

Consolidated Financial Results for the Fiscal Year Ended March 31, 2016

May 13, 2016

SHINKAWA LTD.

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

Listing
Security code
Representative
Contact Person
Phone Number
Scheduled date of general shareholders' meeting
Scheduled date to commence dividend payments
Scheduled date to file financial statements
Consolidated Financial Results Supplemental Materials
Consolidated Financial Results Presentation Meeting

First Section of Tokyo Stock Exchange
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June 29, 2016
—
June 29, 2016
Yes
Yes

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2016

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

(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, 2016	12,662	11.5%	(1,035)	-	(1,444)	-	(1,849)	-
Fiscal year ended March 31, 2015	11,352	51.7	(2,669)	-	(1,784)	-	(1,894)	-

(Note) Comprehensive income March 31, 2016: (2,766) million yen March 31, 2015: (1,004) 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, 2016	(101.75)	-	(8.4)	(5.8)	(8.2)
Fiscal year ended March 31, 2015	(104.19)	-	(7.9)	(6.8)	(23.5)

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2016: — million yen Fiscal year ended March 31, 2015: — 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, 2016	23,340	20,570	88.1	1,131.83
As of March 31, 2015	26,500	23,336	88.1	1,284.01

(Reference) Equity: As of March 31, 2016: 20,570 million yen As of March 31, 2015: 23,336 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, 2016	(306)	368	(1)	6,254
Fiscal year ended March 31, 2015	(1,913)	(460)	(1)	6,349

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, 2015	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended March 31, 2016	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending March 31, 2017 (Forecast)	-	0.00	-	-	-		-	

(Note) The dividend forecast for the fiscal year ending March 31, 2017 is undecided.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2017

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

(% 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, 2016	5,900	(23.0)	(690)	-	(610)	-	(690)	-	(37.97)
Fiscal year ending March 31, 2017	15,800	24.8	220	-	350	-	250	-	13.76

*** Notes**

(1) Changes in significant subsidiaries during the fiscal year ended March 31, 2016
(Changes in specified subsidiaries that caused change in scope of consolidation) : None

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

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, 2016	20,047,500 shares
As of March 31, 2015	20,047,500 shares

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

As of March 31, 2016	1,873,627 shares
As of March 31, 2015	1,873,388 shares

3) Average number of shares during the periods :

Fiscal year ended March 31, 2016	18,173,930 shares
Fiscal year ended March 31, 2015	18,174,491 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

Consolidated Financial Statements**(1) Consolidated Balance Sheets**

	Millions of yen	
	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	7,016	6,440
Notes and accounts receivable - trade	4,798	3,079
Merchandise and finished goods	2,679	2,901
Work in process	708	1,402
Raw materials and supplies	593	436
Deferred tax assets	28	77
Other	629	635
Allowance for doubtful accounts	(1)	(1)
Total current assets	16,449	14,969
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,040	12,178
Accumulated depreciation	(10,901)	(10,421)
Buildings and structures, net	2,138	1,757
Machinery, equipment and vehicles	2,459	2,047
Accumulated depreciation	(1,996)	(1,728)
Machinery, equipment and vehicles, net	464	319
Land	3,502	3,189
Other	1,617	1,562
Accumulated depreciation	(1,526)	(1,473)
Other, net	91	89
Total property, plant and equipment	6,195	5,355
Intangible assets		
Other	75	53
Total intangible assets	75	53
Investments and other assets		
Investment securities	3,324	2,464
Long-term loans receivable	28	24
Deferred tax assets	37	37
Other	392	437
Total investments and other assets	3,781	2,963
Total non-current assets	10,051	8,370
Total assets	26,500	23,340

Millions of yen		
	As of March 31, 2015	As of March 31, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	1,308	644
Income taxes payable	40	169
Deferred tax liabilities	6	4
Provision for product warranties	133	191
Provision for bonuses	—	203
Other	329	397
Total current liabilities	1,816	1,608
Non-current liabilities		
Net defined benefit liability	795	880
Deferred tax liabilities	538	267
Other	15	15
Total non-current liabilities	1,349	1,162
Total liabilities	3,164	2,770
Net assets		
Shareholders' equity		
Capital stock	8,360	8,360
Capital surplus	8,907	8,907
Retained earnings	7,332	5,483
Treasury shares	(3,150)	(3,150)
Total shareholders' equity	21,450	19,600
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,454	866
Foreign currency translation adjustment	371	166
Remeasurements of defined benefit plans	61	(63)
Total accumulated other comprehensive income	1,886	970
Total net assets	23,336	20,570
Total liabilities and net assets	26,500	23,340

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income
Fiscal Years Ended March 31, 2015 and 2016

	Millions of yen	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	11,352	12,662
Cost of sales	8,515	8,808
Gross profit	2,837	3,854
Selling, general and administrative expenses	5,506	4,889
Operating loss	(2,669)	(1,035)
Non-operating income		
Interest income	12	8
Dividend income	47	64
Rent income	25	20
Foreign exchange gains	790	—
Other	16	37
Total non-operating income	890	130
Non-operating expenses		
Foreign exchange losses	—	535
Cost of lease revenue	5	1
Other	1	3
Total non-operating expenses	6	539
Ordinary loss	(1,784)	(1,444)
Extraordinary income		
Gain on sales of non-current assets	2	—
Tokyo labor bureau grant	13	—
Total extraordinary income	15	—
Extraordinary losses		
Loss on sales of non-current assets	—	3
Impairment loss	106	—
Loss on retirement of non-current assets	33	—
Special retirement expenses	—	72
Temporarily expense on revision of personnel system	—	225
Total extraordinary losses	140	300
Loss before income taxes	(1,909)	(1,744)
Income taxes - current	29	158
Refund of income taxes	(17)	—
Income taxes - deferred	(28)	(53)
Total income taxes	(16)	105
Loss	(1,894)	(1,849)
Loss attributable to owners of parent	(1,894)	(1,849)

Consolidated Statements of Comprehensive Income
Fiscal Years Ended March 31, 2015 and 2016

	Millions of yen	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Loss	(1,894)	(1,849)
Other comprehensive income		
Valuation difference on available-for-sale securities	583	(587)
Foreign currency translation adjustment	244	(205)
Remeasurements of defined benefit plans, net of tax	62	(124)
Total other comprehensive income	889	(917)
Comprehensive income	(1,004)	(2,766)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,004)	(2,766)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets
Fiscal Year ended March 31, 2015

(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	9,287	(3,149)	23,405
Cumulative effects of changes in accounting policies			(61)		(61)
Restated balance	8,360	8,907	9,226	(3,149)	23,344
Changes of items during period					
Profit (loss) attributable to owners of parent			(1,894)		(1,894)
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	(1,894)	(0)	(1,894)
Balance at the end of current period	8,360	8,907	7,332	(3,150)	21,450

	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	871	127	(1)	997	24,402
Cumulative effects of changes in accounting policies					(61)
Restated balance	871	127	(1)	997	24,340
Changes of items during period					
Profit (loss) attributable to owners of parent					(1,894)
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	583	244	62	889	889
Total changes of items during period	583	244	62	889	(1,005)
Balance at the end of current period	1,454	371	61	1,886	23,336

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
Cumulative effects of changes in accounting policies			—		—
Restated balance	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
Cumulative effects of changes in accounting policies					—
Restated balance	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

(4) Consolidated Statements of Cash Flows
Fiscal Years Ended March 31, 2015 and 2016

	Millions of yen	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from operating activities		
Loss before income taxes	(1,909)	(1,744)
Depreciation	801	539
Impairment loss	106	—
Increase (decrease) in allowance for doubtful accounts	0	(0)
Increase (decrease) in provision for bonuses	—	203
Increase (decrease) in net defined benefit liability	58	(30)
Increase (decrease) in other provision	81	58
Interest and dividend income	(59)	(72)
Foreign exchange losses (gains)	(355)	276
Loss on retirement of non-current assets	33	—
Tokyo labor bureau grant	(13)	—
Loss (gain) on sales of property, plant and equipment	(2)	3
Decrease (increase) in notes and accounts receivable - trade	(2,540)	1,560
Decrease (increase) in inventories	1,287	(829)
Increase (decrease) in notes and accounts payable - trade	741	(336)
Extra retirement payment	—	72
Temporarily expense on revision of personnel system	—	225
Other, net	(232)	33
Subtotal	(2,002)	(43)
Interest and dividend income received	64	74
Income taxes (paid) refund	25	(53)
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	(1,913)	(306)
Cash flows from investing activities		
Payments into time deposits	(741)	(334)
Proceeds from withdrawal of time deposits	869	813
Purchase of property, plant and equipment	(464)	(269)
Proceeds from sales of property, plant and equipment	3	261
Purchase of intangible assets	(49)	(24)
Payments for retirement of non-current assets	(4)	—
Payments of loans receivable	(7)	(30)
Collection of loans receivable	15	33
Other payments	(98)	(151)
Other proceeds	16	70
Net cash provided by (used in) investing activities	(460)	368
Cash flows from financing activities		
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(1)	(1)
Net cash provided by (used in) financing activities	(1)	(1)
Effect of exchange rate change on cash and cash equivalents	231	(155)
Net increase (decrease) in cash and cash equivalents	(2,143)	(95)
Cash and cash equivalents at beginning of period	8,492	6,349
Cash and cash equivalents at end of period	6,349	6,254

Quarterly Consolidated Performance

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)
Profit (loss) attributable to owners of parent	(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

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