

(Securities code: 3447)

FY2020 Q1

Supplementary Document
(August 7, 2020)

Part 1: Financial Overview for FY20-Q1
Part 2: Company Overview about Shinwa Co., Ltd.



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Part 1

Financial Overview for FY20-Q1

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Financial Highlights

Revenue

2,756 million yen (year on year rate ▲ **36.1%**)

- Demand from the construction industry decreased due to the COVID-19 state of emergency.
- Temporarily closed branch offices and plants to prioritize the protection of employees' health.

Gross profit

667 million yen (year on year rate ▲ **35.3 %**)

- Gross profit declined along with decreased revenue.
- Gross profit ratio increased year on year from 23.9% to 24.2%.

Operating profit

205 million yen (year on year rate ▲ **56.7%**)

- Operating profit increased year-on-year; gross profit absorbed increases in personnel expenses and in shipping and delivery prices.

Profit attributable to owners of parent

121 million yen (year on year rate ▲ **59.6 %**)

- Decreased by about 40% compared to the year-earlier period.

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Economic Circumstances & Shinwa's Initiatives in Q1

External/Economic Circumstances

- Circumstances are harsh because of the significant social and economic slowdown due to the COVID-19 pandemic.
- In the construction industry:
 - Projects are suspended/postponed.
 - Investments in new projects are shelved due to concerns about uncertainty.

Measures/Efforts Made by Shinwa

- We prioritized employees' and customers' health.
- Temporarily closed the Tokyo office, considering the high infection risk in the region
 - Shut down production sites temporarily
 - Promoted working from home
 - Voluntarily stopped visiting customers
- We implemented measures to prepare for revenue decline.
- Reduced executive salaries and other fixed expenses
 - Revised new investment plans

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Summary of Consolidated P/L Statement

(IFRS-based; million yen)				
(IFRS-based; million yen)	FY2019 Q1	FY2020 Q1	Increase/ Decrease	Year-on-year rate
Revenue	4,313	2,756	▲1,556	▲36.1%
Cost of sales	3,283	2,089	▲1,193	▲36.3%
Gross profit	1,030	667	▲363	▲35.3%
Selling, general and administrative expenses, etc.	556	461	▲94	▲16.9%
Operating profit	474	205	▲269	▲56.7%
Profit before tax	456	188	▲267	▲58.7%
Profit	299	121	▲178	▲59.6%

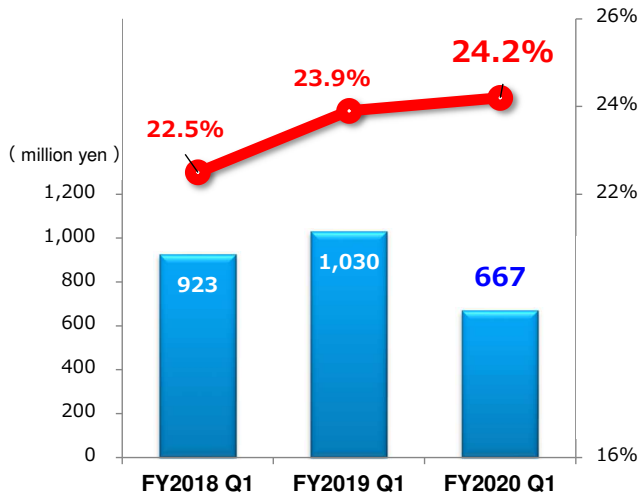
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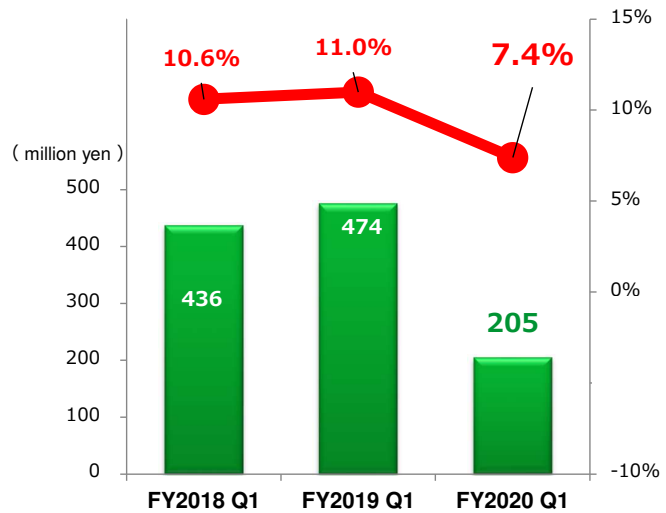
Gross Profit & Operating Profit

Operating profit decreased along with revenue, despite all possible measures taken, including the reduction of fixed expenses and the revision of new investment projects, apart from other efforts to improve the gross profit ratio.

Gross Profit



Operating Profit & Gross Profit Ratio



Gross profit Gross profit ratio

Operating profit Gross profit ratio

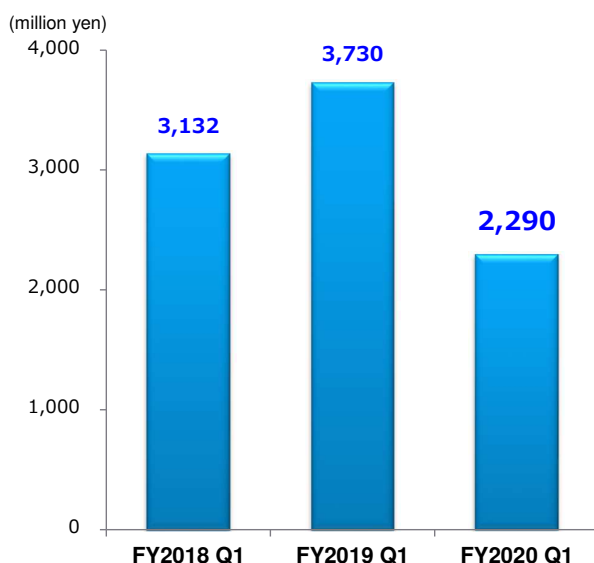
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Performance by Division: Scaffolding Equipment

Despite the demand slump due to the economic slowdown, the revenue by the Division did not suffer as heavily as initially anticipated.

Revenue by the Scaffolding Equipment Division



- Many construction projects, including those by major construction firms, were suspended or postponed across Japan after the issuance of the COVID-19 state of emergency. Many new investment projects were also shelved.
- However, the decrease in construction projects was less severe than initially anticipated, and the demand for our products remained rather robust given the circumstances.



Revenue by the Scaffolding Equipment Division decreased by 38.6% year on year, as opposed to the initially anticipated 50% decrease.

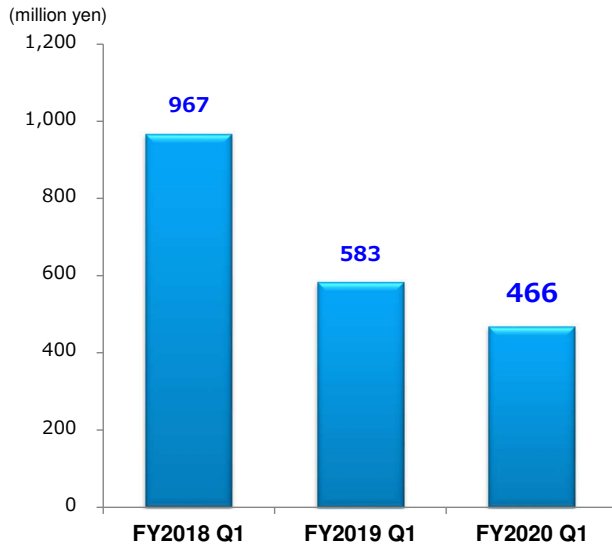
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Performance by Division: Logistics Equipment

Revenue by the Division was more severely affected than initially anticipated due to larger demand contraction, suffering a large decrease.

Revenue by the Logistics Equipment Division



- The COVID-19 pandemic noticeably affected the demand for products that are widely used in the global distribution of goods, such as car-use pallets and liquid transportation bulk containers.
- Domestic investment projects, including those for distribution warehouses, were postponed due to concerns about uncertain future economic conditions.



Revenue by the Logistics Equipment Division suffered a 20.1% decrease year on year, as opposed to the initially anticipated 10%-level decrease, as a result of demand contraction that was more severe than expected.

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Business Forecast for FY2020

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Business Forecast for FY2020

- Demand for our products from the construction industry will gradually recover and be back to the previous fiscal year's level by Q4.
- Vibrancy will return to the Logistics Equipment Division in H2, with large-scale projects scheduled in the term.

Our forecast is based on these outlooks.

(IFRS-based; million yen)

	FY2019	Forecast for FY2020	Increase/Decrease	Year-on-year rate
Revenue	17,081	13,900	▲3,181	▲18.6%
Operating profit	2,210	1,230	▲980	▲44.3%
Profit before tax	2,139	1,158	▲981	▲45.9%
Profit for FY2019	1,467	804	▲663	▲45.2%
Profit attributable to owners of parent	1,467	797	▲670	▲45.7%
EPS (yen)	104.21	56.57	▲47.64	▲45.7%

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Business Forecast for FY2020 (H1 & H2)

(IFRS-based; million yen)

	FY2019 1H	FY2020 1H (Forecast)	YoY rate	FY2019 2H	FY2020 2H (Forecast)	YoY rate
Revenue	9,370	6,130	▲34.6%	7,711	7,770	+0.8%
Operating profit	1,222	367	▲70.0%	987	863	▲12.6%
Operating profit ratio	13.0%	6.0%	▲7.0pt	12.8%	11.1%	▲1.7pt

The forecast values for FY2020 (H1, H2, and full year) ending March 2021 remain the same as those announced on May 15, 2020.

The above-shown forecast values are based on the information that is available as of today, and hence contains not a few uncertainties, such as the time when the COVID-19 pandemic comes to an end and the demand or other business trend. The actual results may therefore turn out to be deviated from the forecast values.

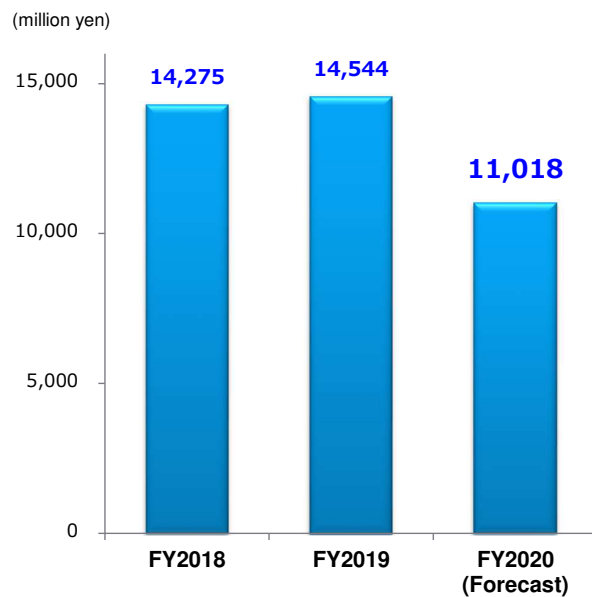
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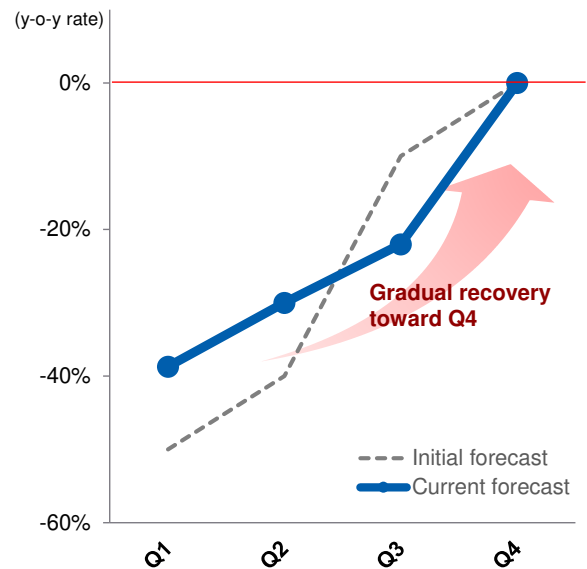
Business Forecast: Scaffolding Equipment Division

Revenue by the Scaffolding Equipment Division will **decrease by 24.2%** year on year.

Revenue by the Scaffolding Equipment Division



Forecast Change in Revenue by the Division



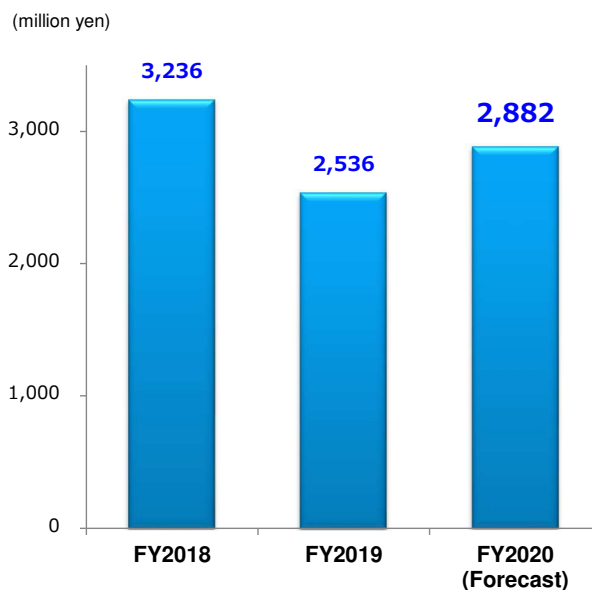
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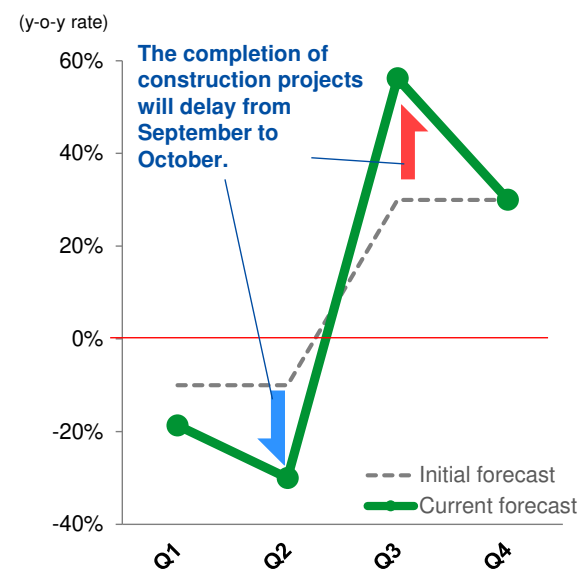
Business Forecast: Logistics Equipment Division

Revenue by the Logistics Equipment Division will **increase by 13.6%** year on year.

Revenue by the Logistics Equipment Division



Forecast Change in Revenue by the Division



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Return to Shareholders

In Shinwa's Group, redistribution of profits to shareholders is positioned as an important task in business management.

Basic principle on dividends

Based on our basic policy to secure internal reserves required for stable corporate growth in the future and respond to changes in the business environment, and carry out profit re-distribution according to business performance, **we are aiming for a consolidated dividend payment ratio of 40% or more.**

Estimated dividend for FY2020

We are planning to pay the dividend below to take into consideration the potential impact of the COVID-19 pandemic on our business performance for FY2020 and to nonetheless stick to the "dividend payment ratio of 40% or more" principle.

23.00 yen per share (payout ratio: 40.7%)

The above is subject to change depending on the future impact of the COVID-19 pandemic on our business, the economic condition, and our business performance.

Use of internal reserves

For internal reserves, we are planning to reinforce our financial structure, and use internal reserves as effective investment funds such as facility investments and toward personnel development for further expanding our business, with the aim to enhance corporate value.

Personnel
Development

Facility
Investment

Reinforcement of Financial
Infrastructure

**Enhancement of
Corporate Values**

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Part 2

Company Overview
about Shinwa Co., Ltd.

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**Leader of scaffolding
equipment technology**

**Top share in Japan for
system scaffolding products**

**High flexibility and quality
owing to first-class production
capacity in Japan**

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Corporate Outline

Top share company in the system scaffolding market

Name	Shinwa Co., Ltd.
Head office	30-7 Hiratacho Bushigawa, Kaizu-shi, Gifu 503-0311 Japan
President and Representative Director	Hiroshi Yamada
Founded	September 1977
Established	August 1979
Capital	150 million yen
Employees	161 (As of March 31, 2020)
Number of shares issued	14,089,200 shares (As of March 31, 2020)

2018
Listed on the Tokyo
Stock Exchange and
the Nagoya Stock
Exchange



1978
Started manufacture of
"Jack Base" scaffolding



1988
Forayed in the system
scaffolding market



Shinwa Catcher

2003
Launched the Logistics
Equipment Division



"Hanging pallet"

2016
Started manufacture/sales
of next generation
scaffolding "SPS"



next generation
scaffolding "SPS"

2017
Started manufacture/sales
overseas



Partner plant in Vietnam

1977
Founded

1978

1988

2003

2010

2017

Scaffolding Equipment Division

Logistics Equipment Division

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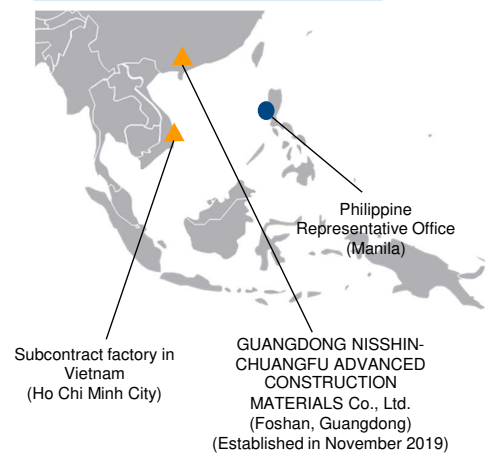
Company Network

Eleven in Japan and three overseas

In Japan



Overseas



- : Sales offices
Six in Japan, one overseas
- ▲ : Production sites and Equipment Centers
Five in Japan, two overseas

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Business Activities

The Scaffolding Equipment Division that produces and sells the system scaffolding products is our main revenue earner.

Scaffolding Equipment Division

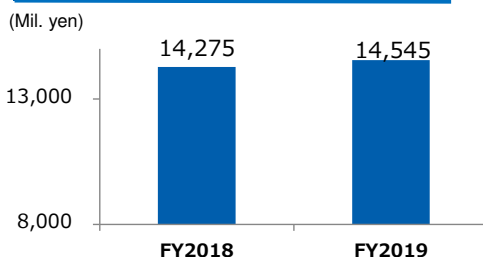
Manufacture/sales/rental of scaffolding equipment used in construction sites

Large-scale warehouse/roof forming construction work



Shin-Tomei Expressway pier construction

Scaffolding Equipment Division's Consolidated Revenue



Logistics Equipment Division

Manufacture/sales of logistics equipment used for storing/conveying, etc. goods at plants, warehouses, construction sites, etc.



Bulk Container Cage for Liquid Shipping

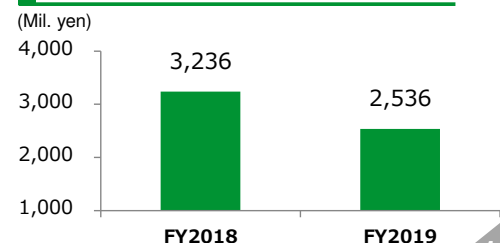


Pallets for automobile manufacturers



Racks for large-scale warehouses

Consolidated Sales Revenue of Logistics Equipment Division



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* IFRS

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Scaffolding Equipment Division

What is System Scaffolding?

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Work Site with System Scaffolding: Housing Construction



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Work Site with System Scaffolding : Renovation



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Work Site with System Scaffolding : Large-scale Residential Building Repair



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Work Site with System Scaffolding : Plant Maintenance



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Work Site with System Scaffolding : Civil Engineering Work



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Work Site with System Scaffolding : Road Construction, Maintenance, and Repair



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Work Site with System Scaffolding : Inspection of Important Cultural Property



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Work Site with System Scaffolding : National Stadium, Japan



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System scaffolding is indispensable at construction sites



**System scaffolding
sales share:**

No. 1

In terms of the total amount of shipments in FY2018 according to our survey

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Tsuchikura Plant, our factory behind “Sales Share No. 1” (Kaizu City, Gifu Prefecture)



Site area: 40,642 m²

Boasts leading production ability through
production of diverse products and speedy
launch of products

Reduces
procurement costs
of raw materials and
outsourcing costs

Able to respond
flexibly to customer
orders

10-ton cargo truck

Approx. **4,280**
trucks
(FY2019)

Number of welding robots

132
robots
(As of May 1, 2020)



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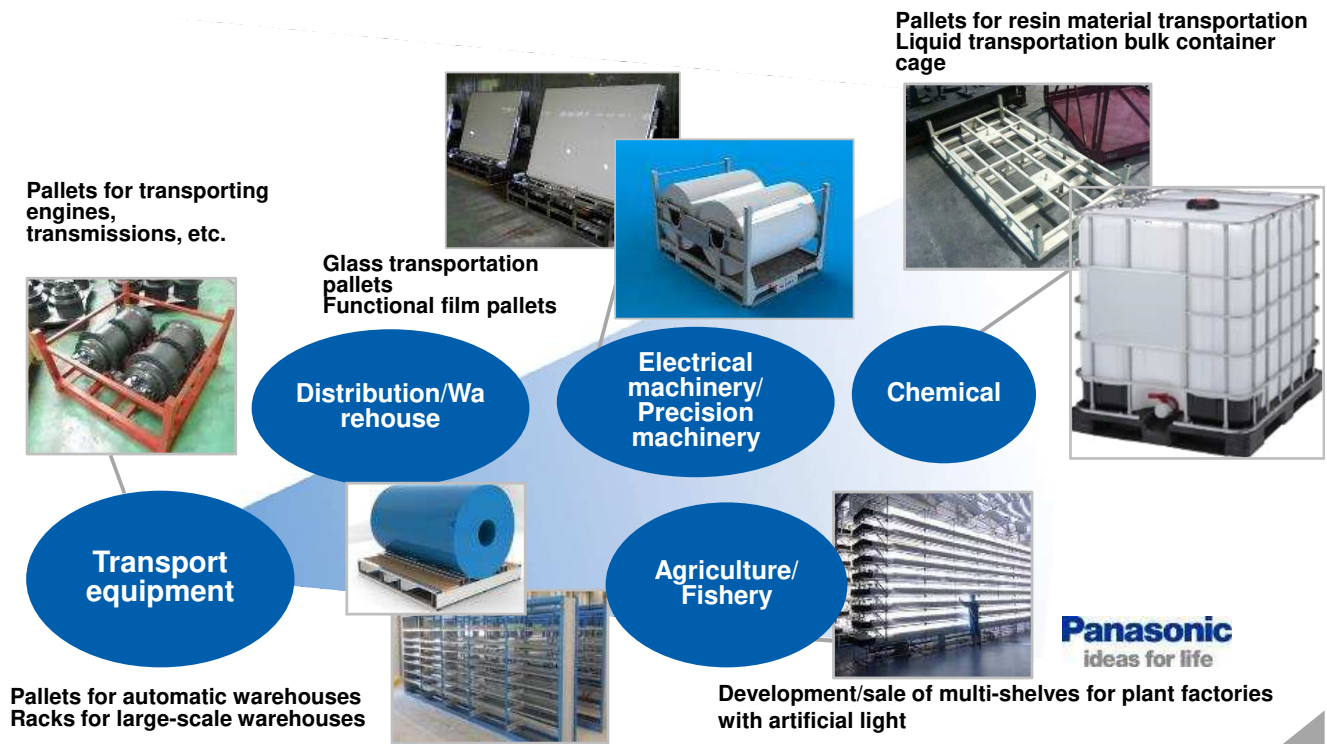
About the Logistics Equipment Division

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Expansion of Logistics Equipment Division

Aim at further growth by expanding to a wide variety of businesses



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[Car] Engine/Transmission Transport Pallets



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[Chemical] Liquid Bulk Containers



(For illustrative purpose only)



Capable of containing a five-drum bulk in a four-drum area

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[Logistics/Warehouse] Storage Racks for E-commerce Retailers



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[Agriculture] Artificial Light Racks for Plant Factories



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Making Our Way into the Chinese Market

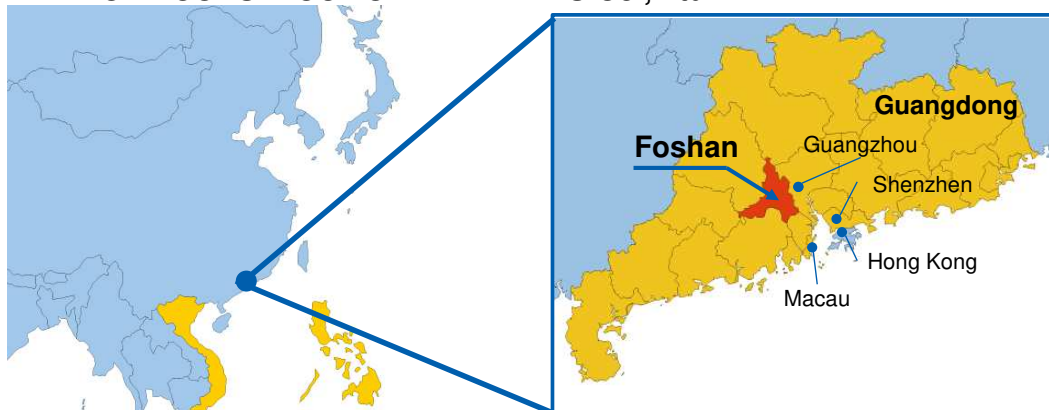
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Making our Way into the Chinese Market:

Launch of Joint Venture Company

November 2019: Launch of a joint venture company “**GUANGDONG NISSHIN-CHUANGFU ADVANCED CONSTRUCTION MATERIALS Co., Ltd.**”



- A joint venture company launched in Foshan, Guangdong
- Foshan is part of the Chinese government’s economic development and promotion area called “**Guangdong-Hong Kong-Macau Greater Bay Area**”
- It’s one of the most economically growing areas in China, with the area population of 67 million and **GDP** amounting to **\$1,340 billion** (in 2018)

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Outline of the Joint Venture Company in China

Company name	GUANGDONG NISSHIN-CHUANGFU ADVANCED CONSTRUCTION MATERIALS CO., LTD.	Registered capital	RMB 25 million (Equivalent to approx. 400 million yen)
Representative	Kurio Noritake (Executive Vice President and Director, Shinwa Co., Ltd.)	Major shareholders	
Location	Foshan, Guangdong, China		Shinwa Co., Ltd. 51.0%
Established	November 5, 2019		Guangdong Chuangfu Metal Products Co., Ltd. 34.0%
Business	Import, manufacture and sale of scaffolding equipment used at construction sites		ALCONIX CORPORATION 15.0%



The company's production lines started up in June 2020 with some delay due to the COVID-19 pandemic.

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The information concerning companies other than our company contained in this document is all extracted from publicly available sources; we have not verified the accuracy, adequacy, etc. of such information, and we do not guarantee the accuracy, adequacy, thereof, either.

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