

(Securities code: 3447)

FY2019 Q3

Supplementary Document
(February 7, 2020)



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Features of Shinwa

**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**

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	155 (As of March 31, 2019)
Number of shares issued	13,988,800 shares (As of September 30, 2019)

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

Scaffolding Equipment Division

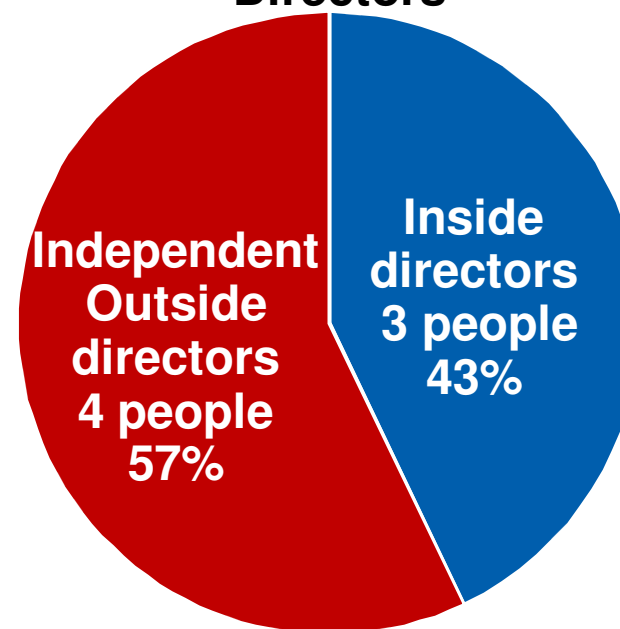
Logistics Equipment Division

Directors

Directors

Title	Name
President and Representative Director	Hiroshi Yamada
Executive Vice President and Director Executive Officer General Manager of Sales	Kurio Noritake
Director Executive Officer General Manager of Production	Shinichi Hirano
Independent Outside Director	Kensaku Mizutani
Independent Outside Director (Audit and Supervisory Committee member)	Sae Ito
Independent Outside Director (Audit and Supervisory Committee member)	Tetsuichi Taniguchi
Independent Outside Director (Audit and Supervisory Committee member)	Tomoko Achiwa

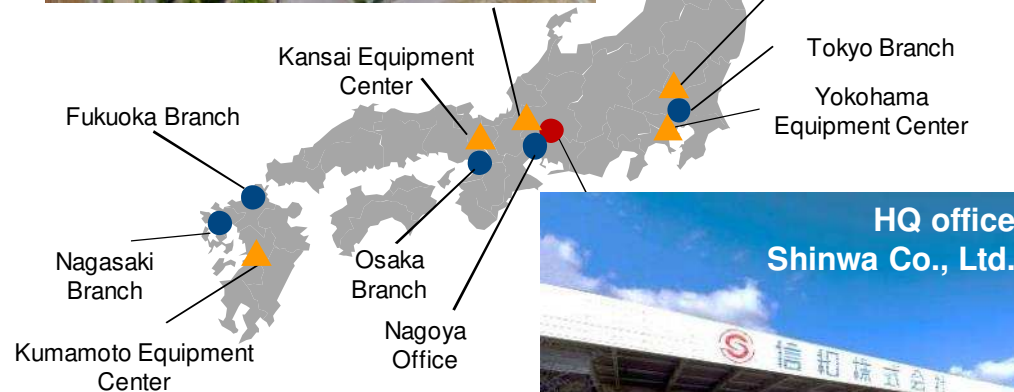
Ratio of Independent Outside Directors



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

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

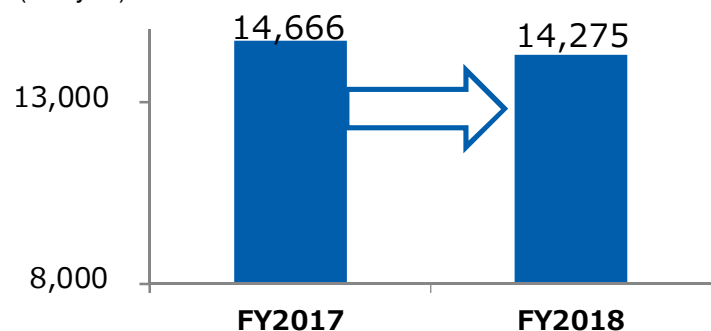
Large-scale warehouse/roof forming construction work



Shin-Tomei Expressway pier construction

Scaffolding Equipment Division's Consolidated Revenue

(Mil. yen)



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



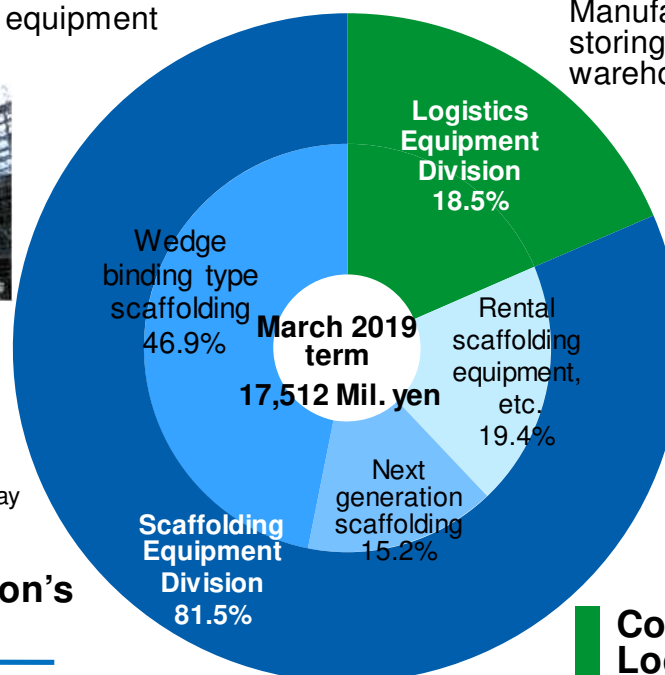
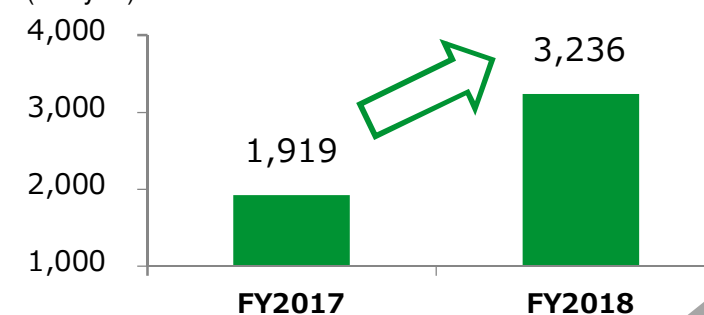
Pallets for automobile manufacturers



Racks for large-scale warehouses

Consolidated Sales Revenue of Logistics Equipment Division

(Mil. yen)



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* IFRS



What is System Scaffolding?

Housing Construction



Renovation



Large-scale Residential Building Repair



Plant Maintenance



Civil Engineering Work



Road Construction, Maintenance, and Repair



Inspection of Important Cultural Property



The New National Stadium, Japan



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

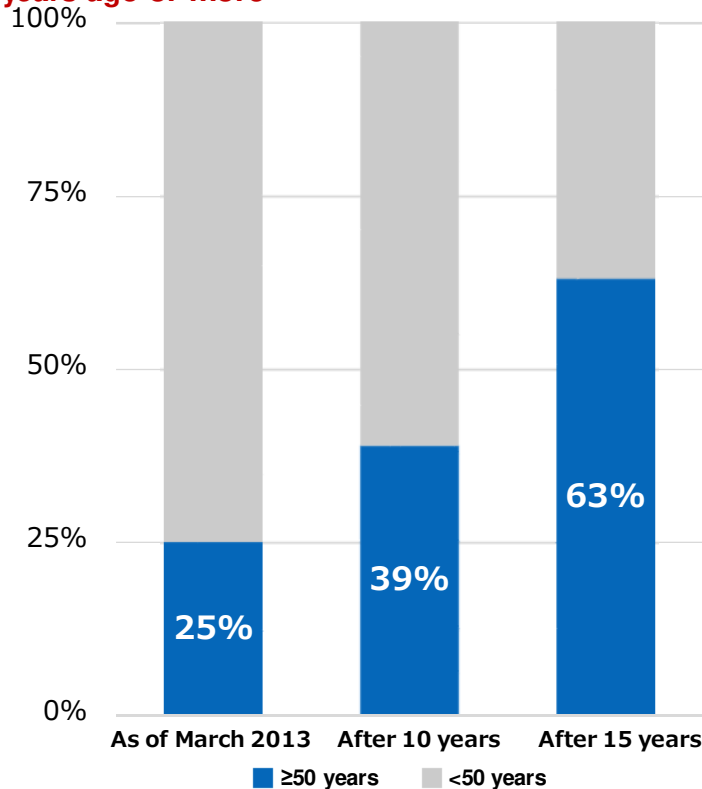
Business Environment for Scaffolding Equipment Division

Infrastructure maintenance, repair, and renovation are being strategically promoted

Percentage of social infrastructure 50 years or more after construction

Road bridges [About 400,000 bridges* (Of about 700,000 bridges which are 2 m long or more)]

In, 2033, about 250,000 bridges will have been built 50 years ago or more

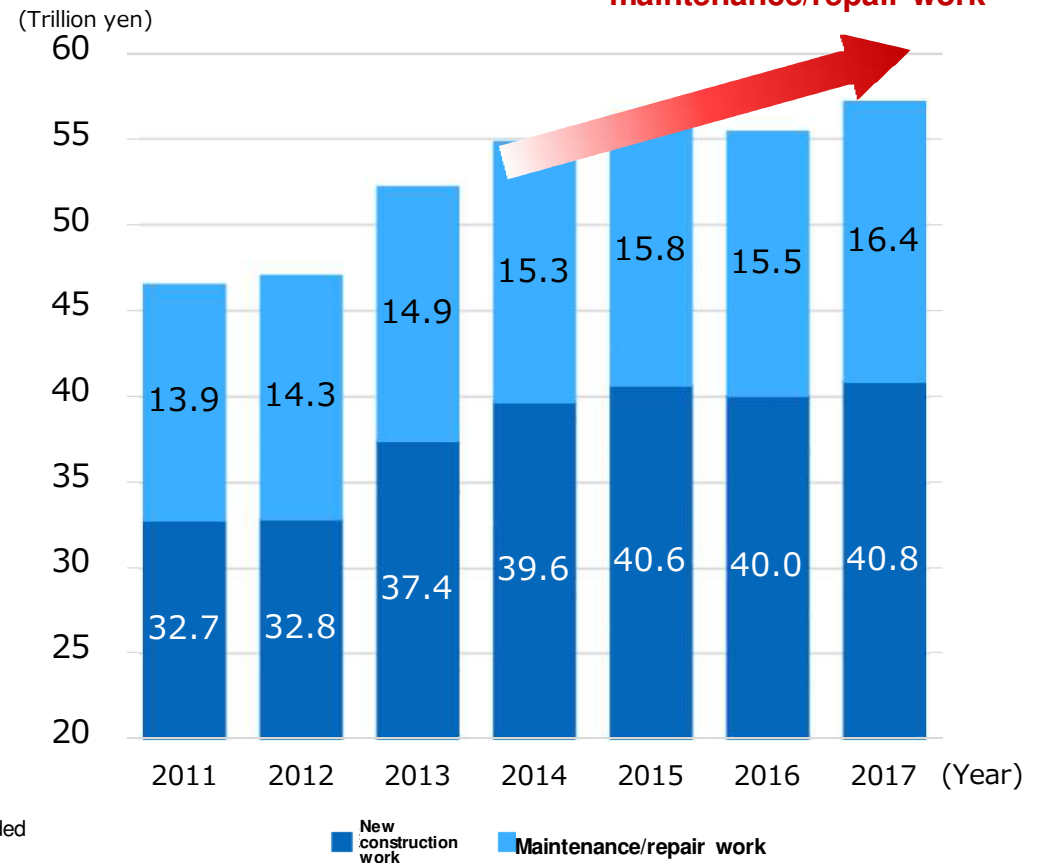


* About 300,000 bridges for which the date of construction are unknown are excluded in the calculation of the percentages

Source: Japan Federation of Construction Contractors "Construction Handbook 2019"

Construction Investment: Changes in new construction work and maintenance/repair work

Increasing trends for both new construction work and maintenance/repair work



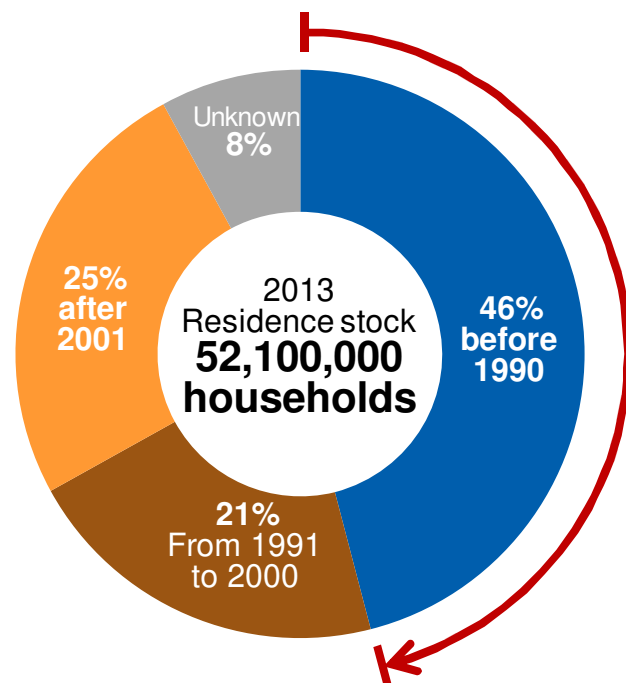
Source: Japan Federation of Construction Contractors "Construction Handbook 2019"

Business Environment for Scaffolding Equipment Division

Expected Increase in renovation demand for houses built 30 years ago or more

No. of occupied houses by date of construction

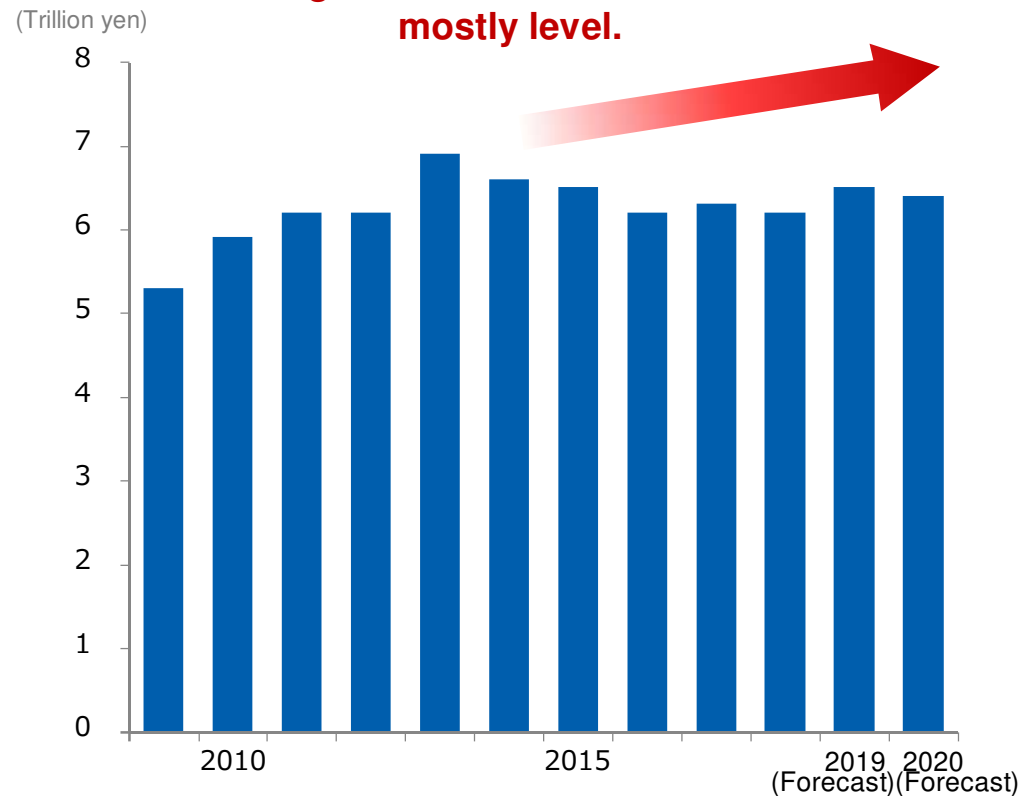
Houses built before 1990 represent 46% (23,850,000 households) of all houses



Source: Ministry of Internal Affairs and Communications "2015 Housing and Land Survey"

Forecasted increase in size of house renovation market

The housing renovation market has remained mostly level.



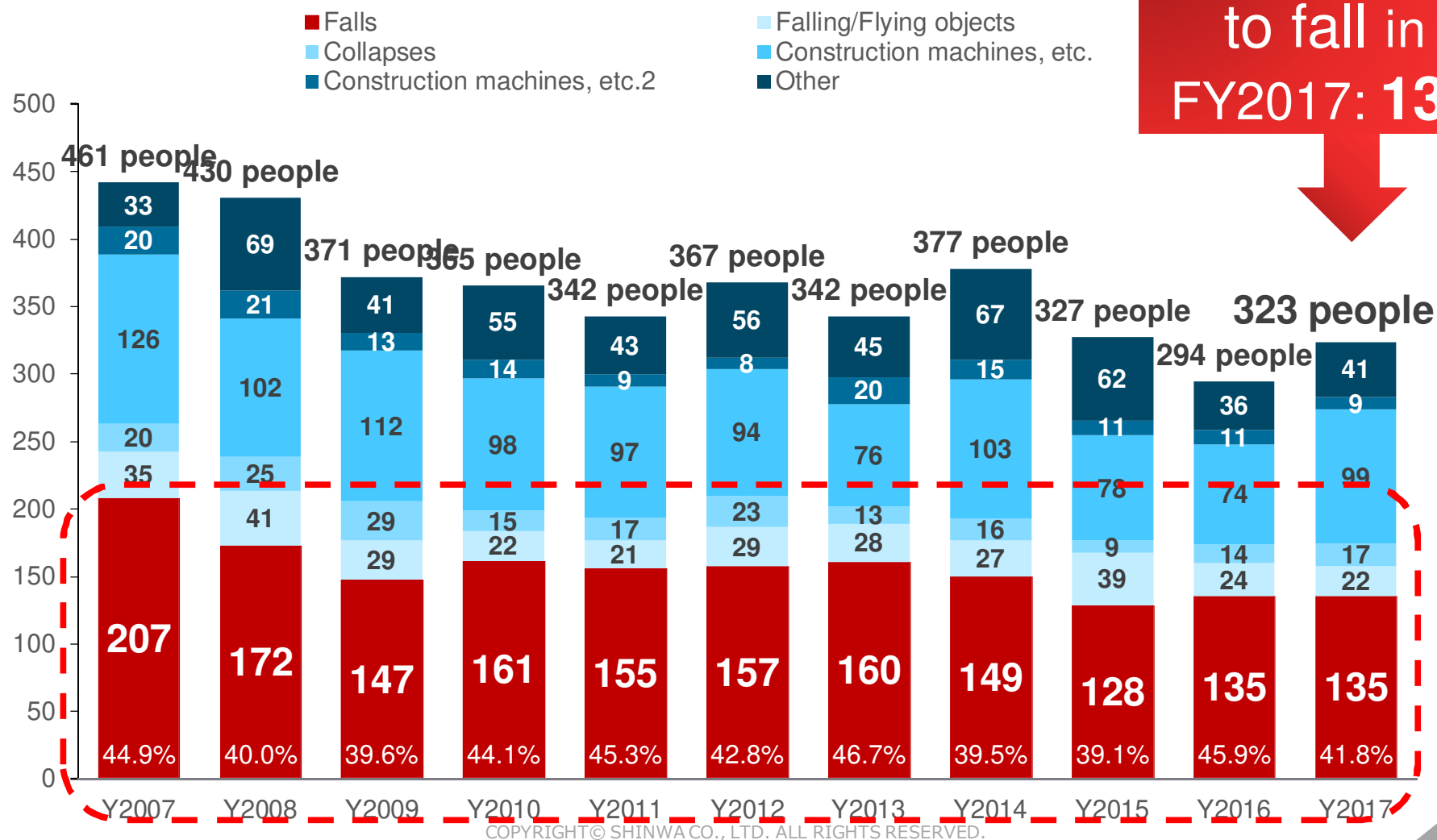
Source: Yano Research Institute Ltd. estimate based on Ministry of Land, Infrastructure, Transport and Tourism "Statistical Survey of Construction Starts", Ministry of Internal Affairs and Communications "Family Income and Expenditure Survey," Ministry of Internal Affairs and Communications "Basic Resident Register," and National Institute of Population and Social Security Research "Future Forecast of Number of Households in Japan (Nationwide Estimate)" (July 8, 2019 estimate)

Labor-related Deaths in the Construction Industry

Number of deaths related to construction work in Japan

Some 40% of deaths are caused by headfirst or tumbled falls

Deaths due
to fall in
FY2017: **135**





Top Production Capacity in Japan

Production Sites



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. **4,730** trucks
(FY2018)

Number of welding robots

136 robots
(As of May 8, 2019)

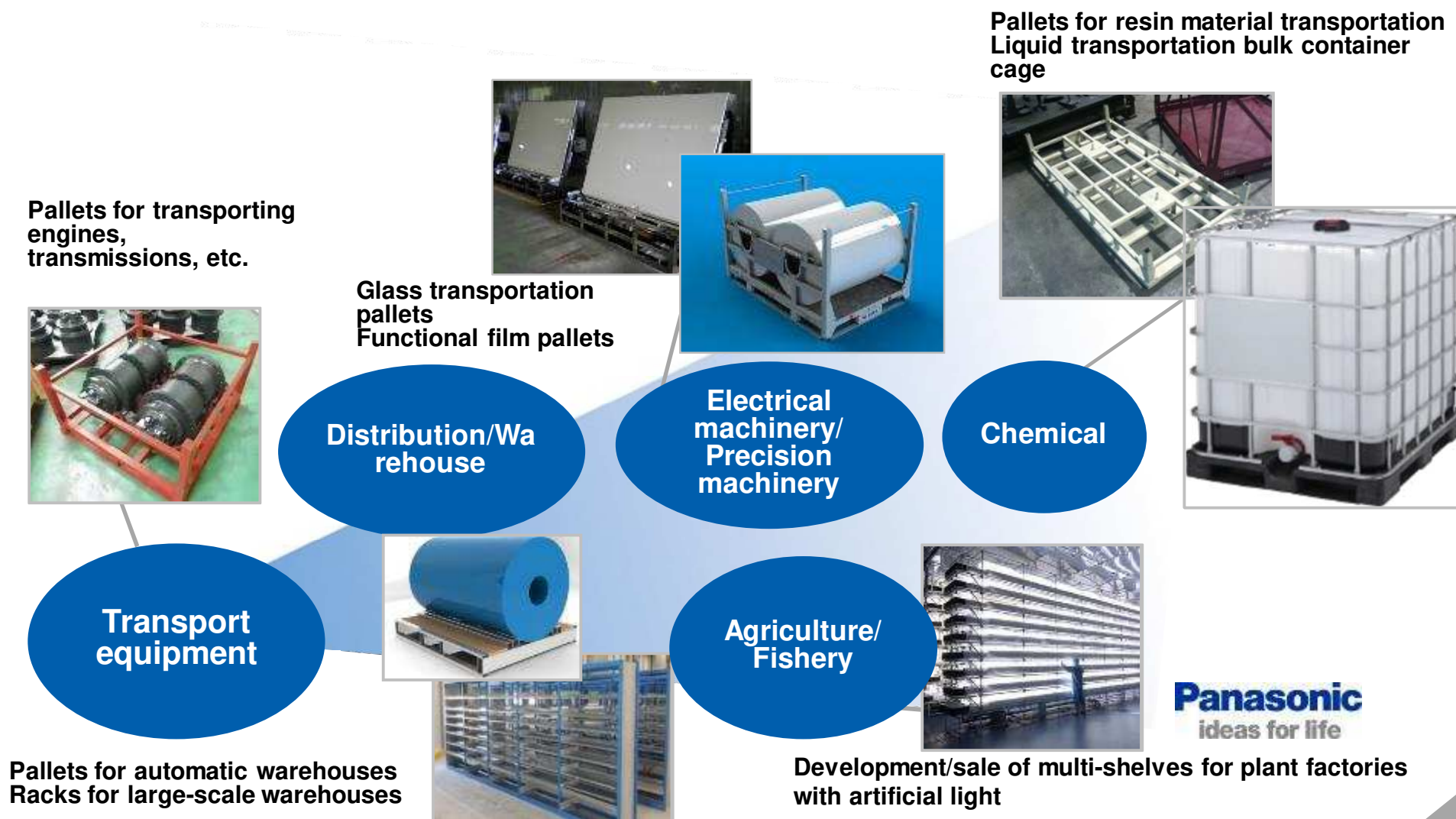




About the Logistics Equipment Division

Expansion of Logistics Equipment Division

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



[Car] Engine/Transmission Transport Pallets



[Chemical] Liquid Bulk Containers

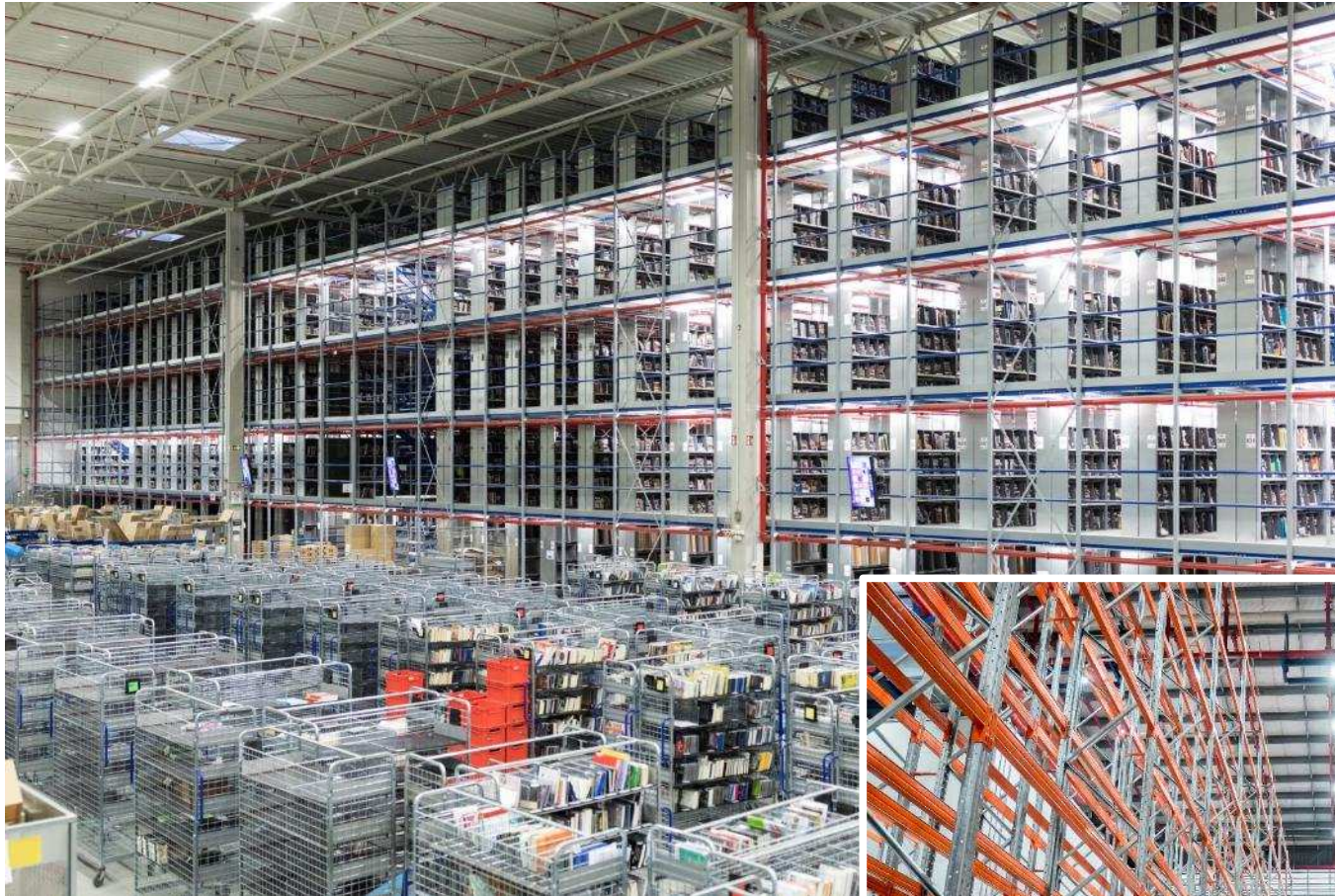


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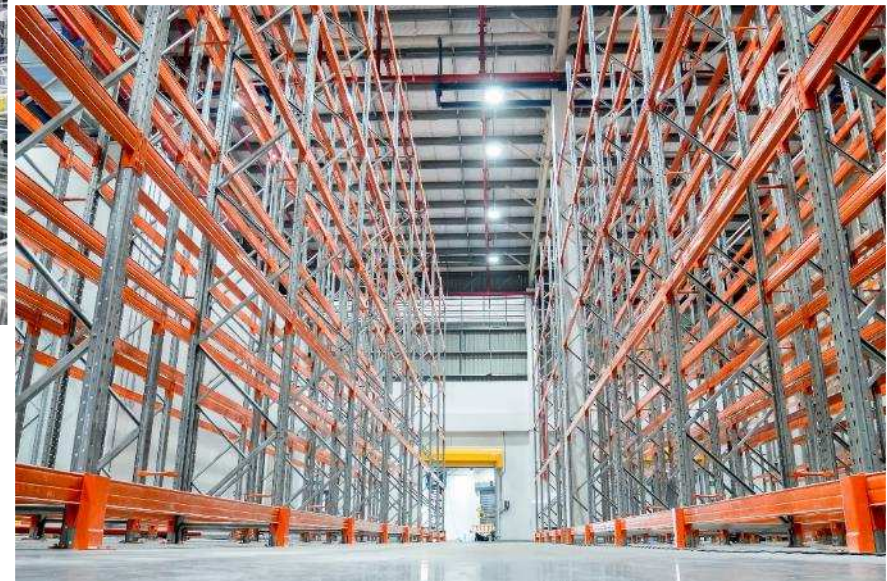


Capable of containing a five-drum bulk in a four-drum area

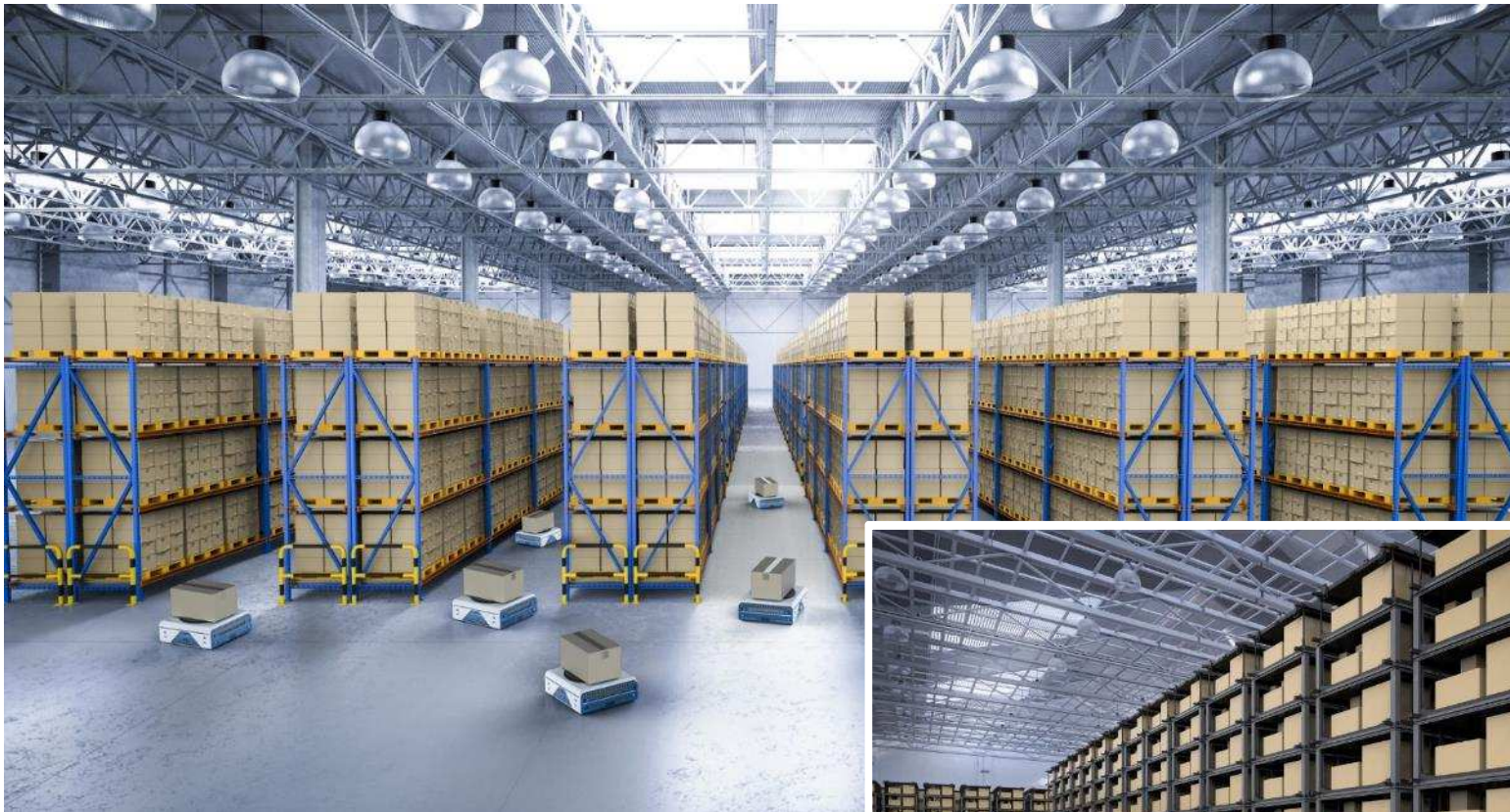
[Logistics/Warehouse] Storage Racks for E-commerce Retailers



(Image)



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



(Image)



[Agriculture] Artificial Light Racks for Plant Factories



(Image)





Overseas Business Expansion

Overseas Expansion: Steps Made So Far

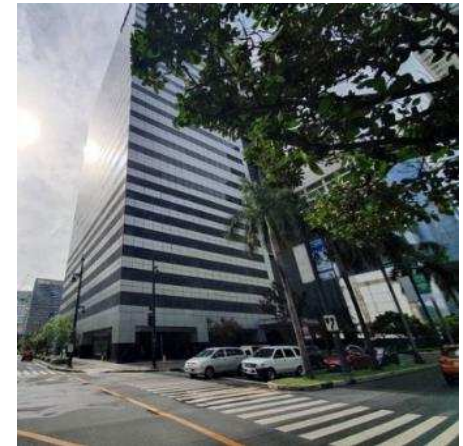
Present operations in South-East Asia



Philippines



- Launched a rep. office in June 2017
- Sales to the country's top elevator installation company



Vietnam



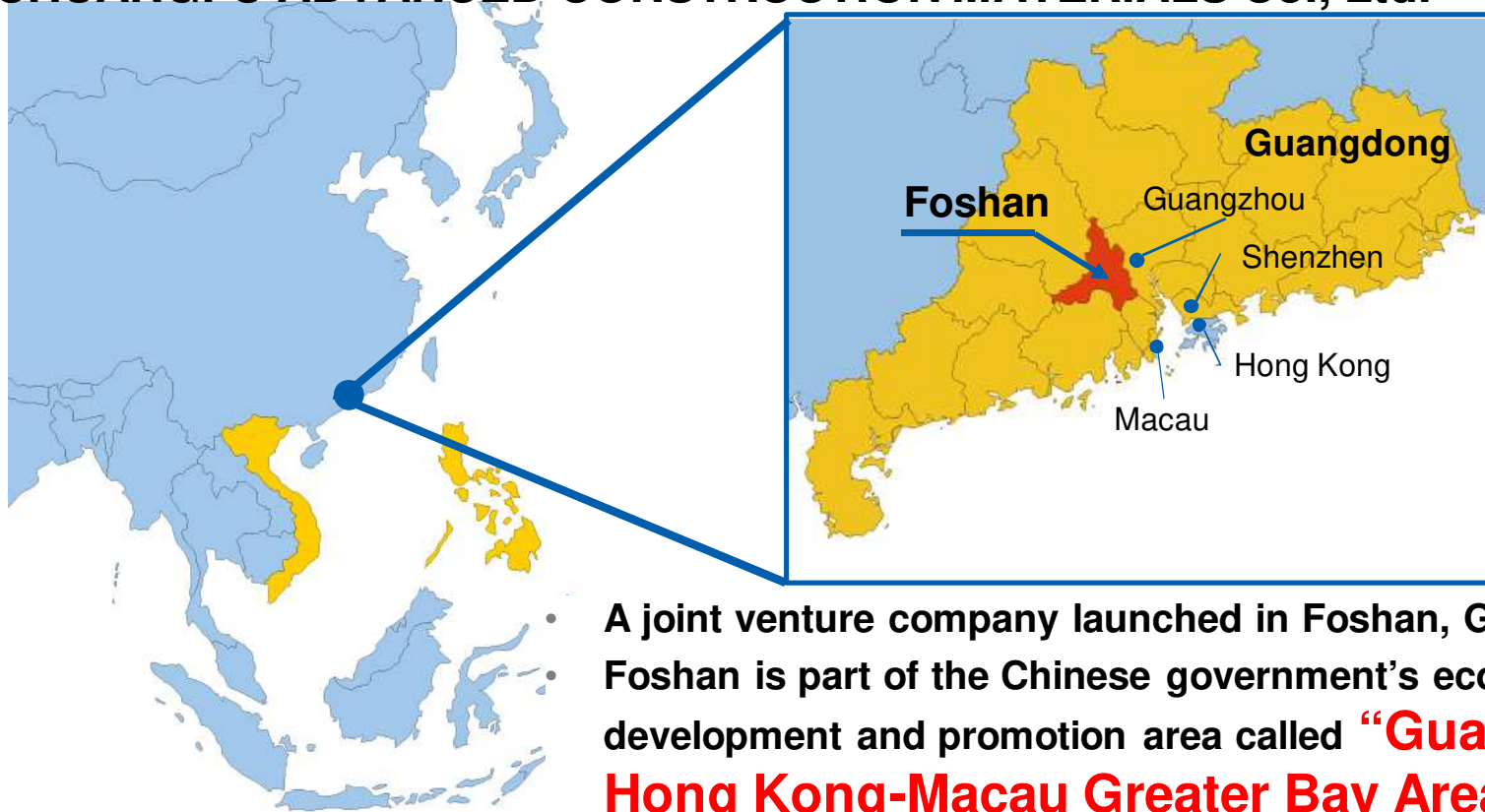
- Launched a subcontract factory in October 2017
- Manufactures system scaffolding products of Japanese standards and quality



Reinforcing the operations and activities to expand the sales and rental of products excelling in workability, durability, and safety

Overseas Expansion: 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)

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%



As we do in Japan, we strive to “protect valuable lives through our products and services.”

Fiscal Year Ending
March 31, 2020 (FY2019)
Financial Overview for Q3



Financial Highlights

Revenue

13,688 million yen (year on year rate + 1.2%)

- Revenue by the Scaffolding Equipment Division continued to grow into and through Q2, enjoying a YoY increase.

Gross profit

3,450 million yen (year on year rate +12.0%)

- Material cost-cutting initiatives worked well, driving down the cost below the target.

Operating profit

1,831 million yen (year on year rate +14.6%)

- Gross profit absorbed the hikes in shipping and delivery prices and an increase in taxes and dues associated with size-based business tax, enjoying a YoY increase.

Profit attributable to owners of parent

1,220 million yen (year on year rate +21.4%)

- It increased compared to the same period last year.

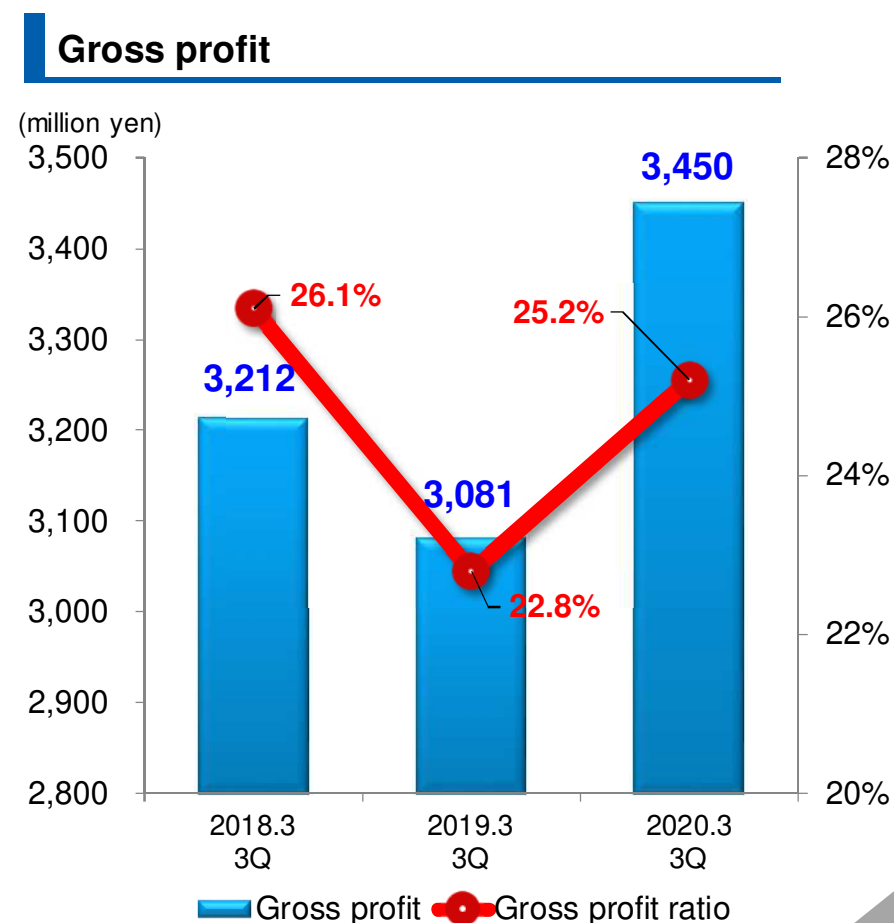
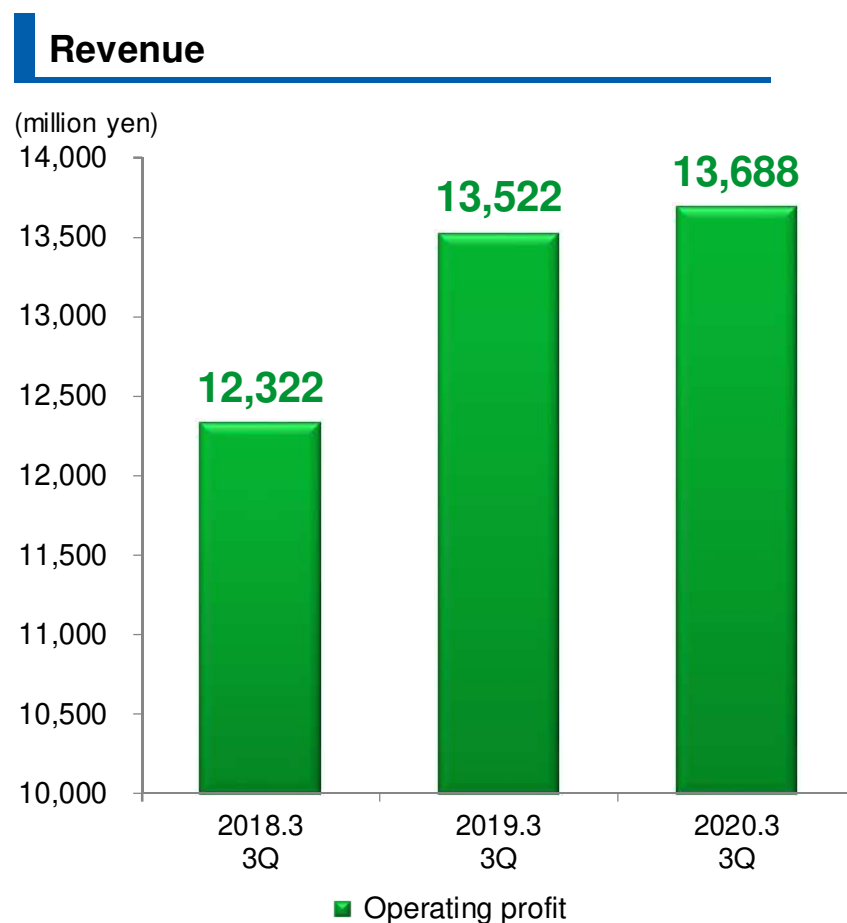
Summary of Consolidated P/L Statement

(IFRS-based; million yen)	FY2018 Q3	FY2019 Q3	Increase/ Decrease	Year-on-year rate
Revenue	13,522	13,688	+ 166	+1.2%
Cost of sales	10,440	10,238	▲ 202	▲ 1.9%
Gross profit	3,081	3,450	+368	+12.0%
Selling, general and administrative expenses, etc.	1,483	1,618	+ 135	+9.1%
Operating profit	1,598	1,831	+233	+14.6%
Profit before tax	1,552	1,778	+225	+14.5%
Profit in the quarter	1,005	1,220	+215	+21.4%

Net Sales and Gross Profit

Revenue reached a record high mainly thanks to the performance by the Scaffolding Equipment Division.

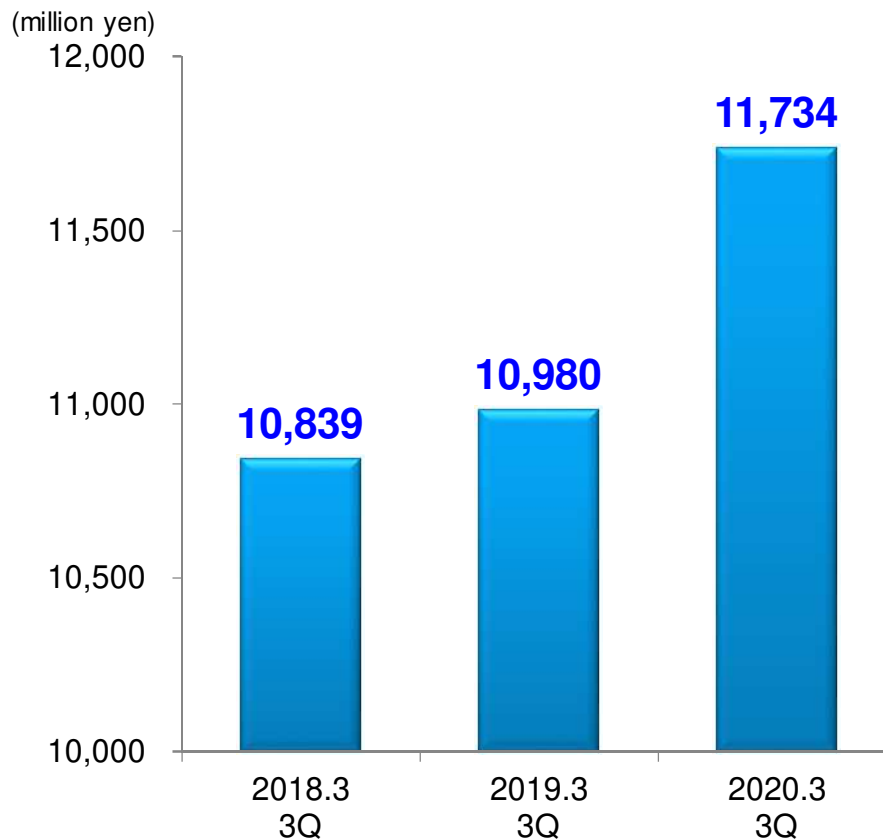
Gross profit **turned around** thanks to wider use of raw material procurement channels and continuous sales price revisions.



Performance by Division: Scaffolding Equipment Division

Scaffolding Equipment Division's revenue increased by **+6.9%** year-on-year.

Scaffolding Equipment Division's Revenue



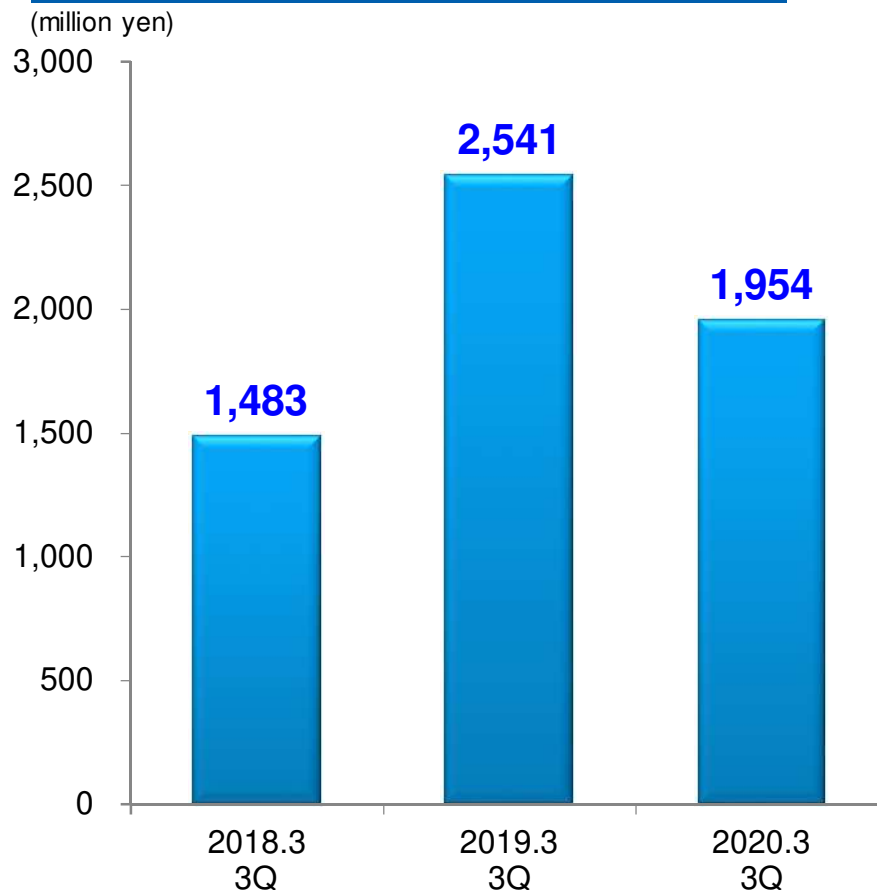
Demand increased for fall-prevention structures aimed at enhancing construction site safety (e.g., leading handrails, skirting boards).

- **Demand remained strong mainly for wedge binding-type scaffolding products.**
- **Activities to expand the sales of next-generation scaffolding products continued to be carried out in rural areas.**

Performance by Division: Logistics Equipment Division

Revenue earned by the Logistics Equipment Division dropped due to decreased logistics warehouse projects.

Logistics Equipment Division's Revenue

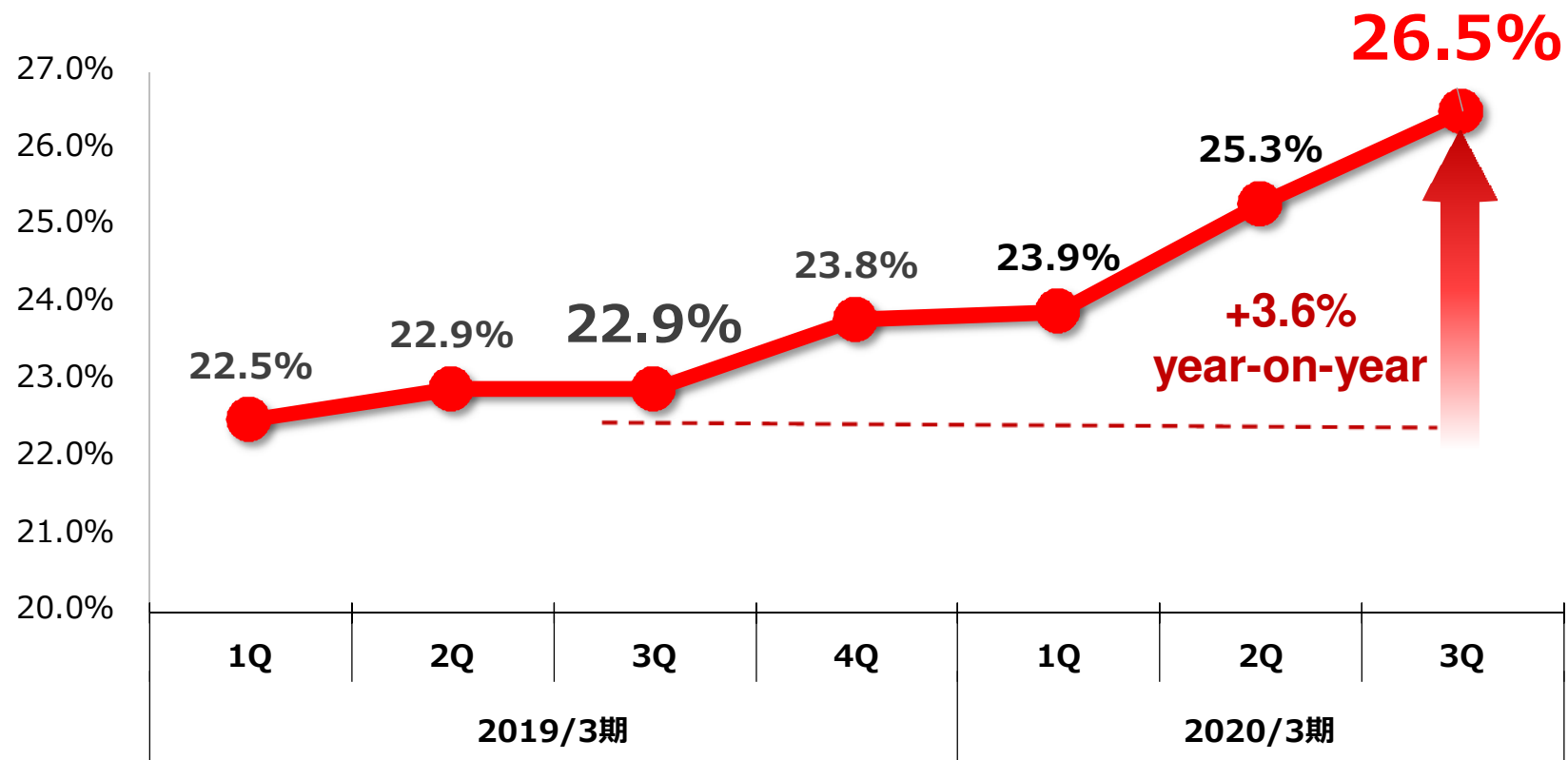


- **Sales of liquid bulk containers moved up stably.**
- **Sales revenue was affected by a decrease in complete large-scale distribution warehouse projects.**

Trend in Gross Profit Ratio

Thanks to cost reduction and streamlining efforts, it steadily improved to **26.5%** in Q3 of FY2019.

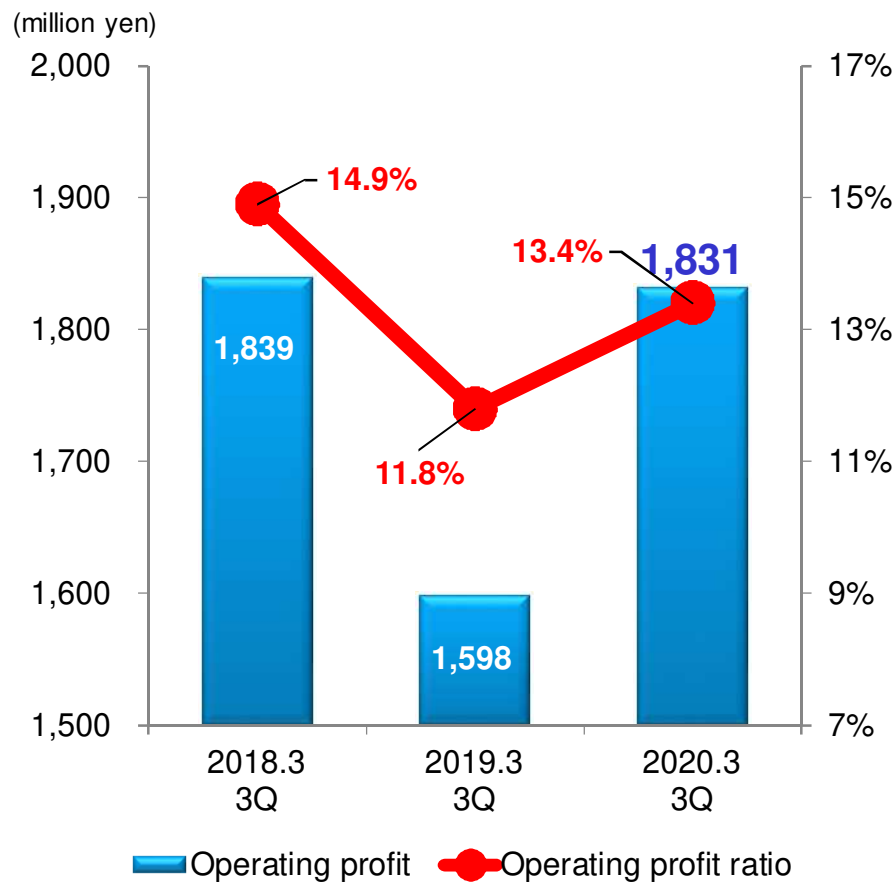
Quarterly trend in the gross profit ratio



Trend in Operating Profit

Operating profit increased by **+14.6%** year-on-year, and operating profit ratio rose by **+1.6** percentage points to **13.4%**.

Operating profit & Operating profit ratio



<Positive factors>

Gross profit grew thanks to increased sales by the Scaffolding Equipment Division and **reduced cost of sales**.

<Negative factors>

SG&A increased as personnel and shipping and delivery expenses increased.

Summary of Consolidated Statement of Financial Position

(IFRS-based; million yen)	FY2018	FY2019 Q3	Increase/ Decrease	Factors contributing to increase/decrease
Current assets	8,064	8,410	+346	Cash and cash equivalents +512 million yen
Non-current assets	13,108	13,253	+ 145	Right-of-use assets in line with the application of IFRS 16 "Leases": +344 million yen
Total assets	21,172	21,664	+492	
Current liabilities	2,177	2,088	▲89	Income taxes payable: +112 million yen Trade and other liabilities ▲227 million yen
Non-current liabilities	6,136	6,082	▲54	Other financial liabilities due to the application of IFRS 16 (Leases): +198 million yen Debts payable: ▲237 million yen
Total liabilities	8,313	8,170	▲143	
Total equity	12,859	13,493	+634	Comprehensive income: +1220 million yen Dividends paid: ▲615 million yen
Total liabilities and equity	21,172	21,664	+492	

Summary of Consolidated Statement of Cash Flows

Balance of cash and cash equivalents at the end of Q3 reached 2,255 million yen, an increase of 512 million yen compared with the opening balance.

Cash flows from operating activities

+1,791 million yen

<Main inflows>

- Profit before tax + 1,778 million yen
- Depreciation and amortization + 499 million yen

<Main outflows>

- Increase in inventory assets ▲ 472 million yen
- Income taxes paid ▲ 486 million yen

Cash flows from investing activities

▲ 327 million yen

- Purchase of property, plant and equipment ▲ 384 million yen

Cash flows from financing activities

▲ 951 million yen

- Dividends paid ▲ 612 million yen

Business Forecast for FY2019

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Business Forecast for FY2019

Sales price revisions since previous fiscal year are expected to increase operating profit by **+4.9%** year-on-year in FY2019.

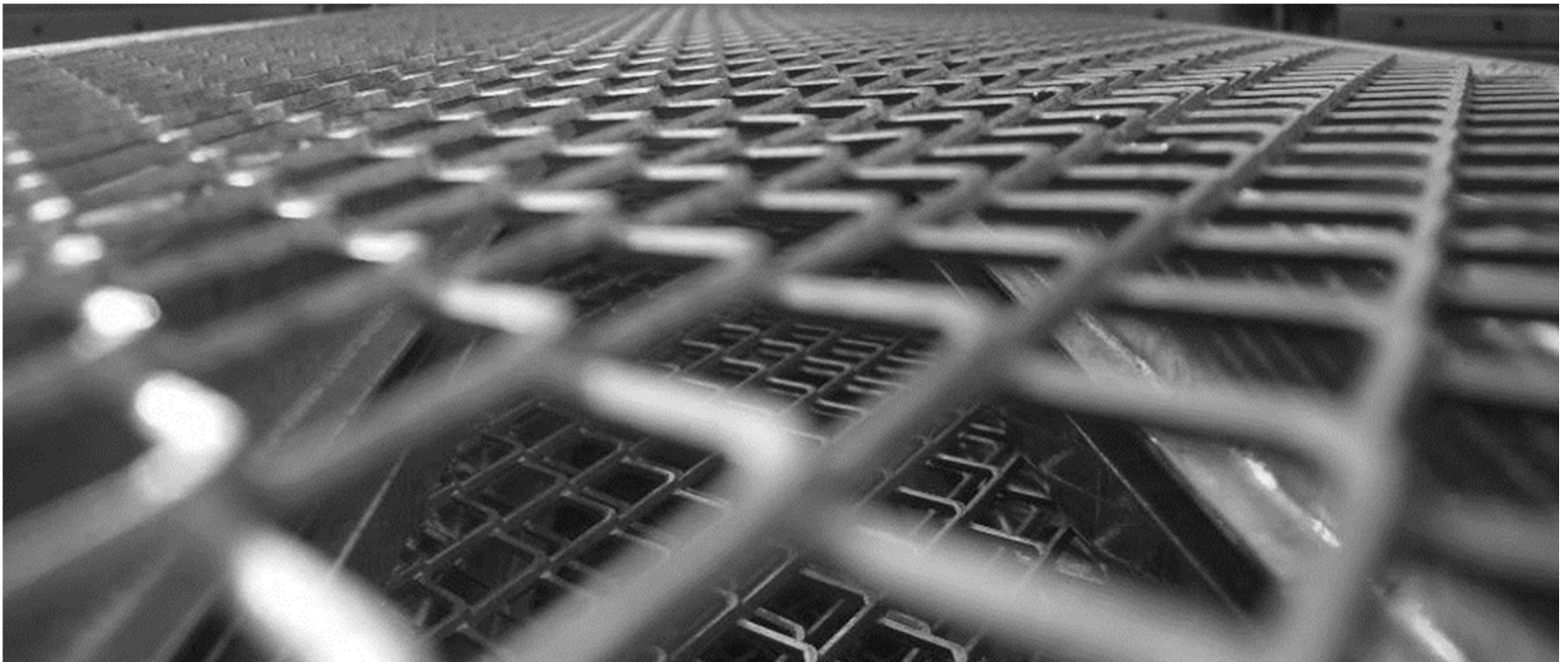
(IFRS-based; million yen)	FY2018	Forecast for FY2019	Increase/ Decrease	Year-on-year rate
Revenue	17,512	17,000	▲512	▲2.9%
Operating profit	1,963	2,060	+97	+4.9%
Profit before tax	1,894	1,990	+96	+5.0%
Profit for FY2019	1,331	1,400	+69	+5.1%
EPS (yen)	96.44	100.08		
Annual dividend per share (yen)	44.00	44.00		
Dividend ratio	45.6%	44.0%		

Progress against Business Forecast for FY2019

Business went smoothly during FY2019 Q3.

(IFRS-based; million yen)	Forecast for FY2019	FY2019 Q3	Progress rate (%)
Revenue	17,000	13,688	80.5
Operating profit	2,060	1,831	88.9
Profit before tax	1,990	1,778	89.3
Profit for FY2019	1,400	1,220	87.1

Stock and Shareholder Return



Trend of Our Stock Price



Dividend Policies

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

Dividend Policy

Basic policy

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 redistribution according to business performance,

we are aiming for a consolidated dividend payment ratio of 40% or more.

Estimated dividend for FY2019

End-of-period dividend for shareholders at year-end of FY2019

44.0 yen per share
(Dividend ratio: 44.0%)

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**

Disclaimer

The plans, estimates, strategies, etc. stated in this document are all forecasts based on the information available at the time of this documentation and hence contain risks and uncertainties inherent to such forecasts. Due to such risks and uncertainties, the actual results may differ from the forecasts, etc. herein.

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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