

(Securities code: 3447)

FY2019 Q2

Presentation material for
financial results briefing
(November 22, 2019)



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Features of Shinwa

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Features of Shinwa



**Leader of temporary
materials 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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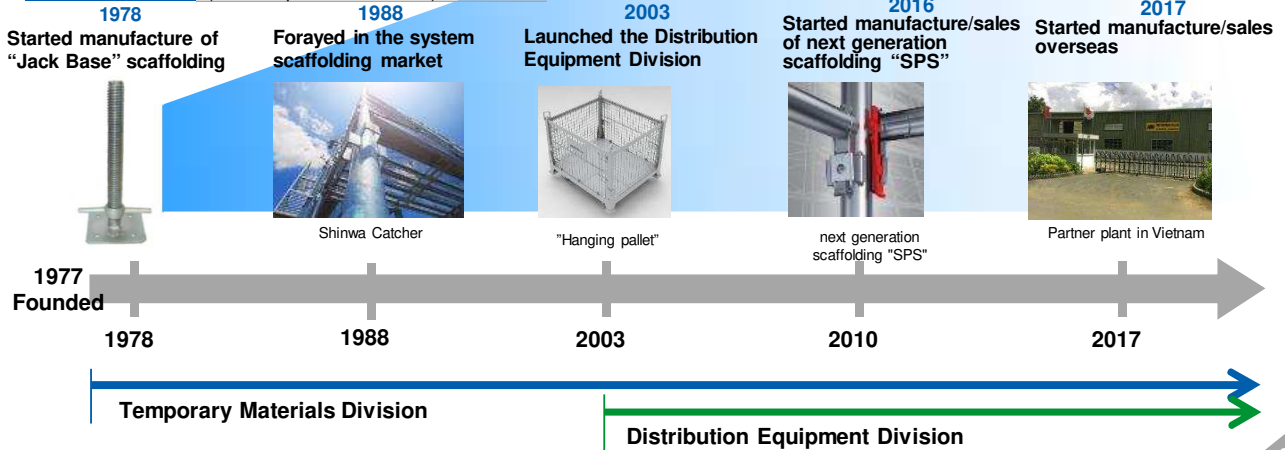
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Corporate Outline

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	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



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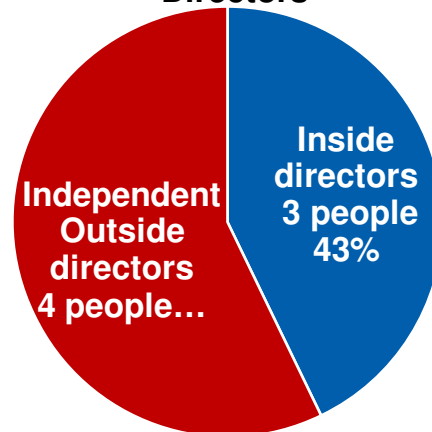
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Directors

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



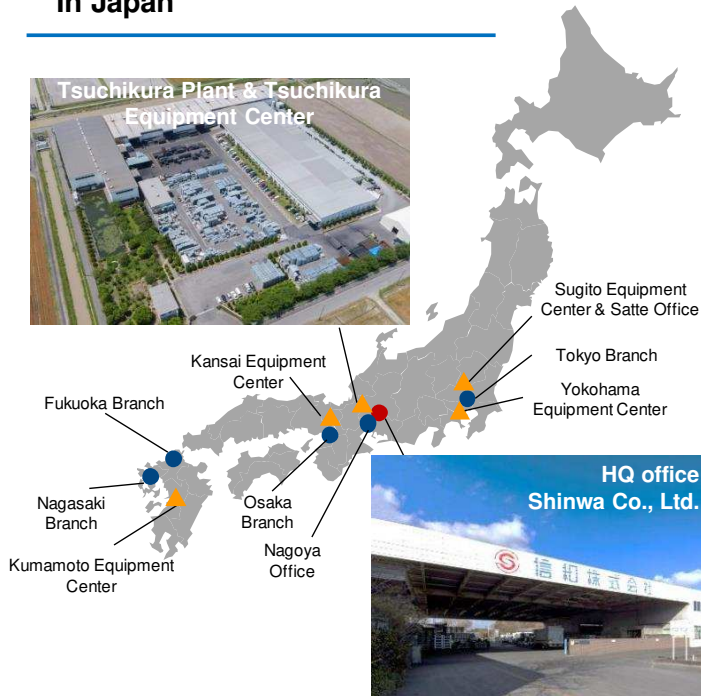
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Company Network

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 **Temporary Materials Division** that produces and sells the system scaffolding products is our main revenue earner.

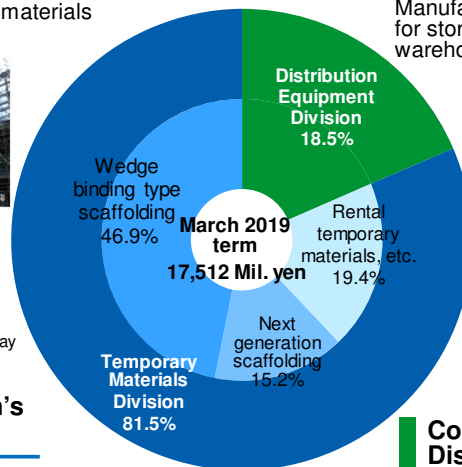
Temporary Materials Division

Manufacture/sales/rental of temporary materials used in construction sites

Large-scale warehouse/roof forming construction work



Shin-Tomei Expressway pier construction



Distribution Equipment Division

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



Bulk Container Cage for Liquid Shipping



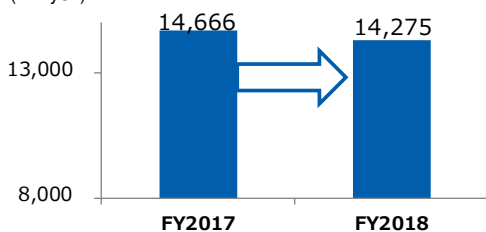
Pallets for automobile manufacturers



Racks for large-scale warehouses

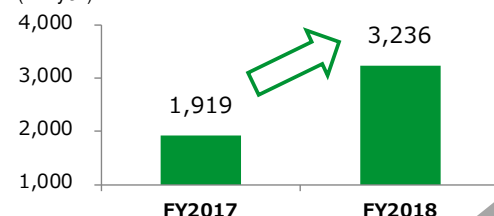
Temporary Materials Division's Consolidated Revenue

(Mil. yen)



Consolidated Sales Revenue of Distribution Equipment Division

(Mil. yen)



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What is System Scaffolding?

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Housing Construction



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Renovation



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Large-scale Residential Building Repair



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Plant Maintenance



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Civil Engineering Work



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Road Construction, Maintenance, and Repair



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Inspection of Important Cultural Property



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The New 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

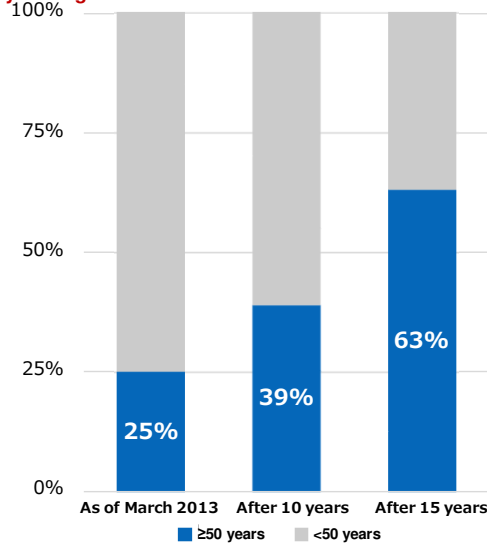
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Business Environment for Temporary Materials Division

Infrastructure maintenance, repair, and renovation are being strategically promoted

Percentage of social infrastructure 50 years or more after construction

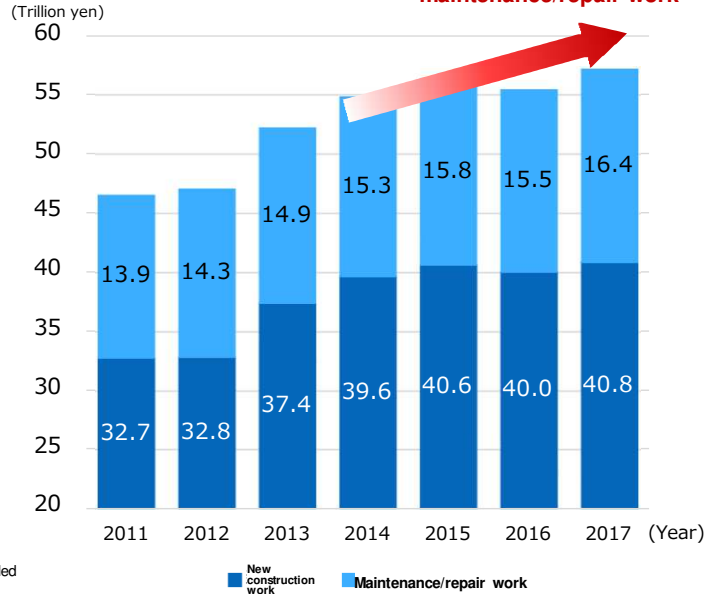
Road bridges [About 400,000 bridges* (Of about 700,000 bridges which are 2 m long or more)]
In, 2033, about 250,000 bridges will have been built 50 years ago or more



* 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



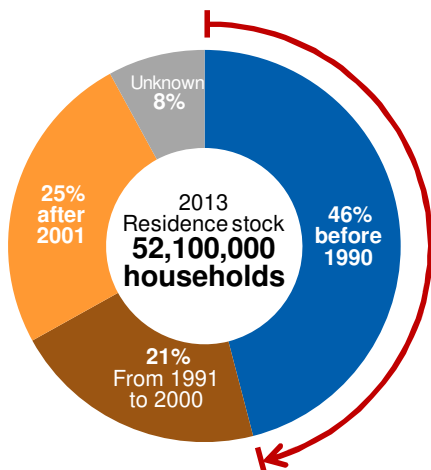
Source: Japan Federation of Construction Contractors "Construction Handbook 2019"

Business Environment for Temporary Materials Division

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

No. of occupied houses by date of construction

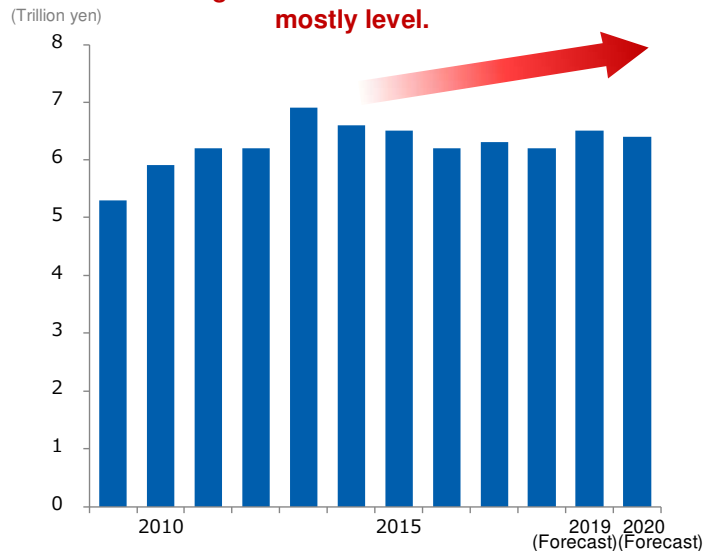
Houses built before 1990 represent 46% (23,850,000 households) of all houses



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.



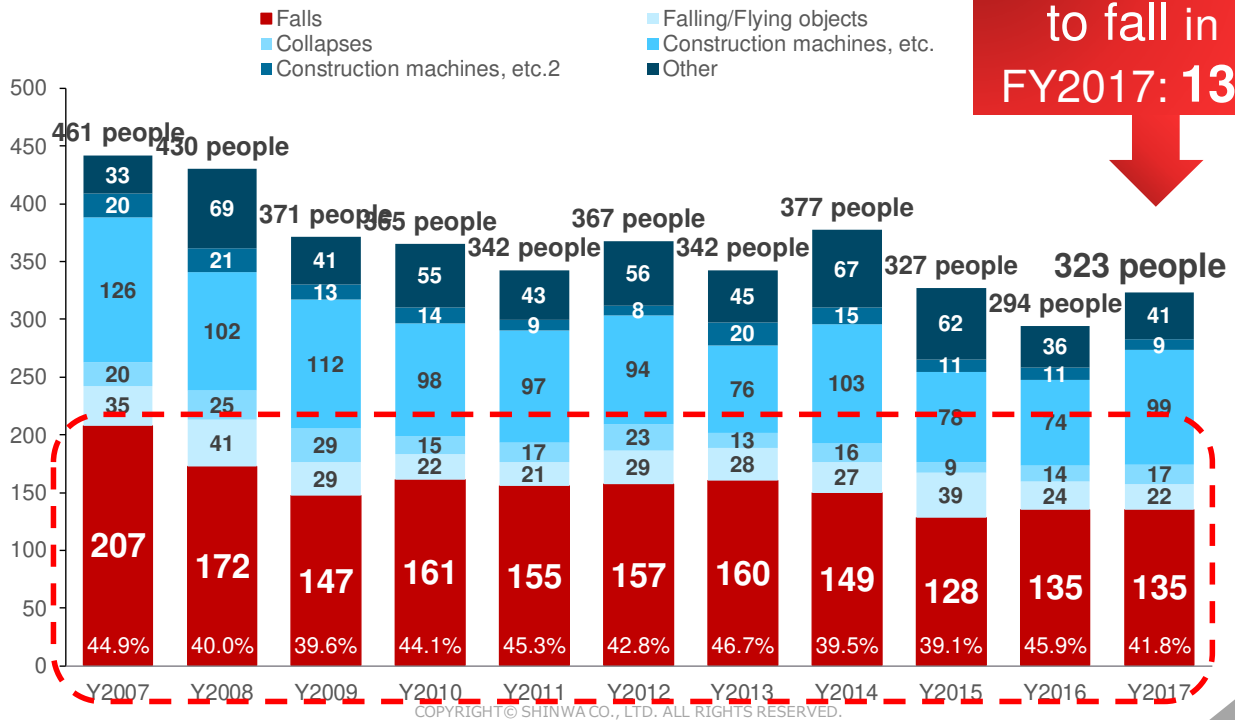
Source: Yano Research Institute Ltd. estimate based on Ministry of Land, Infrastructure, Transport and Tourism "Statistical Survey of Construction Starts," Ministry of Internal Affairs and Communications "Family Income and Expenditure Survey," Ministry of Internal Affairs and Communications "Basic Resident 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**



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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)

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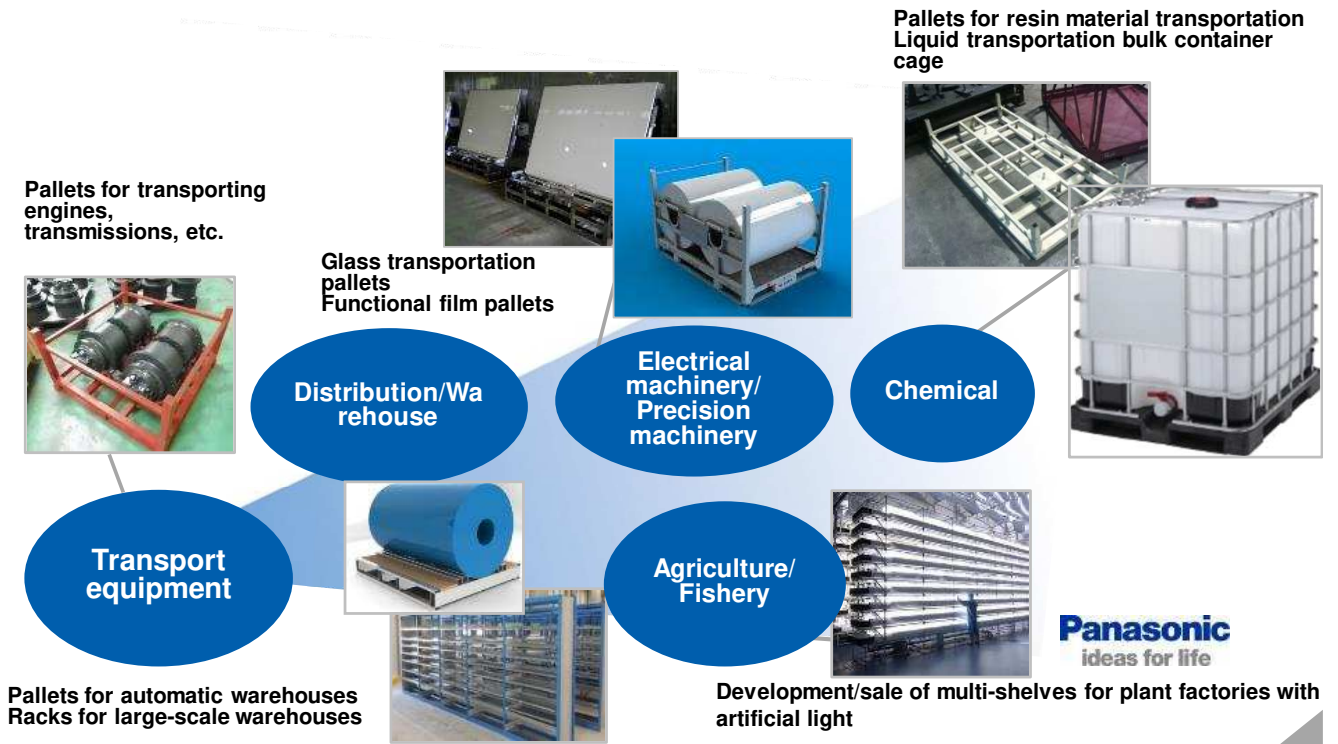
About the Distribution Equipment Division

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Expansion of Distribution 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



(image)



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

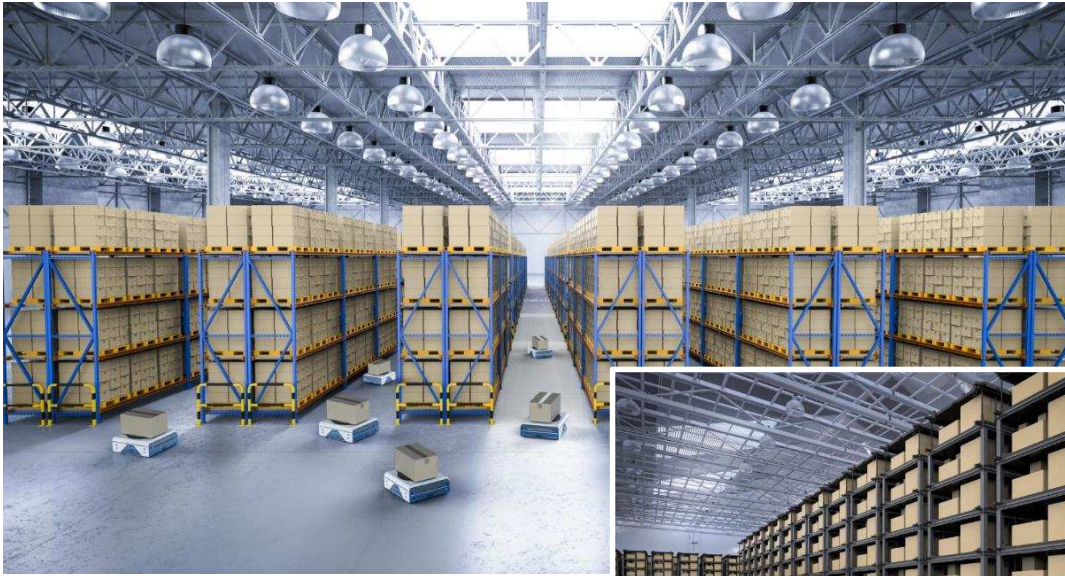
[Logistics/Warehouse] Storage Racks for E-commerce Retailers



(Image)



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



(Image)



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[Agriculture] Artificial Light Racks for Plant Factories



(Image)



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Overseas Business Expansion

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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



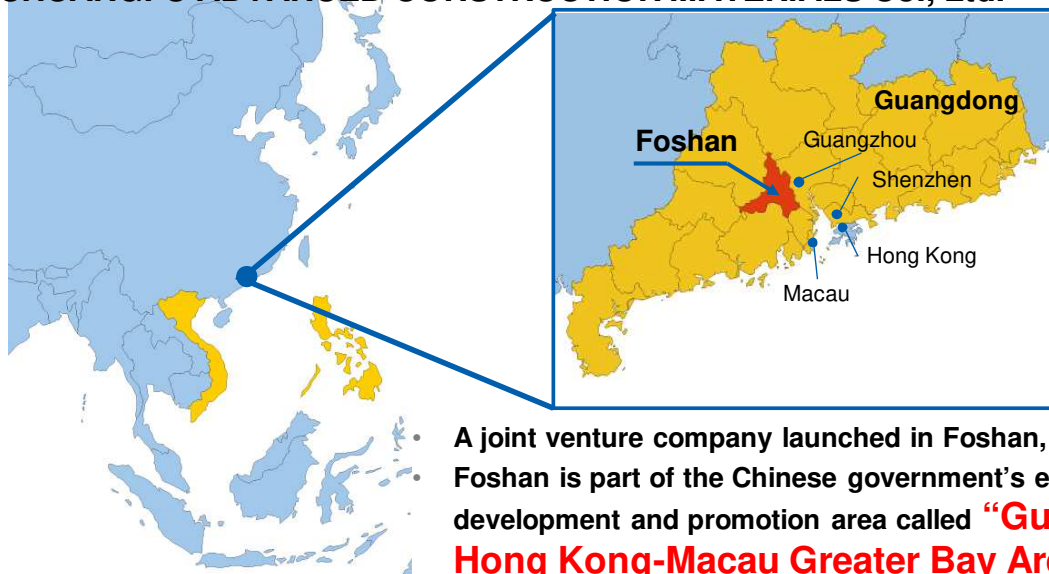
Reinforcing the operations and activities to expand the sales and rental of products excelling in workability, durability, and safety

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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)

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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	Shinwa Co., Ltd. 51.0%
Location	Foshan, Guangdong, China		Guangdong Chuangfu Metal Products Co., Ltd. 34.0%
Established	November 5, 2019		ALCONIX CORPORATION 15.0%
Business	Import, manufacture and sale of temporary equipment used at construction sites		



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

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Fiscal Year Ending
March 31, 2020 (FY2019)
Financial Overview for Q2



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Financial Highlights

Revenue

9,370 million yen (year on year rate + 8.7%)

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

Gross profit

2,307 million yen (year on year rate +17.9%)

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

Operating profit

1,222 million yen (year on year rate +21.7%)

- 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

814 million yen (year on year rate +29.9%)

- It increased compared to the same period last year.

Summary of Consolidated P/L Statement

(IFRS-based; million yen)	FY2018 Q2	FY2019 Q2	Increase/ Decrease	Year-on-year rate
Revenue	8,624	9,370	+ 746	+8.7%
Cost of sales	6,666	7,063	+ 396	+6.0%
Gross profit	1,957	2,307	+349	+17.9%
Selling, general and administrative expenses, etc.	958	1,084	+ 126	+13.2%
Operating profit	1,004	1,222	+218	+21.7%
Profit before tax	974	1,186	+212	+21.8%
Profit in the quarter	627	814	+187	+29.9%

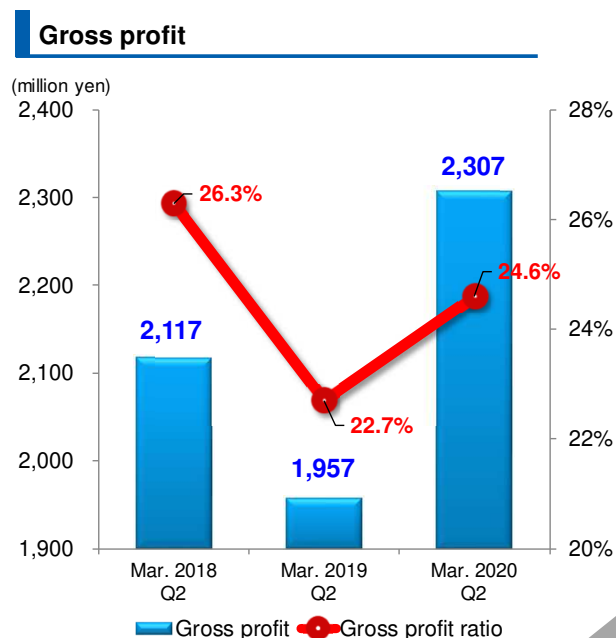
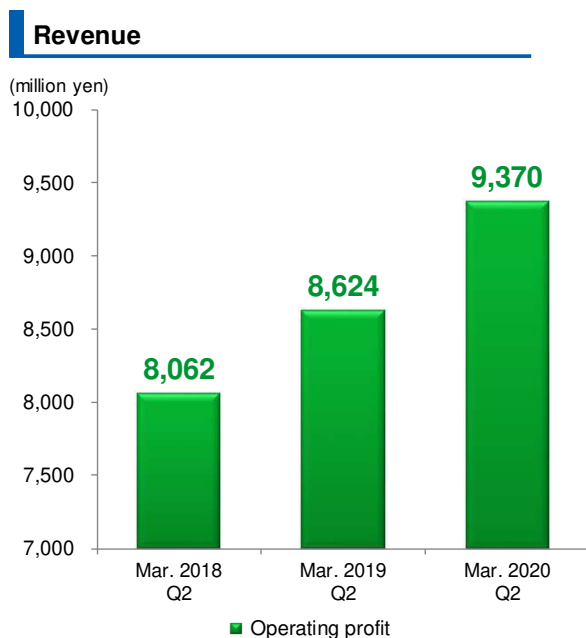
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Net Sales and Gross Profit

Revenue reached a record high mainly thanks to the performance by the Temporary Materials Division.

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



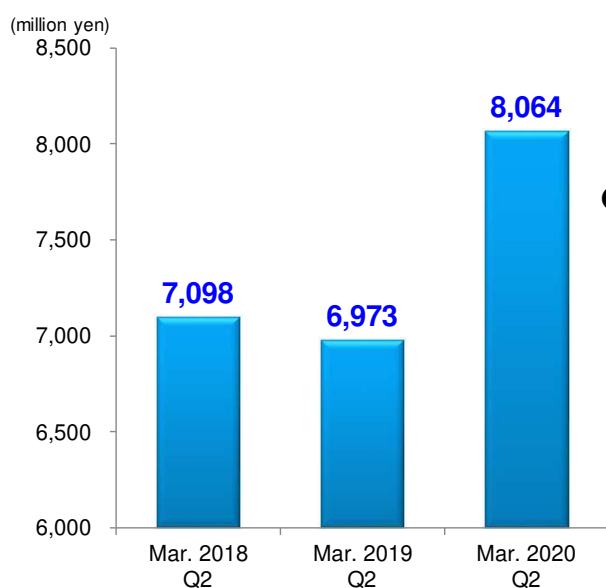
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Performance by Division: Temporary Materials Division

Temporary Materials Division's revenue increased by **+15.6%** year-on-year.

Temporary Materials Division's Revenue



- The Olympics construction boom ended in Tokyo, shifting construction projects to rural areas.
- Disaster recovery works continued.
- 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.

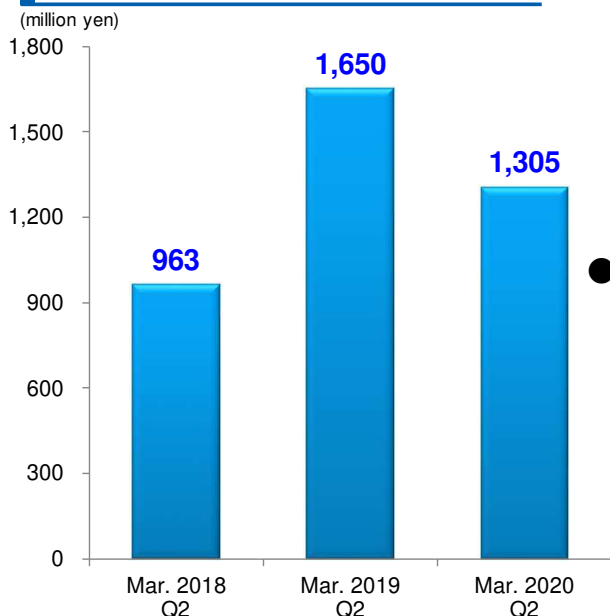
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Performance by Division: Distribution Equipment Division

Revenue by the Distribution Equipment Division decreased due to delayed completion of the large-scale distribution warehouse construction.

Distribution Equipment Division's Revenue



- Revenue decreased, as was forecasted, due to the decrease of the large-scale distribution warehouse project.
- Receipt of project orders continued to be stable.

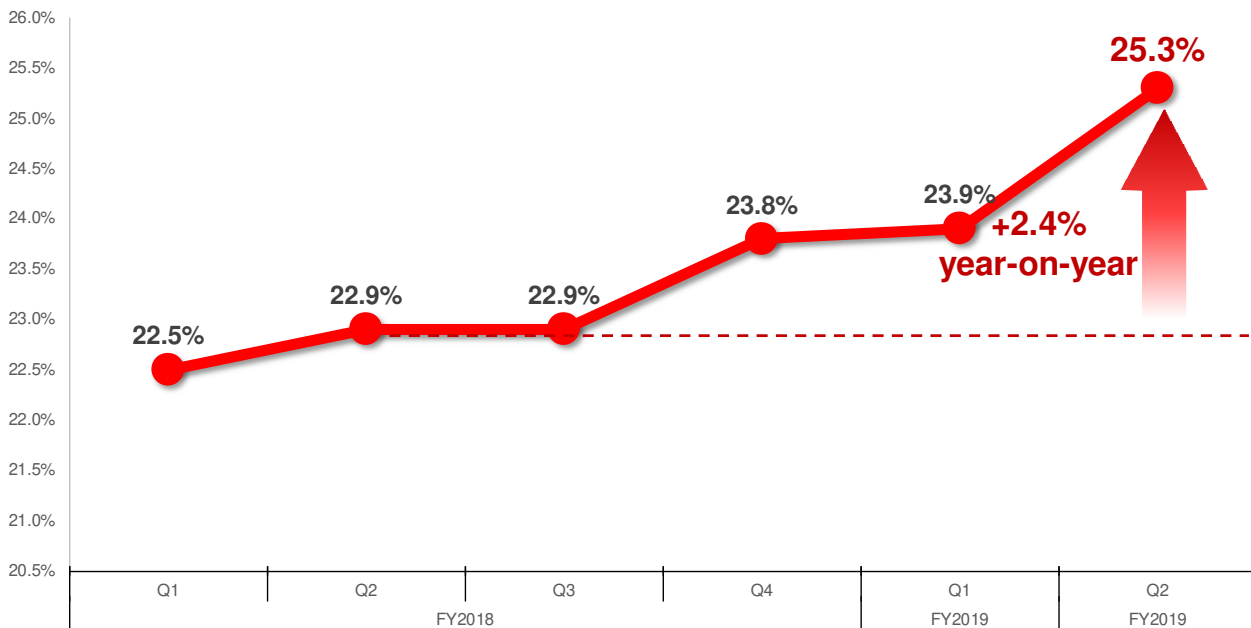
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Trend in Gross Profit Ratio

Thanks to cost reduction and streamlining efforts, it steadily improved to **25.3%** for FY2019.

Quarterly trend in the gross profit ratio



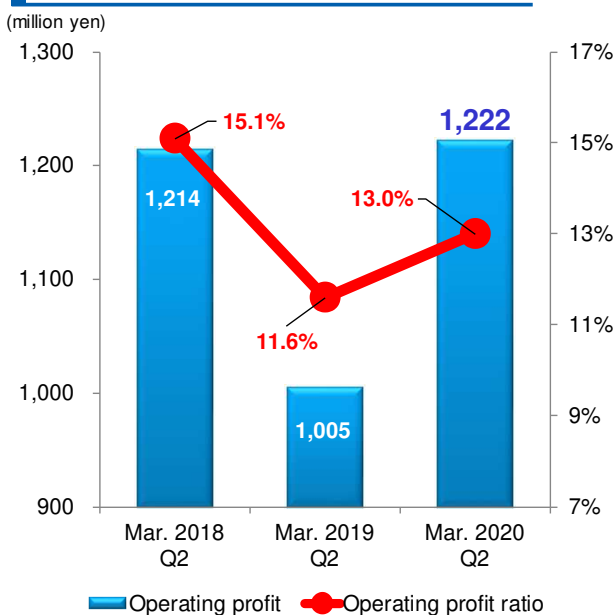
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Trend in Operating Profit

Operating profit increased by **+21.7%** year-on-year, and operating profit ratio rose by **+1.4 percentage points** to **13.0%**.

Operating profit & Operating profit ratio



<Positive factors>

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

<Negative factors>

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

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Summary of Consolidated Statement of Financial Position

(IFRS-based; million yen)	FY2018	FY2019 Q2	Increase/ Decrease	Factors contributing to increase/decrease
Current assets	8,064	8,318	+254	Cash and cash equivalents +120 million yen
Non-current assets	13,108	13,306	+ 198	Right-of-use assets in line with the application of IFRS 16 "Leases": +369 million yen
Total assets	21,172	21,625	+453	
Current liabilities	2,177	2,468	+ 291	Income taxes payable: +243 million yen
Non-current liabilities	6,136	6,085	▲51	
Total liabilities	8,313	8,553	+240	
Total equity	12,859	13,071	+212	Comprehensive income: +814 million yen Dividends paid: ▲612 million yen
Total liabilities and equity	21,172	21,625	+453	

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Summary of Consolidated Statement of Cash Flows

Balance of cash and cash equivalents at the end of Q2 reached 1,863 million yen, an increase of 120 million yen compared with the opening balance.

Cash flows from operating activities	+1,228 million yen	
	<Main inflows>	
	• Profit before tax	+ 1,186 million yen
	• Depreciation and amortization	+ 328 million yen
	<Main outflows>	
• Decrease in trade and other receivables	△ 229 million yen	
• Income taxes paid	△ 195 million yen	
Cash flows from investing activities	△ 185 million yen	
	Purchase of property, plant and equipment	△ 235 million yen
Cash flows from financing activities	△ 921 million yen	
	Dividends paid	△ 612 million yen

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Business Forecast for FY2019



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Business Forecast for FY2019

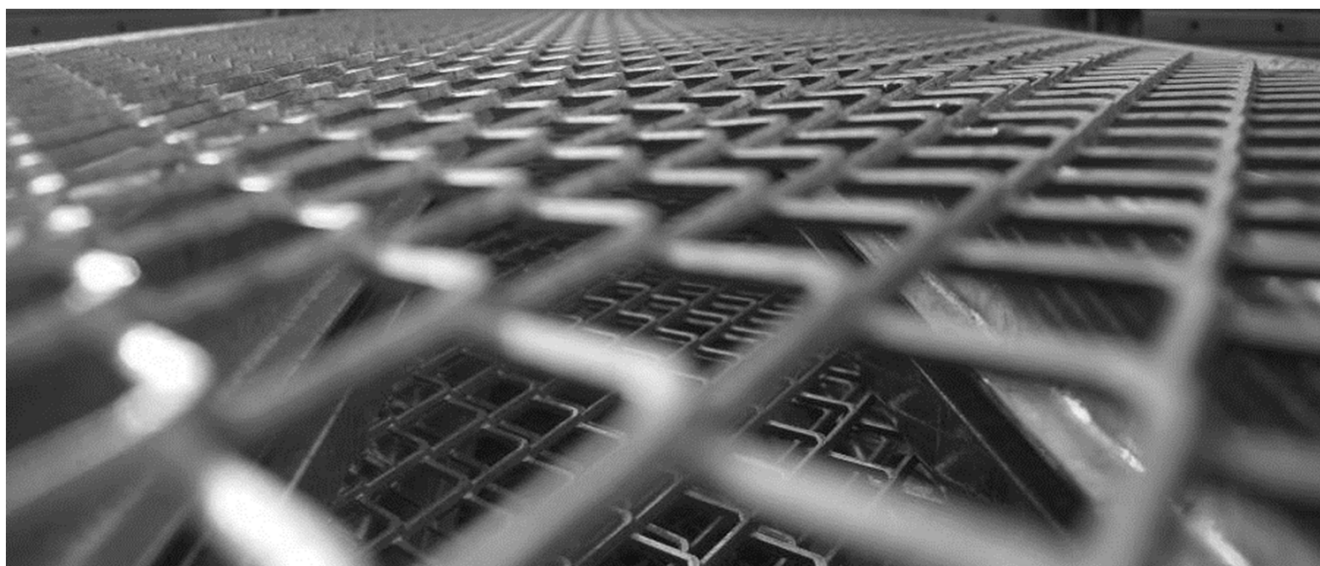
Sales price revisions since previous fiscal year are expected to increase operating profit by **+4.9%** year-on-year in FY2019.

(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%		

Business **went smoothly** during FY2019 Q2.

(IFRS-based; million yen)	Forecast for FY2019	FY2019 Q2	Progress rate (%)
Revenue	17,000	9,370	55.1
Operating profit	2,060	1,222	59.3
Profit before tax	1,990	1,186	59.6
Profit for FY2019	1,440	814	56.5

Stock and Shareholder Return



Trend of Our Stock Price



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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

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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.

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