

Consolidated Financial Results for the Fiscal Year Ended March 31, 2015

May 15, 2015

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 26, 2015
Scheduled date to commence dividend payments	—
Scheduled date to file financial statements	June 26, 2015
Consolidated Financial Results Supplemental Materials	Yes
Consolidated Financial Results Presentation Meeting	Yes

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2015

(from April 1, 2014 to March 31, 2015)

(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)		Net income (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2015	11,352	51.7	(2,669)	-	(1,784)	-	(1,894)	-
Fiscal year ended March 31, 2014	7,481	(34.1)	(4,113)	-	(3,909)	-	(4,312)	-

(Note) Comprehensive income March 31, 2015: (1,004) million yen March 31, 2014: (4,396) 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, 2015	(104.19)	-	(7.9)	(6.8)	(23.5)
Fiscal year ended March 31, 2014	(237.27)	-	(16.2)	(13.7)	(55.0)

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2015: — million yen Fiscal year ended March 31, 2014: — 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, 2015	26,500	23,336	88.1	1,284.01
As of March 31, 2014	26,059	24,402	93.6	1,342.61

(Reference) Equity: As of March 31, 2015: 23,336 million yen As of March 31, 2014: 24,402 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, 2015	(1,913)	(460)	(1)	6,349
Fiscal year ended March 31, 2014	(2,774)	1,799	(91)	8,492

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, 2014	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended March 31, 2015	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending March 31, 2016 (Forecast)	-	0.00	-	-	-		-	

(Note) The dividend forecast for the fiscal year ending March 31, 2016 is undecided.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2016

(from April 1, 2015 to March 31, 2016)

(% 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, 2015	9,300	71.3	20	-	(60)	-	(180)	(9.90)
Fiscal year ending March 31, 2016	19,700	73.5	730	-	680	-	530	29.16

*** Notes**

(1) Changes in significant subsidiaries during the fiscal year ended March 31, 2015

(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

1) Changes in accounting policies due to revision of accounting standards: Yes

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, 2015	20,047,500 shares
As of March 31, 2014	20,047,500 shares

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

As of March 31, 2015	1,873,388 shares
As of March 31, 2014	1,872,675 shares

3) Average number of shares during the periods :

Fiscal year ended March 31, 2015	18,174,491 shares
Fiscal year ended March 31, 2014	18,175,067 shares

***Notice regarding audit procedures for the financial results**

This financial results statement is exempt from the audit procedures based upon the Financial Instruments and Exchange Act. At the time of disclosure of this financial results statement, the audit procedure based upon the Financial Instruments and Exchange Act has not been completed.

***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.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2014	As of March 31, 2015
Assets		
Current assets		
Cash and deposits	9,212	7,016
Notes and accounts receivable-trade	2,110	4,798
Merchandise and finished goods	2,953	2,679
Work in process	1,624	708
Raw materials and supplies	409	593
Deferred tax assets	16	28
Other	323	629
Allowance for doubtful accounts	(1)	(1)
Total current assets	16,645	16,449
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	12,856	13,040
Accumulated depreciation	(10,639)	(10,901)
Buildings and structures, net	2,217	2,138
Machinery, equipment and vehicles	2,790	2,459
Accumulated depreciation	(2,221)	(1,996)
Machinery, equipment and vehicles, net	568	464
Land	3,540	3,502
Construction in progress	13	—
Other	1,792	1,617
Accumulated depreciation	(1,695)	(1,526)
Other, net	97	91
Total property, plant and equipment	6,435	6,195
Intangible assets		
Other	81	75
Total intangible assets	81	75
Investments and other assets		
Investment securities	2,526	3,324
Long-term loans receivable	34	28
Deferred tax assets	13	37
Other	326	392
Total investments and other assets	2,898	3,781
Total noncurrent assets	9,414	10,051
Total assets	26,059	26,500

	Millions of yen	
	As of March 31, 2014	As of March 31, 2015
Liabilities		
Current liabilities		
Accounts payable-trade	277	1,308
Income taxes payable	22	40
Deferred tax liabilities	—	6
Provision for product warranties	52	133
Other	234	329
Total current liabilities	585	1,816
Noncurrent liabilities		
Net defined benefit liability	727	795
Deferred tax liabilities	323	538
Other	22	15
Total noncurrent liabilities	1,072	1,349
Total liabilities	1,657	3,164
Net assets		
Shareholders' equity		
Capital stock	8,360	8,360
Capital surplus	8,907	8,907
Retained earnings	9,287	7,332
Treasury stock	(3,149)	(3,150)
Total shareholders' equity	23,405	21,450
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	871	1,454
Foreign currency translation adjustment	127	371
Remeasurements of defined benefit plans	(1)	61
Total accumulated other comprehensive income	997	1,886
Total net assets	24,402	23,336
Total liabilities and net assets	26,059	26,500

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income
Fiscal Years Ended March 31, 2014 and 2015

	Millions of yen	
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net sales	7,481	11,352
Cost of sales	5,346	8,515
Gross profit	2,135	2,837
Selling, general and administrative expenses	6,248	5,506
Operating loss	(4,113)	(2,669)
Non-operating income		
Interest income	19	12
Dividend income	70	47
Rent income	19	25
Subsidy income	46	—
Foreign exchange gains	42	790
Other	14	16
Total non-operating income	209	890
Non-operating expenses		
Cost of lease revenue	5	5
Other	1	1
Total non-operating expenses	6	6
Ordinary loss	(3,909)	(1,784)
Extraordinary income		
Gain on sales of noncurrent assets	—	2
Gain on sales of investment securities	1,464	—
Gain on sales of golf memberships	3	—
Tokyo labor bureau grant	—	13
Total extraordinary income	1,467	15
Extraordinary losses		
Loss on sales of non-current assets	66	—
Impairment loss	1,503	106
Loss on retirement of non-current assets	21	33
Premium allowance of retirement	269	—
Total extraordinary losses	1,859	140
Loss before income taxes and minority interests	(4,302)	(1,909)
Income taxes-current	9	29
Refund of income taxes	(16)	(17)
Income taxes-deferred	18	(28)
Total income taxes	11	(16)
Loss before minority interests	(4,312)	(1,894)
Net loss	(4,312)	(1,894)

Consolidated Statements of Comprehensive Income
Fiscal Years Ended March 31, 2014 and 2015

	Millions of yen	
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Loss before minority interests	(4,312)	(1,894)
Other comprehensive income		
Valuation difference on available-for-sale securities	(436)	583
Foreign currency translation adjustment	352	244
Remeasurements of defined benefit plans, net of tax	—	62
Total other comprehensive income	(83)	889
Comprehensive income	(4,396)	(1,004)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(4,396)	(1,004)
Comprehensive income attributable to minority interests	—	—

(3) Consolidated Statements of Cash Flows
Fiscal Years Ended March 31, 2014 and 2015

	Millions of yen	
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Cash flows from operating activities		
Loss before income taxes and minority interests	(4,302)	(1,909)
Depreciation	894	801
Impairment loss	1,503	106
Increase (decrease) in allowance for doubtful accounts	0	0
Increase (decrease) in provision for retirement benefits	(522)	—
Increase (decrease) in net defined benefit liability	726	58
Increase (decrease) in other provision	(68)	81
Interest and dividend income	(89)	(59)
Foreign exchange losses (gains)	30	(355)
Loss on retirement of non-current assets	21	33
Tokyo labor bureau grant	—	(13)
Loss (gain) on sales of property, plant and equipment	66	(2)
Loss (gain) on sales of investment securities	(1,464)	—
Decrease (increase) in notes and accounts receivable - trade	27	(2,540)
Decrease (increase) in inventories	559	1,287
Increase (decrease) in notes and accounts payable - trade	(232)	741
Loss (gain) on sales of golf club memberships	(3)	—
Premium allowance of retirement	358	—
Other, net	32	(232)
Subtotal	(2,464)	(2,002)
Interest and dividend income received	91	64
Income taxes (paid) refund	(43)	25
Premium allowance of retirement paid	(358)	—
Net cash provided by (used in) operating activities	(2,774)	(1,913)
Cash flows from investing activities		
Payments into time deposits	(981)	(741)
Proceeds from withdrawal of time deposits	968	869
Purchase of property, plant and equipment	(642)	(464)
Proceeds from sales of property, plant and equipment	232	3
Purchase of intangible assets	(34)	(49)
Payments for retirement of non-current assets	—	(4)
Proceeds from sales of investment securities	2,263	—
Payments of loans receivable	(15)	(7)
Collection of loans receivable	17	15
Other payments	(67)	(98)
Other proceeds	57	16
Net cash provided by (used in) investing activities	1,799	(460)
Cash flows from financing activities		
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(91)	(1)
Net cash provided by (used in) financing activities	(91)	(1)
Effect of exchange rate change on cash and cash equivalents	72	231
Net increase (decrease) in cash and cash equivalents	(995)	(2,143)
Cash and cash equivalents at beginning of period	9,253	8,492
Increase in cash and cash equivalents from newly consolidated subsidiary	234	—
Cash and cash equivalents at end of period	8,492	6,349

Quarterly Consolidated Performance

Fiscal year ended March 31, 2014 (consolidated)

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

	1Q ended June 30, 2013	2Q ended September 30, 2013	3Q ended December 31, 2013	4Q ended March 31, 2014	FY ended March 31, 2014
Net sales	1,728	2,348	1,823	1,583	7,481
Gross profit	582	684	491	377	2,135
Operating income (loss)	(885)	(950)	(1,054)	(1,224)	(4,113)
Ordinary income (loss)	(801)	(961)	(889)	(1,258)	(3,909)
Income (loss) before income taxes and minority interests	(801)	(958)	567	(3,109)	(4,302)
Net income (loss)	(804)	(959)	564	(3,114)	(4,312)
Net income (loss) per share (Yen)	(44.21)	(52.79)	31.05	(171.33)	(237.27)
Total assets	30,837	30,267	29,913	26,059	26,059
Net assets	28,483	27,725	27,702	24,402	24,402
Orders received	2,906	2,168	1,488	2,166	8,728

Fiscal year ended March 31, 2015 (consolidated)

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

	1Q ended June 30, 2014	2Q ended September 30, 2014	3Q ended December 31, 2014	4Q ended March 31, 2015	FY ended March 31, 2015
Net sales	2,631	2,800	2,179	3,743	11,352
Gross profit	549	664	579	1,044	2,837
Operating income (loss)	(753)	(720)	(775)	(421)	(2,669)
Ordinary income (loss)	(787)	(298)	(216)	(483)	(1,784)
Income (loss) before income taxes and minority interests	(785)	(303)	(220)	(601)	(1,909)
Net income (loss)	(790)	(307)	(223)	(574)	(1,894)
Net income (loss) per share (Yen)	(43.44)	(16.90)	(12.24)	(31.61)	(104.19)
Total assets	26,078	26,283	26,092	26,500	26,500
Net assets	23,721	23,710	23,612	23,336	23,336
Orders received	2,884	1,912	3,370	4,947	13,112