

Shinwa (3447)

Consolidated Fiscal Year (IFRS) (Million Yen)		Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2018		16,586	2,306	2,238	1,459	105.9	43.0	868.0
FY03/2019		17,512	1,963	1,894	1,331	96.4	44.0	919.2
FY03/2020CoE		17,000	2,060	1,990	1,400	100.1	44.0	-
FY03/2019	YoY	5.6%	(14.9%)	(15.4%)	(8.8%)	-	-	-
FY03/2020CoE	YoY	(2.9%)	4.9%	5.0%	5.1%	-	-	-

Consolidated Quarter (IFRS) (Million Yen)		Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY03/2019		4,100	436	420	261	-	-	-
Q2 FY03/2019		4,523	568	553	365	-	-	-
Q3 FY03/2019		4,898	594	578	378	-	-	-
Q4 FY03/2019		3,989	365	341	325	-	-	-
Q1 FY03/2020		4,313	474	456	299	-	-	-
Q1 FY03/2020	YoY	5.2%	8.7%	8.5%	14.6%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (9 August 2019)

V-shaped Recovery


On 9 August 2019, Shinwa to manufacture and sell temporary materials and distribution equipment released its Q1 FY03/2020 results. It has been revealed that operating profit margin has seen a V-shaped recovery. With respect to the mainstay wedge binding type scaffolding, revenue is so buoyant, driving revenue as a whole for the Company. On top of this, gross profit margin has continued improving due to positive impacts stemming from startup of full-fledged revision on selling prices in line with increased prices of raw materials represented by steel materials. SG&A expenses are on the rise due mainly to those of personnel expenses, but this is more than compensated for by improved gross profit margin, having resulted in operating profit margin of 11.0% in Q1, i.e., up 0.4% points from 10.6% during the same period in the previous year and/or up 1.8% points from 9.2% in the immediately preceding quarter. Gross profit margin is likely to improve further in Q2 and thereafter, suggesting further improved gross profit margin on a full-year basis. Meanwhile, next generation scaffolding, currently suffering from stock adjustment on operations to supply a major temporary materials leasing company, is expected to see a recovery of revenue in Q2 and thereafter.

For your information: [Shinwa \(3447\) Cash Cow with Growth \(22 July 2019\)](#)

IR Representative: Corporate Planning Department, Niwa / Aoki (+81 584 66 4436 / ir@shinwa-jp.com)

2.0 Company Profile

Manufacturing and Selling Temporary Materials and Distribution Equipment

Company Name	Shinwa Co., Ltd. Website IR Information (Japanese) Share Price (Japanese) 
Established	11 August 2014
Listing	20 March 2019: Tokyo / Nagoya Stock Exchange first section (ticker: 3447) 21 June 2018: Nagoya Stock Exchange second section 20 March 2018: Tokyo Stock Exchange second section
Capital	¥150m (as of the end of June 2019)
No. of Shares	13,988,800 shares (as of the end of June 2019)
Main Features	<ul style="list-style-type: none"> ● Leading the market for wedge binding type scaffolding mainly for detached housing in Japan ● Launched next generation scaffolding for mid/high-rise buildings ● Also involved with manufacturing and selling of bulk container cage for liquid transport, etc.
Business Segment	. Manufacture and Sale of Temporary Materials and Distribution Equipment
Top Management	Representative Director: Hiroshi Yamada
Shareholders	Goldman Sachs International 12.9%, BNY GCM CLIENT JPRDISGFEAC 6.0%, Japan Master Trust Bank of Japan T. 5.5% (as of the end of March 2019)
Headquarters	Kaizu-city, Gifu-prefecture, JAPAN
No. of Employees	Consolidated: 155, Parent: 132 (as of the end of March 2019)

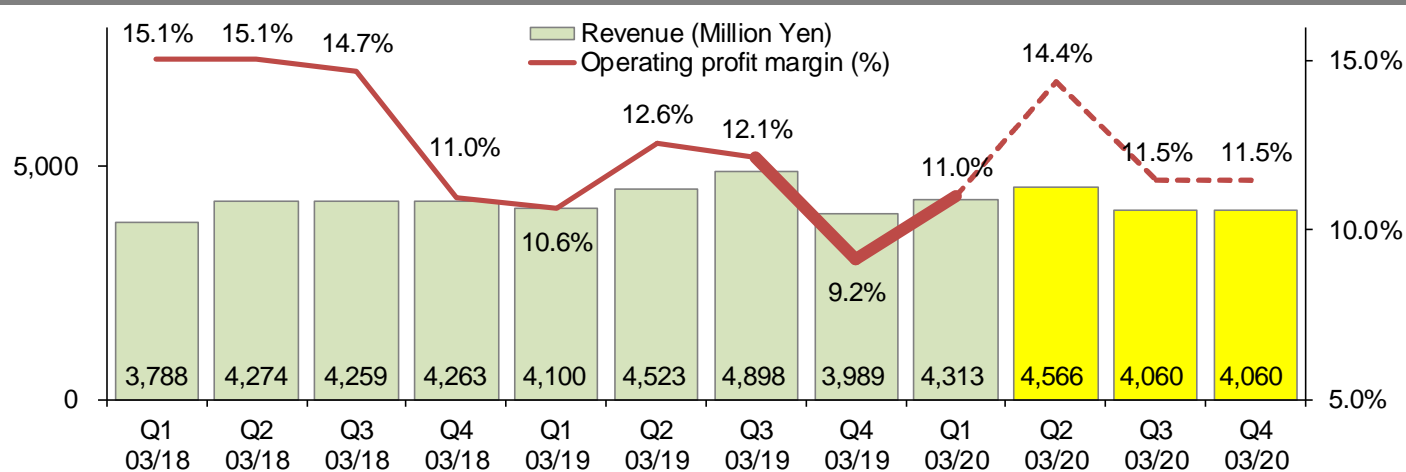
Source: Company Data

3.0 Recent Trading and Prospects

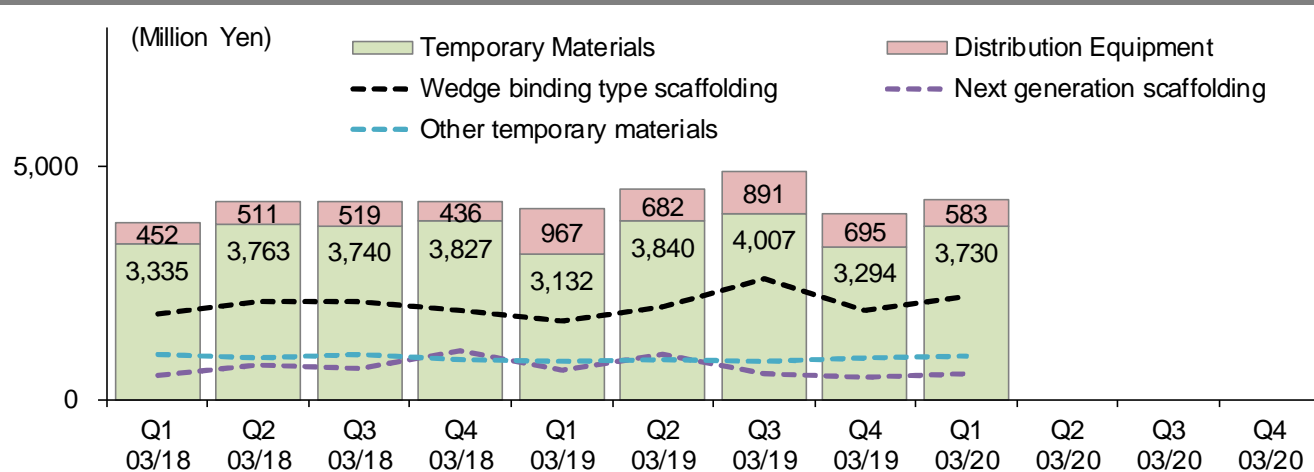
Q1 FY03/2020 Results

In Q1 FY03/2020, revenue came in at ¥4,313m (up 5.2% YoY), operating profit ¥474m (up 8.7%), profit before tax ¥456m (up 8.5%) and profit attributable to owners of parent ¥299m (up 14.6%), while operating profit margin 11.0% (up 0.4% points). When compared with Q1 to Q2 FY03/2020 Company forecasts, revenue saw progress rate of 48.6% and operating profit 42.0%, roughly the same as equivalents during the same period in the previous year, i.e., 47.5% and 43.4%, respectively, implying that recent trading is in line.

Revenue and Operating Profit Margin



Revenue Breakdown



Source: Company Data, WRJ Calculation

Gross profit came in at ¥1,030m (up 11.6%) and SG&A expenses ¥555m (up 13.2%), implying gross profit margin of 23.9% (up 1.4% points) and revenue to SG&A expenses ratio of 12.9% (up 0.9% points). Meanwhile, operating profit margin has started seeing a V-shaped recovery on a quarter on quarter basis, having hit the bottom in Q4 FY03/2019.

On the Temporary Materials side, revenue came in at ¥3,730m (up 19.1%) and ¥583m (down 39.7%) on the Distribution Equipment side. Meanwhile, revenue on the Temporary Materials side comprised that of ¥2,230m (up 32.6%) on wedge binding type scaffolding, that of ¥575m (down 8.4%) on next generation scaffolding and that of ¥942m (up 12.4%) on other temporary materials.

On the Temporary Materials side, revenue increased by 19.1% versus increases by 2.2% through April to May in 2019 for total construction investments (“Comprehensive construction statistics” published by the Ministry of Land, Infrastructure, Transport and Tourism), implying strengths with the Company. This is due mainly to surging revenue on the mainstay wedge binding type scaffolding. One of the factors for this is that restoration and reconstruction works are persisting in the wake of many natural disasters in FY03/2019. Meanwhile, although construction works related to the Tokyo Olympic and Paralympic Games have quieted down to date, vigor of infrastructure maintenance and redevelopment projects in areas other than the Tokyo metropolitan area is driving demand, according to the Company. Meanwhile, next generation scaffolding suffers from decreased revenue as initially assumed in Company forecasts. This has a lot to do with decreased revenue associated with inventory adjustment by a major temporary materials leasing company. However, the Company suggests that a period of inventory adjustment is now finalizing into Q2, going for a recovery in Q2 and thereafter.

On the Distribution Equipment side, a large-scale project associated with distribution warehouse to have appeared during the same period in the previous does not reappear. But for impacts from here, revenue here has remained roughly unchanged as far as we could see. More importantly, it is the case that said project just temporarily fails to book sales in Q1 and is to book sales in Q2. Meanwhile, as far as bulk container cage for liquid transport is concerned, demand has remained buoyant, according to the Company.

FY03/2020 Company Forecasts

FY03/2020 initial Company forecasts have remained unchanged, going for prospective revenue of ¥17,000m (down 2.9% YoY), operating profit of ¥2,060m (up 4.9%), profit before tax of ¥1,990m (up 5.0%) and profit attributable to owners of parent of ¥1,400m (up 5.1%), while operating profit margin of 12.1% (up 0.9% points). Company forecasts have also remained unchanged for prospective annual dividend, going for ¥44.0 per share, implying payout ratio of 44.0%.

4.0 Financial Statements

Statements of Profit or Loss (Cumulative, Quarterly)

Statements 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.
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020	03/2020	
Revenue	4,100	8,624	13,522	17,512	4,313	-	-	-	-	+212
Cost of sales	3,177	6,666	10,440	13,482	3,283	-	-	-	-	+106
Gross profit	923	1,957	3,081	4,030	1,030	-	-	-	-	+106
SG&A expenses	490	958	1,493	2,073	555	-	-	-	-	+64
Other income / expenses (net)	3	5	10	7	0	-	-	-	-	(4)
Operating profit	436	1,004	1,598	1,963	474	-	-	-	-	+38
Financial income / costs (net)	(15)	(30)	(45)	(69)	(17)	-	-	-	-	(2)
Profit before tax	420	974	1,552	1,894	456	-	-	-	-	+35
Income tax expenses	158	346	547	563	156	-	-	-	-	(2)
Profit	261	627	1,005	1,331	299	-	-	-	-	+38
Profit attributable to owners of parent	261	627	1,005	1,331	299	-	-	-	-	+38
Revenue YoY	+8.2%	+7.0%	+9.7%	+5.6%	+5.2%	-	-	-	-	-
Operating profit YoY	(23.6%)	(17.3%)	(13.1%)	(14.9%)	+8.7%	-	-	-	-	-
Profit before tax YoY	(24.0%)	(17.5%)	(13.2%)	(15.4%)	+8.5%	-	-	-	-	-
Profit YoY	(28.5%)	(18.1%)	(13.8%)	(8.8%)	+14.6%	-	-	-	-	-
Profit attributable to owners of parent YoY	(28.5%)	(18.1%)	(13.8%)	(8.8%)	+14.6%	-	-	-	-	-
Gross profit margin	22.5%	22.7%	22.8%	23.0%	23.9%	-	-	-	-	+1.4%
Revenue to SG&A expenses ratio	12.0%	11.1%	11.0%	11.8%	12.9%	-	-	-	-	+0.9%
Operating profit margin	10.6%	11.6%	11.8%	11.2%	11.0%	-	-	-	-	+0.4%
Profit before tax margin	10.3%	11.3%	11.5%	10.8%	10.6%	-	-	-	-	+0.3%
Profit margin	6.4%	7.3%	7.4%	7.6%	7.0%	-	-	-	-	+0.6%
Profit attributable to owners of parent margin	6.4%	7.3%	7.4%	7.6%	7.0%	-	-	-	-	+0.6%
Income tax expenses / Profit before tax	37.7%	35.6%	35.2%	29.7%	34.3%	-	-	-	-	(3.5%)
Statements 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.
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020	03/2020	
Revenue	4,100	4,523	4,898	3,989	4,313	-	-	-	-	+212
Cost of sales	3,177	3,489	3,773	3,041	3,283	-	-	-	-	+106
Gross profit	923	1,034	1,124	948	1,030	-	-	-	-	+106
SG&A expenses	490	467	535	579	555	-	-	-	-	+64
Other income / expenses (net)	3	1	5	(3)	0	-	-	-	-	(4)
Operating profit	436	568	594	365	474	-	-	-	-	+38
Financial income / costs (net)	(15)	(14)	(15)	(23)	(17)	-	-	-	-	(2)
Profit before tax	420	553	578	341	456	-	-	-	-	+35
Income tax expenses	158	188	200	16	156	-	-	-	-	(2)
Profit	261	365	378	325	299	-	-	-	-	+38
Profit attributable to owners of parent	261	365	378	325	299	-	-	-	-	+38
Revenue YoY	+8.2%	+5.8%	+15.0%	(6.4%)	+5.2%	-	-	-	-	-
Operating profit YoY	(23.6%)	(11.8%)	(4.8%)	(21.8%)	+8.7%	-	-	-	-	-
Profit before tax YoY	(24.0%)	(11.7%)	(4.8%)	(24.1%)	+8.5%	-	-	-	-	-
Profit YoY	(28.5%)	(8.6%)	(5.5%)	+11.0%	+14.6%	-	-	-	-	-
Profit attributable to owners of parent YoY	(28.5%)	(8.6%)	(5.5%)	+11.0%	+14.6%	-	-	-	-	-
Gross profit margin	22.5%	22.9%	23.0%	23.8%	23.9%	-	-	-	-	+1.4%
Revenue to SG&A expenses ratio	12.0%	10.3%	10.9%	14.5%	12.9%	-	-	-	-	+0.9%
Operating profit margin	10.6%	12.6%	12.1%	9.2%	11.0%	-	-	-	-	+0.4%
Profit before tax margin	10.3%	12.2%	11.8%	8.6%	10.6%	-	-	-	-	+0.3%
Profit margin	6.4%	8.1%	7.7%	8.2%	7.0%	-	-	-	-	+0.6%
Profit attributable to owners of parent margin	6.4%	8.1%	7.7%	8.2%	7.0%	-	-	-	-	+0.6%
Income tax expenses / Profit before tax	37.7%	34.0%	34.6%	4.7%	34.3%	-	-	-	-	(3.5%)

Source: Company Data, WRJ Calculation

Revenue by Division (Cumulative, Quarterly)

Revenue by 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.
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020	03/2020	
Wedge binding type scaffolding	1,682	3,696	6,300	8,214	2,230	-	-	-	-	+548
Next generation scaffolding	627	1,605	2,173	2,657	575	-	-	-	-	(52)
Other temporary materials	822	1,672	2,507	3,402	924	-	-	-	-	+101
Temporary Materials	3,132	6,973	10,980	14,275	3,730	-	-	-	-	+597
Distribution Equipment	967	1,650	2,541	3,236	583	-	-	-	-	(384)
Revenue	4,100	8,624	13,522	17,512	4,313	-	-	-	-	+212
Wedge binding type scaffolding	(8.3%)	(6.7%)	+4.0%	+3.1%	+32.6%	-	-	-	-	-
Next generation scaffolding	+17.2%	+25.4%	+11.3%	(11.9%)	(8.4%)	-	-	-	-	-
Other temporary materials	(14.8%)	(10.0%)	(11.4%)	(7.6%)	+12.4%	-	-	-	-	-
Temporary Materials	(6.1%)	(1.8%)	+1.3%	(2.7%)	+19.1%	-	-	-	-	-
Distribution Equipment	+113.9%	+71.2%	+71.4%	+68.6%	(39.7%)	-	-	-	-	-
Revenue (YoY)	+8.2%	+7.0%	+9.7%	+5.6%	+5.2%	-	-	-	-	-
Wedge binding type scaffolding	41.0%	42.9%	46.6%	46.9%	51.7%	-	-	-	-	-
Next generation scaffolding	15.3%	18.6%	16.1%	15.2%	13.3%	-	-	-	-	-
Other temporary materials	20.1%	19.4%	18.5%	19.4%	21.4%	-	-	-	-	-
Temporary Materials	76.4%	80.9%	81.2%	81.5%	86.5%	-	-	-	-	-
Distribution Equipment	23.6%	19.1%	18.8%	18.5%	13.5%	-	-	-	-	-
Revenue (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	-	-

Revenue by 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.
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020	03/2020	
Wedge binding type scaffolding	1,682	2,013	2,604	1,914	2,230	-	-	-	-	+548
Next generation scaffolding	627	977	568	484	575	-	-	-	-	(52)
Other temporary materials	822	850	834	895	924	-	-	-	-	+101
Temporary Materials	3,132	3,840	4,007	3,294	3,730	-	-	-	-	+597
Distribution Equipment	967	682	891	695	583	-	-	-	-	(384)
Revenue	4,100	4,523	4,898	3,989	4,313	-	-	-	-	+212
Wedge binding type scaffolding	(8.3%)	(5.3%)	+24.1%	+0.3%	+32.6%	-	-	-	-	-
Next generation scaffolding	+17.2%	+31.3%	(15.5%)	(54.5%)	(8.4%)	-	-	-	-	-
Other temporary materials	(14.8%)	(4.8%)	(13.9%)	+5.0%	+12.4%	-	-	-	-	-
Temporary Materials	(6.1%)	+2.1%	+7.1%	(13.9%)	+19.1%	-	-	-	-	-
Distribution Equipment	+113.9%	+33.5%	+71.6%	+59.2%	(39.7%)	-	-	-	-	-
Revenue (YoY)	+8.2%	+5.8%	+15.0%	(6.4%)	+5.2%	-	-	-	-	-
Wedge binding type scaffolding	41.0%	44.5%	53.2%	48.0%	51.7%	-	-	-	-	-
Next generation scaffolding	15.3%	21.6%	11.6%	12.1%	13.3%	-	-	-	-	-
Other temporary materials	20.1%	18.8%	17.0%	22.4%	21.4%	-	-	-	-	-
Temporary Materials	76.4%	84.9%	81.8%	82.6%	86.5%	-	-	-	-	-
Distribution Equipment	23.6%	15.1%	18.2%	17.4%	13.5%	-	-	-	-	-
Revenue (Composition Ratio)	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
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020		
Cash and cash equivalents	909	983	1,237	1,742	1,619	-	-	-		+709
Trade and other receivables	3,699	4,003	3,457	3,817	3,634	-	-	-		(65)
Inventories	3,107	3,041	2,683	2,382	2,675	-	-	-		(432)
Other	138	141	85	121	75	-	-	-		(62)
Total current assets	7,854	8,170	7,465	8,064	8,004	-	-	-		+149
Property, plant and equipment	2,468	2,547	2,550	2,495	2,331	-	-	-		(136)
Right-of-use assets	-	-	-	-	371	-	-	-		+371
Goodwill	9,221	9,221	9,221	9,221	9,221	-	-	-		0
Intangible assets	1,265	1,260	1,278	1,276	1,270	-	-	-		+5
Other	86	81	82	114	121	-	-	-		+34
Total non-current assets	13,041	13,110	13,133	13,108	13,315	-	-	-		+274
Total assets	20,896	21,281	20,598	21,172	21,320	-	-	-		+423
Trade and other payables	1,396	998	950	1,180	1,370	-	-	-		(26)
Borrowings	1,058	1,798	918	494	494	-	-	-		(563)
Other	500	563	419	502	543	-	-	-		+42
Current liabilities	2,956	3,360	2,288	2,177	2,409	-	-	-		(546)
Borrowings	5,820	5,436	5,437	5,685	5,689	-	-	-		(130)
Other	458	455	458	450	663	-	-	-		+205
Total non-current liabilities	6,278	5,891	5,896	6,136	6,353	-	-	-		+74
Total liabilities	9,234	9,252	8,185	8,313	8,762	-	-	-		(471)
Total equity attributable to owners of parent	11,661	12,028	12,413	12,859	12,557	-	-	-		+895
Total equity	11,661	12,028	12,413	12,859	12,557	-	-	-		+895
Total liabilities and equity	20,896	21,281	20,598	21,172	21,320	-	-	-		+423
Equity attributable to owners of parent	11,661	12,028	12,413	12,859	12,557	-	-	-		+896
Interest bearing debt	6,878	7,234	6,356	6,180	6,184	-	-	-		(693)
Net debt	5,968	6,251	5,118	4,437	4,565	-	-	-		(1,403)
Equity ratio	55.8%	56.5%	60.3%	60.7%	58.9%	-	-	-		+3.1%
Net debt equity ratio	51.2%	52.0%	41.2%	34.5%	36.4%	-	-	-		(14.8%)
ROE (12 months)	-	-	10.8%	10.7%	11.3%	-	-	-		-
ROA (12 months)	-	-	9.7%	9.0%	9.1%	-	-	-		-
Days for inventory turnover	89	80	65	71	74	-	-	-		-
Quick ratio	156%	148%	205%	255%	218%	-	-	-		-
Current ratio	266%	243%	326%	370%	332%	-	-	-		-

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
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020		
Cashflows from operating activities	(234)	(202)	1,091	1,766	587	-	-	-		+822
Cashflows from Investing activities	(148)	(358)	(505)	(580)	(90)	-	-	-		+58
Cashflows from operating/investing activities	(383)	(560)	586	1,186	497	-	-	-		+880
Cashflows from financing activities	(214)	35	(856)	(951)	(621)	-	-	-		(406)
Total cash flows	(597)	(525)	(270)	(345)	(124)	-	-	-		+532
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		Net Chg.
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020		
Cashflows from operating activities	(234)	32	1,293	675	587	-	-	-		+861
Cashflows from Investing activities	(148)	(209)	(146)	(75)	(90)	-	-	-		+40
Cashflows from operating/investing activities	(383)	(177)	1,146	600	497	-	-	-		+901
Cashflows from financing activities	(214)	250	(891)	(95)	(621)	-	-	-		(881)

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: 4F Hulic Ginza 1-chome Building, 1-13-1 Ginza, Chuo-ku, Tokyo 104-0061 JAPAN

URL: www.walden.co.jp

E-mail: info@walden.co.jp

Phone : +81 3 3553 3769
