936	242,201
Total current liabilities	5,241,520	3,078,370
Non-current liabilities		
Borrowings	—	1,960,078
Provisions	45,122	44,689
Other financial liabilities	170,269	150,464
Deferred tax liabilities	281,743	294,693
Other non-current liabilities	3,900	3,900
Total non-current liabilities	501,035	2,453,825
Total liabilities	5,742,555	5,532,196
Equity		
Share capital	153,576	153,576
Capital surplus	6,918,346	6,918,346
Retained earnings	8,621,667	8,393,179
Treasury shares	(151,505)	(151,505)
Other components of equity	3,710	16,673
Total equity attributable to owners of parent	15,545,795	15,330,271
Non-controlling interests	6,543	8,975
Total equity	15,552,339	15,339,247
Total liabilities and equity	21,294,895	20,871,443



## (2) Condensed Quarterly Consolidated Statements of Profit or Loss and Comprehensive Income

### Condensed Quarterly Consolidated Statement of Profit or Loss For the Nine-Month Period

(Thousand yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Revenue	12,130,942	9,675,425
Cost of sales	(9,211,006)	(7,507,067)
Gross profit	2,919,936	2,168,357
Selling, general and administrative expenses	(1,499,333)	(1,465,314)
Other income	13,276	26,598
Other expenses	(44,483)	(35,463)
Operating profit	1,389,396	694,178
Finance income	641	1,068
Finance costs	(51,824)	(38,579)
Profit before tax	1,338,213	656,667
Income tax expense	(415,176)	(215,287)
Profit	923,036	441,379
Profit attributable to		
Owners of parent	932,238	439,117
Non-controlling interests	(9,201)	2,261
Profit	923,036	441,379
Earnings per share		
Basic earnings per share (yen)	67.06	31.58
Diluted earnings per share (yen)	67.05	—

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

(Thousand yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	923,036	441,379
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	1,468	4,645
Total of items that will not be reclassified to profit or loss	1,468	4,645
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	104	348
Cash flow hedges	(9,626)	(1,636)
Total of items that may be reclassified to profit or loss	(9,522)	(1,288)
Other comprehensive income, net of tax	(8,053)	3,356
Comprehensive income	914,983	444,735
Comprehensive income attributable to		
Owners of parent	924,133	442,303
Non-controlling interests	(9,150)	2,432
Comprehensive income	914,983	444,735

### (3) Condensed Quarterly Consolidated Statement of Changes in Equity

For the Nine Months Ended December 31, 2022 (From April 1, 2022 to December 31, 2022)

(Thousand yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares
Balance at beginning of period	153,576	6,919,802	8,211,397	(163,101)
Profit	—	—	932,238	—
Other comprehensive income	—	—	-	—
Comprehensive income	—	—	932,238	—
Dividends	—	—	(597,517)	—
Share-based payment transactions	—	(131)	-	7,971
Total transactions with owners	—	(131)	(597,517)	7,971
Balance at end of period	153,576	6,919,671	8,546,117	(155,130)

(Thousand yen)

	Other components of equity				Total equity attributable to owners of parent	Non-controlling interests	Equity
	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance at beginning of period	(138)	9,203	—	9,065	15,130,740	27,840	15,158,581
Profit	—	—	—	—	932,238	(9,201)	923,036
Other comprehensive income	1,468	53	(9,626)	(8,104)	(8,104)	51	(8,053)
Comprehensive income	1,468	53	(9,626)	(8,104)	924,133	(9,150)	914,983
Dividends	—	—	—	—	(597,517)	—	(597,517)
Share-based payment transactions	—	—	—	—	7,839	—	7,839
Total transactions with owners	—	—	—	—	(589,678)	—	(589,678)
Balance at end of period	1,330	9,257	(9,626)	961	15,465,196	18,689	15,483,886

For the Nine Months Ended December 31, 2023 (From April 1, 2023 to December 31, 2023)

(Thousand yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares
Balance at beginning of period	153,576	6,918,346	8,621,667	(151,505)
Profit	—	—	439,117	—
Other comprehensive income	—	—	-	—
Comprehensive income	—	—	439,117	—
Dividends	—	—	(667,605)	—
Share-based payment transactions	—	—	-	—
Total transactions with owners	—	—	(667,605)	—
Balance at end of period	153,576	6,918,346	8,393,179	(151,505)

(Thousand yen)

	Other components of equity				Total	Total equity attributable to owners of parent	Non-controlling interests	Equity
	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges					
Balance at beginning of period	2,025	9,825	(8,140)	3,710	15,545,795	6,543	15,552,339	
Profit	—	—	—	—	439,117	2,261	441,379	
Other comprehensive income	4,645	177	(1,636)	3,186	3,186	170	3,356	
Comprehensive income	4,645	177	(1,636)	3,186	442,303	2,432	444,735	
Dividends	—	—	—	—	(667,605)	—	(667,605)	
Share-based payment transactions	—	—	9,777	9,777	9,777	—	9,777	
Total transactions with owners	—	—	9,777	9,777	(657,827)	—	(657,827)	
Balance at end of period	6,670	10,003	—	16,673	15,330,271	8,975	15,339,247	

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

(Thousand yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Cash flows from operating activities		
Profit before tax	1,338,213	656,667
Depreciation and amortization	453,287	434,039
Finance income and finance costs	51,183	37,511
Loss (gain) on sale of fixed assets	(5,396)	(14,713)
Loss on disposal of property, plant and equipment	11	5,661
Share-based payment expenses	4,694	1,184
Decrease (increase) in inventories	(988,194)	303,348
Decrease (increase) in trade and other receivables	150,691	(269,167)
Increase (decrease) in trade and other payables	(221,779)	563,544
Other	190,659	183,499
Subtotal	973,371	1,901,575
Interest and dividends received	641	1,068
Interest paid	(34,926)	(21,069)
Income taxes paid	(775,869)	(351,938)
Income taxes refund	-	142
Net cash provided by (used in) operating activities	163,217	1,529,778
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	5,507	14,259
Purchase of property, plant and equipment	(556,733)	(390,952)
Purchase of intangible assets	(34,629)	(9,632)
Payments for acquisition of financial assets	(9,141)	(9,752)
Other	45	(154)
Net cash provided by (used in) investing activities	(594,950)	(396,232)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,425,432	1,000,000
Repayments of short-term borrowings	(1,554,979)	(1,000,000)
Proceeds from long-term borrowings	-	2,500,000
Repayments of long-term borrowings	(250,000)	(3,250,000)
Payments of financial expenditures	(7,808)	(59,482)
Dividends paid	(599,029)	(665,700)
Repayments of lease liabilities	(102,801)	(67,900)
Net cash provided by (used in) financing activities	(1,089,186)	(1,543,082)
Effect of exchange rate changes on cash and cash equivalents	(1,304)	424
Net increase (decrease) in cash and cash equivalents	(1,522,223)	(409,112)
Cash and cash equivalents at beginning of period	3,460,569	2,063,796
Cash and cash equivalents at end of period	1,938,346	1,654,684

(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.