

Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

May 14, 2018

SHINKAWA LTD.

(URL <https://www.shinkawa.com>)

Listing	First Section of Tokyo Stock Exchange
Security code	6274
Representative	Takashi Nagano, President and CEO, Representative Director
Contact Person	Takuya Mori, Director Chief Financial Officer
Phone Number	+81-3-5937-6404
Scheduled date of general shareholders' meeting	June 27, 2018
Scheduled date to commence dividend payments	—
Scheduled date to file financial statements	June 27, 2018
Consolidated Financial Results Supplemental Materials	Yes
Consolidated Financial Results Presentation Meeting	Yes

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

(from April 1, 2017 to March 31, 2018)

(Amounts are rounded off to nearest million yen.)

(1) Consolidated Operating Results

(% changes as compared with the corresponding period of the previous fiscal year)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2018	15,214	(7.4)	(620)	-	(488)	-	563	131.8
Fiscal year ended March 31, 2017	16,438	29.8	294	-	432	-	243	-

(Note) Comprehensive income March 31, 2018: (34) million yen March 31, 2017: 1,009 million yen

	Profit per share	Diluted Profit per share	Return on equity	Ordinary profit (loss) to total assets	Operating profit (loss) to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2018	31.00	-	2.6	(1.9)	(4.1)
Fiscal year ended March 31, 2017	13.37	-	1.2	1.8	1.8

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2018: — million yen Fiscal year ended March 31, 2017: — million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	24,959	21,545	86.3	1,185.52
As of March 31, 2017	25,201	21,579	85.6	1,187.36

(Reference) Equity: As of March 31, 2018: 21,545million yen As of March 31, 2017: 21,579 million yen

(3) Consolidated Situation of 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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2018	525	1,130	(0)	6,210
Fiscal year ended March 31, 2017	(1,252)	(417)	(0)	4,572

2. Dividends

	Cash dividends per share					Total amount of cash dividends (annual)	Dividends payout ratio (consolidated)	Ratio of total amount of dividends to shareholders' equity (consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Full year			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2017	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended March 31, 2018	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending March 31, 2019 (Forecast)	-	0.00	-	-	-			

(Note) The dividend forecast for the fiscal year ending March 31, 2019 is undecided.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2019

(from April 1, 2018 to March 31, 2019)

(% changes as compared with the corresponding period of the previous fiscal year)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Profit (loss) attributable to owners of parent		Profit (loss) per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2018	7,100	(1.2)	(970)	-	(890)	-	(940)	-	(51.72)
Fiscal year ending March 31, 2019	20,000	31.5	340	-	440	-	330	(41.4)	18.16

*** Notes**

(1) Changes in significant subsidiaries during the fiscal year ended March 31, 2018

(Changes in specified subsidiaries that caused change in scope of consolidation) : None

(2) Changes in accounting policies, accounting estimates and restatement of the consolidated financial statements

1) Changes in accounting policies due to revision of accounting standards: None

2) Changes in matters other than 1) above : None

3) Changes in accounting estimates : None

4) Restatement : None

(3) Number of common shares issued

1) Number of shares issued at the end of the periods (including treasury shares) :

As of March 31, 2018	20,047,500 shares
As of March 31, 2017	20,047,500 shares

2) Number of treasury shares at the end of the periods :

As of March 31, 2018	1,874,404 shares
As of March 31, 2017	1,873,982 shares

3) Average number of shares during the periods :

Fiscal year ended March 31, 2018	18,173,383 shares
Fiscal year ended March 31, 2017	18,173,719 shares

(Reference) Summary of Non-consolidated Financial Results

(Amounts are rounded off to nearest million yen)

1. Non-consolidated Financial Results for the Fiscal Year ended March 31, 2017 (from April 1, 2017 to March 31, 2018)

(1) Non-consolidated Operating Results

(% change compared with the corresponding period of the previous fiscal year)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Profit (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2018	14,122	(5.8)	(1,381)	—	(468)	—	944	—
Fiscal year ended March 31, 2017	14,991	30.3	(604)	—	(442)	—	(87)	—
	Profit (loss) per share		Diluted profit per share					
	Yen		Yen					
Fiscal year ended March 31, 2018	51.97		—					
Fiscal year ended March 31, 2017	(4.76)		—					

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	23,287	19,677	84.5	1,082.74
As of March 31, 2017	23,435	19,323	82.5	1,063.27

(Reference) Equity: As of March 31, 2018: 19,677 million yen As of March 31, 2017: 19,323 million yen

This report is not subject to audit procedures**Explanation regarding the appropriate use of projections and other special notes**

(Notes for the forward-looking statements)

The forward looking statements, including business results forecast, contained in this document are based on information available to the SHINKAWA Group and certain assumptions deemed reasonable as of the date of this document and the Company does not guarantee that such forecast will be achieved. Actual business results may differ substantially due to a number of factors.

(Method to obtain supplemental materials for financial documents)

Supplemental materials for the financial documents is scheduled to be released on the Company's web site.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	4,849	6,452
Notes and accounts receivable - trade	6,363	4,971
Electronically recorded monetary claims	0	283
Merchandise and finished goods	2,568	2,589
Work in process	1,061	1,223
Raw materials and supplies	595	762
Deferred tax assets	49	45
Other	641	783
Allowance for doubtful accounts	(2)	(1)
Total current assets	16,124	17,109
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,220	12,292
Accumulated depreciation	(10,620)	(10,838)
Buildings and structures, net	1,600	1,454
Machinery, equipment and vehicles	1,866	1,900
Accumulated depreciation	(1,630)	(1,659)
Machinery, equipment and vehicles, net	236	241
Land	3,198	3,217
Construction in progress	73	22
Other	1,556	1,579
Accumulated depreciation	(1,459)	(1,500)
Other, net	97	78
Total property, plant and equipment	5,204	5,013
Intangible assets		
Other	52	43
Total intangible assets	52	43
Investments and other assets		
Investment securities	3,365	2,368
Long-term loans receivable	21	16
Deferred tax assets	25	28
Other	409	383
Total investments and other assets	3,821	2,795
Total non-current assets	9,077	7,851
Total assets	25,201	24,959

	Millions of yen	
	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	1,163	1,238
Income taxes payable	172	72
Deferred tax liabilities	9	6
Provision for product warranties	284	273
Provision for bonuses	227	222
Other	370	379
Total current liabilities	2,226	2,191
Non-current liabilities		
Net defined benefit liability	862	852
Deferred tax liabilities	528	366
Other	6	6
Total non-current liabilities	1,397	1,224
Total liabilities	3,622	3,415
Net assets		
Shareholders' equity		
Capital stock	8,360	8,360
Capital surplus	8,907	8,907
Retained earnings	5,726	6,289
Treasury shares	(3,150)	(3,150)
Total shareholders' equity	19,843	20,406
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,535	944
Foreign currency translation adjustment	177	203
Remeasurements of defined benefit plans	24	(9)
Total accumulated other comprehensive income	1,736	1,139
Total net assets	21,579	21,545
Total liabilities and net assets	25,201	24,959

(2) Consolidated Statements of Income and Comprehensive Income
 Consolidated Statements of Income
 Fiscal Years Ended March 31, 2017 and 2018

	Millions of yen	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	16,438	15,214
Cost of sales	11,068	10,492
Gross profit	5,370	4,722
Selling, general and administrative expenses	5,075	5,342
Operating profit (loss)	294	(620)
Non-operating income		
Interest income	9	9
Dividend income	66	66
Rent income	8	3
Foreign exchange gains	41	61
Other	16	7
Total non-operating income	140	145
Non-operating expenses		
Interest expenses	—	4
Sales discounts	1	9
Cost of lease revenue	1	—
Other	0	1
Total non-operating expenses	2	14
Ordinary profit (loss)	432	(488)
Extraordinary income		
Gain on sales of non-current assets	12	—
Gain on sales of investment securities	35	1,108
Total extraordinary income	47	1,108
Extraordinary losses		
Loss on sales of non-current assets	1	—
Total extraordinary losses	1	—
Income (loss) before income taxes	478	619
Income taxes - current	194	57
Income taxes - deferred	41	(1)
Total income taxes	235	56
Profit (loss)	243	563
Profit (loss) attributable to owners of parent	243	563

Consolidated Statements of Comprehensive Income
Fiscal Years Ended March 31, 2017 and 2018

	Millions of yen	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit (loss)	243	563
Other comprehensive income		
Valuation difference on available-for-sale securities	669	(591)
Foreign currency translation adjustment	11	26
Remeasurements of defined benefit plans, net of tax	87	(33)
Total other comprehensive income	766	(597)
Comprehensive income	1,009	(34)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,009	(34)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets
Fiscal Year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	8,360	8,907	5,483	(3,150)	19,600
Changes of items during period					
Profit attributable to owners of parent			243		243
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	243	(0)	243
Balance at the end of current period	8,360	8,907	5,726	(3,150)	19,843

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of current period	866	166	(63)	970	20,570
Changes of items during period					
Profit attributable to owners of parent					243
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	669	11	87	766	766
Total changes of items during period	669	11	87	766	1,009
Balance at the end of current period	1,535	177	24	1,736	21,579

Fiscal Year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	8,360	8,907	5,726	(3,150)	19,843
Changes of items during period					
Profit attributable to owners of parent			563		563
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	563	(0)	563
Balance at the end of current period	8,360	8,907	6,289	(3,150)	20,406

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of current period	1,535	177	24	1,736	21,579
Changes of items during period					
Profit attributable to owners of parent					563
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	(591)	26	(33)	(597)	(597)
Total changes of items during period	(591)	26	(33)	(597)	(34)
Balance at the end of current period	944	203	(9)	1,139	21,545

(4) Consolidated Statements of Cash Flows
Fiscal Years Ended March 31, 2017 and 2018

	Millions of yen	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Income before income taxes	478	619
Depreciation	513	526
Increase (decrease) in allowance for doubtful accounts	0	(1)
Increase (decrease) in provision for bonuses	24	(5)
Increase (decrease) in net defined benefit liability	65	(43)
Increase (decrease) in other provision	93	(11)
Interest and dividend income	(75)	(74)
Interest expenses	—	4
Foreign exchange losses (gains)	(15)	(26)
Loss (gain) on sales of property, plant and equipment	(11)	—
Loss (gain) on sales of investment securities	(35)	(1,108)
Decrease (increase) in notes and accounts receivable - trade	(3,274)	1,160
Decrease(increase)in inventories	555	(278)
Increase (decrease) in notes and accounts payable - trade	521	(15)
Other, net	43	(88)
Subtotal	(1,118)	660
Interest and dividend income received	75	75
Income taxes (paid) refund	(209)	(206)
Interest expenses paid	—	(4)
Net cash provided by (used in) operating activities	(1,252)	525
Cash flows from investing activities		
Payments into time deposits	(417)	(261)
Proceeds from withdrawal of time deposits	397	361
Purchase of property, plant and equipment	(394)	(285)
Proceeds from sales of property, plant and equipment	14	7
Purchase of intangible assets	(45)	(18)
Proceeds from sales of investment securities	64	1,352
Payments of loans receivable	(13)	(8)
Collection of loans receivable	15	18
Other payments	(187)	(187)
Other proceeds	148	152
Net cash provided by (used in) investing activities	(417)	1,130
Cash flows from financing activities		
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(0)	—
Net cash provided by (used in) financing activities	(0)	(0)
Effect of exchange rate change on cash and cash equivalents	(13)	(16)
Net increase (decrease) in cash and cash equivalents	(1,682)	1,638
Cash and cash equivalents at beginning of period	6,254	4,572
Cash and cash equivalents at end of period	4,572	6,210

Quarterly Consolidated Performance

Fiscal year ended March 31, 2017 (consolidated)

(Millions of Yen, except "Profit (loss) per Share")

	1Q ended June 30, 2016	2Q ended September 30, 2016	3Q ended December 31, 2016	4Q ended March 31, 2017	FY ended March 31, 2017
Net sales	2,009	4,038	5,058	5,333	16,438
Gross profit	549	1,246	1,683	1,892	5,370
Operating profit (loss)	(552)	46	338	463	294
Ordinary profit (loss)	(920)	7	904	440	432
Profit (loss) before income taxes	(921)	7	908	484	478
Profit (loss) attributable to owners of parent	(971)	(24)	831	406	243
Profit (loss) per share (Yen)	(53.43)	(1.29)	45.74	22.36	13.37
Total assets	21,620	22,901	24,847	25,201	25,201
Net assets	19,164	19,451	21,009	21,579	21,579
Orders received	3,026	5,441	5,765	4,554	18,786

Fiscal year ended March 31, 2018 (consolidated)

(Millions of Yen, except "Profit (loss) per Share")

	1Q ended June 30, 2017	2Q ended September 30, 2017	3Q ended December 31, 2017	4Q ended March 31, 2018	FY ended March 31, 2018
Net sales	2,915	4,272	3,321	4,706	15,214
Gross profit	956	1,450	1,095	1,220	4,722
Operating profit (loss)	(412)	90	(209)	(89)	(620)
Ordinary profit (loss)	(363)	171	(157)	(140)	(488)
Profit (loss) before income taxes	(363)	171	(157)	968	619
Profit (loss) attributable to owners of parent	(428)	172	(169)	988	563
Profit (loss) per share (Yen)	(23.55)	9.48	(9.28)	54.34	31.00
Total assets	24,893	25,114	25,750	24,959	24,959
Net assets	21,094	21,567	21,806	21,545	21,545
Orders received	3,136	3,107	3,342	5,005	14,589