

(Securities code: 3447)

FY2019 Q1

Supplementary Material

(August 9, 2019)



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I. Fiscal Year Ending March 31, 2020 (FY2019) Financial Overview for Q1



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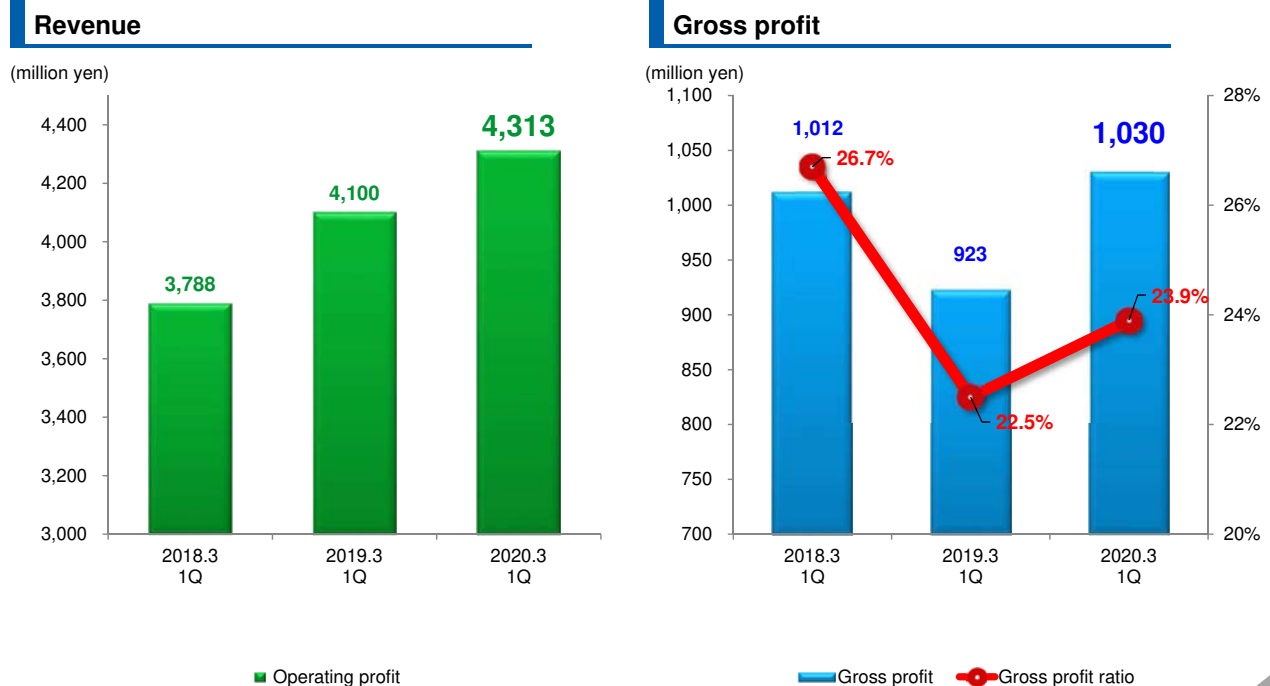
I-1. Summary of Consolidated P/L Statement

(IFRS-based; million yen)	FY2018 Q1	FY2019 Q1	Increase/ Decrease	Year-on-year rate
Revenue	4,100	4,313	+212	+5.2%
Cost of sales	3,177	3,283	+106	+3.3%
Gross profit	923	1,030	+106	+11.6%
Selling, general and administrative expenses, etc.	487	556	+68	+14.1%
Operating profit	436	474	+38	+8.7%
Profit before tax	420	456	+35	+8.5%
Profit in the quarter	261	299	+38	+14.6%

I-2. Net Sales and Gross Profit

Revenue increased thanks to the Temporary Materials Division's good performance.

Gross profit increased due to continuous sales price revisions and wider use of raw material procurement channels.

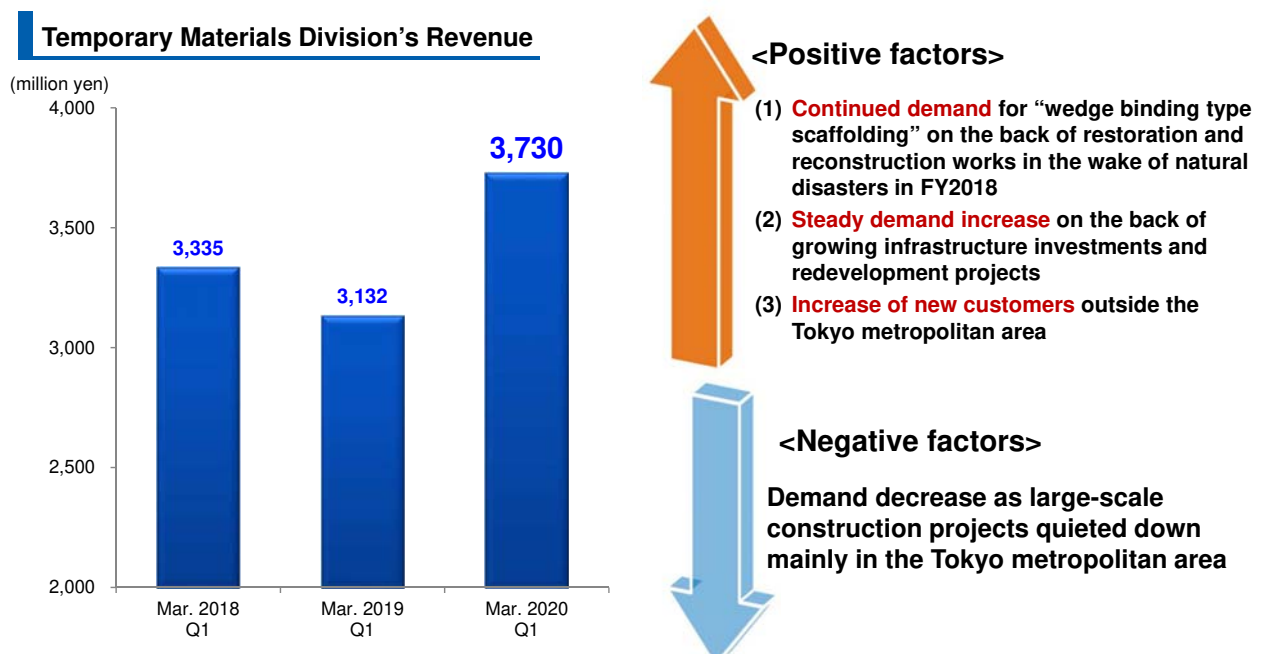


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I-3. Performance by Division: Temporary Materials Division

Temporary Materials Division's revenue increased by **19.1%** year-on-year.



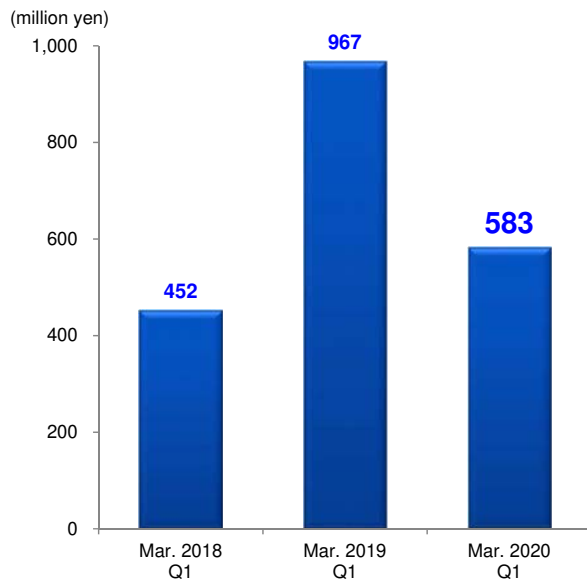
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I-4. Performance by Division: Distribution Equipment Division

Distribution Equipment Division's revenue for bulk container cage for liquid shipping, etc. was robust, while it suffered a decrease due to the delay in large-scale construction works for distribution warehouses.

Distribution Equipment Division's Revenue



<Positive factors>

Growing demand for bulk container cage for liquid shipping, etc.



(Bulk container cage for liquid shipping, etc.)

<Negative factors>

Revenue decreased due to the delay in large-scale construction works for distribution warehouses.

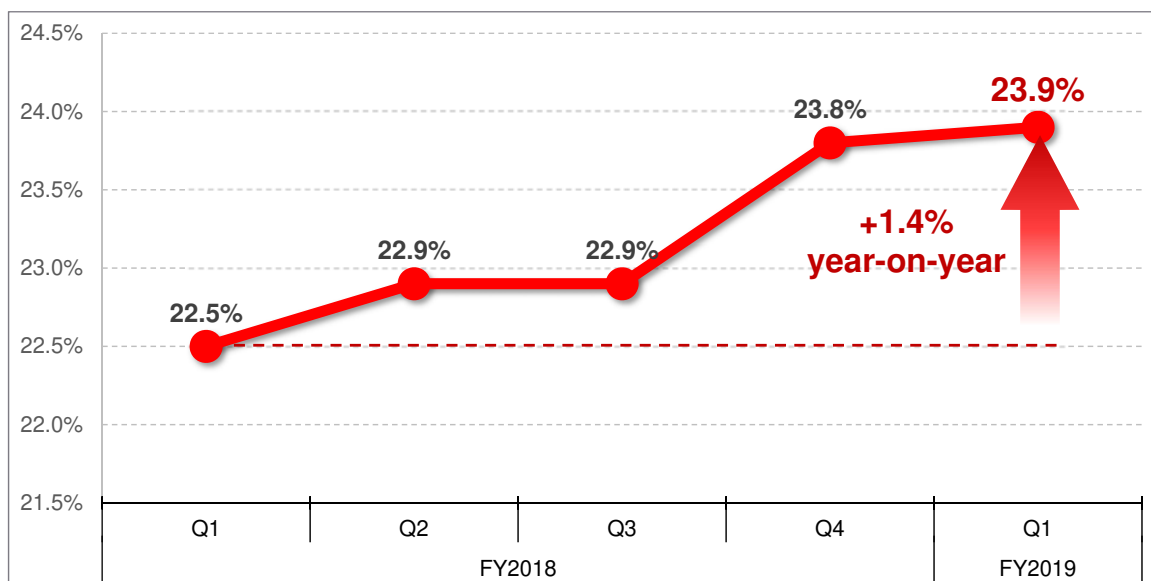
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I-5. Trend in Gross Profit Ratio

Gross profit ratio is in an improving trend due to cost reduction and streamlining efforts, reaching **23.9%** in FY2019 (ending March 31, 2020).

Quarterly trend in the gross profit ratio



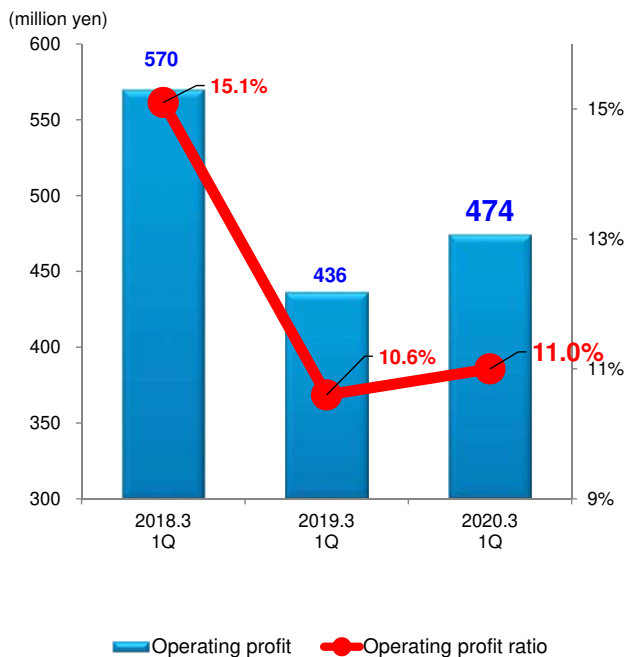
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I-6. Trend in Operating Profit

Operating profit increased by **8.7%** year-on-year, and operating profit ratio rose by 0.4 percentage points to **11.0%**.

Operating profit & Operating profit ratio



<Positive factors>

Gross profit increased as **sales price revisions** boosted revenue and **cost of sales was reduced**

<Negative factors>

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

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I-7. Summary of Consolidated Statement of Financial Position

(IFRS-based; million yen)	FY2018	FY2019 Q1	Increase/ Decrease	Factors contributing to increase/decrease
Current assets	8,064	8,004	▲60	
Non-current assets	13,108	13,315	+207	Right-of-use assets in line with the application of IFRS 16 "Leases": +371 million yen
Total assets	21,172	21,320	+148	
Current liabilities	2,177	2,409	+232	Operating and other payables: +218 million yen
Non-current liabilities	6,136	6,353	+217	Other financial liabilities in line with the application of IFRS 16 "Leases": +259 million yen
Total liabilities	8,313	8,762	+449	
Total equity	12,859	12,557	▲302	Comprehensive income in the quarter: 299 million yen Dividends paid: ▲615 million yen
Total liabilities and equity	21,172	21,320	+148	

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II. Topics

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II-1. Absorption of Consolidated Subsidiary

On October 1, 2019, we are absorbing a consolidated subsidiary whose business territories include the Chugoku and Kyushu regions.

Three **purposes** of the absorption:

- ◆ To reinforce corporate governance
- ◆ To concentrate management resources
- ◆ To streamline company operations

<Company Profile> (as of March 31, 2019)

Company name:	Shinwa Service KK		
Address:	Ino 228-3, Kasuyagun Umimachi, Fukuoka Pref.		
Main business:	Sales of metallic products mainly for temporary materials and distribution equipment and scaffolding works		
Sales offices:	Fukuoka (one sales office); Nagasaki (one sales office); and Kumamoto (one equipment center)		
Capital:	30 million yen		
Net Sales:	2,231 million yen		
Sales composition:	Product sales:	66.2%	
	Scaffolding work:	28.4%	
	Rental:	5.4%	
Operating profit	255 million yen		

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III. Business Forecast for FY2019



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III-1. Business Forecast for FY2019

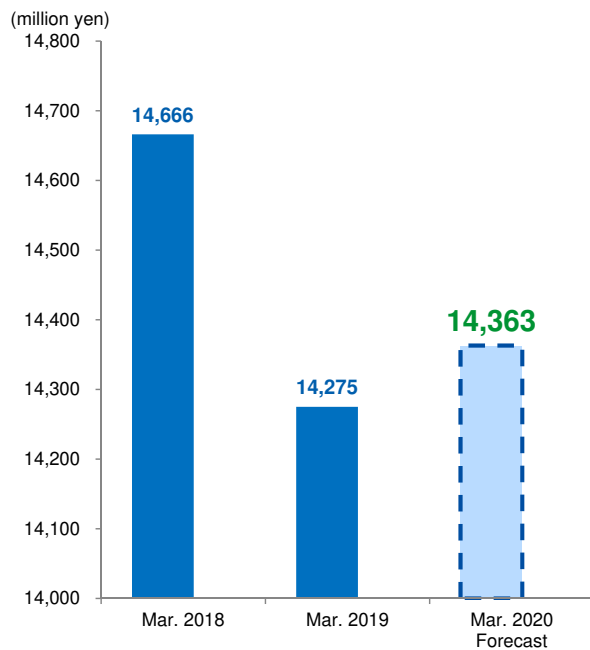
Sales price revisions since previous fiscal year are expected to increase operating profit by **4.9%** year-on-year in FY2019.

(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%		

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III-2. Business Forecast: Temporary Materials Division

Temporary Materials Division's Revenue



<Positive factors>

Wedge binding-type scaffolding:

- Increase in house renovations
- Increase in infrastructure maintenance/repair projects

Next generation scaffolding:

Shift from framing scaffolding to **next generation scaffolding**, which offers higher **productivity and safety**, will accelerate on the back of labor shortage.

<Negative factors>

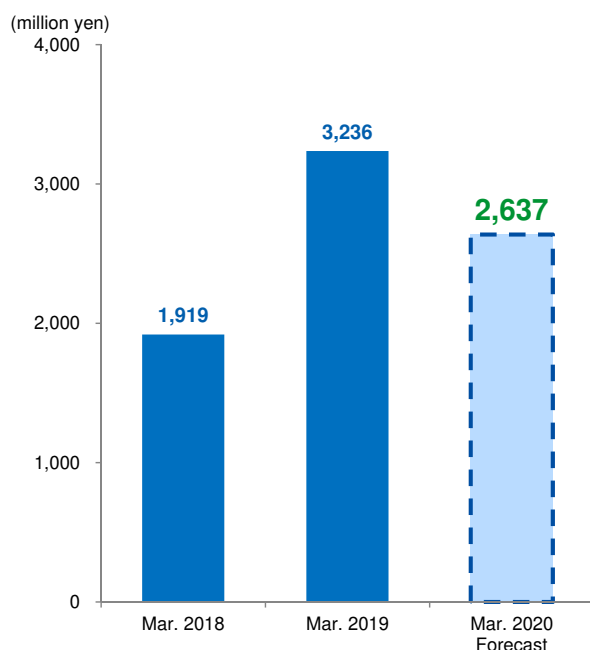
- Negative repercussions from a demand hike before the upcoming consumption tax increase
- Decrease in large-scale construction works

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III-3. Business Forecast: Distribution Equipment Division

Distribution Equipment Division's Revenue



<Positive factors>

Higher demand for bulk container cage for liquid shipping, etc.



(Bulk container cage for liquid shipping, etc.)

<Negative factors>

Decrease in large-scale construction works for distribution warehouses.

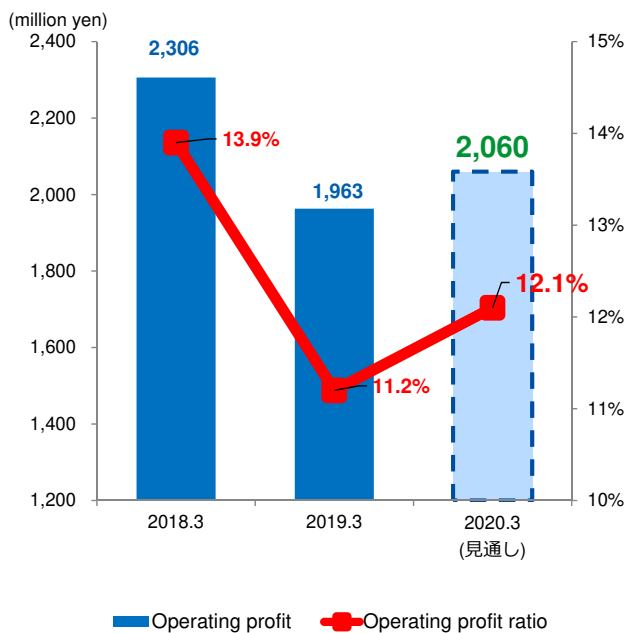
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III-4. Operating Profit

Operating profit increased by **4.9%** year-on-year, and operating profit ratio improved by 0.4 percentage points to **12.1%**.

Operating profit & Operating profit ratio



<Positive factors>

Sales price revision and **cost reduction** activities since FY2018 are expected to increase revenue.

<Negative factors>

Soaring prices of iron, zinc, and other raw materials are expected to raise cost of sales.

III-5. Dividend Policy

Returning profit to shareholders is one of our management priorities.

Dividend Policy

Target consolidated dividend ratio: 40% or higher

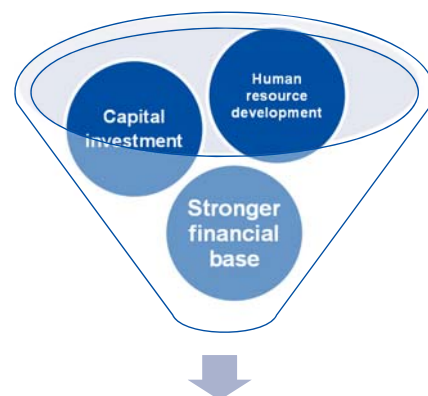
Estimated dividend for FY2019

FY2019 year-end dividend per share:

44 yen

Dividend ratio at 44.0%

Use of Retained Earnings



Enhance our corporate value

IV. Appendix

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IV-1 About Shinwa

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Leader of temporary materials technology

Top share in Japan for wedge binding type scaffolding

Strong brand from production in Japan

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High operating profit ratio exceeding 10%

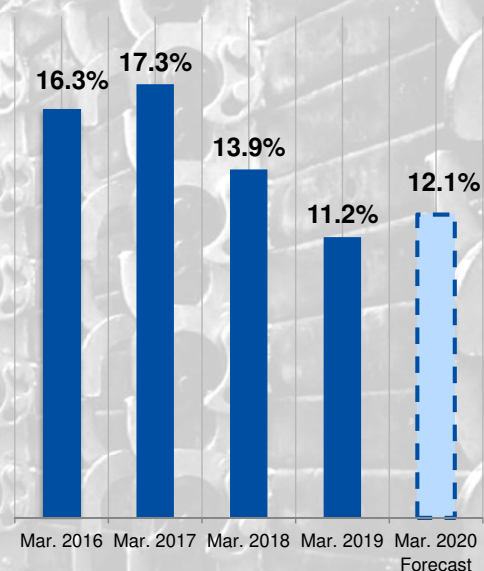
Goals of Shinwa:

Manufacture products that can sell at **higher prices**

Manufacture these products at **lower costs**

Sell these products **more** than competitors.

Trend in operating profit ratio



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Corporate Profile

IV-2

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IV-2-①. Corporate Outline

Top shares in the wedge binding type scaffolding market

Name	Shinwa Co., Ltd.
Head office	30-7 Hiratacho Bushigawa, Kaizushi, Gifu 503-0311 Japan
Representative Director	Hiroshi Yamada
Founded	September 1977
Established	August 1979
Capital	150 million yen
Employees	155 (As of March 31, 2019)

1978
Built plant and completed foundations as manufacturer



1988
Started sales of wedge binding type scaffolding based on own specifications



Shinwa Catcher

2003
Advanced into distribution equipment sector



Conveyance equipment for automobile parts

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



next generation scaffolding "SPS"

2011



Simple lift for scaffolding work "Landing Box"

2017
Started manufacture/sales overseas



Partner plant in Vietnam

1977
Founded

1978

1988

2003

2010

2017

Temporary Materials Division

Distribution Equipment Division

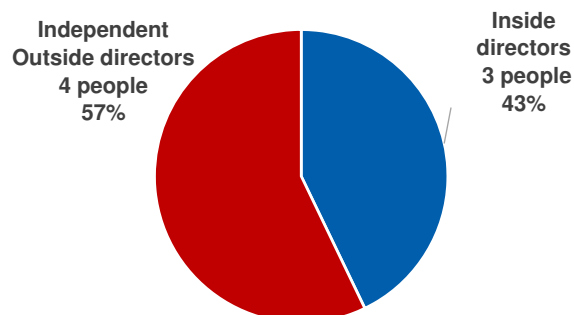
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IV- 2 -②. Directors (as of June 2019)

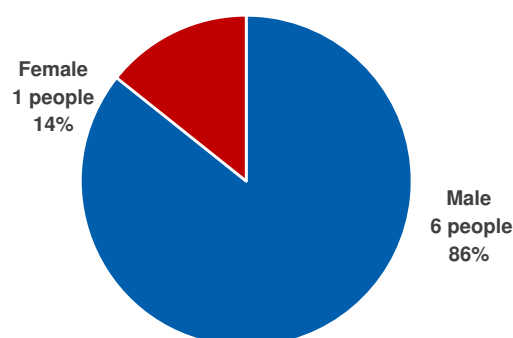
Directors

Title	Name
Representative Director	Hiroshi Yamada
Vice Representative 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)	Saei 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



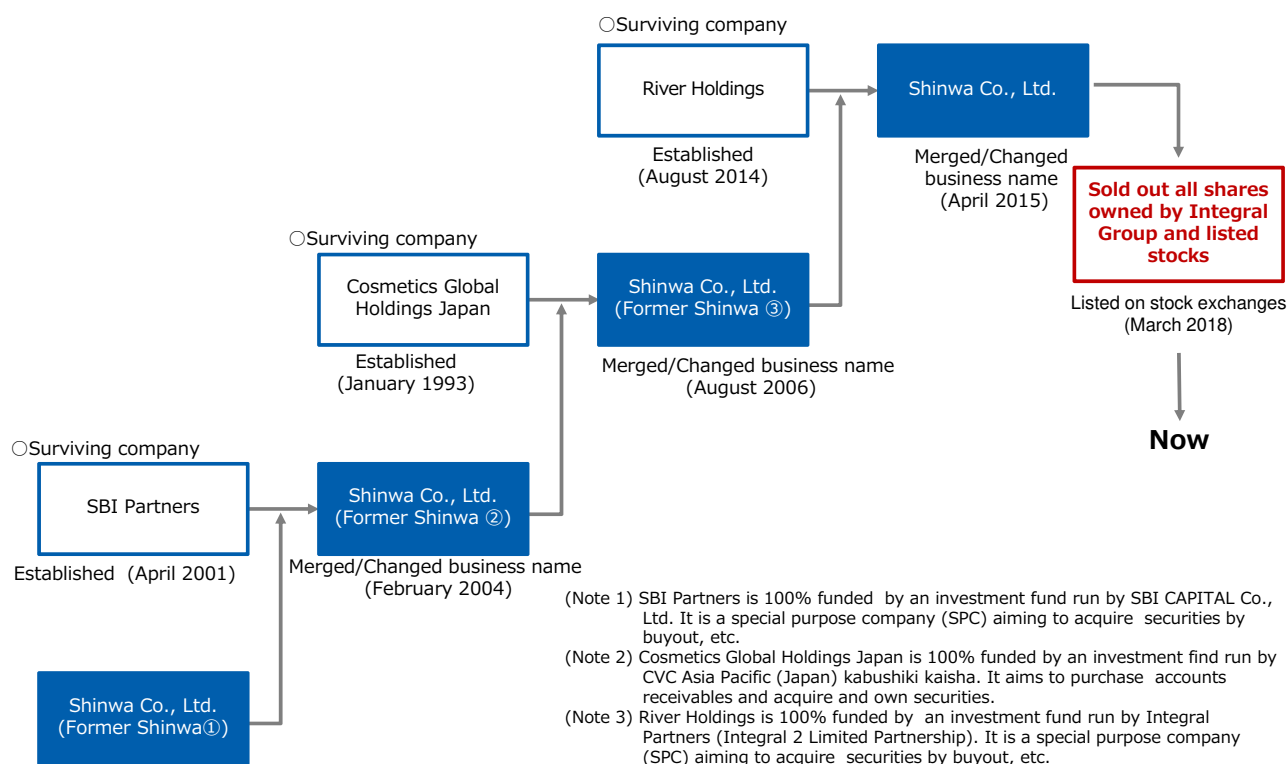
Ratio of Female Directors



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IV- 2 -③. Changes in Shinwa's Business Management



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IV-2-④. Company History

January 1988	Launched the wedge binding-type scaffolding business, starting the production and sales of “catcher”
December 2003	Entered into the distribution equipment business, starting sales to an automobile maker
August 2007	Acquired 100% ownership of Shinwa Service KK (located in Kasuyagun Uminachi, Fukuoka Pref.) through stock transfer
May 2014	Started sales of distribution equipment to a major online retailer
May 2016	Started production and sales of next generation scaffolding “SPS (Silent Power System)”
February 2017	Started production and sales of next generation scaffolding “NDS (Darwin)” to a major scaffolding lease company
June 2017	Opened a representative office in Manila, the Philippines, starting sales of our products in the country
October 2017	Started production of wedge binding-type scaffolding in a subcontract factory in Ho Chi Minh City, Vietnam
March 2018	Listed on the Second Section of the Tokyo Stock Exchange
June 2018	Listed on the Second Section of the Nagoya Stock Exchange
March 2019	Shifted to the First Section of the Tokyo Stock Exchange
	Shifted to the First Section of the Nagoya Stock Exchange

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IV-2-⑤. Company Network

Six sales offices in Japan and one overseas



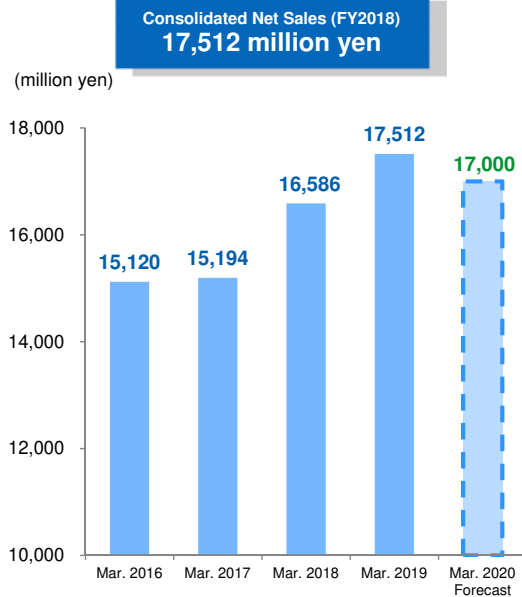
■ Our Business Sites ■	
Headquarters Office	Kaizu-shi, Gifu Pref.
<Sales Offices>	
Tokyo Branch	Chiyoda Ward, Tokyo
Osaka Branch	Suita-shi, Osaka
Nagoya Office	Nagoya-shi, Aichi Pref.
Saitama Office	Saitama-shi, Saitama Pref.
Philippine Representative Office	Manila, the Philippines
<Equipment Centers>	
Tsuchikura Equipment Center	Kaizu-shi, Gifu Pref.
Sugito Equipment Center	Kitakatsushikagun, Saitama Pref.
Yokohama Equipment Center	Yokohama-shi, Kanagawa Pref.
Kansai Equipment Center	Ikeda-shi, Osaka
<Plants>	
Tsuchikura Plant	Kaizu-shi, Gifu Pref.
Subcontract factories	Vietnam, etc.
<Subsidiaries>	
Headquarters Office, Shinwa Service KK	Kasuyagun, Fukuoka Pref.
Nagasaki Office	Isahaya-shi, Nagasaki Pref.
Kumamoto Equipment Center	Kumamoto-shi, Kumamoto Pref.

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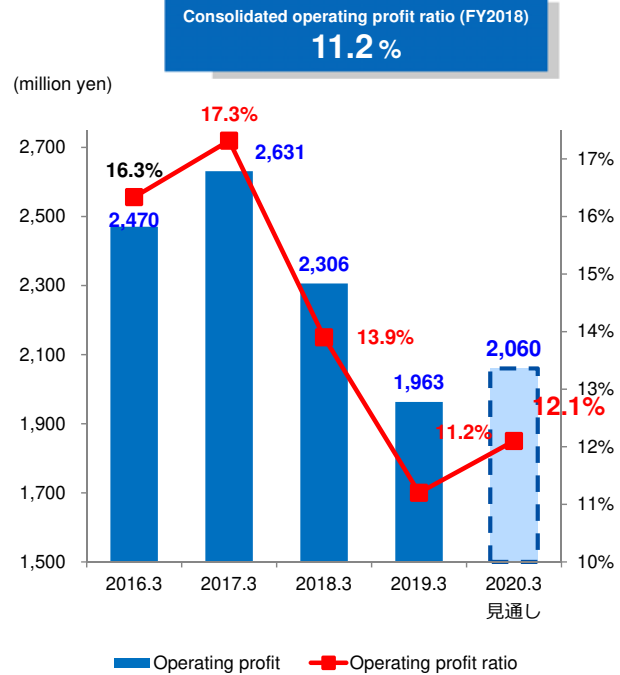
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IV-2-⑥. Trend in Business Performance (Consolidated)

Revenue (Net Sales)



Operating profit & Operating profit ratio



*Not disclosed in FY2014 and before

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IV-2-⑦. Business Activities

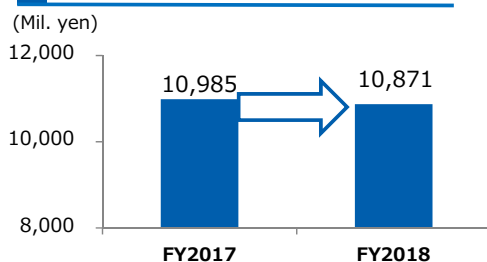
“Temporary Materials Division,” which produces and sells system scaffolding (wedge binding-type scaffolding and next generation scaffolds), is the main revenue stream.

Temporary Materials Division

- Manufacture/sales of temporary materials used in construction sites
- Rental of temporary materials



Temporary Materials Division's Consolidated Revenue



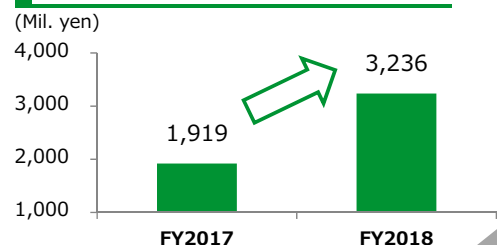
* IFRS
* “Consolidated sales revenue of system scaffolding” = “Consolidated sales revenue of wedge binding type scaffolding” + “Consolidated sales revenue of next generation scaffolding”

Distribution Equipment Division

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



Consolidated Sales Revenue of Distribution Equipment Division



* IFRS

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IV- 2 -⑧. What is Scaffolding?

**Scaffolding can be found where there are buildings.
Over the course of construction history, they have proved indispensable at worksites.**



Around 1800 Construction order for Himeji Castle

It can be seen that thin wood materials such as bamboo and wooden boards are combined and used as scaffolding.



1934 Repair of Himeji Castle

Wooden frames made of logs as materials and diagonal bracings are arranged systematically.



2015 Seismic retrofit of Odawara Castle

Steel scaffolding is used. Preceding handrails are also installed for safety. Scaffolding is also installed at areas with complicated shapes such as the orca ornament.

Scaffolding with high safety are given importance

Scaffolding demands are increasing together with increase in seismic reinforcement and renovation demands

Due to the lack of expert scaffolding workers, scaffolding which is easy and fast to assemble, and able to shorten construction period is preferred.

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IV- 2 -⑨. Examples of Scaffolding Constructions



Example of construction of wedge binding type scaffolding "Shinwa Catcher" for a house.



Model of large building using scaffolding at a disaster prevention event



Example: Wedge binding-type scaffolding, "Shinwa Catcher," for mid-rise structures



Example: Our original next generation scaffolding, "Silent Power System"

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IV- 2 -⑩. Unique Positioning of Shinwa in the Scaffolding Market

Shinwa has met a wide range of needs by making use of “wedge binding type scaffolding” and “next-generation scaffolding,” for low- to high-rise structures

Shinwa's Mainstay Products					<div>Frame Scaffolding</div> <div></div>	
System Scaffolding						
Our products	Wedge Binding Type Scaffolding		Next-Generation Scaffolding			
	Shinwa Catcher		SPS (Silent power system), NDS (Darwin) Note			
						
	For low- to mid-rise (Can be built to 45m)		For mid- to high-rise			
	Short		Short			
	Significant		Slight			
	Excellent		Excellent			
Excellent		Excellent				
Shinwa products			Low rise (House, etc.)	Medium rise (Apartment, etc.)	High rise (Large condominiums, buildings, etc.)	Large structures, public works, etc.

Shinwa Catcher

(wedge binding type scaffolding)

Users: Construction companies using system scaffolding, companies renting out wedges

Next-generation scaffolding

SPS (Silent Power System)

Users: Construction companies using system scaffolding or scaffolding construction workers using frame scaffolding

NDS (Darwin)

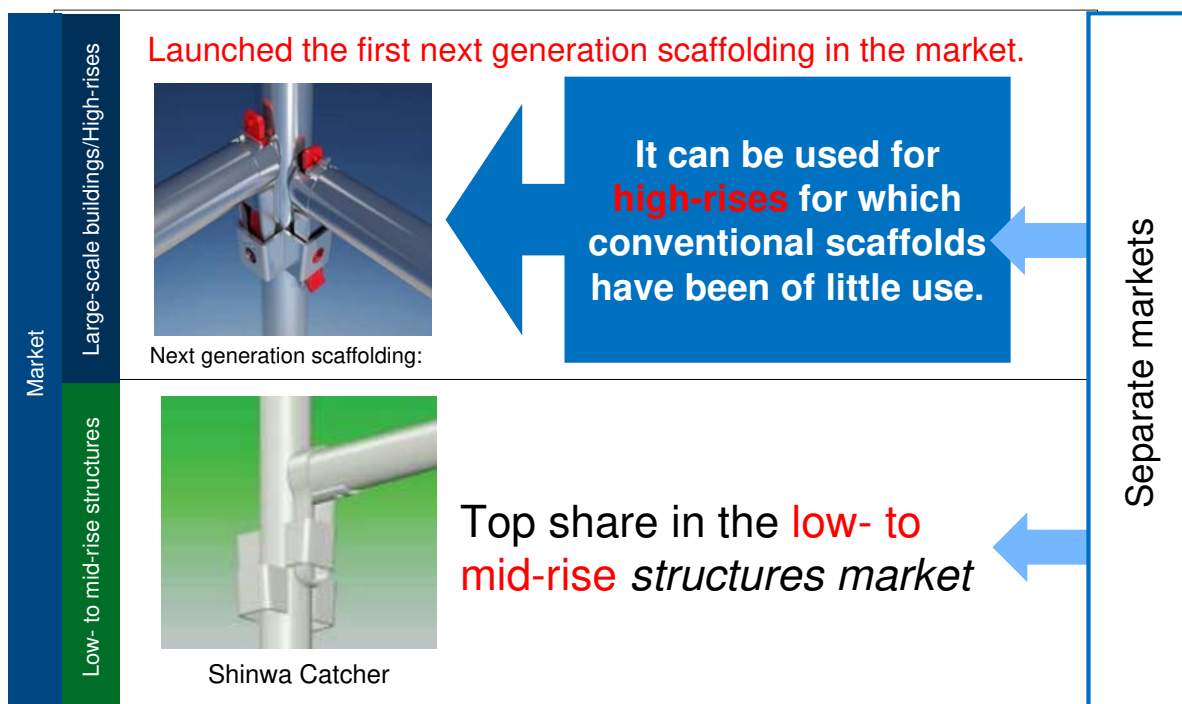
Note) Manufacture and sales for leading lease companies

Users: Scaffolding construction workers using frame scaffolding or who do not hold stocks.

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IV-2-⑪. Our Company's Positioning



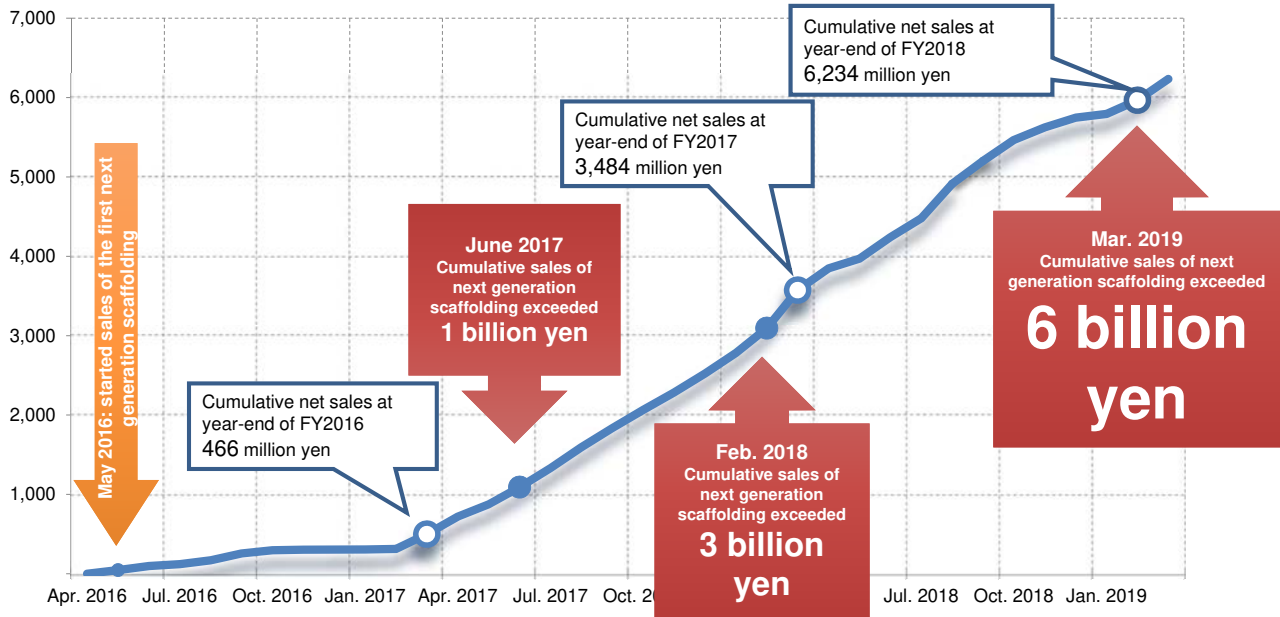
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IV-2-⑫. Cumulative Sales since Market-Launch of First Next Generation Scaffolding

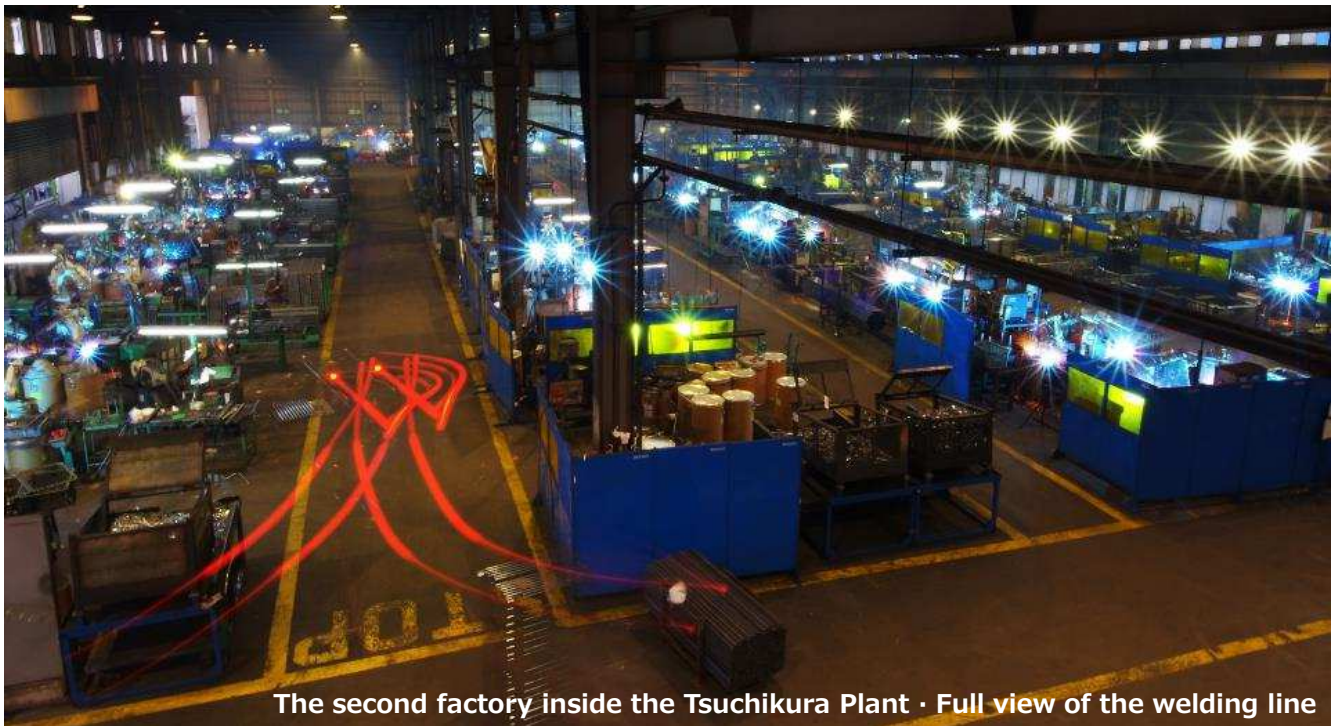
Two years and eleven months passed in March 2019 since the launch of the first new generation scaffolding in May 2016.

New generation scaffolding have responded to the increasing needs of customers to heighten work efficiency, safety, and noise prevention, and the cumulative consolidated net sales **exceeded 6 billion yen.**



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The second factory inside the Tsuchikura Plant · Full view of the welding line

IV-3 Features/Strengths

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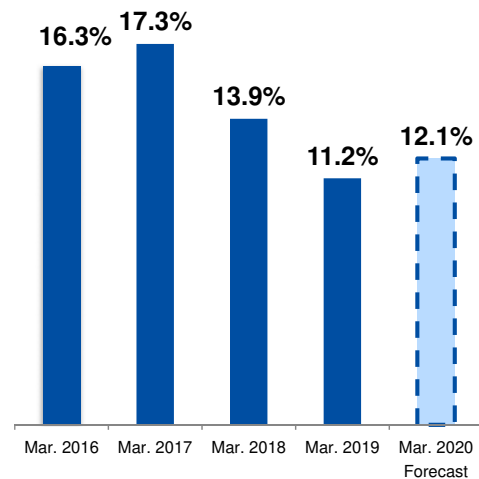
IV- 3 -①. Strengths

Strengths of Shinwa

1. Penetration of Shinwa brand in market
2. High manufacturing skills, marketing skills, and sales skills
3. Domestic production and competitive manufacturing costs

Achieving high operating profit ratio exceeding 10%

Trend in operating profit ratio



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IV- 3 -②. Penetration of Shinwa Brand in Market

Share of Wedge Binding Type Scaffolding



Shinwa's "wedge binding type scaffolding" ranked

No. 1 in market share!

Based on 2016 value-based shipment volume



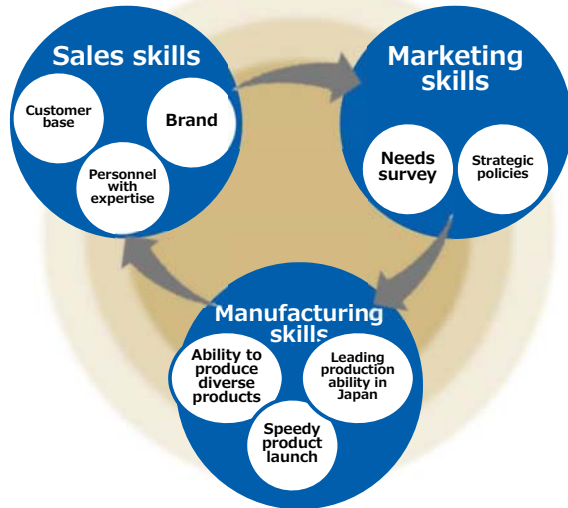
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IV-3-③. Strong Manufacturing Skills, Marketing Skills and Sales Skills

Through integrating the three strengths of "manufacturing skills," "marketing skills" and "sales skills"

Shinwa develops products with strong competitiveness

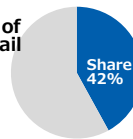


Example of safety equipment

On July 1, 2015 The Ministry of Health, Labour and Welfare provided guidance on the attachment of safety belts (preceding handrails).

Rapid development and sales of "preceding handrails" in accordance with regulations

Acquire high share of preceding handrail market
(Data as of the end of December 2016)



Price and ease of use are highly rated by customers.

Source: Survey conducted by Shinwa based on Scaffolding and Construction Equipment Association of Japan "Production volume of temporary materials."

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IV-3-④. Domestic Production and Competitive Manufacturing Costs

Reduce manufacturing costs by making use of leading production ability in Japan

Shinwa's Production Center: Tsuchikura Plant

Plant has a massive scale with area of 40,642m²
Building a production system based on internal production at the Tsuchikura Plant



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

Efforts for Reducing Manufacturing Costs

High profit rate is realized by making use of scale merits and good location of plant.



✓ There are many partner companies with strong engineering skills in the vicinity.

✓ As plating vendors are close by, transportation costs are low.

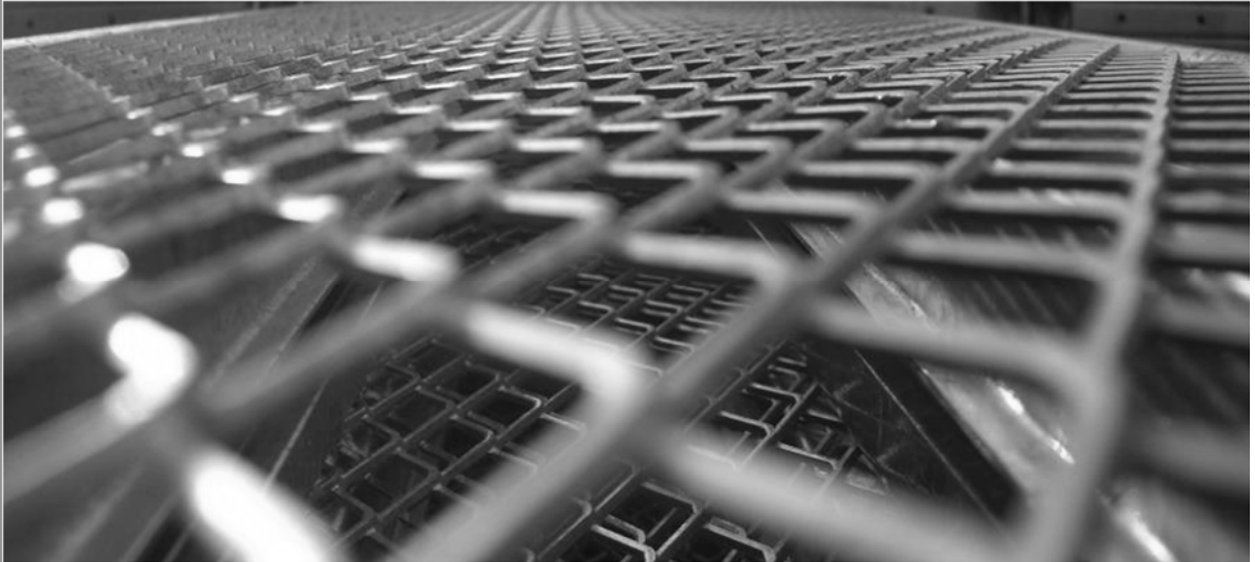
✓ Procure raw materials from suppliers inside and outside Japan extensively.

Shinwa's manufacturing costs structure

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IV-4 Growth Strategy



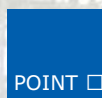
IV-4-①. Growth Strategies



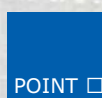
Expand share of wedge binding type scaffolding



Expand sales of next generation scaffolding



Expand Distribution Equipment Division



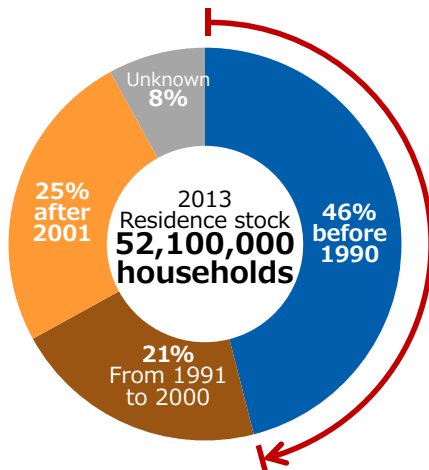
Overseas expansion

IV-4-②. Business Environment (1)

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

No. of occupied houses by date of construction

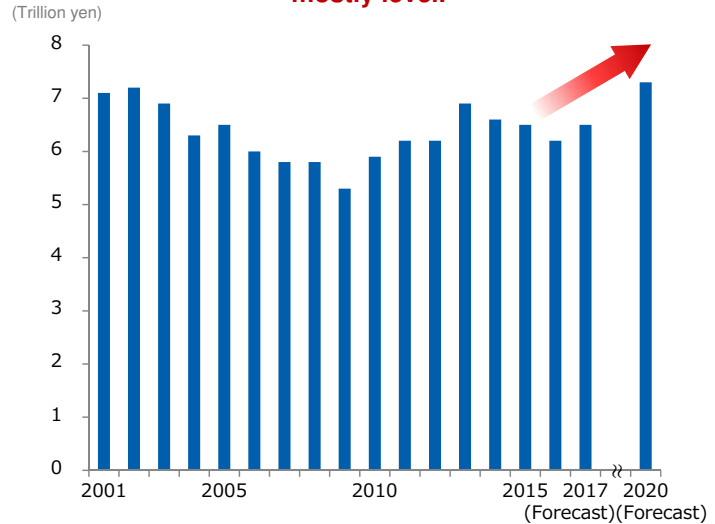
Houses built before 1990 represent 46% (23,850,000 households) of all houses



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)

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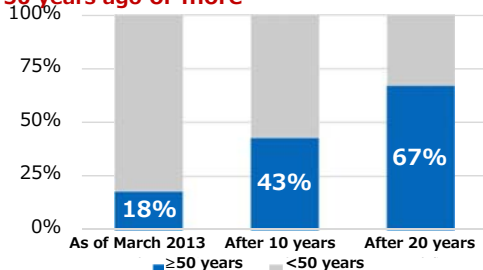
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IV-4-③. Business Environment (2)

Based on the Ministry of Land, Infrastructure, Transport and Tourism Long-Life Plan drawn up in 2014, the strategic maintenance, management, and renewal, etc. of infrastructure is being 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 270,000 bridges will have been built 50 years ago or more

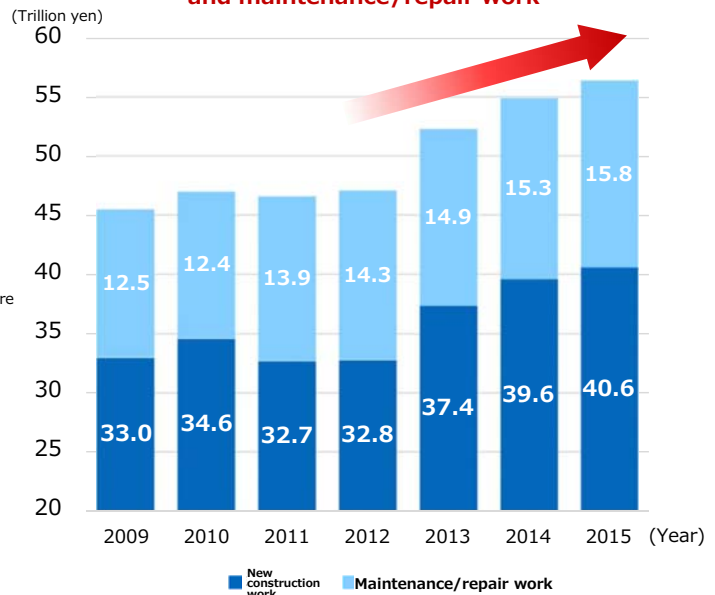


* About 300,000 bridges for which the date of construction are unknown are excluded in the calculation of the percentages
Source: Japan Federation of Construction Contractors "Construction Handbook 2017"



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 2017"

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IV-4-④. Environment Surrounding Scaffolding Industry and Future Needs

Due to increasing renovation demands and safety awareness, there is an insufficient number of engineers and demand from emerging countries is improving.

Environment Changes

Accumulation of social infrastructure*

Estimated Market Needs

Increased demand for new construction, maintenance and repair work, reforms mainly in cities

Estimated Scaffolding Needs

Amendment of laws
Revision of safety and health regulations

Increased demand for scaffolding giving consideration to safety

Insufficient construction site personnel
Decrease in workers with expertise

Increased demand for shortening of construction period/simplification of assembly

Economic growth of emerging countries

Increasing construction work efficiency and safety needs

Shinwa's Products and Services

Wedge binding type scaffolding
"Shinwa Catcher"

Next generation scaffolding
"SPS (Silent Power System)"
"NDS (Darwin)"

* Volume of social capital built by public organizations such as government and municipalities, etc. related to roads, ports, waterworks, parks, communication, airports, dams, etc.

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IV-4-⑤. Expansion of Next Generation Scaffolding Sales

Promotion of the switch from "frame scaffolding" to "next generation scaffolding"

What is a next generation scaffolding ?

	Next generation scaffolding	Frame scaffolding
Construction period	Short	Long
Construction work efficiency	Strong	Poor
Noise	Slight	Slight
Storage/transportation efficiency	Excellent	Moderate

"SPS (Silent Power System)"



Increase sales targets centering around leading construction companies to all over the country.

"NDS (Darwin)"



ND system

Sold by partnering with leading temporary materials lease companies in Japan.

Respond to demand for switching from frame scaffolding to next generation scaffolding

Advance into frame scaffolding market

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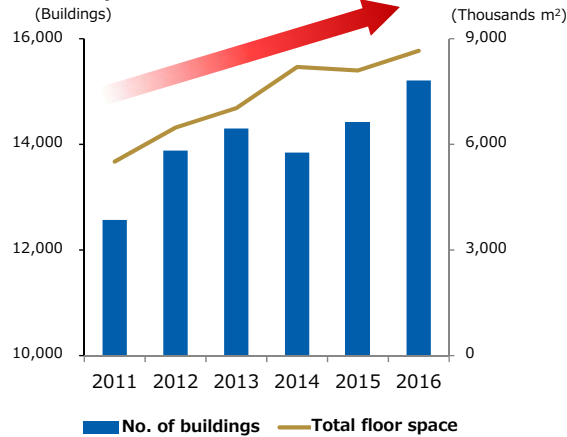
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IV-4-⑥. Expansion of Distribution Equipment Division

Efforts will continue to be focused on distribution/warehouse where sales are growing steadily

Distribution/Warehouse Related

Number of warehouses being built and floor space



Source: Ministry of Land, Infrastructure, Transport and Tourism "Report of Statistical Survey of Construction Starts"

Shinwa boasts an extensive business track record with outstanding companies with strong engineering skills



Pallets for automatic warehouses
Racks for large-scale warehouses

Accumulate technology/know-how through direct transactions with leading distribution companies

Promote further deepening of business and horizontal development to other companies

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IV-4-⑦. Expansion of Distribution Equipment Division

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

Expansion to Other Areas

Pallets for resin material transportation
Liquid transportation bulk container cage

Pallets for transporting engines, transmissions, etc.



Glass transportation pallets
Functional film pallets



Distribution/
Warehouse

Electrical
machinery/
Precision
machinery

Chemical

Transport
equipment

Agriculture/
Fishery

Pallets for automatic warehouses
Racks for large-scale warehouses



Development/sale of multi-shelves for plant factories with artificial light



Panasonic
ideas for life

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IV-4-⑧. Overseas Expansion Present Situation of Construction Market

Brisk construction demand



Most temporary materials suppliers are small sized



**Business chances
in South-East Asia are
growing**

Reinforcement of safety standards at construction sites

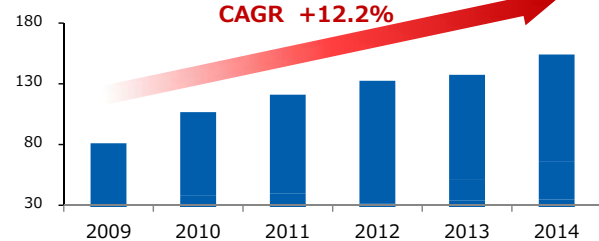


Change to
steel
scaffolding



Changes in ASEAN nominal construction materials investment

(Bil. dollars)



Source: U.N. "National Accounts Main Aggregates Database"

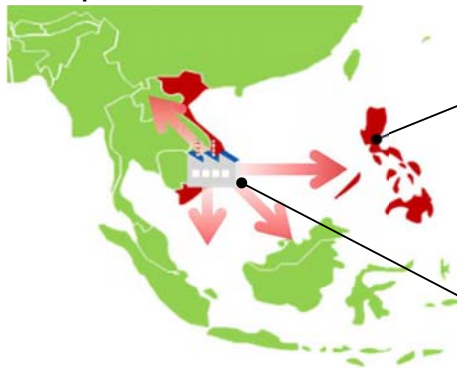
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IV-4-⑨. Overseas Expansion: Specific Measures

Set a base in Vietnam in order to expand to surrounding countries

Present operations in South-East Asia



Philippines



- Set up office in June 2017
- Sales record to an elevator installation company with top shares in the country

Vietnam



- Set up plant in October 2017
- Start manufacturing of Japanese standard wedge binding type scaffolding

Shinwa's strengths

Products with outstanding
workability, durability, and safety

Low costs and short lead time supply
system based around Vietnam Plant.

Wide product lineup responding to
customer requirements

**Reinforce system for
expanding sales and
rental business**

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IV-4-⑩. Overseas Expansion: Example of Use in Philippines

Installed Shinwa's Japanese standards scaffolding "Catcher" and significantly improve safety and workability.



Before construction

Dangerous worksite where connected parts are unstable.

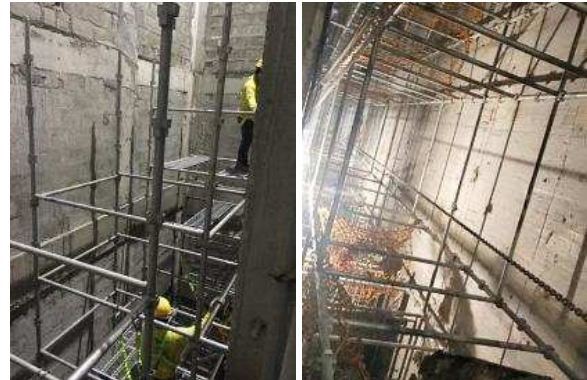


Poor construction work efficiency

Short product life

Danger

After construction using Shinwa product
Orderly and safe/secure worksite



Cost reduction effects

High construction work efficiency

Long product life

Safe / secure

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IV-4-⑪. 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.

No. of dividend payments and decision-making body

According to Shinwa's basic policy, distribution of surplus is based on term end distribution once a year. The organization deciding dividends is the board of directors.

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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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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