

Consolidated Financial Results for the Nine Months Ended December 31, 2021 [IFRS]



February 14, 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: February 14, 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 Nine Months Ended December 31, 2021 (April 1, 2021 to December 31, 2021)

(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, 2021	12,630	18.0	1,899	25.2	1,842	25.7	1,263	24.4
December 31, 2020	10,699	(21.8)	1,516	(17.2)	1,465	(17.6)	1,015	(16.8)

	Profit attributable to owners of parent		Comprehensive income	
Nine months ended	Million yen	%	Million yen	%
December 31, 2021	1,291	28.6	1,270	24.6
December 31, 2020	1,003	(17.8)	1,019	(16.5)

	Basic earnings per share		Diluted earnings per share	
Nine months ended	Yen		Yen	
December 31, 2021	93.62		93.22	
December 31, 2020	71.24		70.95	

(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, 2021	21,286	14,920	14,880	69.9
As of March 31, 2021	22,236	14,443	14,379	64.7

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2021	Yen —	Yen 0.00	Yen —	Yen 35.00	Yen 35.00
Fiscal year ending March 31, 2022	—	0.00	—		
Fiscal year ending March 31, 2022 (Forecast)				40.00	40.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit	
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%
	16,000	15.2	2,050	10.6	1,977	10.8	1,372	10.4

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

Note: Revision to the financial results forecast announced most recently: No

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in change in scope of consolidation): No
- (2) Changes in accounting policies and changes in accounting estimates
 - 1) Changes in accounting policies required by IFRS: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
- (3) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
 - December 31, 2021: 14,103,000 shares
 - March 31, 2021: 14,103,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - December 31, 2021: 380,034 shares
 - March 31, 2021: - shares
 - 3) Average number of shares during the period:
 - Nine months ended December 31, 2021: 13,791,494 shares
 - Nine months ended December 31, 2020: 14,089,200 shares

*These consolidated financial results are outside the scope of quarterly review by Certified Public Accountants or auditing corporations.

*Explanation of the proper use of financial results forecast and other notes

Financial results forecasts were prepared based on information available at the time of the announcement of this document, and actual results may differ from the forecasts owing to a wide range of factors. For the conditions that form the assumptions for the financial results forecasts, please refer to (4) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information in 1. Qualitative Information on Quarterly Financial Results for the Period under Review on page 5 of the Attachment.

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	6
(1) Condensed Quarterly Consolidated Statement of Financial Position.....	6
(2) Condensed Quarterly Consolidated Statements of Profit or Loss and Comprehensive Income	8
(3) Condensed Quarterly Consolidated Statement of Changes in Equity	10
(4) Condensed Quarterly Consolidated Statement of Cash Flows.....	11
(5) Notes to Condensed Quarterly Consolidated Financial Statements	12
(Notes on going concern assumption)	12
(Significant subsequent events).....	12

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

(1) Explanation of Operating Results

During the nine months ended December 31, 2021, the Japanese economy saw signs of recovery and resilience in some areas in terms of corporate earnings, the employment situation, and private consumption, despite uncertain outlook amid the repeated issuance and lifting of various restrictions due to the effect of the novel coronavirus infection. However, the situation is still unpredictable due to the continued risk of an economic downturn, including surging global resource prices, chronic supply chain delays, and the spread of novel coronavirus variants.

In the construction industry, which is the main supply destination of our products, according to the “Comprehensive construction statistics” published by the Ministry of Land, Infrastructure, Transport and Tourism, total construction investments from April to December 2021 were ¥38,900 billion (down 0.1% year on year), showing demand mainly in the private-sector albeit a sign of treading water. Against the backdrop of this environment, revenue of our mainstay wedge binding type scaffolding and next generation scaffolding remained strong. In the Logistics Equipment Division, revenue grew due to increased demand for transportation equipment and large warehousing-related projects in line with the recovery in the economy and business activities.

In terms of profit, large warehousing-related projects for major e-commerce companies in logistics equipment, in addition to a recovery in sales of scaffolding equipment, both contributed to profit amid continued demand for high value-added products such as safety equipment. Meanwhile, the Group has taken measures to reduce costs and curb expenditures, as well as reviewing the prices of products, due to a greater-than-expected rise in the price of steel materials, the main raw material for our products. As a result, the operating profit ratio for the nine months ended December 31, 2021 came to 15.0% (improved by 0.9 percentage points year on year).

As a result of the above, revenue for the nine months ended December 31, 2021 amounted to ¥12,630 million (up 18.0% year on year). Operating profit was ¥1,899 million (up 25.2% year on year). Profit before tax amounted to ¥1,842 million (up 25.7% year on year), and profit attributable to owners of parent amounted to ¥1,291 million (up 28.6% year on year).

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

1) 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 resilience in demand for construction work. In addition, as demand for safety equipment to improve safety at construction sites continued to be high, sales of our products with excellent workability, as well as customer inquiries to the products, remained strong.

As a result, revenue of the Scaffolding Equipment Division for the nine months ended December 31, 2021 amounted to ¥9,833 million (up 14.5% year on year).

2) Logistics Equipment Division

In the Logistics Equipment Division, with the recovery trend from the pandemic of the novel coronavirus infection, there was an increase in production activity and distribution volume in various industries. This also led to an increase in demand for the logistics equipment that we supply including, for example, an increase in demand and transportation volumes for the liquid agents used in semiconductor manufacturing. In addition, large warehousing-related projects for major e-commerce companies remained strong, leading to an increase in revenue.

As a result, revenue of the Logistics Equipment Division for the nine months ended December 31, 2021 amounted to ¥2,797 million (up 32.4% year on year).

(Thousand yen)

Name of product and service		For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Scaffolding equipment	Wedge binding type scaffolding	4,769,453	6,052,441
	Next generation scaffolding	1,407,546	1,613,241
	Other scaffolding equipment	2,410,184	2,167,335
	Subtotal	8,587,184	9,833,019
Logistics equipment	Pallets	2,112,644	2,797,829
	Subtotal	2,112,644	2,797,829
Total		10,699,829	12,630,848

(2) Explanation of Financial Position

(Assets)

Current assets at the end of the third quarter of the fiscal year under review decreased by ¥1,160 million from the end of the previous fiscal year to ¥8,130 million, mainly due to factors such as a decrease in cash and cash equivalents of ¥2,083 million, despite an increase in inventories of ¥813 million and an increase in trade and other receivables of ¥49 million. Additionally, non-current assets increased by ¥209 million from the end of the previous fiscal year to ¥13,155 million. The increase was primarily attributable to an increase in property, plant and equipment of ¥148 million and an increase in intangible assets of ¥117 million. As a result, total assets decreased by ¥950 million from the end of the previous fiscal year to ¥21,286 million.

(Liabilities)

Current liabilities at the end of the third quarter of the fiscal year under review decreased by ¥153 million from the end of the previous fiscal year to ¥2,275 million, mainly due to factors such as a decrease in income taxes payable of ¥282 million, despite an increase in trade and other payables of ¥391 million. Additionally, non-current liabilities decreased by ¥1,274 million from the end of the previous fiscal year to ¥4,090 million. The decrease was primarily attributable to a decrease in borrowings of ¥1,235 million. As a result, total liabilities decreased by ¥1,428 million from the end of the previous fiscal year to ¥6,365 million.

(Equity)

Total equity at the end of the third quarter of the fiscal year under review increased by ¥477 million from the end of the previous fiscal year to ¥14,920 million. This was mainly attributable to factors such as the purchase of treasury shares of ¥299 million, the posting of profit attributable to owners of parent of ¥1,291 million and dividends paid of ¥493 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 ¥2,654 million, a decrease of ¥2,083 million from the end of the previous fiscal year.

Cash flows from each activity for the nine months ended December 31, 2021 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, 2021 was ¥699 million, a decrease of ¥1,557 million year on year. The main factors affecting cash inflows were profit before tax of ¥1,842 million, depreciation and amortization of ¥408 million and an increase in trade and other payables of ¥284 million. The main factors affecting cash outflows were income taxes paid of ¥895 million, an increase in inventories of ¥812 million and an increase in trade and other receivables of ¥71 million.

(Cash flows from investing activities)

Net cash used in investing activities for the nine months ended December 31, 2021 was ¥571 million, an increase of ¥458 million year on year. The main factors affecting cash outflows were purchase of property, plant and equipment of ¥468 million and purchase of intangible assets of ¥100 million.

(Cash flows from financing activities)

Net cash used in financing activities for the nine months ended December 31, 2021 was ¥2,220 million, an increase of ¥1,393 million year on year. The main factors affecting cash outflows were repayments of long-term borrowings of ¥1,250 million, dividends paid of ¥497 million and purchase of treasury shares of ¥299 million.

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

With regard to the consolidated financial results forecast and dividends forecast, no change has been made to the full-year consolidated financial results forecast announced in the “Notice Regarding Revisions to Financial Results Forecasts (IFRS) and Dividend Forecasts,” released on November 8, 2021.

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Thousand yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	4,738,197	2,654,211
Trade and other receivables	3,006,431	3,055,485
Inventories	1,483,489	2,297,133
Other current assets	62,739	123,515
Total current assets	9,290,857	8,130,347
Non-current assets		
Property, plant and equipment	2,054,202	2,202,240
Right-of-use assets	380,906	322,055
Goodwill	9,221,769	9,221,769
Intangible assets	1,237,608	1,354,648
Other financial assets	41,194	43,604
Other non-current assets	10,303	11,463
Total non-current assets	12,945,985	13,155,781
Total assets	22,236,842	21,286,129

(Thousand yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	803,637	1,195,396
Borrowings	581,206	497,454
Income taxes payable	593,931	311,000
Other financial liabilities	92,854	114,461
Other current liabilities	357,363	156,988
Total current liabilities	2,428,993	2,275,300
Non-current liabilities		
Borrowings	4,717,504	3,482,197
Provisions	45,518	45,533
Other financial liabilities	293,969	250,559
Deferred tax liabilities	303,835	307,858
Other non-current liabilities	3,900	3,900
Total non-current liabilities	5,364,727	4,090,048
Total liabilities	7,793,721	6,365,349
Equity		
Share capital	153,576	153,576
Capital surplus	6,969,569	6,969,569
Retained earnings	7,252,148	8,049,652
Treasury shares	–	(299,267)
Other components of equity	4,010	7,444
Total equity attributable to owners of parent	14,379,305	14,880,974
Non-controlling interests	63,816	39,804
Total equity	14,443,121	14,920,779
Total liabilities and equity	22,236,842	21,286,129

(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, 2020	For the nine months ended December 31, 2021
Revenue	10,699,829	12,630,848
Cost of sales	(7,860,272)	(9,279,255)
Gross profit	2,839,556	3,351,593
Selling, general and administrative expenses	(1,357,888)	(1,434,909)
Other income	59,233	12,399
Other expenses	(24,077)	(29,911)
Operating profit	1,516,824	1,899,171
Finance income	357	409
Finance costs	(51,272)	(57,200)
Profit before tax	1,465,909	1,842,380
Income tax expense	(449,993)	(578,581)
Profit	1,015,915	1,263,798
Profit attributable to		
Owners of parent	1,003,733	1,291,108
Non-controlling interests	12,182	(27,310)
Profit	1,015,915	1,263,798
Earnings per share		
Basic earnings per share (yen)	71.24	93.62
Diluted earnings per share (yen)	70.95	93.22

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

(Thousand yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Profit	1,015,915	1,263,798
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
Total of items that will not be reclassified to profit or loss	-	1
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	4,050	6,731
Total of items that may be reclassified to profit or loss	4,050	6,731
Other comprehensive income, net of tax	4,050	6,732
Comprehensive income	1,019,965	1,270,531
Comprehensive income attributable to		
Owners of parent	1,005,792	1,294,542
Non-controlling interests	14,173	(24,011)
Comprehensive income	1,019,965	1,270,531

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

For the Nine Months Ended December 31, 2020 (From April 1, 2020 to December 31, 2020)

(Thousand yen)

	Share capital	Capital surplus	Retained earnings	Other components of equity		Total equity attributable to owners of parent	Non-controlling interests	Total equity
				Exchange differences on translation of foreign operations	Total other components of equity			
Balance at beginning of period	150,125	6,951,814	6,640,266	(1,534)	(1,534)	13,740,672	47,378	13,788,051
Profit	–	–	1,003,733	–	–	1,003,733	12,182	1,015,915
Other comprehensive income	–	–	–	2,058	2,058	2,058	1,991	4,050
Comprehensive income	–	–	1,003,733	2,058	2,058	1,005,792	14,173	1,019,965
Dividends	–	–	(619,924)	–	–	(619,924)	–	(619,924)
Share-based payment transactions	–	14,306	–	–	–	14,306	–	14,306
Total transactions with owners	–	14,306	(619,924)	–	–	(605,618)	–	(605,618)
Balance at end of period	150,125	6,966,121	7,024,075	524	524	14,140,846	61,552	14,202,398

For the Nine Months Ended December 31, 2021 (From April 1, 2021 to December 31, 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
					Financial assets measured at fair value through other comprehensive income	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	–	–	1,291,108	–	–	–	–	1,291,108	(27,310)	1,263,798
Other comprehensive income	–	–	–	–	1	3,432	3,434	3,434	3,298	6,732
Comprehensive income	–	–	1,291,108	–	1	3,432	3,434	1,294,542	(24,011)	1,270,531
Purchase of treasury shares	–	–	–	(299,267)	–	–	–	(299,267)	–	(299,267)
Dividends	–	–	(493,605)	–	–	–	–	(493,605)	–	(493,605)
Total transactions with owners	–	–	(493,605)	(299,267)	–	–	–	(792,872)	–	(792,872)
Balance at end of period	153,576	6,969,569	8,049,652	(299,267)	1	7,443	7,444	14,880,974	39,804	14,920,779

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Thousand yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Cash flows from operating activities		
Profit before tax	1,465,909	1,842,380
Depreciation and amortization	504,935	408,284
Finance income and finance costs	50,914	56,791
Loss (gain) on sale of fixed assets	(115)	–
Loss on disposal of property, plant and equipment	85	0
Share-based payment expenses	14,306	–
Decrease (increase) in inventories	629,126	(812,525)
Decrease (increase) in trade and other receivables	(194,317)	(71,923)
Increase (decrease) in trade and other payables	145,614	284,472
Other	102,990	(85,347)
Subtotal	2,719,449	1,622,131
Interest and dividends received	357	409
Interest paid	(30,020)	(31,839)
Income taxes paid	(433,180)	(895,939)
Income taxes refund	–	4,383
Net cash provided by (used in) operating activities	2,256,606	699,145
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	19,510	–
Purchase of property, plant and equipment	(131,660)	(468,466)
Purchase of intangible assets	(2,598)	(100,424)
Payments for acquisition of financial assets	–	(2,968)
Other	1,784	570
Net cash provided by (used in) investing activities	(112,963)	(571,288)
Cash flows from financing activities		
Proceeds from short-term borrowings	87,048	–
Repayments of short-term borrowings	–	(86,782)
Repayments of long-term borrowings	(250,000)	(1,250,000)
Payments of financial expenditures	(7,557)	(8,137)
Capital contribution from non-controlling interests	33,150	–
Dividends paid	(618,861)	(497,666)
Purchase of treasury shares	–	(299,267)
Repayments of lease liabilities	(70,896)	(78,754)
Net cash provided by (used in) financing activities	(827,117)	(2,220,608)
Effect of exchange rate changes on cash and cash equivalents	3,538	8,765
Net increase (decrease) in cash and cash equivalents	1,320,062	(2,083,985)
Cash and cash equivalents at beginning of period	3,120,411	4,738,197
Cash and cash equivalents at end of period	4,440,474	2,654,211

(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.