

Shinwa (3447)

Consolidated Fiscal Year (IFRS)		Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
(Million Yen)								
FY03/2020		17,081	2,210	2,139	1,467	104.85	44.00	975.26
FY03/2021		13,885	1,853	1,784	1,231	87.42	35.00	1,019.59
FY03/2022CoE		16,000	2,050	1,977	1,372	100.00	40.00	-
FY03/2021	YoY	(18.7%)	(16.2%)	(16.6%)	(16.0%)	-	-	-
FY03/2022CoE	YoY	15.2%	10.6%	10.8%	11.4%	-	-	-
Consolidated Half Year (IFRS)		Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
(Million Yen)								
Q1 to Q2 FY03/2021		6,381	745	711	483	-	-	-
Q3 to Q4 FY03/2021		7,504	1,107	1,072	748	-	-	-
Q1 to Q2 FY03/2022		8,231	1,252	1,217	846	-	-	-
Q3 to Q4 FY03/2022CoE		7,768	797	759	525	-	-	-
Q1 to Q2 FY03/2022	YoY	29.0%	68.1%	71.1%	74.9%	-	-	-
Q3 to Q4 FY03/2022CoE	YoY	3.5%	(28.0%)	(29.2%)	(29.7%)	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (12 November 2021)


Steady Recovery

On 12 November 2021, Shinwa, mainly manufacturing and selling system scaffoldings, released its Q1 to Q2 FY03/2022 results. It has been revealed that revenue and operating profit continue to recover, exceeding assumptions of initial Company forecasts. For the construction industry in Japan, where the Company's mainstay system scaffoldings are facing, business conditions are showing trends of picking up, particularly in private demand. Meanwhile, the Company, which has continued to steadily capture the recovery in demand accompanying this, has revised up its full-year Company forecasts. In terms of earnings, the price hike of steel, which is main raw material of system scaffoldings, is continuing and this is a major negative factor. However, in addition to the effects of higher sales, the Company says that revision of selling prices (due to the price hike of steel) and the continued improvement in sales mix are giving positive impacts. On Monday, 29 November 2021, the Company is to release a video explaining its financial results to disclose information more in depth, whose access information will be announced by us later. Meanwhile, we are to update [Shinwa \(3447\) Low-rise to Superhigh-rise \(5 July 2021\)](#) to release anew in light of the contents of the said video and upcoming interview with management.

IR Representative: Hiromichi Aoki, Corporate Planning Dept. (81-(0)584-66-4436 / ir@shinwa-jp.com)

2.0 Company Profile

The Leader of Scaffolding Technology

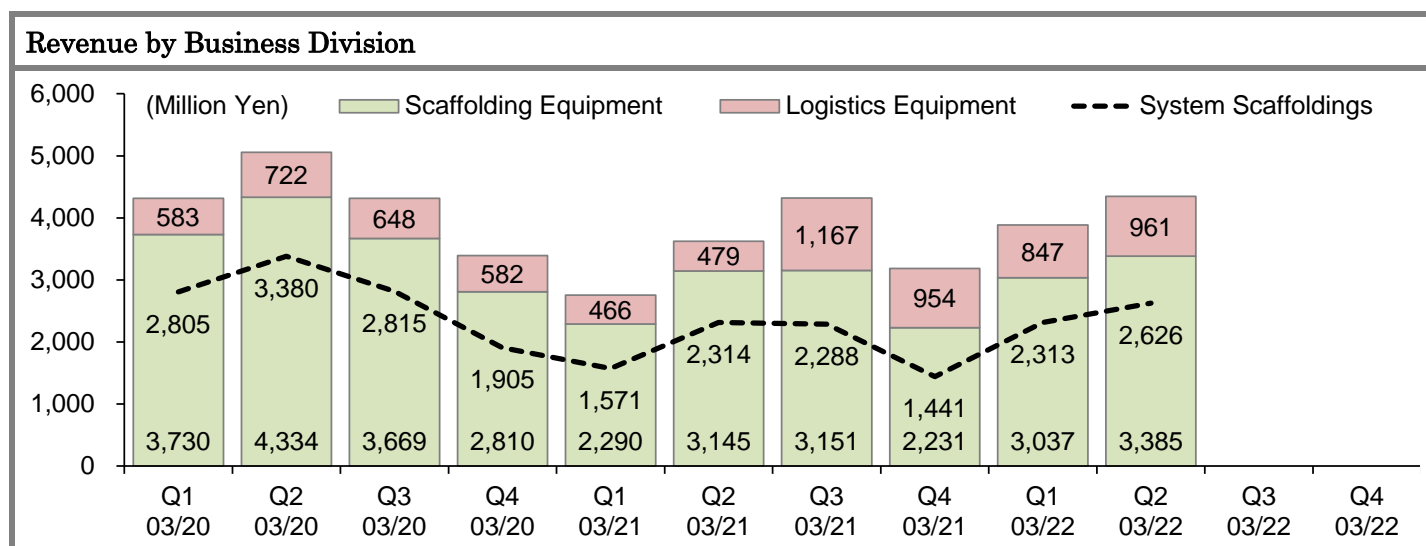
Company Name	Shinwa Co., Ltd. Company Website IR Information Share price (Japanese)	
Established	11 August 2014	
Listing	20 March 2019: Tokyo and Nagoya Stock Exchange 1st section (ticker: 3447) 21 June 2018: Nagoya Stock Exchange 2nd section 20 March 2018: Tokyo Stock Exchange 2nd section	
Capital	¥153m (as of the end of September 2021)	
No. of Shares	14,103,000 shares, including 380,000 treasury shares (as of the end of Sep. 2021)	
Main Features	<ul style="list-style-type: none"> ● Boosting up security of footing for construction industry in Japan ● Advocating to rank first in the market for system scaffoldings in Japan ● First-class production capability in Japan with high readiness and quality 	
Segment	I . Manufacture and Sale of Scaffolding Equipment and Logistics Equipment	
Representatives	President and Representative Director: Kurio Noritake Chairperson and Representative Director: Hiroshi Yamada	
Shareholders	Master Trust Bank of Japan, T. 10.84%, Alinco Inc. 5.02%, Hanwa Co. 5.02%, Custody Bank of Japan, T. 4.87%, BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) 4.07% (as of the end of September 2021, but for treasury shares)	
Head Office	Kaizu-city, Gifu-prefecture, JAPAN	
No. of Personnel	Consolidated: 148 (as of the end of September 2021)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q2 FY03/2022

In Q1 to Q2 FY03/2022, revenue came in at ¥8,231m (up 29.0% YoY), operating profit ¥1,252m (up 68.1%), profit before tax ¥1,217m (up 71.1%) and profit attributable to owners of parent ¥846m (up 74.9%), while operating profit margin 15.2% (up 3.5% points). At the same time, gross profit came in at ¥2,163m (up 33.5%) and SG&A expenses ¥920m (up 1.3%), implying gross profit margin of 26.3% (up 0.9% points) and revenue to SG&A expenses ratio of 11.2% (down 3.1% points). The increase in SG&A expenses was minimized due to aggressive cost-cutting and spending restrain efforts, according to the Company.



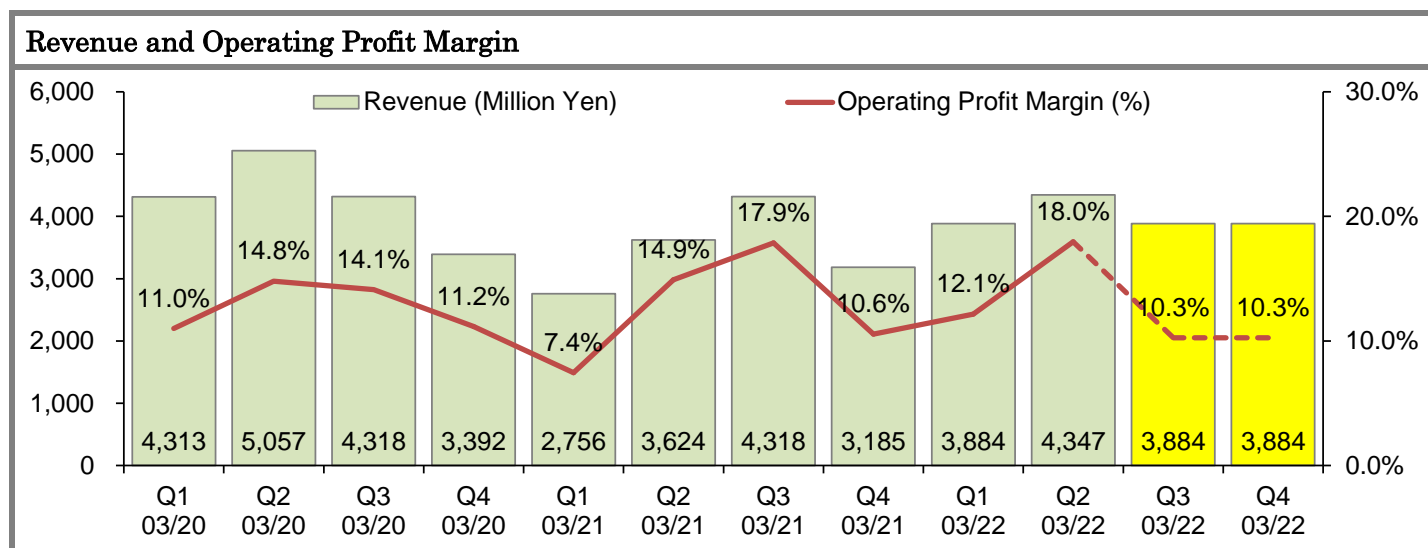
Source: Company Data, WRJ Calculation

Scaffolding Equipment saw revenue of ¥6,422m (up 18.2%). For the mainstay system scaffoldings, revenue came in at ¥4,940m (up 27.1%), having accounted for 76.9% of total in this business division, while the adoption rate was increased for high-value added safety measures equipment to improve the safety in construction sites. The Company suggests that safety measures equipment accounted for 23.4% of revenue of system scaffoldings in Q1 to Q2 versus 20.8% during the same period of the previous year. Such improvement in sales mix is pointed as a factor for improved gross profit margin for the Company as a whole.

Meanwhile, Logistics Equipment saw revenue of ¥1,808m (up 91.4%). A surge in revenue like this is attributable to booking of revenue on large-scale warehouse-related project for a major e-commerce operator, according to the Company. On a quarterly basis, the said project is inclined to see revenue at intervals, while it appears that the Company saw the revenue concentrated in Q1 to Q2 due to the intervals. Further, the said project this time around saw gross profit margin higher than before, having generated another factor to drive gross profit margin for the Company as a whole.

FY03/2022 Company Forecasts

FY03/2022 Company forecasts (announced on 8 November 2021) are going for prospective revenue of ¥16,000m (up 15.2% YoY), operating profit of ¥2,050m (up 10.6%), profit before tax of ¥1,977m (up 10.8%) and profit attributable to owners of parent of ¥1,372m (up 11.4%), while operating profit margin of 12.8% (down 0.5% points). At the same time, Company forecasts are going for prospective annual dividend of ¥40.00 per share, implying payout ratio of 40.0%.



Source: Company Data, WRJ Calculation (Q3 and Q4 FY03/2022: H2 Company forecasts, pro rata)

Upward revision has been made from initial Company forecasts (announced on 13 May 2021), by ¥1,000m (6.7%) for revenue, ¥350m (20.6%) for operating profit, ¥348m (21.4%) for profit before income tax and ¥244m (21.6%) for profit attributable to owners of the parent. Meanwhile, prospective annual dividend has been revised up by ¥8.0 from ¥32.0 to ¥40.0 per share in line with this upward revision for prospective earnings, implying that the Company's basic policy to see payout ratio of 40% or more will continue being realized also for FY03/2022.

The Company, being keen on returning earnings to shareholders by means other than dividend at the same time, has announced to have completed share buyback of 380,000 shares (¥299m) on 31 May 2021. In other words, the Company is now going for prospective total return ratio of 61.8% = $(¥40.0 \times 13.7\text{m shares} + ¥299\text{m}) \div ¥1,372\text{m}$ for FY03/2022.

Meanwhile, the above-mentioned upward revision for full-year Company forecasts basically reflects the upward deviation above assumptions of initial Company forecasts in Q1 to Q2 only. Thus, Company forecasts for H2 have remained unchanged for revenue, whilst the Company suggests that there is an aspect of negative impacts stemming from price hike of steel being newly assumed for prospective earnings.

4.0 Financial Statements

Statement of Profit or Loss (Cumulative / Quarterly)

Statement of Profit or Loss	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022		
Revenue	2,756	6,381	10,699	13,885	3,884	8,231	-	-	-	+1,850
Cost of sales	2,089	4,761	7,860	10,263	2,947	6,068	-	-	-	+1,307
Gross profit	667	1,620	2,839	3,621	936	2,163	-	-	-	+543
SG&A expenses	474	908	1,357	1,809	467	920	-	-	-	+11
Other income and expenses (net)	12	33	35	40	3	9	-	-	-	(23)
Operating profit	205	745	1,516	1,853	471	1,252	-	-	-	+507
Financial income and costs (net)	(16)	(33)	(50)	(68)	(18)	(35)	-	-	-	(1)
Profit before tax	188	711	1,465	1,784	453	1,217	-	-	-	+505
Income tax expenses	67	221	(449)	541	142	375	-	-	-	+153
Profit	121	490	1,015	1,242	311	842	-	-	-	+352
Profit attributable to owners of parent	121	483	1,003	1,231	313	846	-	-	-	+362
Profit attributable to non-controlling interests	0	6	12	11	(1)	(3)	-	-	-	(10)
Profit attributable to owners of parent	121	483	1,003	1,231	313	846	-	-	-	+362
Revenue YoY	(36.1%)	(31.9%)	(21.8%)	(18.7%)	+40.9%	+29.0%	-	-	-	-
Operating profit YoY	(56.7%)	(39.0%)	(17.2%)	(16.2%)	+130.1%	+68.1%	-	-	-	-
Profit before tax YoY	(58.7%)	(40.0%)	(17.6%)	(16.6%)	+141.0%	+71.1%	-	-	-	-
Profit YoY	(59.6%)	(39.8%)	(16.8%)	(15.3%)	+157.0%	+71.8%	-	-	-	-
Profit attributable to owners of parent YoY	(59.6%)	(40.6%)	(17.8%)	(16.0%)	+158.6%	+74.9%	-	-	-	-
Gross profit margin	24.2%	25.4%	26.5%	26.1%	24.1%	26.3%	-	-	-	+0.9%
Revenue to SG&A expenses ratio	17.2%	14.2%	12.7%	13.0%	12.0%	11.2%	-	-	-	(3.1%)
Operating profit margin	7.4%	11.7%	14.2%	13.3%	12.1%	15.2%	-	-	-	+3.5%
Profit before tax margin	6.8%	11.2%	13.7%	12.8%	11.7%	14.8%	-	-	-	+3.6%
Profit margin	4.4%	7.7%	9.5%	9.0%	8.0%	10.2%	-	-	-	+2.6%
Profit attributable to owners of parent margin	4.4%	7.6%	9.4%	8.9%	8.1%	10.3%	-	-	-	+2.7%
Income tax expenses / Profit before tax	35.6%	31.1%	(30.7%)	30.3%	31.3%	30.8%	-	-	-	(0.3%)

Statement of Profit or Loss	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022		
Revenue	2,756	3,624	4,318	3,185	3,884	4,347	-	-	-	+723
Cost of sales	2,089	2,671	3,098	2,403	2,947	3,121	-	-	-	+449
Gross profit	667	953	1,219	782	936	1,226	-	-	-	+273
SG&A expenses	474	433	449	451	467	452	-	-	-	+18
Other income and expenses (net)	12	20	1	5	3	6	-	-	-	(14)
Operating profit	205	540	771	336	471	780	-	-	-	+240
Financial income and costs (net)	(16)	(16)	(17)	(17)	(18)	(17)	-	-	-	(0)
Profit before tax	188	523	753	318	453	763	-	-	-	+240
Income tax expenses	67	154	(671)	991	142	232	-	-	-	+78
Profit	121	369	525	226	311	530	-	-	-	+161
Profit attributable to owners of parent	121	362	520	228	313	532	-	-	-	+170
Profit attributable to non-controlling interests	0	6	5	(1)	(1)	(1)	-	-	-	(8)
Profit attributable to owners of parent	121	362	520	228	313	532	-	-	-	+170
Revenue YoY	(36.1%)	(28.3%)	+0.0%	(6.1%)	+40.9%	+20.0%	-	-	-	-
Operating profit YoY	(56.7%)	(27.8%)	+26.6%	(11.1%)	+130.1%	+44.6%	-	-	-	-
Profit before tax YoY	(58.7%)	(28.3%)	+27.4%	(11.8%)	+141.0%	+45.9%	-	-	-	-
Profit YoY	(59.6%)	(28.3%)	+29.4%	(8.0%)	+157.0%	+43.8%	-	-	-	-
Profit attributable to owners of parent YoY	(59.6%)	(29.6%)	+28.0%	(7.4%)	+158.6%	+46.9%	-	-	-	-
Gross profit margin	24.2%	26.3%	28.2%	24.6%	24.1%	28.2%	-	-	-	+1.9%
Revenue to SG&A expenses ratio	17.2%	12.0%	10.4%	14.2%	12.0%	10.4%	-	-	-	(1.6%)
Operating profit margin	7.4%	14.9%	17.9%	10.6%	12.1%	18.0%	-	-	-	+3.1%
Profit before tax margin	6.8%	14.4%	17.5%	10.0%	11.7%	17.6%	-	-	-	+3.1%
Profit margin	4.4%	10.2%	12.2%	7.1%	8.0%	12.2%	-	-	-	+2.0%
Profit attributable to owners of parent margin	4.4%	10.0%	12.0%	7.2%	8.1%	12.3%	-	-	-	+2.2%
Income tax expenses / Profit before tax	35.6%	29.5%	(89.0%)	311.5%	31.3%	30.5%	-	-	-	+1.0%

Source: Company Data, WRJ Calculation

Revenue by Business Division (Cumulative / Quarterly)

Revenue by Business Division	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022		
Scaffolding Equipment	2,290	5,436	8,587	10,818	3,037	6,422	-	-		+986
Logistics Equipment	466	945	2,112	3,066	847	1,808	-	-		+863
Revenue	2,756	6,381	10,699	13,885	3,884	8,231	-	-		+1,850
Scaffolding Equipment	(38.6%)	(32.6%)	(26.8%)	(25.6%)	+32.6%	+18.2%	-	-		-
Logistics Equipment	(20.1%)	(27.6%)	+8.1%	+20.9%	+81.7%	+91.4%	-	-		-
Revenue (YoY)	(36.1%)	(31.9%)	(21.8%)	(18.7%)	+40.9%	+29.0%	-	-		-
Scaffolding Equipment	83.1%	85.2%	80.3%	77.9%	78.2%	78.0%	-	-		-
Logistics Equipment	16.9%	14.8%	19.7%	22.1%	21.8%	22.0%	-	-		-
Revenue (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-		-

Revenue by Business Division	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022		
Scaffolding Equipment	2,290	3,145	3,151	2,231	3,037	3,385	-	-		+240
Logistics Equipment	466	479	1,167	954	847	961	-	-		+482
Revenue	2,756	3,624	4,318	3,185	3,884	4,347	-	-		+723
Scaffolding Equipment	(38.6%)	(27.4%)	(14.1%)	(20.6%)	+32.6%	+7.6%	-	-		-
Logistics Equipment	(20.1%)	(33.7%)	+80.0%	+63.9%	+81.7%	+100.8%	-	-		-
Revenue (YoY)	(36.1%)	(28.3%)	+0.0%	(6.1%)	+40.9%	+20.0%	-	-		-
Scaffolding Equipment	83.1%	86.8%	73.0%	70.0%	78.2%	77.9%	-	-		-
Logistics Equipment	16.9%	13.2%	27.0%	30.0%	21.8%	22.1%	-	-		-
Revenue (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-		-

Source: Company Data, WRJ Calculation

Statement of Financial Position (Quarterly)

Statement of Financial Position	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
(Million Yen)	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022		Net Chg.
Cash and cash equivalents	3,073	3,282	4,440	4,738	3,739	3,505	-	-		+222
Trade and other receivables	2,351	2,885	2,935	3,006	3,037	3,596	-	-		+710
Inventories	2,142	2,176	1,777	1,483	1,553	1,852	-	-		(324)
Other	81	31	33	62	69	40	-	-		+9
Total current assets	7,649	8,376	9,186	9,290	8,400	8,995	-	-		+618
Property, plant and equipment	2,269	2,139	2,077	2,054	2,241	2,171	-	-		+31
Right-of-use assets	381	365	359	380	354	370	-	-		+4
Goodwill	9,221	9,221	9,221	9,221	9,221	9,221	-	-		0
Intangible assets	1,252	1,247	1,246	1,237	1,235	1,300	-	-		+53
Other	69	68	68	51	51	52	-	-		(16)
Total non-current assets	13,194	13,043	12,973	12,945	13,105	13,115	-	-		+72
Total assets	20,844	21,420	22,159	22,236	21,505	22,111	-	-		+690
Trade and other payables	699	1,089	882	803	1,107	1,348	-	-		+258
Borrowings	495	530	585	581	525	496	-	-		(33)
Other	499	527	879	1,044	579	686	-	-		+158
Total current liabilities	1,695	2,146	2,347	2,428	2,212	2,531	-	-		+384
Borrowings	5,206	4,960	4,963	4,717	4,720	4,474	-	-		(486)
Other	639	638	646	647	608	609	-	-		(28)
Total non-current liabilities	5,845	5,598	5,609	5,364	5,329	5,083	-	-		(515)
Total liabilities	7,540	7,745	7,957	7,793	7,541	7,614	-	-		(130)
Total equity attributable to owners of parent	13,255	13,619	14,140	14,379	13,900	14,434	-	-		+814
Other	47	54	61	63	63	62	-	-		+7
Total equity	13,303	13,674	14,202	14,443	13,964	14,496	-	-		+821
Total liabilities and equity	20,844	21,420	22,159	22,236	21,505	22,111	-	-		+690
Equity attributable to owners of parent	13,255	13,619	14,140	14,379	13,900	14,434	-	-		+815
Interest bearing debt	5,702	5,490	5,548	5,298	5,245	4,971	-	-		(519)
Net debt	2,628	2,207	1,108	560	1,506	1,465	-	-		(742)
Equity ratio	63.6%	63.6%	63.8%	64.7%	64.6%	65.3%	-	-		-
Net debt equity ratio	19.8%	16.2%	7.8%	3.9%	10.8%	10.2%	-	-		-
ROE (12 months)	10.0%	8.5%	9.0%	8.8%	10.5%	11.4%	-	-		-
ROA (12 months)	8.9%	7.7%	8.3%	8.1%	9.7%	10.5%	-	-		-
Days for inventory turnover	94	74	52	56	48	54	-	-		-
Quick ratio	320%	287%	314%	319%	306%	281%	-	-		-
Current ratio	451%	390%	391%	382%	380%	355%	-	-		-

Source: Company Data, WRJ Calculation

Statement of Cash Flows (Cumulative / Quarterly)

Statement of Cash Flows	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		
(Million Yen)	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022		Net Chg.
Cashflows from operating activities	593	1,058	2,256	2,892	144	293	-	-		(765)
Cashflows from Investing activities	(43)	(44)	(112)	(181)	(282)	(342)	-	-		(298)
Cashflows from operating and investing activities	549	1,014	2,143	2,711	(137)	(49)	-	-		(1,063)
Cashflows from financing activities	(595)	(853)	(827)	(1,104)	(864)	(1,185)	-	-		(332)
Statement of Cash Flows	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022	03/2022	
Cashflows from operating activities	593	465	1,197	635	144	148	-	-		(317)
Cashflows from Investing activities	(43)	(1)	(68)	(68)	(282)	(60)	-	-		(59)
Cashflows from operating and investing activities	549	464	1,129	567	(137)	87	-	-		(377)
Cashflows from financing activities	(595)	(257)	26	(277)	(864)	(321)	-	-		(64)

Source: Company Data, WRJ Calculation

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage, etc.

Company name: Walden Research Japan Incorporated

Head office: Level 4 Ginza Ishii Building, 6-14-8 Ginza Chuo-ku Tokyo 104-0061, JAPAN

URL: <https://walden.co.jp/>

E-mail: info@walden.co.jp

Tel: 81-(0)3-3553-3769
