

Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 [IFRS]



May 15, 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 Annual General Meeting of Shareholders: June 26, 2020

Scheduled date of filing the annual securities report: June 29, 2020

Scheduled date of commencing dividend payments: June 11, 2020

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: No (Briefing session is canceled to prevent the spread of the novel coronavirus infection.)

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

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

(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	%
Fiscal year ended								
March 31, 2020	17,081	(2.5)	2,210	12.5	2,139	12.9	1,467	10.2
March 31, 2019	17,512	5.6	1,963	(14.9)	1,894	(15.4)	1,331	(8.8)

	Profit attributable to owners of parent		Comprehensive income	
	Million yen	%	Million yen	%
Fiscal year ended				
March 31, 2020	1,467	10.2	1,464	9.9
March 31, 2019	1,331	(8.8)	1,332	(8.6)

	Basic earnings per share	Diluted earnings per share	Ratio of return on equity attributable to owners of parent	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	Yen	Yen	%	%	%
Fiscal year ended					
March 31, 2020	104.85	104.21	11.0	10.0	12.9
March 31, 2019	96.44	95.81	10.7	9.0	11.2

Reference: Share of profit (loss) of investments accounted for using equity method:

Fiscal year ended March 31, 2020: ¥- million

Fiscal year ended March 31, 2019: ¥- million

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
	Million yen	Million yen	Million yen	%	Yen
As of March 31, 2020	21,620	13,788	13,740	63.6	975.26
As of March 31, 2019	21,172	12,859	12,859	60.7	919.24

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2020	3,121	(515)	(1,227)	3,120
March 31, 2019	1,766	(580)	(951)	1,742

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to equity attributable to owners of parent (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2019	—	0.00	—	44.00	44.00	615	45.6	4.9
Fiscal year ended March 31, 2020	—	0.00	—	44.00	44.00	619	42.0	4.6
Fiscal year ending March 31, 2021 (Forecast)	—	—	—	23.00	23.00		40.7	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half	6,130	(34.6)	367	(70.0)	331	(72.1)	215	(73.6)
Full year	13,900	(18.6)	1,230	(44.3)	1,158	(45.9)	804	(45.2)

	Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	
	Million yen	%	Yen
First half	215	(73.6)	15.26
Full year	797	(45.7)	56.57

*** Notes:**

- (1) Changes in significant subsidiaries during the year 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 Consolidated Financial Statements (Changes in accounting policies) in 3. Consolidated Financial Statements and Primary Notes on page 14 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):

March 31, 2020: 14,089,200 shares

March 31, 2019: 13,988,800 shares

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

March 31, 2020: - shares

March 31, 2019: - shares

3) Average number of shares during the period:

Fiscal year ended March 31, 2020: 13,993,754 shares

Fiscal year ended March 31, 2019: 13,805,969 shares

*These consolidated financial results are outside the scope of audit 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 (1) Overview of Operating Results for the Fiscal Year under Review in 1. Overview of Operating Results, etc. on page 2 and (4) Future Outlook in 1. Overview of Operating Results, etc. on page 5 of the Attachment.

Table of Contents

1. Overview of Operating Results, etc.	2
(1) Overview of Operating Results for the Fiscal Year under Review.....	2
(2) Overview of Financial Position for the Fiscal Year under Review	3
(3) Overview of Cash Flows for the Fiscal Year under Review	4
(4) Future Outlook.....	5
(5) Basic Policy for Distribution of Profits and Dividends for the Fiscal Year under Review and Next Fiscal Year	7
2. Basic Stance Concerning Choice of Accounting Standards.....	7
3. Consolidated Financial Statements and Primary Notes	8
(1) Consolidated Statement of Financial Position	8
(2) Consolidated Statements of Profit or Loss and Comprehensive Income.....	10
(3) Consolidated Statement of Changes in Equity.....	12
(4) Consolidated Statement of Cash Flows	13
(5) Notes to Consolidated Financial Statements.....	14
(Notes on going concern assumption)	14
(Changes in accounting policies).....	14
(Segment information).....	15
(Per share information)	16
(Significant subsequent events)	16

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year ended March 31, 2020, the Japanese economy was on a moderate recovery trend backed by the government's economic policies. However, a number of events increased uncertainty over the global economy, including increased tension regarding trade issues and the effect of fluctuations in financial and capital markets, as well as the global spread of the novel coronavirus infection toward the end of the fiscal year. As a result, the outlook for the Japanese economy remains increasingly uncertain.

In the construction industry, which is the main supply destination of products manufactured by the Company, total construction investments during the period from January to June 2019 were solid at ¥26,700.0 billion (up 1.1% year on year), and likewise during the period from July to December 2019, at ¥28,600.0 billion (up 1.9% 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 is increasing due to an increasingly serious labor shortage issue as well as work-style reforms and other initiatives, and revisions of safety and health regulations have increased demand for safety equipment that will contribute to accident prevention at construction sites.

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."

In the fiscal year ended March 31, 2020, the Company has continued to implement flexible measures integrating its manufacturing and sales skills, and worked to improve customer convenience by utilizing the three equipment centers opened in the previous fiscal year (Yokohama Equipment Center, Kansai Equipment Center, and Kumamoto Equipment Center). The Company has also worked to streamline the organization's operations through measures such as acquiring a consolidated subsidiary by an absorption-type merger in October 2019.

In terms of gross profit, although the costs of steel materials and other raw materials were 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. In addition, we continued to revise sales prices. As a result, the gross profit ratio for the fiscal year ended March 31, 2020 came to 25.3%, improving by 2.3 percentage points year on year.

In terms of operating profit, an increase in gross profit outweighed increased selling, general and administrative expenses such as personnel expenses and shipping and delivery costs.

As a result, revenue for the fiscal year ended March 31, 2020 amounted to ¥17,081 million (down 2.5% year on year), operating profit was ¥2,210 million (up 12.5% year on year), profit before tax came to ¥2,139 million (up 12.9% year on year), and profit attributable to owners of parent amounted to ¥1,467 million (up 10.2% year on year).

As the Group is comprised of a single business segment of the manufacturing and sales business of scaffolding equipment and logistics equipment, information by segment is not provided. The performance of each business Division is as follows.

1) Scaffolding Equipment Division

The Scaffolding Equipment Division develops 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 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 supplying fall arrest and fall prevention safety equipment aimed at enhancing safety at construction sites, following an increase in demand for these products.

In the fourth quarter, revenue shrank as the economic activities decreased due to the novel coronavirus pandemic and as customers cut back on investment in scaffolding equipment, but revenue from wedge binding type scaffolding in full year totaled ¥8,748 million (up 6.5% year on year).

In next generation scaffolding, although we worked to acquire 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 ¥2,160 million (down 18.7% year on year).

As a result of these factors, revenue for the Scaffolding Equipment Division amounted to ¥14,544 million (up 1.9% year on year).

2) Logistics Equipment Division

The Logistics Equipment Division offers made-to-order transportation and storage solutions to wide range of industries, including the construction industry, as well as the automobile and distribution warehouses.

During the fiscal year ended March 31, 2020, demand for improved safety and greater efficiency at construction sites drove an increase in demand for pallets with higher added value, especially by major scaffolding equipment lease companies, and the Division focused on supplying such products. Meanwhile, large-scale construction works for distribution warehouses decreased as initially expected, and this was a factor driving down revenue.

As a result of these factors, revenue for the Logistics Equipment Division was ¥2,536 million (down 21.6% year on year).

(Thousand yen)

Name of product and service		For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2020
Scaffolding Equipment	Wedge binding type scaffolding	8,214,895	8,748,857
	Next generation scaffolding	2,657,940	2,160,471
	Other scaffolding equipment	3,402,659	3,635,628
	Subtotal	14,275,496	14,544,958
Logistics Equipment	Pallets	3,236,721	2,536,591
	Subtotal	3,236,721	2,536,591
Total		17,512,217	17,081,549

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Current assets at the end of the fiscal year under review increased by ¥281 million from the end of the previous fiscal year to ¥8,345 million, mainly due to an increase in cash and cash equivalents of ¥1,377 million, despite a decrease in trade and other receivables of ¥1,040 million backed by progress in collection of receivables.

Additionally, non-current assets increased by ¥166 million from the end of the previous fiscal year to ¥13,274 million. The increase was primarily attributable to factors such as an increase in right-of-use assets of ¥353 million in line with the application of IFRS 16 “Leases.” As a result, total assets increased by ¥448 million from the end of the previous fiscal year to ¥21,620 million.

(Liabilities)

Current liabilities at the end of the fiscal year under review decreased by ¥158 million from the end of the previous fiscal year to ¥2,018 million. This was mainly due to factors such as a decrease in trade and other payables of ¥440 million despite an increase in income taxes payable of ¥257 million. Additionally, non-current liabilities decreased by ¥322 million from the end of the previous fiscal year to ¥5,814 million. This was primarily attributable to a decrease in borrowings of ¥483 million, despite an increase in other financial liabilities of ¥197 million, mainly due to the application of IFRS 16 “Leases.” As a result, total liabilities decreased by ¥480 million from the end of the previous fiscal year to ¥7,832 million.

(Equity)

Total equity at the end of the fiscal year under review increased by ¥929 million from the end of the previous fiscal year to ¥13,788 million. This was mainly attributable to factors such as the posting of profit of ¥1,467 million and dividends paid of ¥615 million leading to an increase in retained earnings of ¥846 million, as well as an increase in non-controlling interests of ¥47 million due to the establishment of GUANGDONG NISSHIN-CHUANGFU ADVANCED CONSTRUCTION MATERIALS Co., Ltd.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (hereinafter “cash”) at the end of the fiscal year under review was ¥3,120 million, an increase of ¥1,377 million from the end of the previous fiscal year.

Cash flows from each activity for the fiscal year ended March 31, 2020 and their primary factors are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities for the fiscal year ended March 31, 2020 was ¥3,121 million, an increase of ¥1,354 million year on year. The main factors affecting cash inflows are profit before tax of ¥2,139 million, depreciation and amortization of ¥674 million, and a decrease in trade and other receivables of ¥1,002 million. The main factors affecting cash outflows are a decrease in trade and other payables of ¥421 million and income taxes paid of ¥486 million.

(Cash flows from investing activities)

Net cash used in investing activities for the fiscal year ended March 31, 2020 was ¥515 million, a decrease of ¥64 million year on year. The main factor affecting cash outflows is purchase of property, plant and equipment of ¥570 million.

(Cash flows from financing activities)

Net cash used in financing activities for the fiscal year ended March 31, 2020 was ¥1,227 million, an increase of ¥276 million year on year. The main factors affecting cash outflows are dividends paid of ¥612 million and repayments of long-term borrowings of ¥500 million.

(4) Future Outlook

As for the forecast for the fiscal year ending March 31, 2021, given the uncertainties regarding the future due to the effects of the novel coronavirus infection, the Company expects economic activities to resume one by one from around June and the demand for its products in the construction industry to continue declining through the end of September. We, therefore, formulated the financial results forecast for the fiscal year on the assumption that the demand would gradually start recovering from the third quarter, reaching the previous year's level in the fourth quarter.

1) Scaffolding Equipment Division

Amid the declaration of a nationwide state of emergency due to the spread of the novel coronavirus infection, the effects on the Scaffolding Equipment Division have been growing, including suspension and postponement of work at existing construction sites, and postponement of new construction investment projects. With demolition works and restoration works from natural disasters that occurred last year continuing, a certain level of demand for scaffolding equipment can be expected in this field, but overall demand for scaffolding equipment is decreasing rapidly. Consequently, the Company also has been adjusting production, including temporary closures of manufacturing plants.

For this reason, we expect the revenue of the Scaffolding Equipment Division to decline roughly 50% in the first quarter (April to June) year on year.

Further, assuming the impact of reduced demand in the construction industry to continue till the end of September, the Company expects the revenue of the Scaffolding Equipment Division to decline about 40% in the second quarter (July to September) year on year.

From the third quarter on, however, we expect the revenue to be down approximately 10% year on year in the third quarter (October to December), recovering roughly to the previous year's level in the fourth quarter (January to March) on the premise that construction demand such as house renovation, maintenance and repair works for social infrastructure would gradually recover and investment demand in scaffolding equipment would return to the previous year's level in the fourth quarter.

Based on these assumptions, the Company expects revenue of the Scaffolding Equipment Division in full year to amount to ¥11,018 million (down 24.2% year on year).

2) Logistics Equipment Division

The Logistics Equipment Division offers made-to-order products to wide range of industries, led by the construction industry, including pallets for the automobile industry as well as for the electrical machinery and precision machinery industries, racks for distribution warehouses, and those for the agriculture and fishery industries and chemical industry.

Among these, products involved in overseas distribution, including pallets for the automobile industry and bulk containers for liquid shipping, are affected by the decline in distribution overseas due to the spread of the novel coronavirus infection. Distribution warehouses and others are also affected by the postponement of construction works in Japan.

Against this backdrop, we are assuming the decline in demand for logistics equipment to continue through the end of September, and revenue of the Logistics Equipment Division in the first and second quarters to be roughly 10% lower than the previous year's level.

Meanwhile, the Company anticipates distributions overseas and investment in logistics equipment to normalize from October onwards, and also given the planned large-scale distribution warehouse project, revenue of the Division in the second half is expected to increase approximately 30% year on year.

Based on these assumptions, the Company expects revenue of the Logistics Equipment Division in full year to come to ¥2,882 million (up 13.6% year on year).

The Company plans to reduce costs through all sorts of measures such as reducing directors' compensation and other fixed costs and reviewing new investment projects.

Based on the above, the Company expects revenue of ¥13,900 million (down 18.6% year on year) for the fiscal year ending March 31, 2021, operating profit of ¥1,230 million (down 44.3% year on year), profit before tax of ¥1,158 million (down 45.9% year on year), and profit attributable to owners of parent of ¥797 million (down 45.7% year on year).

The above forecasts were prepared based on the information available at the time of the announcement of this document and include much uncertain factors such as the timing when the novel coronavirus infection would subside and changes in the industry condition such as demand trend. The actual results, therefore, may substantially differ from the forecasts due to changes in various factors.

(5) Basic Policy for Distribution of Profits and Dividends for the Fiscal Year under Review and Next Fiscal Year
The Group positions the return of profits to shareholders as one of its most important management issues.

1) Basic policy

The Company's basic policy is to return profits to its shareholders in accordance with operating results, while ensuring internal reserves necessary for stable corporate growth and to respond to changes in the business environment, with a target payout ratio of at least 40%.

2) Number of dividend payments and decision-making body

The Company's basic policy for dividends of surplus is to pay year-end dividends once per year. The Company's Articles of Incorporation stipulate that the matters provided in each item of Article 459, Paragraph 1 of the Companies Act, such as dividends of surplus, shall be resolved by the Board of Directors, unless otherwise stipulated by laws and regulations. In addition, the Articles of Incorporation stipulate that an interim dividend as provided in provisions of Article 454, Paragraph 5 of the Companies Act may be paid depending on the circumstances. The Board of Directors is the decision-making body for the interim dividend.

3) Use of internal reserves

The Company intends to use internal reserves to strengthen its financial structure, and as effective investment capital, including capital investment and the development of human resources for further business growth, as it strives to enhance corporate value.

At the Board of Directors meeting held on May 15, 2020, the Company resolved the appropriation of surplus for the fiscal year ended March 31, 2020 with a year-end dividend of ¥44 per share. As a result, the payout ratio is 42.0%.

The Company expects to pay an annual dividend of 23.00 yen per share (payout ratio: 40.7%) for the fiscal year ending March 31, 2021, taking into account the payout ratio target of 40% or more and the outlook for the fiscal year including the impact of the coronavirus pandemic, but the dividend amount may change depending on when the pandemic subsides, the economic trend, and the Company's business performance.

2. Basic Stance Concerning Choice of Accounting Standards

The Group positions overseas expansion of its business as one of its key business strategies. Accordingly, the Group applies the International Financial Reporting Standards (IFRS) in order to expand trading opportunities by making it easier for overseas corporations to understand the Group.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Statement of Financial Position

	(Thousand yen)	
	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and cash equivalents	1,742,662	3,120,411
Trade and other receivables	3,817,591	2,777,446
Inventories	2,382,330	2,405,597
Other financial assets	50,035	—
Other current assets	71,714	42,132
Total current assets	8,064,334	8,345,587
Non-current assets		
Property, plant and equipment	2,495,759	2,370,577
Right-of-use assets	—	353,196
Goodwill	9,221,769	9,221,769
Intangible assets	1,276,012	1,258,021
Other financial assets	83,382	59,617
Deferred tax assets	18,118	—
Other non-current assets	13,079	11,760
Total non-current assets	13,108,122	13,274,943
Total assets	21,172,457	21,620,530

(Thousand yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	1,180,307	739,649
Borrowings	494,427	495,430
Income taxes payable	174,928	432,829
Other financial liabilities	33,612	83,340
Other current liabilities	293,947	267,084
Total current liabilities	2,177,223	2,018,335
Non-current liabilities		
Borrowings	5,685,822	5,202,637
Provisions	45,588	45,561
Other financial liabilities	42,725	240,131
Deferred tax liabilities	358,189	321,913
Other non-current liabilities	3,900	3,900
Total non-current liabilities	6,136,226	5,814,144
Total liabilities	8,313,449	7,832,479
Equity		
Share capital	150,125	150,125
Capital surplus	6,915,576	6,951,814
Retained earnings	5,793,305	6,640,266
Other components of equity	–	(1,534)
Total equity attributable to owners of parent	12,859,007	13,740,672
Non-controlling interests	–	47,378
Total equity	12,859,007	13,788,051
Total liabilities and equity	21,172,457	21,620,530

(2) Consolidated Statements of Profit or Loss and Comprehensive Income
Consolidated Statement of Profit or Loss

(Thousand yen)

	For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2020
Revenue	17,512,217	17,081,549
Cost of sales	(13,482,004)	(12,751,849)
Gross profit	4,030,213	4,329,699
Selling, general and administrative expenses	(2,073,562)	(2,127,932)
Other income	11,354	15,139
Other expenses	(4,059)	(6,761)
Operating profit	1,963,946	2,210,144
Finance income	2,530	139
Finance costs	(71,697)	(70,972)
Profit before tax	1,894,779	2,139,310
Income tax expense	(563,323)	(671,534)
Profit	1,331,456	1,467,776
Profit attributable to		
Owners of parent	1,331,456	1,467,274
Non-controlling interests	–	502
Profit	1,331,456	1,467,776
Earnings per share		
Basic earnings per share (yen)	96.44	104.85
Diluted earnings per share (yen)	95.81	104.21

Consolidated Statement of Comprehensive Income

(Thousand yen)

	For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2020
Profit	1,331,456	1,467,776
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	–
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	–	(3,007)
Total of items that may be reclassified to profit or loss	–	(3,007)
Other comprehensive income	1,297	(3,007)
Comprehensive income	1,332,753	1,464,769
Comprehensive income attributable to		
Owners of parent	1,332,753	1,465,740
Non-controlling interests	–	(970)
Comprehensive income	1,332,753	1,464,769

(3) Consolidated Statement of Changes in Equity
For the Fiscal Year Ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(Thousand yen)

	Share capital	Capital surplus	Retained earnings	Other components of equity			Equity attributable to owners of parent	Equity
				Available-for-sale financial assets	Financial assets measured at fair value through other comprehensive income	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	–	–	1,331,456	–	–	–	1,331,456	1,331,456
Other comprehensive income	–	–	–	–	1,297	1,297	1,297	1,297
Comprehensive income	–	–	1,331,456	–	1,297	1,297	1,332,753	1,332,753
Issuance of new shares - exercise of share acquisition rights	50,125	50,074	–	–	–	–	100,200	100,200
Dividends	–	–	(592,901)	–	–	–	(592,901)	(592,901)
Share-based remuneration transactions	–	55,438	–	–	–	–	55,438	55,438
Transfer from other components of equity to retained earnings	–	–	2,531	–	(2,531)	(2,531)	–	–
Total transactions with owners	50,125	105,513	(590,369)	–	(2,531)	(2,531)	(437,262)	(437,262)
Balance at end of period	150,125	6,915,576	5,793,305	–	–	–	12,859,007	12,859,007

For the Fiscal Year Ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(Thousand yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity			Equity attributable to owners of parent	Non-controlling interests	Equity
					Foreign currency translation difference of foreign operations	Other components of 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	–	–	1,467,274	–	–	–	1,467,274	502	1,467,776	
Other comprehensive income	–	–	–	–	(1,534)	(1,534)	(1,534)	(1,472)	(3,007)	
Comprehensive income	–	–	1,467,274	–	(1,534)	(1,534)	1,465,740	(970)	1,464,769	
Purchase of treasury shares	–	–	–	(112,500)	–	–	(112,500)	–	(112,500)	
Disposal of treasury shares - exercise of share acquisition rights	–	(12,300)	–	112,500	–	–	100,200	–	100,200	
Dividends	–	–	(615,507)	–	–	–	(615,507)	–	(615,507)	
Share-based remuneration transactions	–	48,538	–	–	–	–	48,538	–	48,538	
Increase (decrease) by business combination	–	–	–	–	–	–	–	48,349	48,349	
Total transactions with owners	–	36,238	(615,507)	–	–	–	(579,268)	48,349	(530,919)	
Balance at end of period	150,125	6,951,814	6,640,266	–	(1,534)	(1,534)	13,740,672	47,378	13,788,051	

(4) Consolidated Statement of Cash Flows

(Thousand yen)

	For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before tax	1,894,779	2,139,310
Depreciation and amortization	544,582	674,658
Finance income and finance costs	69,166	70,833
Loss (gain) on sale of fixed assets	(79)	(4,667)
Loss on disposal of property, plant and equipment	263	0
Share-based remuneration expenses	55,438	48,538
Decrease (increase) in inventories	(239,395)	(23,267)
Decrease (increase) in trade and other receivables	440,830	1,002,828
Increase (decrease) in trade and other payables	(274,915)	(421,254)
Other	50,459	112,482
Subtotal	2,541,130	3,599,462
Interest and dividends received	2,530	139
Interest paid	(52,929)	(41,061)
Income taxes paid	(724,037)	(486,329)
Income taxes refund	—	49,482
Net cash provided by (used in) operating activities	1,766,694	3,121,693
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	—	50,035
Proceeds from sale of property, plant and equipment	79	1,701
Purchase of property, plant and equipment	(547,977)	(570,475)
Purchase of intangible assets	(35,854)	(6,175)
Proceeds from sales of financial assets	14,271	—
Payments for acquisition of financial assets	(361)	—
Other	(10,516)	9,273
Net cash provided by (used in) investing activities	(580,358)	(515,640)
Cash flows from financing activities		
Proceeds from long-term loan payable	6,250,000	—
Repayments of long-term borrowings	(6,597,000)	(500,000)
Payments of financial expenditures	(77,352)	(11,303)
Capital contribution from non-controlling interests	—	14,795
Proceeds from exercise of share acquisition rights	100,200	100,200
Cash dividends paid	(588,426)	(612,930)
Purchase of treasury shares	—	(112,500)
Repayments of lease liabilities	(38,977)	(106,184)
Net cash provided by (used in) financing activities	(951,556)	(1,227,922)
Effect of exchange rate changes on cash and cash equivalents	—	(381)
Net increase (decrease) in cash and cash equivalents	234,778	1,377,748
Cash and cash equivalents at beginning of period	1,507,883	1,742,662
Cash and cash equivalents at end of period	1,742,662	3,120,411

(5) Notes to 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 fiscal year ended March 31, 2020 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 consolidated financial statements are described below.

IFRS 16 "Leases"

From the fiscal year ended March 31, 2020, 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 consolidated financial statements were ¥286,317 thousand and ¥293,175 thousand, respectively.

(Segment information)

(1) General information

The Group's main businesses are the manufacturing and sales of scaffolding equipment and logistics equipment. There is a single reporting segment of the manufacturing and sales business of scaffolding equipment and logistics equipment.

(2) Information regarding revenue, profit and loss, and other matters of the reporting segment

This information is omitted, because the Group has a single segment of the manufacturing and sales business of scaffolding equipment and logistics equipment.

(3) Information regarding products and services

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

(Thousand yen)

Name of product and service		For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2020
Scaffolding equipment	Wedge binding type scaffolding	8,214,895	8,748,857
	Next generation scaffolding	2,657,940	2,160,471
	Other scaffolding equipment	3,402,659	3,635,628
	Subtotal	14,275,496	14,544,958
Logistics equipment	Pallets	3,236,721	2,536,591
	Subtotal	3,236,721	2,536,591
Total		17,512,217	17,081,549

(4) Regional information

The information regarding revenue by region is omitted, because revenue in Japan from external customers account for the majority of revenue in the Consolidated Statement of Profit or Loss. In addition, the information regarding non-current assets by region is omitted, because non-current assets belonging to locations in Japan account for the majority of the carrying amount of non-current assets in the Consolidated Statement of Financial Position.

(5) Information regarding major customers

This information is omitted, because no single external customer accounts for more than 10% of the Group's revenue.

(Per share information)

	For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2020
Profit attributable to common shareholders of parent (thousand yen)	1,331,456	1,467,274
Diluted profit (thousand yen)	1,331,456	1,467,274
Weighted average number of common shares issued (shares)	13,805,969	13,993,754
Weighted average number of common shares used to calculate diluted earnings per share (shares)	13,896,627	14,079,685
Basic earnings per share	¥96.44	¥104.85
Diluted earnings per share	¥95.81	¥104.21

Note: Basic earnings per share is calculated by dividing profit attributable to common shareholders of parent by the weighted average number of common shares issued during the fiscal year.

(Significant subsequent events)

There is no relevant information.