

Consolidated Financial Results for the Nine Months Ended December 31, 2024 [IFRS]



February 14, 2025

Company name: Shinwa Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange and Nagoya Stock Exchange

Code number: 3447

URL: <https://www.shinwa-jp.com/en/relation/index.html>

Representative: Kurio Noritake, President and Representative Director

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Scheduled date of commencing dividend payments: –

Availability of supplementary briefing material on financial results: Yes

Schedule of 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, 2024

(April 1, 2024 to December 31, 2024)

(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, 2024	12,840	32.7	1,418	104.3	1,325	101.9	865	96.2
December 31, 2023	9,675	(20.2)	694	(50.0)	656	(50.9)	441	(52.2)

	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, 2024	867	97.5	856	92.6	62.44		–	
December 31, 2023	439	(52.9)	444	(51.4)	31.58		–	

(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, 2024	28,772	15,732	15,726	54.7
March 31, 2024	20,675	15,318	15,310	74.0

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	16.00	–	16.00	32.00
Fiscal year ending March 31, 2025	–	16.00	–		
Fiscal year ending March 31, 2025 (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, 2025
(April 1, 2024 to March 31, 2025)**

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit	
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%
	16,500	30.1	1,620	131.4	1,496	129.3	1,000	143.3

	Profit attributable to owners of parent		Basic earnings per share	
Full year	Million yen	%	Yen	
	1,000	144.1	71.96	

- Notes: 1. Revision to the financial results forecast announced most recently: Yes
 2. With regard to revisions to the consolidated financial results forecast, please refer to the “Notice Regarding Revisions to Financial Results Forecasts (IFRS)” announced today, February 14, 2025.

*** Notes:**

- (1) Significant changes in the scope of consolidation during the period: Yes
 Newly included: 5 companies, CTR Corporation (currently Yagumi Corporation) and 4 others
 Excluded: –

- (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: Yes

- (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, 2024: 14,103,000 shares
 March 31, 2024: 14,103,000 shares
 2) Total number of treasury shares at the end of the period:
 December 31, 2024: 193,484 shares
 March 31, 2024: 193,484 shares
 3) Average number of shares outstanding during the period:
 Nine months ended December 31, 2024: 13,888,454 shares
 Nine months ended December 31, 2023: 13,905,744 shares

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an auditing firm: None

*** Proper use of financial results forecast and other notes**

- The average number of shares outstanding during the period, which is the basis for calculating basic earnings per share in the Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025, reflects the effect of the disposal of treasury shares for share-based payment (executed on January 28, 2025) based on the resolution of the Board of Directors meeting held on December 27, 2024.
- 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 (3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information in 1. Qualitative Information on Quarterly Financial Results on page 3 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 continued to recover gradually, although there were stalls in some activities, such as consumer spending. However, the outlook remains uncertain as there is still a downside risk of the economy due to soaring prices of materials and resources and fluctuations of the financial and capital markets, with additional concerns arising from uncertainty about future US policy developments.

In the construction industry, which is the main source of demand for our products, construction investments remained steady, amounting to ¥38.5 trillion between April and November 2024 (up 1.6% year on year), according to “Comprehensive Construction Statistics” published by the Ministry of Land, Infrastructure, Transport and Tourism. According to “Building Starts Statistics” by the said ministry, the number of residential and non-residential construction starts during the same period decreased 1.4% from one year earlier to 586,228, and the total floor area of construction starts was down 6.2% from one year earlier to 65,907 thousand square meters. Although construction investments increased, the scale of construction starts was smaller. This is mainly the result of the shortage of construction workers and the surging prices of building materials.

In this business climate of ever-tightening cost and labor environments despite solid construction demand, scaffolding installation companies, which are the primary customers for wedge binding type scaffolding, continued to refrain from purchasing scaffolding equipment and rent it. Against this backdrop, we took the following countermeasures: we focused on generating sales by fully leveraging our flexible sales proposals; we made the Yagumi Group, one of the largest scaffolding equipment installation companies in Japan, into our subsidiary in April 2024, which contributed to revenue from scaffolding installation works utilizing the company’s abundant human resources; and we promoted business integration to expand services and distribution channels, leading to increased revenue growth opportunities. On the cost front, we worked on reducing expenses on an ongoing basis. In addition, depreciation was reduced by changing the depreciation period for rental assets from three to eight years in order to accelerate investment in the rental business.

As a result of the above, revenue for the first nine months amounted to ¥12,840 million (up 32.7% year on year). Operating profit was ¥1,418 million (up 104.3% year on year). Profit before tax amounted to ¥1,325 million (up 101.9% year on year), and profit attributable to owners of parent amounted to ¥867 million (up 97.5% year on year).

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

1) Scaffolding Equipment Division

Despite a solid demand for scaffolding equipment, customers continued to rent rather than purchase scaffolding equipment because of the high prices of materials and products. Under these circumstances, we focused on various activities to stimulate purchasing by developing a sales operation that combined the strengths of both sales and rentals, making intensive sales efforts in priority areas, and focusing on rental services for next generation scaffolding. In addition, the Yagumi Group, which became our subsidiary in April 2024, responded to firm construction demand with abundant human resources and steadily secured projects.

As a result, revenue for the first nine months in the Scaffolding Equipment Division amounted to ¥10,180 million (up 41.7% year on year).

2) Logistics Equipment Division

The Logistics Equipment Division received a large number of orders from a wide range of industries, including automated warehouses and government agencies, despite the absence of projects for large-scale logistics

warehouse equipment as in the same period of the previous fiscal year. In addition, the volume of orders for bulk containers for shipping liquids is in a recovery trend, supporting revenue.

As a result, revenue for the first nine months in the Logistics Equipment Division amounted to ¥2,659 million (up 6.7% year on year).

(Thousand yen)

Name of product and service		For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Scaffolding equipment	Wedge binding type scaffolding	3,877,435	3,894,150
	Next generation scaffolding	1,297,181	1,002,392
	Installation and rental	838,587	3,740,949
	Other sales	1,069,075	1,078,446
	Other	100,057	465,024
	Subtotal	7,182,337	10,180,962
Logistics equipment	Pallets	2,493,087	2,659,137
	Subtotal	2,493,087	2,659,137
Total		9,675,425	12,840,100

Note: Revenue stated in “Installation and rental,” “Pallets,” and “Other” includes revenue arising from leases under IFRS 16 of ¥345,409 thousand for the nine months ended December 31, 2023, and ¥511,361 thousand for the nine months ended December 31, 2024.

(2) Explanation of Financial Position

(Assets)

Current assets at the end of the third quarter of the current fiscal year increased by ¥1,801 million from the end of the previous fiscal year to ¥9,093 million. This was mainly due to an increase in trade and other receivables of ¥1,241 million, partially offset by a decrease in inventories of ¥178 million. Non-current assets increased by ¥6,294 million from the end of the previous fiscal year to ¥19,679 million. The increase was primarily attributable to an increase in property, plant and equipment of ¥2,087 million and an increase in goodwill of ¥3,299 million. As a result, total assets increased by ¥8,096 million from the end of the previous fiscal year to ¥28,772 million.

(Liabilities)

Current liabilities at the end of the third quarter of the current fiscal year increased by ¥2,378 million from the end of the previous fiscal year to ¥5,322 million. The increase was primarily attributable to an increase in borrowings of ¥1,791 million. Non-current liabilities increased by ¥5,303 million from the end of the previous fiscal year to ¥7,717 million. The increase was primarily attributable to an increase in borrowings of ¥4,243 million and an increase in other financial liabilities of ¥753 million. As a result, total liabilities increased by ¥7,682 million from the end of the previous fiscal year to ¥13,039 million.

(Equity)

Total equity at the end of the third quarter of the current fiscal year increased by ¥414 million from the end of the previous fiscal year to ¥15,732 million. This was mainly attributable to factors such as the posting of profit attributable to owners of parent of ¥867 million and dividends paid of ¥445 million.

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

For full year consolidated financial results forecast, please refer to the “Notice Regarding Revisions to Financial Results Forecasts (IFRS)” announced today, February 14, 2025.

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Thousand yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	1,843,324	2,416,759
Trade and other receivables	2,225,876	3,467,018
Inventories	3,182,833	3,004,344
Other financial assets	–	19,500
Other current assets	39,396	185,649
Total current assets	<u>7,291,430</u>	<u>9,093,272</u>
Non-current assets		
Property, plant and equipment	2,488,388	4,575,408
Right-of-use assets	204,761	1,002,288
Goodwill	9,221,769	12,521,306
Intangible assets	1,352,107	1,351,636
Other financial assets	105,080	196,939
Deferred tax assets	–	11,774
Other non-current assets	12,124	19,685
Total non-current assets	<u>13,384,232</u>	<u>19,679,040</u>
Total assets	<u><u>20,675,663</u></u>	<u><u>28,772,313</u></u>

(Thousand yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	1,045,596	1,587,256
Borrowings	1,490,914	3,281,917
Income taxes payable	59,503	82,879
Other financial liabilities	69,272	117,104
Other current liabilities	278,629	253,627
Total current liabilities	<u>2,943,917</u>	<u>5,322,785</u>
Non-current liabilities		
Borrowings	1,963,658	6,207,139
Provisions	44,236	108,844
Other financial liabilities	143,151	896,364
Deferred tax liabilities	258,339	443,047
Other non-current liabilities	3,900	61,650
Total non-current liabilities	<u>2,413,286</u>	<u>7,717,046</u>
Total liabilities	<u>5,357,204</u>	<u>13,039,831</u>
Equity		
Share capital	153,576	153,576
Capital surplus	6,918,207	6,921,841
Retained earnings	8,363,728	8,785,752
Treasury shares	(147,575)	(147,575)
Other components of equity	22,092	12,452
Total equity attributable to owners of parent	<u>15,310,028</u>	<u>15,726,048</u>
Non-controlling interests	8,430	6,433
Total equity	<u>15,318,459</u>	<u>15,732,481</u>
Total liabilities and equity	<u>20,675,663</u>	<u>28,772,313</u>

(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, 2023	For the nine months ended December 31, 2024
Revenue	9,675,425	12,840,100
Cost of sales	(7,507,067)	(9,379,337)
Gross profit	2,168,357	3,460,762
Selling, general and administrative expenses	(1,465,314)	(2,022,911)
Other income	26,598	18,946
Other expenses	(35,463)	(38,554)
Operating profit	694,178	1,418,243
Finance income	1,068	6,711
Finance costs	(38,579)	(99,032)
Profit before tax	656,667	1,325,922
Income tax expense	(215,287)	(459,967)
Profit	441,379	865,955
Profit attributable to:		
Owners of parent	439,117	867,128
Non-controlling interests	2,261	(1,173)
Profit	441,379	865,955
Earnings per share:		
Basic earnings per share (yen)	31.58	62.44

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

(Thousand yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Profit	441,379	865,955
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	4,645	(9,931)
Total of items that will not be reclassified to profit or loss	4,645	(9,931)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	348	573
Cash flow hedges	(1,636)	–
Total of items that may be reclassified to profit or loss	(1,288)	573
Other comprehensive income, net of tax	3,356	(9,358)
Comprehensive income	444,735	856,596
Comprehensive income attributable to:		
Owners of parent	442,303	857,489
Non-controlling interests	2,432	(892)
Comprehensive income	444,735	856,596

(3) Notes to Condensed Quarterly Consolidated Financial Statements

(Going concern assumption)

There is no relevant information.

(Significant changes in shareholders' equity)

There is no relevant information.

(Changes in accounting estimates)

Changes in useful lives of rental assets

From the current fiscal year, the useful lives of the Group's rental assets have been changed to reflect the economic useful lives based on the actual usage situation, in anticipation of changes in the usage policy for rental assets. This change has reflected changes in the business environment of the Scaffolding Equipment Division as well as the anticipated development of the rental business following the Yagumi Group becoming our subsidiary.

As a result of this change, gross profit, operating profit, and profit before tax for the first nine months of the current fiscal year increased by ¥228,987 thousand each.

(Significant subsequent events)

There is no relevant information.

(Segment information)

The Group mainly engages in the business of manufacturing and sale of scaffolding equipment and logistics equipment. There is a single reportable segment of the manufacturing and sale of scaffolding equipment and logistics equipment.

Revenue from external customers for each product and service is as follows.

(Thousand yen)

Name of product and service		For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Scaffolding equipment	Wedge binding type scaffolding	3,877,435	3,894,150
	Next generation scaffolding	1,297,181	1,002,392
	Installation and rental	838,587	3,740,949
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Note: Revenue stated in "Installation and rental," "Pallets," and "Other" includes revenue arising from leases under IFRS 16 of ¥345,409 thousand for the nine months ended December 31, 2023, and ¥511,361 thousand for the nine months ended December 31, 2024.

(Notes to consolidated statement of cash flows)

Condensed quarterly consolidated statement of cash flows for the nine months ended December 31, 2024 is not prepared. Depreciation and amortization for the nine months ended December 31, 2023 and 2024 are as follows.

	(Thousand yen)	
	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Depreciation and amortization	434,039	389,380

(Business combinations)

Business combination through acquisition

At the Board of Directors meeting held on March 14, 2024, the Company resolved to acquire all shares of CTR Corporation (formerly Kisaragi Co., Ltd.; hereinafter “CTR”) and entered into a share transfer agreement as of the same date.

Based on this agreement, the Company acquired all shares of CTR on April 1, 2024, making it a subsidiary of the Company.

In conjunction with this share acquisition, Yagumi Corporation and Ikeda Koumuten, which are wholly owned subsidiaries of CTR, have become second-tier subsidiaries of the Company, and Itabashi-gumi Y.K. and Itabashi Transport Y.K., which are second-tier subsidiaries of CTR, have become third-tier subsidiaries of the Company.

1. Overview of the business combination

(1) Name of the acquired company and its line of business

Name of the acquired company:	CTR Corporation
Line of business of the acquired company:	Consulting services for corporate rehabilitation and corporate management, etc.

(2) Main reasons for the business combination

CTR is one of the largest scaffolding equipment installation companies in the Tokai region and one of the largest in Japan, with Yagumi Corporation as its core subsidiary (hereinafter collectively referred to as the “Yagumi Group” including CTR and its subsidiaries). By incorporating and developing various peripheral businesses, CTR engages in business operations with an eye toward achieving further business growth in the future.

While the Shinwa Group, as a manufacturer, upholds the purpose of “Protecting Lives and Supporting the Future, the Yagumi Group, as users, prides themselves on being “safe workers who are instrumental in ensuring the safety of construction projects.” The participation of the Yagumi Group in the Shinwa Group is expected to lead to further business expansion and entry into new fields based on the high affinity of the two Groups. We expect that our mutual collaboration will further contribute to solving social issues surrounding construction, and therefore, have decided to acquire the shares.

Taking the opportunity of making the Yagumi Group a subsidiary, we aim to create new value and further enhance corporate value by mutually generating synergies through the sharing of management resources and strengthening business collaboration within the Shinwa Group.

(3) Date of the business combination

April 1, 2024

(4) Ratio of voting rights acquired

100%

2. Consideration for the acquisition and the details thereof

Cash ¥3,000,000 thousand

3. Amount of acquisition-related expenses and the line item thereof

Acquisition-related expenses for this business combination amounted to ¥76,822 thousand and are included in “Selling, general and administrative expenses” in the consolidated statement of profit or loss for the previous fiscal year.

4. Amount of goodwill arising from the acquisition

¥3,299,536 thousand

As the allocation of acquisition cost has not been completed as of December 31, 2024, the amount of goodwill is a provisionally calculated amount.

Transactions under common control, etc.

At the Board of Directors meeting held on April 17, 2024, the Company resolved that Yagumi Corporation, our consolidated second-tier subsidiary, would absorb CTR Corporation, our consolidated subsidiary, and Yagumi Corporation completed the absorption on June 1, 2024.

1. Overview of the business combination

(1) Names of the constituent companies and their line of business

Combining company (Surviving company)

Name: Yagumi Corporation (Consolidated second-tier subsidiary of the Company)

Line of business: Contracting and brokering, etc. of scaffolding work

Combined company (Absorbed company)

Name: CTR Corporation (Consolidated subsidiary of the Company)

Line of business: Consulting services for corporate rehabilitation and corporate management, etc.

(2) Date of the business combination

June 1, 2024

(3) Legal form of the business combination

Absorption-type merger with Yagumi Corporation as the surviving company and CTR Corporation as the absorbed company

(4) Company name after the business combination

Yagumi Corporation

(5) Other items related to the transaction overview

This merger aims to streamline the Group’s organizational structure and business operations, thereby improving overall management efficiency.

2. Overview of accounting process conducted

A business combination under common control is a business combination in which all of the combining companies or businesses are ultimately controlled by the same company or companies both before and after the business combination, and that control is not transitory. The Group continues to apply accounting treatment for all business combination transactions under common control based on book value.