

Consolidated Financial Results for the Nine Months Ended December 31, 2019 [IFRS]



February 7, 2020

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 7, 2020

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 Nine Months Ended December 31, 2019 (April 1, 2019 to December 31, 2019)

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

	Revenue		Operating profit		Profit before tax		Profit	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2019	13,688	1.2	1,831	14.6	1,778	14.5	1,220	21.4
December 31, 2018	13,522	9.7	1,598	(13.1)	1,552	(13.2)	1,005	(13.8)

	Profit attributable to owners of parent		Comprehensive income	
Nine months ended	Million yen	%	Million yen	%
December 31, 2019	1,220	21.4	1,220	21.3
December 31, 2018	1,005	(13.8)	1,006	(13.8)

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2019	87.28	86.22
December 31, 2018	72.93	71.98

(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, 2019	21,664	13,493	13,493	62.3
As of March 31, 2019	21,172	12,859	12,859	60.7

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2019	Yen —	Yen 0.00	Yen —	Yen 44.00	Yen 44.00
Fiscal year ending March 31, 2020	—	0.00	—		
Fiscal year ending March 31, 2020 (Forecast)				44.00	44.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Full year	17,000	(2.9)	2,060	4.9	1,990	5.0	1,400	5.1

	Profit attributable to owners of parent		Basic earnings per share	
	Million yen	%	Yen	
Full year	1,400	5.1	100.08	

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): Yes

New companies: 1 (Company name) GUANGDONG NISSHIN-CHUANGFU ADVANCED CONSTRUCTION MATERIALS Co., Ltd.

Excluded companies: 1 (Company name) Shinwa Service Co., Ltd.

On October 1, 2019, the Company conducted an absorption-type merger with the Company as the surviving company and Shinwa Service Co., Ltd. as the disappearing company.

On November 27, 2019, the Company newly established GUANGDONG NISSHIN-CHUANGFU ADVANCED CONSTRUCTION MATERIALS Co., Ltd., and therefore GUANGDONG NISSHIN-CHUANGFU ADVANCED CONSTRUCTION MATERIALS Co., Ltd. is included in the scope of consolidation.

- (2) Changes in accounting policies and changes in accounting estimates

1) Changes in accounting policies required by IFRS: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

(Note) For the details, please refer to (5) Notes to Condensed Quarterly Consolidated Financial Statements (Changes in accounting policies) in 2. Condensed Quarterly Consolidated Financial Statements and Primary Notes on page 13 of the Attachment.

- (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, 2019: 13,988,800 shares

March 31, 2019: 13,988,800 shares

2) Total number of treasury shares at the end of the period:

December 31, 2019: - shares

March 31, 2019: - shares

3) Average number of shares during the period:

Nine months ended December 31, 2019: 13,988,800 shares

Nine months ended December 31, 2018: 13,788,400 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.

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Operating Results.....	2
(2) Explanation of Financial Position	4
(3) Overview of Cash Flows	4
(4) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information	5
2. Condensed Quarterly Consolidated Financial Statements and Primary Notes.....	7
(1) Condensed Quarterly Consolidated Statement of Financial Position.....	7
(2) Condensed Quarterly Consolidated Statements of Profit or Loss and Comprehensive Income	9
(3) Condensed Quarterly Consolidated Statement of Changes in Equity	11
(4) Condensed Quarterly Consolidated Statement of Cash Flows.....	12
(5) Notes to Condensed Quarterly Consolidated Financial Statements.....	13
(Notes on going concern assumption)	13
(Changes in accounting policies).....	13
(Significant subsequent events).....	13

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

(1) Explanation of Operating Results

During the nine months ended December 31, 2019, the Japanese economy was on a moderate recovery trend amid ongoing improvement in employment and income conditions backed by the government's economic policies. The overall environment, however, remains unpredictable due to the impact of increased tension regarding trade issues on the global economy, uncertainties in overseas economies, and the effect of fluctuations in financial and capital markets.

In the construction industry, which is the supply destination of products manufactured by the Company, total construction investments during the period from April to November 2019 were solid at ¥35,906.0 billion (up ¥745.0 billion year on year), according to the "Comprehensive construction statistics" published by the Ministry of Land, Infrastructure, Transport and Tourism.

In the field of construction sites, a need for improving construction work efficiency and for shortening construction periods due to a serious labor shortage issue as well as work-style reforms and other initiatives alongside demand for safety equipment that will contribute to the accident prevention at construction sites in response to revisions of safety and health regulations have been strong.

In such a business environment, the Group has worked to increase the quality of the products and to expand their sales under its mission "We protect precious lives through our products and services."

Revenue for the nine months ended December 31, 2019 amounted to ¥13,688 million (up 1.2% year on year) as a result of continuous revisions in sales prices, in addition to steady revenue mainly from wedge binding type scaffolding due to factors such as an increase in construction work projects in local regions and increased demand for fall arrest and fall prevention safety equipment to enhance safety at construction sites.

In terms of gross profit, although the costs of steel materials and other raw materials remained high, we strove to suppress rising procurement costs through utilizing a variety of procurement channels and negotiations with suppliers, and successfully kept procurement costs within an anticipated range.

As a result, the gross profit ratio for the nine months ended December 31, 2019 came to 25.2%, improving by 2.4 percentage points year on year.

Operating profit for the nine months ended December 31, 2019 was ¥1,831 million (up 14.6% year on year) and the operating profit ratio was 13.4% (improved by 1.6 percentage points year on year). This was attributable to an increase in gross profit that outweighed increased selling, general and administrative expenses such as shipping and delivery costs, taxes and dues associated with the application of sized-based business tax, and personnel expenses.

As a result, profit before tax for the nine months ended December 31, 2019 amounted to ¥1,778 million (up 14.5% year on year), and profit attributable to owners of parent amounted to ¥1,220 million (up 21.4% 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

The Scaffolding Equipment Division manufactures and sells two product groups: “wedge binding type scaffolding” primarily targeted at low- to mid-rise structures such as detached housing; and “next generation scaffolding” primarily for mid- to high-rise large structures and public works.

For wedge binding type scaffolding, construction demand was strong in both the public and private sectors on the back of restoration and reconstruction works that have continued in the wake of natural disasters and vigor in infrastructure maintenance and redevelopment projects in areas outside the Tokyo metropolitan area, while construction works related to the Tokyo Olympics and Paralympic Games have quieted down. In addition, we also focused on developing and supplying fall arrest and fall prevention safety equipment aimed at enhancing safety at construction sites, following an increase in demand for these products. As a result of these factors, revenue from wedge binding type scaffolding amounted to ¥7,386 million (up 17.2% year on year).

In next generation scaffolding, although we have been working on acquiring new customers by focusing on areas outside the Tokyo metropolitan area where construction projects are expected to increase, we have yet to fully cover the impact of a decline in demand from major scaffolding equipment lease companies and other customers that became apparent from the second half of the previous fiscal year. As a result of these factors, revenue from next generation scaffolding amounted to ¥1,616 million (down 25.6% year on year).

As a result of these factors, revenue for the Scaffolding Equipment Division amounted to ¥11,734 million (up 6.9% year on year).

2) Logistics Equipment Division

In the Logistics Equipment Division, the number of completed construction projects, such as in large-scale construction works for distribution warehouses, decreased in the nine months ended December 31, 2019, compared to the previous fiscal year, becoming a factor that pushed down revenue.

As a result of these factors, revenue for the Logistics Equipment Division was ¥1,954 million (down 23.1% year on year).

		(Thousand yen)	
Name of product and service		For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
Scaffolding Equipment	Wedge binding type scaffolding	6,300,384	7,386,643
	Next generation scaffolding	2,173,283	1,616,487
	Other scaffolding equipment	2,507,057	2,731,184
	Subtotal	10,980,725	11,734,315
Logistics Equipment	Pallets	2,541,626	1,954,396
	Subtotal	2,541,626	1,954,396
Total		13,522,351	13,688,712

(2) Explanation of Financial Position

(Assets)

Current assets at the end of the third quarter of the fiscal year under review increased by ¥346 million from the end of the previous fiscal year to ¥8,410 million, mainly due to factors such as an increase in cash and cash equivalents of ¥512 million. Additionally, non-current assets increased by ¥145 million from the end of the previous fiscal year to ¥13,253 million. The increase was primarily attributable to factors such as an increase in right-of-use assets of ¥344 million in line with the application of IFRS 16 “Leases.” As a result, total assets increased by ¥491 million from the end of the previous fiscal year to ¥21,664 million.

(Liabilities)

Current liabilities at the end of the third quarter of the fiscal year under review decreased by ¥88 million from the end of the previous fiscal year to ¥2,088 million, mainly due to factors such as a decrease in trade and other payables of ¥227 million despite an increase in income taxes payable of ¥112 million. Additionally, non-current liabilities decreased by ¥53 million from the end of the previous fiscal year to ¥6,082 million. This was primarily attributable to a decrease in borrowings of ¥237 million, despite an increase in other financial liabilities of ¥198 million, mainly due to the application of IFRS 16 “Leases.” As a result, total liabilities decreased by ¥142 million from the end of the previous fiscal year to ¥8,170 million.

(Equity)

Total equity at the end of the third quarter of the fiscal year under review increased by ¥634 million from the end of the previous fiscal year to ¥13,493 million. This was mainly attributable to factors such as the posting of comprehensive income of ¥1,220 million and dividends paid of ¥615 million leading to an increase in retained earnings of ¥600 million.

(3) Overview of Cash Flows

Cash and cash equivalents (hereinafter “cash”) at the end of the third quarter of the fiscal year under review was ¥2,255 million, an increase of ¥512 million from the end of the previous fiscal year.

Cash flows from each activity for the nine months ended December 31, 2019 and their primary factors are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities for the nine months ended December 31, 2019 was ¥1,791 million, an increase of ¥699 million year on year. Factors causing an increase are primarily related to profit before tax of ¥1,778 million and depreciation and amortization of ¥499 million. Factors causing a decrease are primarily related to an increase in inventories of ¥472 million and income taxes paid of ¥486 million.

(Cash flows from investing activities)

Net cash used in investing activities for the nine months ended December 31, 2019 was ¥327 million, a decrease of ¥177 million year on year. The main factor affecting cash outflows is purchase of property, plant and equipment of ¥384 million.

(Cash flows from financing activities)

Net cash used in financing activities for the nine months ended December 31, 2019 was ¥951 million, an increase of ¥94 million year on year. The main factor affecting cash outflows is dividends paid of ¥612 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, 2020, no change has been made to the full-year consolidated financial results forecast, which was announced in the consolidated financial results on May 10, 2019.

With regard to the forecast for the fiscal year ending March 31, 2020, in the metal products manufacturing industry in which the Group operates, we understand the possibility that costs of raw materials such as steel materials and zinc will remain at high levels, putting pressure on corporate profits.

In the construction industry, which is the principal supply destination of products manufactured by the Company, there is concern over a decrease in large-scale construction works in the Tokyo metropolitan area with the Olympic Games near at hand. Meanwhile, in local regions, as demand is expected to increase for maintenance and repair works for social infrastructure and for house renovation, total construction investments are expected to remain steady.

Meanwhile, a recent rise in logistics costs and social issues such as labor shortages will have an impact on the Group's operations, and we are aware that the situation is still unpredictable.

Under these circumstances, the Group will implement flexible measures integrating its manufacturing and sales skills in order to expand profits while slashing costs.

1) Scaffolding Equipment Division

The Scaffolding Equipment Division develops two product groups: “wedge binding type scaffolding” targeted at low- to mid-rise structures such as detached housing; and “next generation scaffolding” for mid- to high-rise large structures and public works.

In wedge binding type scaffolding, demand for house renovation and maintenance and repair works for social infrastructure is expected to increase. In addition, it appears that the focus on enhancing safety across construction sites in general will continue to increase in future, and we expect demand to increase for fall arrest and fall prevention safety equipment that will contribute to solving this issue. Owing to these background conditions, revenue is projected to be strong.

In next generation scaffolding, despite concern over a decrease in large-scale construction works, needs for raising productivity and enhancing safety to cope with a serious labor shortage will continue, bringing about greater demand for switching from traditional frame scaffolding to next generation scaffolding. Taking this shift as a significant opportunity, the Company will continue to work on mass production and sales expansion of next generation scaffolding.

In addition, in November 2019, we established “GUANGDONG NISSHIN-CHUANGFU ADVANCED CONSTRUCTION MATERIALS Co., Ltd.,” a joint venture company in Foshan, Guangdong, China. Amid signs of growing momentum in areas such as enhancing safety, improving construction work efficiency, and environmental friendliness at construction sites in China, we will enter the local market by developing, manufacturing, and selling products that solve these issues while also conforming with standards and regulations in China. Furthermore, the impact of the establishment on consolidated financial results for the current fiscal year is immaterial. However, any impact on the consolidated financial results forecast will be promptly announced as soon as details are finalized.

As a result, for the Scaffolding Equipment Division, we anticipate revenue of ¥14,363 million (up 0.6% year on year).

2) Logistics Equipment Division

The Logistics Equipment Division has offered made-to-order products to a wide range of businesses and industries, in addition to the construction industry. Our products include pallets for the automobile industry, pallets for the electrical machinery and precision machinery industries, racks for distribution warehouses, and those for the agriculture and fishery industries and chemical industry. The Group will continue to raise its name recognition and acquire personnel to enter into new industries. At the same time, by forming an alliance

with distributors, we will aim to increase orders for general-purpose products and custom-order products.

In the fiscal year ending March 31, 2020, while demand for bulk container cages for liquid shipping is projected to remain strong, we plan to examine orders for projects with low profitability. Also, large-scale projects for distribution warehouses, which were the driving force for the previous fiscal year's results, are expected to decrease.

As a result, for the Logistics Equipment Division, we anticipate revenue of ¥2,637 million (down 18.5% year on year).

Based on the above, for the fiscal year ending March 31, 2020, we anticipate revenue of ¥17,000 million (down 2.9% year on year), operating profit of ¥2,060 million (up 4.9% year on year), profit before tax of ¥1,990 million (up 5.0% year on year), and profit attributable to owners of parent of ¥1,400 million (up 5.1% year on year).

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

	(Thousand yen)	
	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	1,742,662	2,255,519
Trade and other receivables	3,817,591	3,279,806
Inventories	2,382,330	2,854,523
Other financial assets	50,035	—
Other current assets	71,714	20,791
Total current assets	8,064,334	8,410,640
Non-current assets		
Property, plant and equipment	2,495,759	2,346,066
Right-of-use assets	—	344,943
Goodwill	9,221,769	9,221,769
Intangible assets	1,276,012	1,261,262
Other financial assets	83,382	67,209
Deferred tax assets	18,118	—
Other non-current assets	13,079	12,313
Total non-current assets	13,108,122	13,253,564
Total assets	21,172,457	21,664,205

	(Thousand yen)	
	As of March 31, 2019	As of December 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	1,180,307	953,193
Borrowings	494,427	495,435
Income taxes payable	174,928	287,771
Other financial liabilities	33,612	73,225
Other current liabilities	293,947	278,772
Total current liabilities	2,177,223	2,088,398
Non-current liabilities		
Borrowings	5,685,822	5,448,315
Provisions	45,588	45,593
Other financial liabilities	42,725	240,913
Deferred tax liabilities	358,189	343,847
Other non-current liabilities	3,900	3,900
Total non-current liabilities	6,136,226	6,082,571
Total liabilities	8,313,449	8,170,969
Equity		
Share capital	150,125	150,125
Capital surplus	6,915,576	6,949,150
Retained earnings	5,793,305	6,393,959
Total equity attributable to owners of parent	12,859,007	13,493,235
Total equity	12,859,007	13,493,235
Total liabilities and equity	21,172,457	21,664,205

(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, 2018	For the nine months ended December 31, 2019
Revenue	13,522,351	13,688,712
Cost of sales	(10,440,374)	(10,238,029)
Gross profit	3,081,977	3,450,682
Selling, general and administrative expenses	(1,493,741)	(1,619,334)
Other income	12,738	5,086
Other expenses	(2,351)	(4,664)
Operating profit	1,598,622	1,831,770
Finance income	2,436	94
Finance costs	(48,182)	(53,457)
Profit before tax	1,552,876	1,778,407
Income tax expense	(547,252)	(557,440)
Profit	1,005,624	1,220,966
Profit attributable to		
Owners of parent	1,005,624	1,220,966
Profit	1,005,624	1,220,966
Earnings per share		
Basic earnings per share (yen)	72.93	87.28
Diluted earnings per share (yen)	71.98	86.22

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

(Thousand yen)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
Profit	1,005,624	1,220,966
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	1,297	—
Total of items that will not be reclassified to profit or loss	1,297	—
Other comprehensive income	1,297	—
Comprehensive income	1,006,921	1,220,966
Comprehensive income attributable to		
Owners of parent	1,006,921	1,220,966
Comprehensive income	1,006,921	1,220,966

(3) Condensed Quarterly Consolidated Statement of Changes in Equity
For the Nine Months Ended December 31, 2018 (From April 1, 2018 to December 31, 2018)

(Thousand yen)

	Share capital	Capital surplus	Retained earnings	Other components of equity		Total	Total	Total
				Available-for-sale financial assets	Financial assets measured at fair value through other comprehensive income			
Balance at beginning of period	100,000	6,810,062	5,057,527	1,234	–	1,234	11,968,824	11,968,824
Cumulative effect of accounting change	–	–	(5,309)	(1,234)	1,234	–	(5,309)	(5,309)
Restated balance	100,000	6,810,062	5,052,218	–	1,234	1,234	11,963,515	11,963,515
Profit	–	–	1,005,624	–	–	–	1,005,624	1,005,624
Other comprehensive income	–	–	–	–	1,297	1,297	1,297	1,297
Comprehensive income	–	–	1,005,624	–	1,297	1,297	1,006,921	1,006,921
Dividends	–	–	(592,901)	–	–	–	(592,901)	(592,901)
Share-based remuneration transactions	–	36,135	–	–	–	–	36,135	36,135
Transfer from other components of equity to retained earnings	–	–	2,531	–	(2,531)	(2,531)	–	–
Total transactions with owners	–	36,135	(590,369)	–	(2,531)	(2,531)	(556,766)	(556,766)
Balance at end of period	100,000	6,846,197	5,467,473	–	–	–	12,413,671	12,413,671

For the Nine Months Ended December 31, 2019 (From April 1, 2019 to December 31, 2019)

(Thousand yen)

	Share capital	Capital surplus	Retained earnings	Total	Total
Balance at beginning of period	150,125	6,915,576	5,793,305	12,859,007	12,859,007
Cumulative effect of accounting change	–	–	(4,805)	(4,805)	(4,805)
Restated balance	150,125	6,915,576	5,788,499	12,854,201	12,854,201
Profit	–	–	1,220,966	1,220,966	1,220,966
Comprehensive income	–	–	1,220,966	1,220,966	1,220,966
Dividends	–	–	(615,507)	(615,507)	(615,507)
Share-based remuneration transactions	–	33,574	–	33,574	33,574
Total transactions with owners	–	33,574	(615,507)	(581,932)	(581,932)
Balance at end of period	150,125	6,949,150	6,393,959	13,493,235	13,493,235

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Thousand yen)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
Cash flows from operating activities		
Profit before tax	1,552,876	1,778,407
Depreciation and amortization	417,654	499,634
Finance income and finance costs	45,745	53,362
Loss (gain) on sale of fixed assets	(79)	(200)
Loss on disposal of property, plant and equipment	13	0
Share-based remuneration expenses	36,135	33,574
Decrease (increase) in inventories	(540,370)	(472,193)
Decrease (increase) in trade and other receivables	802,506	496,444
Increase (decrease) in trade and other payables	(499,198)	(196,246)
Other	39,672	66,186
Subtotal	1,854,956	2,258,969
Interest and dividends received	2,417	94
Interest paid	(40,028)	(31,043)
Income taxes paid	(725,877)	(486,328)
Income taxes refund	—	49,482
Net cash provided by (used in) operating activities	1,091,467	1,791,174
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	—	50,035
Proceeds from sale of property, plant and equipment	79	201
Purchase of property, plant and equipment	(475,075)	(384,167)
Purchase of intangible assets	(33,706)	(3,456)
Proceeds from sales of financial assets	14,271	—
Payments for acquisition of financial assets	(361)	—
Other	(10,389)	10,197
Net cash provided by (used in) investing activities	(505,181)	(327,190)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	150,000	—
Repayments of long-term borrowings	(385,000)	(250,000)
Payments of financial expenditures	(5,352)	(6,502)
Dividends paid	(587,724)	(612,766)
Repayments of lease liabilities	(28,140)	(81,857)
Net cash provided by (used in) financing activities	(856,217)	(951,126)
Net increase (decrease) in cash and cash equivalents	(269,931)	512,856
Cash and cash equivalents at beginning of period	1,507,883	1,742,662
Cash and cash equivalents at end of period	1,237,951	2,255,519

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Changes in accounting policies)

The principal standard that the Group has applied from the three months ended June 30, 2019 is as follows.

Standard	Title of the standard	Summary of new establishment/revision
IFRS 16	Leases	Revision in accounting treatment of leases

The details of the changes of this standard and their impact on the Group's condensed quarterly consolidated financial statements are described below.

IFRS 16 "Leases"

From the three months ended June 30, 2019, the Group has applied IFRS 16 "Leases" (issued in January 2016; hereinafter "IFRS 16"). In applying IFRS 16, the Group has elected to use a method, which is permitted as a transitional measure, whereby the cumulative effect of initially applying the standard is recognized at the date of initial application.

Upon the application of IFRS 16, in determining whether a contract contains a lease, we chose a practical expedient in paragraph C3 in IFRS 16 to maintain the judgments made under IAS 17 "Leases" (hereinafter "IAS 17") and IFRIC 4 "Determining whether an Arrangement contains a Lease." On or after the date of initial application, judgments are made pursuant to the provisions in IFRS 16.

For leases as a lessee that were previously classified as operating leases applying IAS 17, a right-of-use asset and lease liability are recognized at the date of initial application, except for short-term leases and leases of low-value assets.

A lease liability is measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate at the date of initial application.

For leases as a lessee that were previously classified as finance leases applying IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application are measured at the carrying amount of the lease asset and lease liability based on IAS 17 on the date immediately before the date of initial application.

As a result, at the date of initial application, the right-of-use asset and lease liability recognized in the condensed quarterly consolidated financial statements were ¥286,317 thousand and ¥293,175 thousand, respectively.

(Significant subsequent events)

There is no relevant information.