

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)								
FY03/2021		13,885	1,853	1,784	1,231	87.42	35.00	1,019.59
FY03/2022		16,063	2,135	2,063	1,452	105.36	43.00	1,088.87
FY03/2023CoE		17,000	2,200	2,120	1,465	105.43	43.00	-
FY03/2022	YoY	15.7%	15.3%	15.7%	17.9%	-	-	-
FY03/2023CoE	YoY	5.8%	3.0%	2.7%	0.8%	-	-	-
Consolidated Quarter (IFRS)		Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
(Million Yen)								
Q1 FY03/2022		3,884	471	453	313	-	-	-
Q2 FY03/2022		4,347	780	763	532	-	-	-
Q3 FY03/2022		4,398	646	624	445	-	-	-
Q4 FY03/2022		3,432	236	221	161	-	-	-
Q1 FY03/2023		4,368	546	529	361	-	-	-
Q1 FY03/2023	YoY	12.5%	15.7%	16.6%	15.5%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (10 August 2022)

A New Project


On 10 August 2022, Shinwa, which mainly manufactures and sells system scaffoldings, released its Q1 FY03/2023 results. It has been revealed that revenue of system scaffoldings continued increasing over the same period of the previous year with respect to Scaffolding Equipment and that there was a conspicuous contribution from having acquired a new project with respect to Logistics Equipment. For Q1, does the Company say that it has booked revenue on order placement for a new project to supply material transport pallets for electric equipment. This project is of large scale in the first place and there is an aspect that revenue was rather concentrated more than expected in line with revenue booked ahead of schedule. As a consequence, the Company saw steadily increased sales and earnings combined with an improvement in operating profit margin. However, the Company suggests that a retroaction from here will be unavoidable for Q2 and thus full-year prospective performance has left unchanged. Meanwhile, the Company has revised selling prices as scheduled for its products in May 2022 in line with rising steel prices. This could be a negative factor for volume shipment of its products for the future, but the Company currently places the utmost emphasis upon profitability, keeping the heat on meeting FY03/2023 Company forecasts for earnings in particular.

The Company's business model, etc.: [Shinwa \(3447\) Breakthrough Business \(13 July 2022\)](#)

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2.0 Company Profile

The Leader of Scaffolding Technology

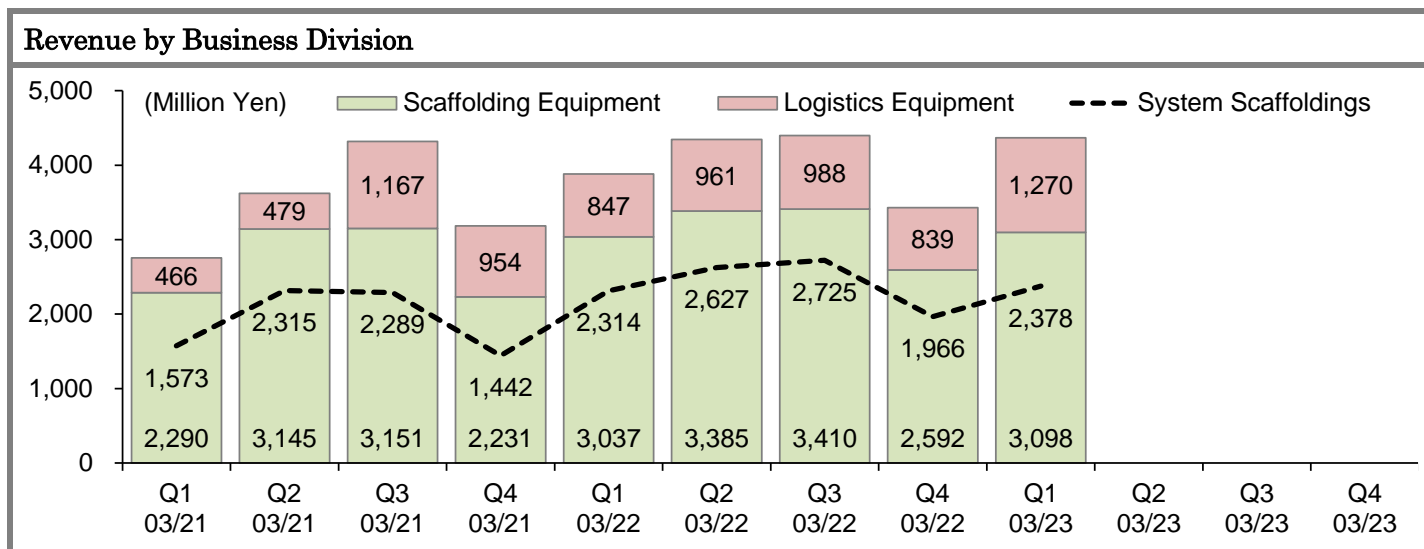
Company Name	Shinwa Co., Ltd. Company Website IR Information Share price (Japanese)	
Established	11 August 2014	
Listing	4 April 2022: TSE Standard Market and NSE Premier Market (ticker: 3447) 20 March 2019: TSE 1st section and NSE 1st section 21 June 2018: Nagoya Stock Exchange (NSE) 2nd section 20 March 2018: Tokyo Stock Exchange (TSE) 2nd section	
Capital	¥153m (as of the end of June 2022)	
No. of Shares	14,103,000 shares, including 207,234 treasury shares (as of the end of June 2022)	
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. 12.1%, Custody Bank of Japan, T. 5.4%, Alinco Inc. 4.9%, Hanwa Co., Ltd. 4.9%, GOLDMAN SACHS INTERNATIONAL 2.5% (as of the end of March 2022, but for treasury shares)	
Head Office	Kaizu-city, Gifu-prefecture, JAPAN	
No. of Personnel	Consolidated: 145 (as of the end of June 2022)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 FY03/2023

For Q1 FY03/2023, revenue came in at ¥4,368m (up 12.5% YoY), operating profit ¥546m (up 15.7%), profit before tax ¥529m (up 16.6%) and profit attributable to owners of parent ¥361m (up 15.5%), while operating profit margin 12.5% (up 0.4% points). At the same time, gross profit came in at ¥1,052m (up 12.4%) and SG&A expenses ¥508m (up 8.8%), implying gross profit margin of 24.1% (down 0.02% points) and revenue to SG&A expenses ratio of 11.6% (down 0.4% points).



Source: Company Data, WRJ Calculation

Rising prices taken place in FY03/2022 are continuing for FY03/2023 with respect to steels which are the key materials for the Company's products, but gross profit margin for the Company as a whole for Q1 has remained effectively unchanged over the same period of the previous year, which has a lot to do with successful revision on selling prices. Meanwhile, the Company is keen on curbing expenses but for those of raising motivation amongst employees, having just improved their working conditions across the board. This has become one of the factors to increase SG&A expenses, but not as much as increasing SG&A expenses faster than revenue, having resulted in improvement in operating profit margin.

Scaffolding Equipment

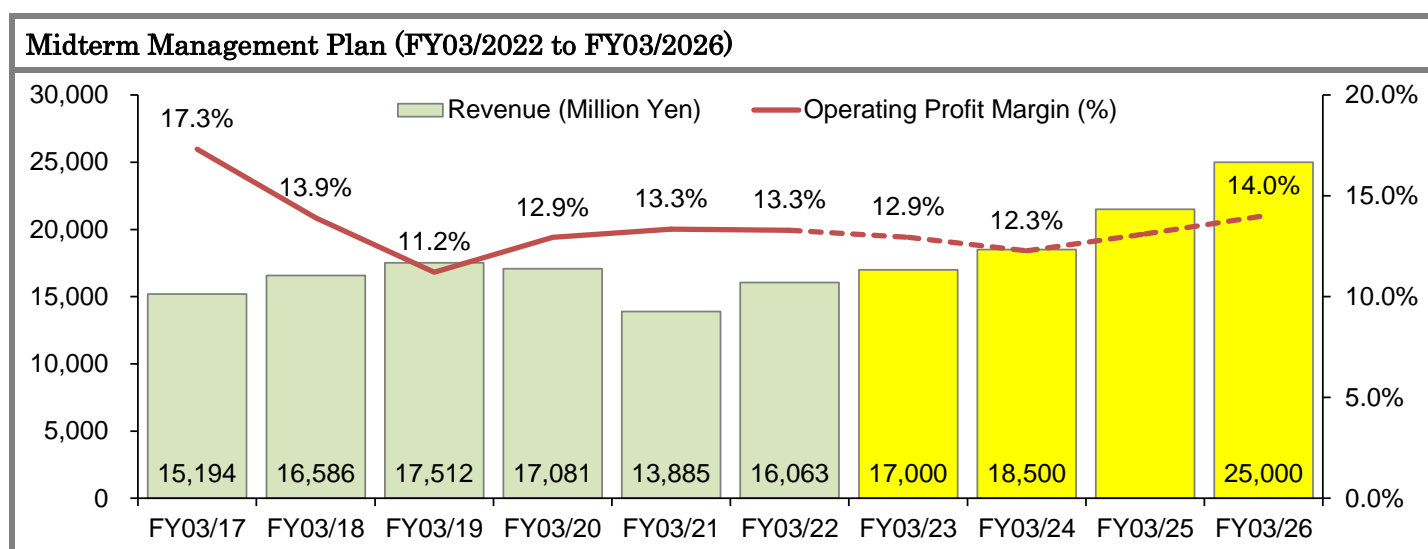
Scaffolding Equipment saw revenue of ¥3,098m (up 2.0%). For the mainstay system scaffoldings, comprising wedge binding type scaffoldings and next generation scaffoldings, revenue came in at ¥2,378m (up 2.8%), having accounted for 76.8% of total of Scaffolding Equipment. According to the Company, demand for system scaffoldings has been firm against the backdrop of solid construction projects in the market. In particular, the Company has seen an interest amongst customers has remained high in safety measures equipment, which aims to improve the safety of construction sites, having resulted in frequent inquiries and firm revenue for the Company's products which hold an outstanding workability.

Logistics Equipment

Logistics Equipment saw revenue of ¥1,270m (up 50.0%). The Company says strengths of order intake have remained and thus revenue for the existing repeat projects against the backdrop of active manufacturing activities in various industries in anticipation of a post-corona situation, while revenue on order placement for a new project to supply material transport pallets for electric equipment has kicked in as mentioned earlier. The scale of the latter appears to have been equating to a significant part of net increase in revenue (¥423m) for Q1.

FY03/2023 Company Forecasts

FY03/2023 Company forecasts (announced on 13 May 2022) are going for prospective revenue of ¥17,000m (up 5.8% YoY), operating profit of ¥2,200m (up 3.0%), profit before tax of ¥2,120m (up 2.7%) and profit attributable to owners of parent of ¥1,465m (up 0.8%), while operating profit margin of 12.9% (down 0.4% points). At the same time, Company forecasts have remained unchanged for prospective annual dividend, going for ¥43.00 per share, implying payout ratio of 40.8%.



Source: Company Data, WRJ Calculation

Meanwhile, midterm management plan (FY03/2022 to FY03/2026), announced on 14 December 2021, are calling for prospective sales of ¥25,000m, operating profit of ¥3,500m and operating profit margin of 14.0% as its performance target for FY03/2026, the final year of the plan. When setting the actual results of FY03/2021 as the point of origin, the Company is calling for CAGR of 12.5% for revenue and 13.6% for operating profit. Further information of midterm management plan is available in [Shinwa \(3447\) Breakthrough Business \(13 July 2022\)](#).

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.
	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023	03/2023	
Revenue	3,884	8,231	12,630	16,063	4,368	-	-	-	-	+484
Cost of revenue	2,947	6,068	9,279	11,941	3,316	-	-	-	-	+368
Gross profit	936	2,163	3,351	4,122	1,052	-	-	-	-	+115
SG&A expenses	467	920	1,434	1,978	508	-	-	-	-	+41
Other income and expenses (net)	3	9	(17)	(7)	2	-	-	-	-	(0)
Operating profit	471	1,252	1,899	2,135	546	-	-	-	-	+74
Financial income and costs (net)	(18)	(35)	(56)	(71)	(16)	-	-	-	-	+1
Profit before tax	453	1,217	1,842	2,063	529	-	-	-	-	+75
Income tax expenses	142	375	578	651	161	-	-	-	-	+19
Profit	311	842	1,263	1,411	368	-	-	-	-	+56
Profit attributable to owners of parent	313	846	1,291	1,452	361	-	-	-	-	+48
Profit attributable to non-controlling interests	(1)	(3)	(27)	(40)	6	-	-	-	-	+8
Profit attributable to owners of parent	313	846	1,291	1,452	361	-	-	-	-	+48
Revenue YoY	+40.9%	+29.0%	+18.0%	+15.7%	+12.5%	-	-	-	-	-
Operating profit YoY	+130.1%	+68.1%	+25.2%	+15.3%	+15.7%	-	-	-	-	-
Profit before tax YoY	+141.0%	+71.1%	+25.7%	+15.7%	+16.6%	-	-	-	-	-
Profit YoY	+157.0%	+71.8%	+24.4%	+13.6%	+18.1%	-	-	-	-	-
Profit attributable to owners of parent YoY	+158.6%	+74.9%	+28.6%	+17.9%	+15.5%	-	-	-	-	-
Cost of revenue to revenue ratio	75.9%	73.7%	73.5%	74.3%	75.9%	-	-	-	-	+0.0%
Gross profit margin	24.1%	26.3%	26.5%	25.7%	24.1%	-	-	-	-	(0.02%)
SG&A expenses to revenue ratio	12.0%	11.2%	11.4%	12.3%	11.6%	-	-	-	-	(0.4%)
Operating profit margin	12.1%	15.2%	15.0%	13.3%	12.5%	-	-	-	-	+0.4%
Profit before tax margin	11.7%	14.8%	14.6%	12.8%	12.1%	-	-	-	-	+0.4%
Profit margin	8.0%	10.2%	10.0%	8.8%	8.4%	-	-	-	-	+0.4%
Profit attributable to owners of parent margin	8.1%	10.3%	10.2%	9.0%	8.3%	-	-	-	-	+0.2%
Income tax expenses / Profit before tax	31.3%	30.8%	31.4%	31.6%	30.4%	-	-	-	-	(0.9%)
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.
	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023	03/2023	
Revenue	3,884	4,347	4,398	3,432	4,368	-	-	-	-	+484
Cost of revenue	2,947	3,121	3,210	2,662	3,316	-	-	-	-	+368
Gross profit	936	1,226	1,188	770	1,052	-	-	-	-	+115
SG&A expenses	467	452	514	543	508	-	-	-	-	+41
Other income and expenses (net)	3	6	(27)	9	2	-	-	-	-	(0)
Operating profit	471	780	646	236	546	-	-	-	-	+74
Financial income and costs (net)	(18)	(17)	(21)	(15)	(16)	-	-	-	-	+1
Profit before tax	453	763	624	221	529	-	-	-	-	+75
Income tax expenses	142	232	203	73	161	-	-	-	-	+19
Profit	311	530	421	148	368	-	-	-	-	+56
Profit attributable to owners of parent	313	532	445	161	361	-	-	-	-	+48
Profit attributable to non-controlling interests	(1)	(1)	(23)	(13)	6	-	-	-	-	+8
Profit attributable to owners of parent	313	532	445	161	361	-	-	-	-	+48
Revenue YoY	+40.9%	+20.0%	+1.9%	+7.7%	+12.5%	-	-	-	-	-
Operating profit YoY	+130.1%	+44.6%	(16.2%)	(29.6%)	+15.7%	-	-	-	-	-
Profit before tax YoY	+141.0%	+45.9%	(17.2%)	(30.4%)	+16.6%	-	-	-	-	-
Profit YoY	+157.0%	+43.8%	(19.9%)	(34.8%)	+18.1%	-	-	-	-	-
Profit attributable to owners of parent YoY	+158.6%	+46.9%	(14.4%)	(29.1%)	+15.5%	-	-	-	-	-
Cost of revenue to revenue ratio	+75.9%	+71.8%	+73.0%	+77.6%	+75.9%	-	-	-	-	+0.0%
Gross profit margin	24.1%	28.2%	27.0%	22.4%	24.1%	-	-	-	-	(0.02%)
SG&A expenses to revenue ratio	12.0%	10.4%	11.7%	15.8%	11.6%	-	-	-	-	(0.4%)
Operating profit margin	12.1%	18.0%	14.7%	6.9%	12.5%	-	-	-	-	+0.4%
Profit before tax margin	11.7%	17.6%	14.2%	6.4%	12.1%	-	-	-	-	+0.4%
Profit margin	8.0%	12.2%	9.6%	4.3%	8.4%	-	-	-	-	+0.4%
Profit attributable to owners of parent margin	8.1%	12.3%	10.1%	4.7%	8.3%	-	-	-	-	+0.2%
Income tax expenses / Profit before tax	31.3%	30.5%	32.6%	33.1%	30.4%	-	-	-	-	(0.9%)

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	YoY
		Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	
(Million Yen)		03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023	Net Chg.
Wedge binding type scaffoldings		1,794	3,928	6,052	7,411	1,886	-	-	-	+92
Next generation scaffoldings		519	1,012	1,613	2,220	491	-	-	-	(28)
Other temporary materials		723	1,482	2,167	2,793	720	-	-	-	(3)
Scaffolding Equipment		3,037	6,422	9,833	12,425	3,098	-	-	-	+60
Logistics Equipment		847	1,808	2,797	3,637	1,270	-	-	-	+423
Revenue		3,884	8,231	12,630	16,063	4,368	-	-	-	+484
Wedge binding type scaffoldings		+51.9%	+34.8%	+26.9%	+27.3%	+5.2%	-	-	-	-
Next generation scaffoldings		+32.7%	+3.9%	+14.6%	+23.5%	(5.5%)	-	-	-	-
Other temporary materials		+0.7%	(4.3%)	(10.1%)	(12.7%)	(0.4%)	-	-	-	-
Scaffolding Equipment		+32.6%	+18.2%	+14.5%	+14.9%	+2.0%	-	-	-	-
Logistics Equipment		+81.7%	+91.4%	+32.4%	+18.6%	+50.0%	-	-	-	-
Revenue (YoY)		+40.9%	+29.0%	+18.0%	+15.7%	+12.5%	-	-	-	-
Wedge binding type scaffoldings		46.2%	47.7%	47.9%	46.1%	43.2%	-	-	-	-
Next generation scaffoldings		13.4%	12.3%	12.8%	13.8%	11.2%	-	-	-	-
Other temporary materials		18.6%	18.0%	17.2%	17.4%	16.5%	-	-	-	-
Scaffolding Equipment		78.2%	78.0%	77.8%	77.4%	70.9%	-	-	-	-
Logistics Equipment		21.8%	22.0%	22.2%	22.6%	29.1%	-	-	-	-
Revenue (Composition Ratio)		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	YoY
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
(Million Yen)		03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023	Net Chg.
Wedge binding type scaffoldings		1,794	2,134	2,123	1,358	1,886	-	-	-	+92
Next generation scaffoldings		519	492	601	607	491	-	-	-	(28)
Other temporary materials		723	758	685	626	720	-	-	-	(3)
Scaffolding Equipment		3,037	3,385	3,410	2,592	3,098	-	-	-	+60
Logistics Equipment		847	961	988	839	1,270	-	-	-	+423
Revenue		3,884	4,347	4,398	3,432	4,368	-	-	-	+484
Wedge binding type scaffoldings		+51.9%	+23.2%	+14.4%	+29.2%	+5.2%	-	-	-	-
Next generation scaffoldings		+32.7%	(15.4%)	+38.6%	+55.6%	(5.5%)	-	-	-	-
Other temporary materials		+0.7%	(8.6%)	(20.5%)	(20.6%)	(0.4%)	-	-	-	-
Scaffolding Equipment		+32.6%	+7.6%	+8.2%	+16.2%	+2.0%	-	-	-	-
Logistics Equipment		+81.7%	+100.8%	(15.3%)	(12.0%)	+50.0%	-	-	-	-
Revenue (YoY)		+40.9%	+20.0%	+1.9%	+7.7%	+12.5%	-	-	-	-
Wedge binding type scaffoldings		46.2%	49.1%	48.3%	39.6%	43.2%	-	-	-	-
Next generation scaffoldings		13.4%	11.3%	13.7%	17.7%	11.2%	-	-	-	-
Other temporary materials		18.6%	17.5%	15.6%	18.2%	16.5%	-	-	-	-
Scaffolding Equipment		78.2%	77.9%	77.5%	75.5%	70.9%	-	-	-	-
Logistics Equipment		21.8%	22.1%	22.5%	24.5%	29.1%	-	-	-	-
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	Q4	Net Chg.
(Million Yen)	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023	03/2023	Net Chg.
Cash and cash equivalents	3,739	3,505	2,654	3,460	2,103	-	-	-	-	(1,636)
Trade and other receivables	3,037	3,596	3,055	2,759	3,636	-	-	-	-	+598
Inventories	1,553	1,852	2,297	2,467	2,999	-	-	-	-	+1,445
Other	69	40	123	393	440	-	-	-	-	+370
Total current assets	8,400	8,995	8,130	9,081	9,179	-	-	-	-	+779
Property, plant and equipment	2,241	2,171	2,202	2,450	2,510	-	-	-	-	+269
Right-of-use assets	354	370	322	324	309	-	-	-	-	(44)
Goodwill	9,221	9,221	9,221	9,221	9,221	-	-	-	-	0
Intangible assets	1,235	1,300	1,354	1,371	1,375	-	-	-	-	+139
Other	51	52	55	66	70	-	-	-	-	+18
Total non-current assets	13,105	13,115	13,155	13,434	13,487	-	-	-	-	+382
Total assets	21,505	22,111	21,286	22,515	22,667	-	-	-	-	+1,161
Trade and other payables	1,107	1,348	1,195	1,192	1,434	-	-	-	-	+326
Borrowings	525	496	497	1,622	1,885	-	-	-	-	+1,360
Other	579	686	582	737	629	-	-	-	-	+50
Total current liabilities	2,212	2,531	2,275	3,552	3,949	-	-	-	-	+1,737
Borrowings	4,720	4,474	3,482	3,234	3,237	-	-	-	-	(1,483)
Other	608	609	607	569	547	-	-	-	-	(61)
Total non-current liabilities	5,329	5,083	4,090	3,804	3,784	-	-	-	-	(1,544)
Total liabilities	7,541	7,614	6,365	7,357	7,734	-	-	-	-	+192
Total equity attributable to owners of parent	13,900	14,434	14,880	15,130	14,896	-	-	-	-	+996
Other	63	62	39	27	36	-	-	-	-	(26)
Total equity	13,964	14,496	14,920	15,158	14,932	-	-	-	-	+968
Total liabilities and equity	21,505	22,111	21,286	22,515	22,667	-	-	-	-	+1,161
Equity attributable to owners of parent	13,900	14,434	14,880	15,130	14,896	-	-	-	-	+996
Interest bearing debt	5,245	4,971	3,979	4,857	5,122	-	-	-	-	(123)
Net debt	1,506	1,465	1,325	1,397	3,019	-	-	-	-	+1,512
Equity ratio	64.6%	65.3%	69.9%	67.2%	65.7%	-	-	-	-	-
Net debt equity ratio	10.8%	10.2%	8.9%	9.2%	20.3%	-	-	-	-	-
ROE (12 months)	10.5%	11.4%	10.5%	9.8%	10.4%	-	-	-	-	-
ROA (12 months)	9.7%	10.5%	9.9%	9.2%	9.7%	-	-	-	-	-
Days for inventory turnover	48	54	65	85	83	-	-	-	-	-
Quick ratio	306%	281%	251%	175%	145%	-	-	-	-	-
Current ratio	380%	355%	357%	256%	232%	-	-	-	-	-

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	Q4	Net Chg.
(Million Yen)	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023	03/2023	Net Chg.
Cashflows from operating activities	144	293	699	835	(617)	-	-	-	-	(762)
Cashflows from Investing activities	(282)	(342)	(571)	(817)	(371)	-	-	-	-	(89)
Cashflows from operating and investing activities	(137)	(49)	127	18	(988)	-	-	-	-	(851)
Cashflows from financing activities	(864)	(1,185)	(2,220)	(1,306)	(372)	-	-	-	-	+491
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.
(Million Yen)	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023	03/2023	Net Chg.
Cashflows from operating activities	144	148	406	136	(617)	-	-	-	-	(762)
Cashflows from Investing activities	(282)	(60)	(228)	(246)	(371)	-	-	-	-	(89)
Cashflows from operating and investing activities	(137)	87	177	(109)	(988)	-	-	-	-	(851)
Cashflows from financing activities	(864)	(321)	(1,034)	913	(372)	-	-	-	-	+491

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.

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