

**Consolidated Financial Results**  
**for the Three Months Ended June 30, 2019**  
**[IFRS]**



August 9, 2019

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 9, 2019

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, 2019 (April 1, 2019 to June 30, 2019)**

(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, 2019	4,313	5.2	474	8.7	456	8.5	299	14.6
June 30, 2018	4,100	8.2	436	(23.6)	420	(24.0)	261	(28.5)

	Profit attributable to owners of parent		Comprehensive income	
	Million yen	%	Million yen	%
Three months ended				
June 30, 2019	299	14.6	299	14.7
June 30, 2018	261	(28.5)	261	(28.9)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended				
June 30, 2019	21.44		21.29	
June 30, 2018	18.98		18.83	

(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, 2019	21,320		12,557		12,557		58.9	
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	—				
Fiscal year ending March 31, 2020 (Forecast)		0.00	—	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	%
First half	8,880	3.0	1,130	12.5	1,100	12.9	770	22.7
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	
First half	770	22.7	55.04	
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): No
- (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 12 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):  
June 30, 2019: 13,988,800 shares  
March 31, 2019: 13,988,800 shares
  - 2) Total number of treasury shares at the end of the period:  
June 30, 2019: - shares  
March 31, 2019: - shares
  - 3) Average number of shares during the period:  
Three months ended June 30, 2019: 13,988,800 shares  
Three months ended June 30, 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 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, 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 trends in 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 May 2019 were solid at ¥8,026.6 billion (up ¥172.2 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, due to a serious labor shortage issue as well as work-style reforms and other initiatives, there is a need for improving construction work efficiency and for shortening construction periods. In addition, demand has been strong for safety equipment that will contribute to the accident prevention at construction sites in response to revisions of safety and health regulations.

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 three months ended June 30, 2019 amounted to ¥4,313 million (up 5.2% 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 demand for repair work projects.

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 three months ended June 30, 2019 came to 23.9%, improving by 1.4 percentage points year on year.

Operating profit for the three months ended June 30, 2019 was ¥474 million (up 8.7% year on year) and the operating profit ratio was 11.0% (improved by 0.4 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 three months ended June 30, 2019 amounted to ¥456 million (up 8.5% year on year), and profit attributable to owners of parent amounted to ¥299 million (up 14.6% year on year).

As the Group is comprised of a single business segment, information regarding the revenue of each Division is provided below.

#### 1) Temporary Materials Division

The Temporary Materials 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” 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 many natural disasters in the previous fiscal year 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 next generation scaffolding, we have been conducting sales activities by focusing on areas outside the Tokyo metropolitan area where construction projects are expected to increase, and by acquiring new customers.

As a result of these factors, revenue for the Temporary Materials Division amounted to ¥3,730 million (up 19.1% year on year).

#### 2) Distribution Equipment Division

In the Distribution Equipment Division, orders received for bulk container cage for liquid shipping, etc., were robust. Meanwhile, large-scale construction works, such as those for distribution warehouses, are scheduled for the second quarter onward in the current fiscal year, which accounts for the decrease in revenue.

As a result of these factors, revenue for the Distribution Equipment Division was ¥583 million (down 39.7% year on year).

(Thousand yen)

Name of product and service		For the three months ended June 30, 2018	For the three months ended June 30, 2019
Temporary Materials	Wedge binding type scaffolding	1,682,508	2,230,843
	Next generation scaffolding	627,780	575,346
	Other temporary materials	822,413	924,025
	Subtotal	3,132,701	3,730,215
Distribution Equipment	Pallets	967,691	583,109
	Subtotal	967,691	583,109
Total		4,100,393	4,313,325

## (2) Explanation of Financial Position

### (Assets)

Current assets at the end of the first quarter of the fiscal year under review decreased by ¥60 million from the end of the previous fiscal year to ¥8,004 million, mainly due to factors such as an increase in inventories of ¥293 million as a result of increased production in preparation for growth in demand for the second quarter onward, a decrease in trade and other receivables of ¥183 million due to progress in collection of receivables for products sold during the fourth quarter of the previous fiscal year, and a decrease in cash and cash equivalents of ¥123 million. Additionally, non-current assets increased by ¥207 million from the end of the previous fiscal year to ¥13,315 million. The increase was primarily attributable to factors such as the posting of right-of-use assets of ¥371 million in line with the application of IFRS 16 “Leases.” As a result, total assets increased by ¥147 million from the end of the previous fiscal year to ¥21,320 million.

### (Liabilities)

Current liabilities at the end of the first quarter of the fiscal year under review increased by ¥232 million from the end of the previous fiscal year to ¥2,409 million, mainly due to factors such as an increase in trade and other payables of ¥190 million. Additionally, non-current liabilities increased by ¥217 million from the end of the previous fiscal year to ¥6,353 million. The increase was primarily attributable to factors such as an increase in other financial liabilities of ¥217 million mainly due to the application of IFRS 16 “Leases.” As a result, total liabilities increased by ¥449 million from the end of the previous fiscal year to ¥8,762 million.

### (Equity)

Total equity at the end of the first quarter of the fiscal year under review decreased by ¥301 million from the end of the previous fiscal year to ¥12,557 million. This was mainly attributable to factors such as the posting of comprehensive income of ¥299 million and a decrease in retained earnings of ¥320 million due to dividends paid of ¥615 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 ¥1,619 million, a decrease of ¥123 million from the end of the previous fiscal year.

Cash flows from each activity for the three months ended June 30, 2019 and their primary factors are as follows:

### (Cash flows from operating activities)

Net cash provided by operating activities for the three months ended June 30, 2019 was ¥587 million, an increase of ¥822 million year on year. Factors affecting cash inflows are primarily related to profit before tax of ¥456 million, depreciation and amortization of ¥159 million, and an increase in trade and other payables of ¥223 million. Factors affecting cash outflows are primarily related to income taxes paid of ¥195 million and an increase in inventories of ¥293 million.

### (Cash flows from investing activities)

Net cash used in investing activities for the three months ended June 30, 2019 was ¥90 million, a decrease of ¥58 million year on year. The main factor affecting cash outflows is purchase of property, plant and equipment of ¥88 million.

### (Cash flows from financing activities)

Net cash used in financing activities for the three months ended June 30, 2019 was ¥621 million, an increase of ¥406 million year on year. The main factor affecting cash outflows is dividends paid of ¥591 million.

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

With regard to the forecast for the fiscal year ending March 31, 2020, no change has been made to the first half and full-year consolidated financial results forecasts, which were announced in the consolidated financial results announced 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 year 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 is expected to remain steady.

Additionally, in anticipation of the consumption tax hike, we project a rush in demand before the tax hike and a subsequent reactionary decline in demand, which is creating difficulty in developing precise forecasts for demand and business results.

Aside from the foregoing, 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) Temporary Materials Division

The Temporary Materials 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, revenue is projected to be strong with demand expected to increase for house renovation and for maintenance and repair works for social infrastructure.

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.

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

##### 2) Distribution Equipment Division

The Distribution 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. Taking advantage of the public stock listing, 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 continue expanding, 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 Distribution 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 June 30, 2019
Assets		
Current assets		
Cash and cash equivalents	1,742,662	1,619,221
Trade and other receivables	3,817,591	3,634,232
Inventories	2,382,330	2,675,371
Other financial assets	50,035	50,035
Other current assets	71,714	25,343
Total current assets	8,064,334	8,004,205
Non-current assets		
Property, plant and equipment	2,495,759	2,331,196
Right-of-use assets	–	371,117
Goodwill	9,221,769	9,221,769
Intangible assets	1,276,012	1,270,736
Other financial assets	83,382	83,308
Deferred tax assets	18,118	24,311
Other non-current assets	13,079	13,427
Total non-current assets	13,108,122	13,315,867
Total assets	21,172,457	21,320,072

(Thousand yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	1,180,307	1,370,615
Borrowings	494,427	494,928
Income taxes payable	174,928	122,612
Other financial liabilities	33,612	82,812
Other current liabilities	293,947	338,429
Total current liabilities	2,177,223	2,409,397
Non-current liabilities		
Borrowings	5,685,822	5,689,864
Provisions	45,588	45,592
Other financial liabilities	42,725	259,896
Deferred tax liabilities	358,189	354,321
Other non-current liabilities	3,900	3,900
Total non-current liabilities	6,136,226	6,353,574
Total liabilities	8,313,449	8,762,972
Equity		
Share capital	150,125	150,125
Capital surplus	6,915,576	6,934,022
Retained earnings	5,793,305	5,472,952
Total equity attributable to owners of parent	12,859,007	12,557,099
Total equity	12,859,007	12,557,099
Total liabilities and equity	21,172,457	21,320,072

(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, 2018	For the three months ended June 30, 2019
Revenue	4,100,393	4,313,325
Cost of sales	(3,177,049)	(3,283,139)
Gross profit	923,343	1,030,186
Selling, general and administrative expenses	(490,824)	(555,369)
Other income	3,804	631
Other expenses	(301)	(1,321)
Operating profit	436,021	474,127
Finance income	204	53
Finance costs	(15,883)	(17,945)
Profit before tax	420,341	456,235
Income tax expense	(158,611)	(156,275)
Profit	261,730	299,959
Profit attributable to		
Owners of parent	261,730	299,959
Profit	261,730	299,959
Earnings per share		
Basic earnings per share (yen)	18.98	21.44
Diluted earnings per share (yen)	18.83	21.29

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

(Thousand yen)

	For the three months ended June 30, 2018	For the three months ended June 30, 2019
Profit	261,730	299,959
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(296)	–
Total of items that will not be reclassified to profit or loss	(296)	–
Other comprehensive income	(296)	–
Comprehensive income	261,433	299,959
Comprehensive income attributable to		
Owners of parent	261,433	299,959
Comprehensive income	261,433	299,959

(3) Condensed Quarterly Consolidated Statement of Changes in Equity  
For the Three Months Ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

(Thousand yen)

	Share capital	Capital surplus	Retained earnings	Other components of equity			Total equity attributable to owners of parent	Total equity
				Available-for-sale financial assets	Financial assets measured at fair value through other comprehensive income	Total other components of equity		
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	–	–	261,730	–	–	–	261,730	261,730
Other comprehensive income	–	–	–	–	(296)	(296)	(296)	(296)
Comprehensive income	–	–	261,730	–	(296)	(296)	261,433	261,433
Dividends	–	–	(592,901)	–	–	–	(592,901)	(592,901)
Share-based remuneration transactions	–	29,486	–	–	–	–	29,486	29,486
Total transactions with owners	–	29,486	(592,901)	–	–	–	(563,415)	(563,415)
Balance at end of period	100,000	6,839,548	4,721,047	–	937	937	11,661,533	11,661,533

For the Three Months Ended June 30, 2019 (From April 1, 2019 to June 30, 2019)

(Thousand yen)

	Share capital	Capital surplus	Retained earnings	Total equity attributable to owners of parent	Total equity
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	–	–	299,959	299,959	299,959
Other comprehensive income	–	–	–	–	–
Comprehensive income	–	–	299,959	299,959	299,959
Dividends	–	–	(615,507)	(615,507)	(615,507)
Share-based remuneration transactions	–	18,445	–	18,445	18,445
Total transactions with owners	–	18,445	(615,507)	(597,061)	(597,061)
Balance at end of period	150,125	6,934,022	5,472,952	12,557,099	12,557,099

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

(Thousand yen)

	For the three months ended June 30, 2018	For the three months ended June 30, 2019
Cash flows from operating activities		
Profit before tax	420,341	456,235
Depreciation and amortization	127,783	159,764
Finance income and finance costs	15,679	17,891
Loss (gain) on sale of fixed assets	(31)	-
Loss on disposal of property, plant and equipment	13	-
Share-based remuneration expenses	29,486	18,445
Decrease (increase) in inventories	(964,457)	(293,041)
Decrease (increase) in trade and other receivables	549,694	114,074
Increase (decrease) in trade and other payables	(57,073)	223,682
Other	4,248	96,294
Subtotal	125,683	793,347
Interest and dividends received	204	53
Interest paid	(12,971)	(10,409)
Income taxes paid	(347,720)	(195,043)
Net cash provided by (used in) operating activities	(234,804)	587,947
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	31	-
Purchase of property, plant and equipment	(142,463)	(88,925)
Purchase of intangible assets	(5,150)	(1,255)
Proceeds from sales of financial assets	316	-
Payments for acquisition of financial assets	(361)	-
Other	(793)	(141)
Net cash provided by (used in) investing activities	(148,418)	(90,321)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	290,000	-
Payments of financial expenditures	(2,869)	(1,416)
Dividends paid	(492,480)	(591,946)
Repayments of lease obligations	(9,592)	(27,704)
Net cash provided by (used in) financing activities	(214,943)	(621,066)
Net increase (decrease) in cash and cash equivalents	(598,166)	(123,440)
Cash and cash equivalents at beginning of period	1,507,883	1,742,662
Cash and cash equivalents at end of period	909,716	1,619,221

(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.