

Consolidated Financial Results for the Fiscal Year Ended March 31, 2017

May 12, 2017

SHINKAWA LTD.

(URL <http://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	+81-42-560-4848
Scheduled date of general shareholders' meeting	June 29, 2017
Scheduled date to commence dividend payments	—
Scheduled date to file financial statements	June 29, 2017
Consolidated Financial Results Supplemental Materials	Yes
Consolidated Financial Results Presentation Meeting	Yes

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2017

(from April 1, 2016 to March 31, 2017)

(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 income (loss)		Ordinary income (loss)		Profit (loss) attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2017	16,438	29.8	294	-	432	-	243	-
Fiscal year ended March 31, 2016	12,662	11.5	(1,035)	-	(1,444)	-	(1,849)	-

(Note) Comprehensive income March 31, 2017: 1,009 million yen March 31, 2016: (2,766) million yen

	Net income (loss) per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2017	13.37	-	1.2	1.8	1.8
Fiscal year ended March 31, 2016	(101.75)	-	(8.4)	(5.8)	(8.2)

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2017: — million yen Fiscal year ended March 31, 2016: — 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, 2017	25,201	21,579	85.6	1,187.36
As of March 31, 2016	23,340	20,570	88.1	1,131.83

(Reference) Equity: As of March 31, 2017: 21,579 million yen As of March 31, 2016: 20,570 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, 2017	(1,252)	(417)	(0)	4,572
Fiscal year ended March 31, 2016	(306)	368	(1)	6,254

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, 2016	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended March 31, 2017	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending March 31, 2018 (Forecast)	-	0.00	-	-	-		-	

(Note) The dividend forecast for the fiscal year ending March 31, 2018 is undecided.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2018

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

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

	Net sales		Operating income (loss)		Ordinary income (loss)		Profit (loss) attributable to owners of parent		Net income (loss) per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2017	9,600	58.8	120	-	110	-	50	-	2.75
Fiscal year ending March 31, 2018	19,500	18.6	280	(4.9)	320	(25.9)	200	(17.7)	11.01

*** Notes**

(1) Changes in significant subsidiaries during the fiscal year ended March 31, 2017
(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 stock) :

As of March 31, 2017	20,047,500 shares
As of March 31, 2016	20,047,500 shares

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

As of March 31, 2017	1,873,982 shares
As of March 31, 2016	1,873,627 shares

3) Average number of shares during the periods :

Fiscal year ended March 31, 2017	18,173,719 shares
Fiscal year ended March 31, 2016	18,173,930 shares

***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, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	6,440	4,849
Notes and accounts receivable - trade	3,079	6,363
Merchandise and finished goods	2,901	2,568
Work in process	1,402	1,061
Raw materials and supplies	436	595
Deferred tax assets	77	49
Other	635	641
Allowance for doubtful accounts	(1)	(2)
Total current assets	14,969	16,124
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,178	12,220
Accumulated depreciation	(10,421)	(10,620)
Buildings and structures, net	1,757	1,600
Machinery, equipment and vehicles	2,047	1,866
Accumulated depreciation	(1,728)	(1,630)
Machinery, equipment and vehicles, net	319	236
Land	3,189	3,198
Construction in progress	—	73
Other	1,562	1,556
Accumulated depreciation	(1,473)	(1,459)
Other, net	89	97
Total property, plant and equipment	5,355	5,204
Intangible assets		
Other	53	52
Total intangible assets	53	52
Investments and other assets		
Investment securities	2,464	3,365
Long-term loans receivable	24	21
Deferred tax assets	37	25
Other	437	409
Total investments and other assets	2,963	3,821
Total non-current assets	8,370	9,077
Total assets	23,340	25,201

Millions of yen

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	644	1,163
Income taxes payable	169	172
Deferred tax liabilities	4	9
Provision for product warranties	191	284
Provision for bonuses	203	227
Other	397	370
Total current liabilities	1,608	2,226
Non-current liabilities		
Net defined benefit liability	880	862
Deferred tax liabilities	267	528
Other	15	6
Total non-current liabilities	1,162	1,397
Total liabilities	2,770	3,622
Net assets		
Shareholders' equity		
Capital stock	8,360	8,360
Capital surplus	8,907	8,907
Retained earnings	5,483	5,726
Treasury shares	(3,150)	(3,150)
Total shareholders' equity	19,600	19,843
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	866	1,535
Foreign currency translation adjustment	166	177
Remeasurements of defined benefit plans	(63)	24
Total accumulated other comprehensive income	970	1,736
Total net assets	20,570	21,579
Total liabilities and net assets	23,340	25,201

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income
Fiscal Years Ended March 31, 2016 and 2017

Millions of yen

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	12,662	16,438
Cost of sales	8,808	11,068
Gross profit	3,854	5,370
Selling, general and administrative expenses	4,889	5,075
Operating income (loss)	(1,035)	294
Non-operating income		
Interest income	8	9
Dividend income	64	66
Rent income	20	8
Foreign exchange gains	—	41
Other	37	16
Total non-operating income	130	140
Non-operating expenses		
Sales discounts	—	1
Foreign exchange losses	535	—
Cost of lease revenue	1	1
Other	3	0
Total non-operating expenses	539	2
Ordinary income (loss)	(1,444)	432
Extraordinary income		
Gain on sales of non-current assets	—	12
Gain on sales of investment securities	—	35
Total extraordinary income	—	47
Extraordinary losses		
Loss on sales of non-current assets	3	1
Special retirement expenses	72	—
Temporarily expense on revision of personnel system	225	—
Total extraordinary losses	300	1
Income (loss) before income taxes	(1,744)	478
Income taxes - current	158	194
Income taxes - deferred	(53)	41
Total income taxes	105	235
Profit (loss)	(1,849)	243
Profit (loss) attributable to owners of parent	(1,849)	243

Consolidated Statements of Comprehensive Income
Fiscal Years Ended March 31, 2016 and 2017

	Millions of yen	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit (loss)	(1,849)	243
Other comprehensive income		
Valuation difference on available-for-sale securities	(587)	669
Foreign currency translation adjustment	(205)	11
Remeasurements of defined benefit plans, net of tax	(124)	87
Total other comprehensive income	(917)	766
Comprehensive income	(2,766)	1,009
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,766)	1,009
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets
Fiscal Year ended March 31, 2016

(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	7,332	(3,150)	21,450
Changes of items during period					
Profit (loss) attributable to owners of parent			(1,849)		(1,849)
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	(1,849)	(0)	(1,849)
Balance at the end of current period	8,360	8,907	5,483	(3,150)	19,600

	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	1,454	371	61	1,886	23,336
Changes of items during period					
Profit (loss) attributable to owners of parent					(1,849)
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	(587)	(205)	(124)	(917)	(917)
Total changes of items during period	(587)	(205)	(124)	(917)	(2,766)
Balance at the end of current period	866	166	(63)	970	20,570

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 (loss) 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 (loss) 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

(4) Consolidated Statements of Cash Flows
Fiscal Years Ended March 31, 2016 and 2017

Millions of yen

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Income (loss) before income taxes	(1,744)	478
Depreciation	539	513
Increase (decrease) in allowance for doubtful accounts	(0)	0
Foreign exchange losses (gains)	276	(15)
Decrease (increase) in notes and accounts receivable - trade	1,560	(3,274)
Decrease (increase) in inventories	(829)	555
Increase (decrease) in notes and accounts payable - trade	(336)	521
Loss (gain) on sales of investment securities	—	(35)
Increase (decrease) in provision for bonuses	203	24
Increase (decrease) in net defined benefit liability	(30)	65
Increase (decrease) in other provision	58	93
Loss (gain) on sales of property, plant and equipment	3	(11)
Interest and dividend income	(72)	(75)
Extra retirement payment	72	—
Temporarily expense on revision of personnel system	225	—
Other, net	33	43
Subtotal	(43)	(1,118)
Interest and dividend income received	74	75
Income taxes (paid) refund	(53)	(209)
Proceeds from Tokyo labor bureau grant	12	—
Extra retirement payments	(72)	—
Temporarily expense on revision of personnel system paid	(225)	—
Net cash provided by (used in) operating activities	(306)	(1,252)
Cash flows from investing activities		
Purchase of property, plant and equipment	(269)	(394)
Proceeds from sales of property, plant and equipment	261	14
Proceeds from sales of investment securities	—	64
Payments of loans receivable	(30)	(13)
Collection of loans receivable	33	15
Purchase of intangible assets	(24)	(45)
Payments into time deposits	(334)	(417)
Proceeds from withdrawal of time deposits	813	397
Other payments	(151)	(187)
Other proceeds	70	148
Net cash provided by (used in) investing activities	368	(417)
Cash flows from financing activities		
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(1)	(0)
Net cash provided by (used in) financing activities	(1)	(0)
Effect of exchange rate change on cash and cash equivalents	(155)	(13)
Net increase (decrease) in cash and cash equivalents	(95)	(1,682)
Cash and cash equivalents at beginning of period	6,349	6,254
Cash and cash equivalents at end of period	6,254	4,572

Quarterly Consolidated Performance

Fiscal year ended March 31, 2016 (consolidated)

(Millions of Yen, except "Net Income (loss) per Share")

	1Q ended June 30, 2015	2Q ended September 30, 2015	3Q ended December 31, 2015	4Q ended March 31, 2016	FY ended March 31, 2016
Net sales	4,690	2,973	1,895	3,104	12,662
Gross profit	1,628	972	628	626	3,854
Operating income (loss)	400	(240)	(585)	(610)	(1,035)
Ordinary income (loss)	429	(485)	(534)	(853)	(1,444)
Income (loss) before income taxes and minority interests	357	(489)	(534)	(1,079)	(1,744)
Profit (loss) attributable to owners of parent	325	(532)	(563)	(1,080)	(1,849)
Net income (loss) per share (Yen)	17.89	(29.28)	(30.95)	(59.41)	(101.75)
Total assets	27,577	25,348	25,296	23,340	23,340
Net assets	23,912	22,571	22,256	20,570	20,570
Orders received	4,738	3,266	2,201	725	10,930

Fiscal year ended March 31, 2017 (consolidated)

(Millions of Yen, except "Net Income (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 income (loss)	(552)	46	338	463	294
Ordinary income (loss)	(920)	7	904	440	432
Income (loss) before income taxes and minority interests	(921)	7	908	484	478
Profit (loss) attributable to owners of parent	(971)	(24)	831	406	243
Net income (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