Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 [IFRS]

May 10, 2024

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
Representative: Kurio Noritake, President and Representative Director
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Scheduled date of Annual General Meeting of Shareholders: June 26, 2024
Scheduled date of filing the annual securities report: June 26, 2024
Scheduled date of commencing dividend payments: June 10, 2024
Availability of supplementary briefing material on annual financial results: Yes
Schedule of annual financial results briefing session: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 to March 31, 2024)

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

	Revenue		Operating profit		Profit before tax		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2024	12,678	(14.1)	700	(53.4)	652	(54.5)	411	(58.3)
March 31, 2023	14,757	(8.1)	1,501	(29.7)	1,434	(30.5)	985	(30.2)

	Profit attributable to owners of parent		Comprehensive income	
Fiscal year ended	Million yen	%	Million yen	%
March 31, 2024	409	(59.3)	420	(57.2)
March 31, 2023	1,007	(30.6)	981	(31.0)

	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
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2024	29.46	–	2.7	3.1	5.5
March 31, 2023	72.49	72.49	6.6	6.5	10.2

Reference: Share of profit (loss) of investments accounted for using equity method:
Fiscal year ended March 31, 2024: ¥– million
Fiscal year ended March 31, 2023: ¥– 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
As of	Million yen	Million yen	Million yen	%	Yen
March 31, 2024	20,675	15,318	15,310	74.0	1,100.69
March 31, 2023	21,294	15,552	15,545	73.0	1,117.56

(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
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2024	1,973	(626)	(1,569)	1,843
March 31, 2023	686	(659)	(1,424)	2,063

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, 2023	–	0.00	–	32.00	32.00	445	44.1	2.9
Fiscal year ended March 31, 2024	–	16.00	–	16.00	32.00	445	108.6	2.9
Fiscal year ending March 31, 2025 (Forecast)	–	16.00	–	16.00	32.00		44.5	

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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half	6,647	0.4	495	(4.9)	441	(11.2)	296	(13.6)
Full year	16,000	26.2	1,600	128.5	1,494	129.0	1,000	143.3

	Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Yen
First half	296	(12.9)	21.29
Full year	1,000	144.1	71.91

*** Notes:**

(1) Changes in significant subsidiaries during the year 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):
March 31, 2024: 14,103,000 shares
March 31, 2023: 14,103,000 shares

2) Total number of treasury shares at the end of the period:
March 31, 2024: 193,484 shares
March 31, 2023: 192,518 shares

3) Average number of shares during the period:
Fiscal year ended March 31, 2024: 13,906,457 shares
Fiscal year ended March 31, 2023: 13,903,055 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.

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1. Overview of Operating Results, etc.

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

During the fiscal year ended March 31, 2024 (the "fiscal year under review"), the Japanese economy continued to recover gradually, although there were stalls in some activities, such as capital investment. However, the outlook remains uncertain as there is still a risk of an economic downturn due to the prolonged weakness of the yen, high prices of materials and resources, concerns about the outlook for the Chinese economy, and the conflicts in the Middle East and Ukraine.

In the construction industry, which is the main source of demand for our products, construction investments were generally stable, amounting to ¥52.1 trillion between April 2023 and February 2024 (up 1.7% year on year), according to "Comprehensive Construction Statistics" published by the Ministry of Land, Infrastructure, Transport and Tourism. However, according to "Building Starts Statistics" by the said ministry, the number of residential and non-residential construction starts during the same period decreased 6.6% from one year earlier to 789,951 and the total floor area of construction starts was down 10.2% to 93,295 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 building materials as well as the increase in their costs.

In this difficult business climate, there were many activities for generating sales that included proposals to customers for both sales and rentals of our products for more flexibility. In addition, we made a steady progress with preparations for increasing sales of new products that are aligned with medium- to long-term demand and the government policy for national resilience. For example, we continued to supply our multi-level linked scaffolding, which is ideal for high-rise buildings, as large-scale redevelopment projects in urban areas are expected to continue. We also started selling and renting Rapid Floor™, a suspended system scaffold that was developed with a large bridge construction company and construction equipment leasing company in anticipation of maintenance and repair demand arising from the aging of social infrastructure.

In the Logistics Equipment Division, there were different levels of strength in demand depending on the industries in which we provide our products, which resulted in variations in the volume and timing of the required equipment, including delays in the recognition of sales of large projects. On the other hand, we have continued to engage in sales activities with an aim of adding more market sectors for logistics equipment by identifying opportunities involving demand and projects in industries not yet served by this division.

On the cost front, efforts are made to further hold down costs, given that raw material prices have remained high. Nevertheless, there were several factors that reduced profitability. Such factors include implementation of sales strategies to maintain our sales share; a decrease in gross profit resulting from a decline in sales volume; and our sincere response to requests for cooperation from our business partners in all areas of transactions, including price revisions, to maintain cooperative relationships that are sustainable with them. In terms of selling, general and administration expenses, we increased expenditures and benefits for employees and incurred expenses to start a shareholder benefit program as part of measures to distribute earnings to shareholders. In addition, as a special one-off factor, we recorded advisory expenses related to the acquisition of shares of a subsidiary.

As a result of the above, revenue for the fiscal year under review amounted to ¥12,678 million (down 14.1%year on year). Operating profit was ¥700 million (down 53.4% year on year). Profit before tax amounted to ¥652 million (down 54.5% year on year), and profit attributable to owners of parent amounted to ¥409 million (down 59.3% year on year).

As the Group is comprised of a single business segment of manufacturing and sale of scaffolding equipment and logistics equipment, information by segment is not provided. Instead, the performance of each business division is provided 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.

During the fiscal year ended March 31, 2024, the Division saw customers persistently continue to rent rather than purchase scaffolding equipment because of the high prices of materials and products and the rising wages for construction workers since the third quarter of the previous fiscal year. There are also challenges due to postponements of construction projects caused by the shortage of construction workers. For these reasons, although the demand for scaffolding equipment remains stable, some customers are pushing back purchases of wedge binding type scaffolding. Also, as a temporary factor, the sales volume decreased year on year because there was a large volume of purchases in the previous fiscal year prior to price revisions.

As a result, revenue of the Scaffolding Equipment Division amounted to ¥8,981million (down 13.6% year on year).

2) Logistics Equipment Division

The Logistics Equipment Division offers solutions to increase efficiency in transportation and storage and to improve safety through providing made-to-order products to wide range of industries, including the construction industry, as well as the automobile and distribution warehouses.

During the fiscal year ended March 31, 2024, the Division steadily received orders, primarily for large logistics warehouse equipment and other repeated projects, reflecting a higher level of production in many industries. However, there was a decline in the volume of orders for pallets for automobile parts caused by fluctuations in demand and the postponement to the next fiscal year and beyond of one-time sales of products for the transportation of materials for electrical equipment and other applications.

As a result, revenue of the Logistics Equipment Division amounted to ¥3,697 million (down 15.3% year on year).

(Thousand yen)

Name of product and service		For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Scaffolding equipment	Wedge binding type scaffolding	5,866,146	4,970,563
	Next generation scaffolding	1,713,909	1,434,467
	Other scaffolding equipment	2,811,663	2,576,153
	Subtotal	10,391,719	8,981,184
Logistics equipment	Pallets	4,365,516	3,697,534
	Subtotal	4,365,516	3,697,534
Total		14,757,236	12,678,718

Note: Revenue stated in other scaffolding equipment and pallets includes revenue derived from leases under IFRS 16 of ¥538,385 thousand in the previous fiscal year and ¥451,760 thousand in the fiscal year under review.

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

(Assets)

Current assets at the end of the fiscal year under review decreased by ¥670 million from the end of the previous fiscal year to ¥7,291 million, mainly due to factors such as a decrease in cash and cash equivalents of ¥220 million, a decrease in trade and other receivables of ¥224 million, and a decrease in inventories of ¥223 million. Non-current assets increased by ¥51 million from the end of the previous fiscal year to ¥13,384 million, mainly due to an increase in property, plant and equipment of ¥84 million. As a result, total assets decreased by ¥619 million from the end of the previous fiscal year to ¥20,675 million.

(Liabilities)

Current liabilities at the end of the fiscal year under review decreased by ¥2,297 million from the end of the previous fiscal year to ¥2,943 million, mainly due to factors such as an increase in trade and other payables of ¥381 million, which was more than offset by a decrease in borrowings of ¥2,751 million. Non-current liabilities increased by ¥1,912 million from the end of the previous fiscal year to ¥2,413 million. The increase was primarily attributable to an increase in borrowings of ¥1,963 million. As a result, total liabilities decreased by ¥385 million from the end of the previous fiscal year to ¥5,357 million.

(Equity)

Total equity at the end of the fiscal year under review decreased by ¥233 million from the end of the previous fiscal year to ¥15,318 million. This was mainly attributable to factors such as the posting of profit attributable to owners of parent of ¥409 million and dividends paid of ¥667 million.

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

Cash and cash equivalents (hereinafter “net cash”) at the end of the fiscal year under review was ¥1,843 million, a decrease of ¥220 million from the end of the previous fiscal year.

Cash flows from each activity for the fiscal year under review and their primary factors are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities for the fiscal year under review was ¥1,973 million, an increase of ¥1,287 million year on year. Main factors affecting cash inflows were profit before tax of ¥652 million, depreciation and amortization of ¥592 million, a decrease in inventories of ¥223 million, a decrease in trade and other receivables of ¥237 million, and an increase in trade and other payables of ¥395 million. The main factor affecting cash outflows was income taxes paid of ¥362 million.

(Cash flows from investing activities)

Net cash used in investing activities for the fiscal year under review was ¥626 million, a decrease of ¥33 million year on year. The main factors affecting cash outflows were purchase of property, plant and equipment of ¥615 million and purchase of intangible assets of ¥10 million.

(Cash flows from financing activities)

Net cash used in financing activities for the fiscal year under review was ¥1,569 million, an increase of ¥145 million year on year. Main factors include proceeds from long-term borrowings of ¥2,500 million due to the refinancing of the syndicated loan and repayments of long-term borrowings of ¥3,250 million.

(4) Future Outlook

On April 1, 2024, the Group acquired shares of CTR Corporation (hereinafter referred to as “Yagumi Group”) and made it a subsidiary of the Company. Given this transaction, on May 9, 2024, the Company formulated and announced its Medium-Term Management Plan covering five years from the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2029(*). In the next fiscal year, the first year of the Plan, we will steadily implement measures in each business segment. Also, taking the opportunity of making the Yagumi Group a subsidiary, we will strive to achieve our goals for the fiscal year ending March 2029 with the aim of creating new value and further enhancing corporate value by mutually generating synergies through the sharing of management resources and strengthening business collaboration within the Shinwa Group.

1) Scaffolding Equipment Division

There will be continued demand for our mainstay wedge binding type scaffolding, next generation scaffolding, and safety equipment, and the Company anticipates that demand will continue to exceed a certain level. The Company expects full-year revenue of the Scaffolding Equipment Division to amount to ¥12,158 million (up 35.4% year-on-year) based on assumptions of expanded sales of infrastructure-related products, development and promotion of high value-added products and services, as well as increased revenue from scaffolding equipment installation services, which is the main business of the Yagumi Group.

2) Logistics Equipment Division

The Division expects an increase in revenue from pallets to transport materials for electrical equipment in the next fiscal year in addition to sales continuing to perform steadily in bulk containers for liquid shipping and warehouse racks for distribution warehouses. We will also work to increase revenue by expanding sales of new projects in a wide range of fields other than the above.

Based on the above, the Company expects full-year revenue of the Logistics Equipment Division to come to ¥3,842 million (up 3.9% year on year).

The Company plans to endeavor to reduce costs and control expenditure through all sorts of measures such as reviewing fixed costs and new investment projects.

Based on the above, the Company expects consolidated revenue of ¥16,000 million (up 26.2% year on year), operating profit of ¥1,600 million (up 128.5% year on year), profit before tax of ¥1,494 million (up 129.0% year on year), and profit attributable to owners of parent of ¥1,000 million (up 144.1% year on year) for the fiscal year ending March 31, 2025.

The above forecasts were prepared based on the information available at the time of the announcement of this document, and the actual results, therefore, may differ from the forecasts due to various factors in future.

* Please refer to the “Notice regarding Formulation of the Medium-Term Management Plan” (available in Japanese only) announced on May 9, 2024.

(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 dividends twice a year as interim dividends and year-end dividends.

The Company's Articles of Incorporation stipulate that the Company may pay an interim dividend with the record date being September 30 every year based on a resolution of the Board of Directors, and 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.

3) Use of internal reserves

The Company intends to use internal reserves as effective investment capital, including capital investment and the development of human resources for further business growth, in addition to using them for the repayment of borrowings, as it strives to enhance corporate value.

At the Board of Directors meeting held on May 10, 2024, the Company resolved the appropriation of surplus for the fiscal year ended March 31, 2024 with a year-end dividend of ¥16.0 per share. The interim dividend was declared at ¥16.0 per share, resulting in an annual dividend of ¥32.0 per share. As a result, the payout ratio is 108.6%.

The Company expects to pay an annual dividend of ¥32.0 per share (including an interim dividend of ¥16.00; payout ratio: 44.5%) for the fiscal year ending March 31, 2025, taking into account the payout ratio target of 40% or more and the outlook for the fiscal year ending March 31, 2025, but the dividend amount may change depending on the future 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, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and cash equivalents	2,063,796	1,843,324
Trade and other receivables	2,450,073	2,225,876
Inventories	3,406,646	3,182,833
Other current assets	41,560	39,396
Total current assets	7,962,077	7,291,430
Non-current assets		
Property, plant and equipment	2,403,561	2,488,388
Right-of-use assets	240,048	204,761
Goodwill	9,221,769	9,221,769
Intangible assets	1,387,641	1,352,107
Other financial assets	68,259	105,080
Other non-current assets	11,537	12,124
Total non-current assets	13,332,817	13,384,232
Total assets	21,294,895	20,675,663

	As of March 31, 2023	As of March 31, 2024
		(Thousand yen)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	664,207	1,045,596
Borrowings	4,242,189	1,490,914
Income taxes payable	122,676	59,503
Other financial liabilities	89,510	69,272
Other current liabilities	122,936	278,629
Total current liabilities	5,241,520	2,943,917
Non-current liabilities		
Borrowings	–	1,963,658
Provisions	45,122	44,236
Other financial liabilities	170,269	143,151
Deferred tax liabilities	281,743	258,339
Other non-current liabilities	3,900	3,900
Total non-current liabilities	501,035	2,413,286
Total liabilities	5,742,555	5,357,204
Equity		
Share capital	153,576	153,576
Capital surplus	6,918,346	6,918,207
Retained earnings	8,621,667	8,363,728
Treasury shares	(151,505)	(147,575)
Other components of equity	3,710	22,092
Total equity attributable to owners of parent	15,545,795	15,310,028
Non-controlling interests	6,543	8,430
Total equity	15,552,339	15,318,459
Total liabilities and equity	21,294,895	20,675,663

(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, 2023	For the fiscal year ended March 31, 2024
Revenue	14,757,236	12,678,718
Cost of sales	(11,257,628)	(9,880,785)
Gross profit	3,499,607	2,797,933
Selling, general and administrative expenses	(1,959,283)	(2,078,608)
Other income	26,399	25,318
Other expenses	(64,985)	(44,515)
Operating profit	1,501,738	700,128
Finance income	691	1,378
Finance costs	(67,845)	(48,978)
Profit before tax	1,434,584	652,528
Income tax expense	(448,690)	(241,501)
Profit	985,894	411,026
Profit attributable to:		
Owners of parent	1,007,788	409,665
Non-controlling interests	(21,893)	1,360
Profit	985,894	411,026
Earnings per share:		
Basic earnings per share (yen)	72.49	29.46
Diluted earnings per share (yen)	72.49	–

Consolidated Statement of Comprehensive Income

(Thousand yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Profit	985,894	411,026
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	2,164	9,693
Total of items that will not be reclassified to profit or loss	2,164	9,693
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	1,218	1,074
Cash flow hedges	(8,140)	(1,636)
Total of items that may be reclassified to profit or loss	(6,922)	(562)
Other comprehensive income, net of tax	(4,758)	9,130
Comprehensive income	981,136	420,157
Comprehensive income attributable to:		
Owners of parent	1,002,432	418,270
Non-controlling interests	(21,296)	1,887
Comprehensive income	981,136	420,157

(3) Consolidated Statement of Changes in Equity

For the Fiscal Year Ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(Thousand yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares
Balance at beginning of period	153,576	6,919,802	8,211,397	(163,101)
Profit	–	–	1,007,788	–
Other comprehensive income	–	–	–	–
Comprehensive income	–	–	1,007,788	–
Disposal of treasury shares (exercise of subscription rights to shares)	–	(1,324)	–	3,624
Dividends	–	–	(597,517)	–
Share-based payment transactions	–	(131)	–	7,971
Total transactions with owners	–	(1,456)	(597,517)	11,596
Balance at end of period	153,576	6,918,346	8,621,667	(151,505)

(Thousand yen)

	Other components of equity				Total equity attributable to owners of parent	Non-controlling interests	Equity
	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance at beginning of period	(138)	9,203	–	9,065	15,130,740	27,840	15,158,581
Profit	–	–	–	–	1,007,788	(21,893)	985,894
Other comprehensive income	2,164	621	(8,140)	(5,355)	(5,355)	597	(4,758)
Comprehensive income	2,164	621	(8,140)	(5,355)	1,002,432	(21,296)	981,136
Disposal of treasury shares (exercise of subscription rights to shares)	–	–	–	–	2,300	–	2,300
Dividends	–	–	–	–	(597,517)	–	(597,517)
Share-based payment transactions	–	–	–	–	7,839	–	7,839
Total transactions with owners	–	–	–	–	(587,378)	–	(587,378)
Balance at end of period	2,025	9,825	(8,140)	3,710	15,545,795	6,543	15,552,339

For the Fiscal Year Ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

(Thousand yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares
Balance at beginning of period	153,576	6,918,346	8,621,667	(151,505)
Profit	–	–	409,665	–
Other comprehensive income	–	–	–	–
Comprehensive income	–	–	409,665	–
Disposal of treasury shares	–	(139)	–	3,929
Dividends	–	–	(667,605)	–
Transfers to non-financial assets	–	–	–	–
Total transactions with owners	–	(139)	(667,605)	3,929
Balance at end of period	153,576	6,918,207	8,363,728	(147,575)

(Thousand yen)

	Other components of equity				Total equity attributable to owners of parent	Non-controlling interests	Equity
	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance at beginning of period	2,025	9,825	(8,140)	3,710	15,545,795	6,543	15,552,339
Profit	–	–	–	–	409,665	1,360	411,026
Other comprehensive income	9,693	547	(1,636)	8,604	8,604	526	9,130
Comprehensive income	9,693	547	(1,636)	8,604	418,270	1,887	420,157
Disposal of treasury shares	–	–	–	–	3,790	–	3,790
Dividends	–	–	–	–	(667,605)	–	(667,605)
Transfers to non-financial assets	–	–	9,777	9,777	9,777	–	9,777
Total transactions with owners	–	–	9,777	9,777	(654,037)	–	(654,037)
Balance at end of period	11,718	10,373	–	22,092	15,310,028	8,430	15,318,459

(4) Consolidated Statement of Cash Flows

(Thousand yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before tax	1,434,584	652,528
Depreciation and amortization	597,292	592,472
Impairment losses	38,184	–
Finance income and finance costs	67,153	47,600
Loss (gain) on sale of fixed assets	(5,396)	(17,467)
Loss on disposal of property, plant and equipment	8,507	5,661
Share-based payment expenses	6,654	1,184
Decrease (increase) in inventories	(938,641)	223,814
Decrease (increase) in trade and other receivables	280,980	237,243
Increase (decrease) in trade and other payables	(121,167)	395,164
Other	132,496	221,655
Subtotal	1,500,650	2,359,858
Interest and dividends received	691	1,378
Interest paid	(45,532)	(25,208)
Income taxes paid	(769,709)	(362,606)
Income taxes refund	–	142
Net cash provided by (used in) operating activities	686,100	1,973,563
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	5,507	18,363
Purchase of property, plant and equipment	(605,557)	(615,669)
Purchase of intangible assets	(47,803)	(10,612)
Payments for acquisition of financial assets	(12,106)	(12,862)
Other	182	(5,337)
Net cash provided by (used in) investing activities	(659,778)	(626,117)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,422,650	1,000,000
Repayments of short-term borrowings	(1,551,350)	(1,000,000)
Proceeds from long-term borrowings	–	2,500,000
Repayments of long-term borrowings	(500,000)	(3,250,000)
Payments of financial expenditures	(12,554)	(62,008)
Proceeds from exercise of share acquisition rights	2,300	–
Dividends paid	(599,581)	(667,050)
Repayments of lease liabilities	(185,521)	(90,094)
Net cash provided by (used in) financing activities	(1,424,057)	(1,569,153)
Effect of exchange rate changes on cash and cash equivalents	961	1,235
Net increase (decrease) in cash and cash equivalents	(1,396,773)	(220,471)
Cash and cash equivalents at beginning of period	3,460,569	2,063,796
Cash and cash equivalents at end of period	2,063,796	1,843,324

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Segment information)

(1) General 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.

(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 sale 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, 2023	For the fiscal year ended March 31, 2024
Scaffolding equipment	Wedge binding type scaffolding	5,866,146	4,970,563
	Next generation scaffolding	1,713,909	1,434,467
	Other scaffolding equipment	2,811,663	2,576,153
	Subtotal	10,391,719	8,981,184
Logistics equipment	Pallets	4,365,516	3,697,534
	Subtotal	4,365,516	3,697,534
Total		14,757,236	12,678,718

Note: Revenue stated in other scaffolding equipment and pallets includes revenue derived from leases under IFRS 16 of ¥538,385 thousand in the previous fiscal year and ¥451,760 thousand in the fiscal year under review.

(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 the carrying amount of non-current assets in the Consolidated Statement of Financial Position consists of non-current assets belonging to locations in Japan.

(5) Information regarding major customers

Sales revenue to Amazon Japan G.K., a purchaser of racks for distribution warehouses, amounted to ¥801,492 thousand (5.4%) in the previous fiscal year and ¥1,367,695 thousand (10.8%) in the fiscal year under review.

(Per share information)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Profit attributable to common shareholders of parent (thousand yen)	1,007,788	409,665
Diluted profit (thousand yen)	1,007,788	–
Weighted average number of common shares issued (shares)	13,903,055	13,906,457
Weighted average number of common shares used to calculate diluted earnings per share (shares)	13,903,055	–
Basic earnings per share	¥72.49	¥29.46
Diluted earnings per share	¥72.49	–

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

(Significant subsequent events)

(Business combination through acquisition)

At the Board of Directors meeting held on March 14, 2024, the Company resolved to acquire shares of CTR Corporation (formerly Kisaragi Co., Ltd.; hereinafter referred to as "CTR") and make CTR a subsidiary of the Company.

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

1. Outline 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 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) Legal form of the business combination:
Acquisition of shares for cash consideration

(5) Name of the acquired company after the business combination:
There is no change in the name after the acquisition

(6) Ratio of voting rights acquired:
100%

(7) Main basis for determining the acquiring company
This was due to the fact that the Company acquired the shares for cash consideration.

2. Cost of acquisition of the acquired company and the details thereof
Consideration for the acquisition: ¥3,000 million

3. Amount of acquisition-related expenses and the line item thereof
Acquisition-related expenses for this business combination amounted to ¥76 million and are included in "Selling, general and administrative expenses" in the consolidated statements of income.

4. Amount of goodwill arising from the acquisition, reasons for it, and method and period of amortization
Not determined at this time.

5. Amounts of assets acquired and liabilities assumed on the date of business combination and their major breakdown
Not determined at this time.

(Borrowing of Funds)

The Company borrowed funds to acquire shares of CTR Corporation as follows:

1. Lender:	Mizuho Bank, Ltd.
2. Amount borrowed:	¥3,600 million
3. Borrowing rate:	Short-term prime rate
4. Drawdown date	April 1, 2024
5. Borrowing period:	Six months
6. Collateral or guarantee:	Unsecured and unguaranteed
7. Financial covenants:	None