

Shinwa (3447)

| Consolidated Fiscal Year (IFRS) (Million Yen) | | Revenue | Operating profit | Profit before tax | Profit attributable to owners of parent | EPS (Yen) | DPS (Yen) | BPS (Yen) |
|--|-----|---------|---------------------|----------------------|--|--------------|--------------|--------------|
| FY03/2018 | | 16,586 | 2,306 | 2,238 | 1,459 | 105.9 | 43.0 | 868.0 |
| FY03/2019 | | 17,512 | 1,963 | 1,894 | 1,331 | 96.4 | 44.0 | 919.2 |
| FY03/2020CoE | | 17,000 | 2,060 | 1,990 | 1,400 | 100.1 | 44.0 | - |
| FY03/2019 | YoY | 5.6% | (14.9%) | (15.4%) | (8.8%) | - | - | - |
| FY03/2020CoE | YoY | (2.9%) | 4.9% | 5.0% | 5.1% | - | - | - |
| Consolidated Half Year (IFRS) (Million Yen) | | Revenue | Operating profit | Profit before tax | Profit attributable to owners of parent | EPS (Yen) | DPS (Yen) | BPS (Yen) |
| Q1 to Q2 FY03/2019 | | 8,624 | 1,004 | 974 | 627 | - | - | - |
| Q3 to Q4 FY03/2019 | | 8,888 | 959 | 920 | 704 | - | - | - |
| Q1 to Q2 FY03/2020 | | 9,370 | 1,222 | 1,186 | 814 | - | - | - |
| Q3 to Q4 FY03/2020CoE | | 7,629 | 837 | 803 | 585 | - | - | - |
| Q1 to Q2 FY03/2020 | YoY | 8.7% | 21.7% | 21.8% | 29.9% | - | - | - |
| Q3 to Q4 FY03/2020CoE | YoY | (14.2%) | (12.7%) | (12.7%) | (16.9%) | - | - | - |

Source: Company Data, WRJ Calculation

1.0 Executive Summary (20 January 2020)


The Provinces and Overseas

Shinwa, mainly manufacturing and selling system scaffolding products, is steadily absorbing the expansion of demand in the provinces where the construction works continue to increase after Tokyo concentration, while it will make full-scale entry overseas in FY03/2021. Having gone through Tokyo concentration due to increased demand associated with the 2020 Tokyo Olympic and Paralympic Games represented by the New National Stadium, scaffolding contractors have shifted their manpower to the provinces. As a result, both public and private construction projects have been firm in the provinces, as restoration and reconstruction activities following natural disasters and infrastructure improvement and redevelopment projects have become active. Thus, the Company to advocate that it has the No. 1 share in the domestic market for system scaffolding products is seeing firm revenue. In Q1 to Q2 FY03/2020, the Company sees revenue increased by 15.6% over the same period of the previous year in Temporary Materials Division where system scaffolding products are the mainstay. Meanwhile, on 27 November 2019, the Company established joint venture (51.0% stake) in China with a local partner and ALCONIX CORPORATION. The Company is to locally start up the manufacture of system scaffolding products with limited initial investment by means of renting a portion of factory of the local partner, while it has already reached the point where specific sales channels are expected. Based on the situations like this, the Company suggests that revenue as a whole for the Company should see add-on of some 10% in FY03/2021 as well as some add-on also in earnings from the beginning.

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2.0 Company Profile

The Leader of Temporary Materials Technology

| | | |
|-------------------------|--|--|
| Company Name | Shinwa Co., Ltd. Website IR Information Share Price (Japanese) |  |
| Established | 11 August 2014 | |
| Listing | 20 March 2019: Tokyo and Nagoya Stock Exchange 1st section (ticker: 3447) 21 June 2018: Nagoya Stock Exchange 2nd section 20 March 2018: Tokyo Stock Exchange 2nd section | |
| Capital | ¥150m (as of the end of September 2019) | |
| No. of Shares | 13,988,800 shares (as of the end of September 2019) | |
| Main Features | <ul style="list-style-type: none"> ● Advocating the No. 1 share in the domestic market for system scaffolding products ● System scaffolding products accounting for almost 80% of revenue in the mainstay Temporary Materials Division ● High flexibility and quality owing to first-class production capacity in Japan | |
| Business Segment | I . Manufacture and Sales of Temporary Materials and Distribution Equipment | |
| Top Management | Representative Director: Hiroshi Yamada | |
| Shareholders | Goldman Sachs International 12.0%, Master Trust Bank of Japan, T. 7.5%, Japan Trustee Services, T. 6.0%, BNY GCM Client JPRDISGFEAC 4.9% (as of the end of September 2019) | |
| Headquarters | Kaizu-city, Gifu-prefecture, JAPAN | |
| No. of Employees | Consolidated: 162, Parent: 135 (as of the end of September 2019) | |

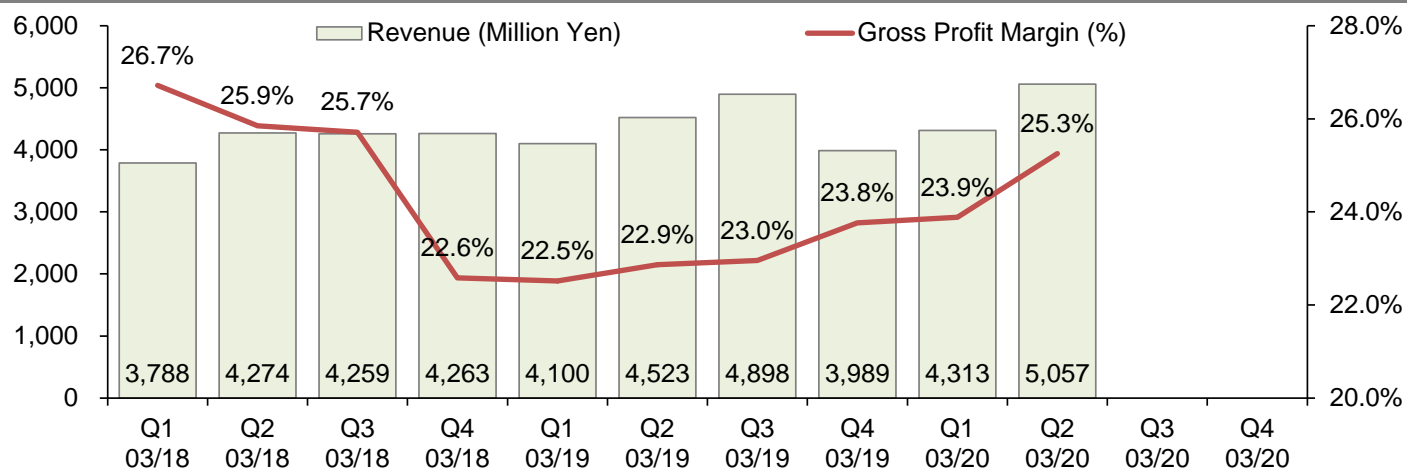
Source: Company Data

3.0 Recent Trading and Prospects

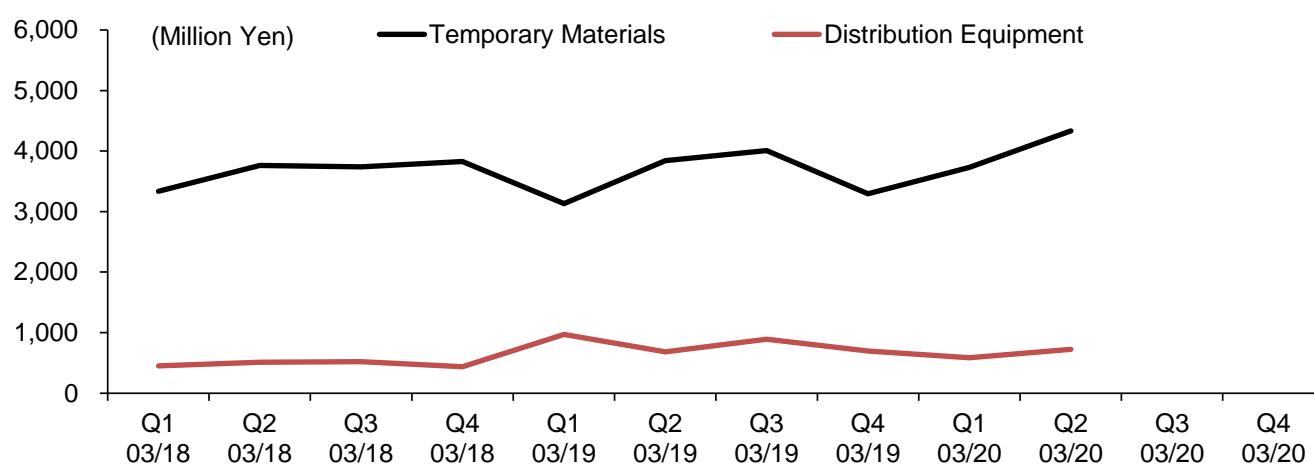
Q1 to Q2 FY03/2020

In Q1 to Q2 FY03/2020, revenue came in at ¥9,370m (up 8.7% YoY), operating profit ¥1,222m (up 21.7%), profit before tax ¥1,186m (up 21.8%) and profit attributable to owners of parent ¥814m (up 29.9%), while operating profit margin 13.0% (up 1.4% points).

Revenue and Gross Profit Margin



Revenue by Division



Source: Company Data, WRJ Calculation

By division, the Company saw revenue of ¥8,064m (up 15.6%) in Temporary Materials Division and revenue of ¥1,305m (down 20.9%) in Distribution Equipment Division to manufacture and sell distribution equipment. In other words, the Company saw significant increases in revenue as a whole for the Company due to those of Temporary Materials Division, having renewed record high in Q1 to Q2.

In Distribution Equipment Division, revenue declined as initially expected. As far as so-called projects based on order placement where the Company designs and manufactures products in line with specifications from each customer are concerned, demand has remained firm. It appears, meanwhile, that revenue is coming down sharply in regards to large-scale project to supply a major online retailer for its distribution warehouse where the Company dedicates to design while the manufacture outsourced. In the first place, this large-scale project books revenue in a lump sum on a completion basis for the warehouse in question and thus tends to cause large swings in short-term revenue in Distribution Equipment Division.

Meanwhile, gross profit came in at ¥2,307m (up 17.9%) and SG&A expenses ¥1,084m (up 13.2%), implying gross profit margin of 24.6% (up 1.9% points) and revenue to SG&A expenses ratio of 11.6% (up 0.5% points). According to the Company, gross profit increased basically in line with above-mentioned significant increases of revenue in Temporary Materials Division mainly comprising that of system scaffolding products, while improved gross profit margin due to reductions in procurement costs through the use of a wide range of procurement routes in Japan and overseas and also to ongoing revisions on selling prices. For example, gross profit margin came in at 23.9% (up 1.4% points) in Q1, which was followed by gross profit margin of 25.3% (up 2.4% points) in Q2, implying that all those measures seem to be gaining influence over time.

SG&A expenses are increasing faster than revenue, resulting in revenue to SG&A expenses ratio edging up. The reasons cited as the background are the increases in delivery costs linked to revenue and the increases in taxes and dues in line with increases of Pro Forma Standard Taxation. In addition, the Company also cites increases in personnel costs as the background. However, operating profit margin came in at 13.0% (up 1.4% points), because of the greater impacts of improved gross profit margin.

The Company is the leader of temporary materials technology, while “temporary materials” refer to “scaffolding” or “ashiba” in Japanese, which means “places where people can stand to be there” in any case, “places that form the basis for doing things”, “standpoint”, “foundation”, etc., generally speaking. Meanwhile, in the Company's business, the term refers to simple object temporarily constructed to be used to carry out the works to achieve the original purpose to construct buildings. That is to say, it is the place where the workers who perform construction and/or engineering works in the field place the foot on it. Prefabricated scaffolding products are those to stack up standard made of steel pipes welded to the form of gates together with basic components such as jack base, crossing braces, steel fabric sheets, etc., while system scaffolding products are those assembled as a single system in advance and they can be easily set up without the need for special skills. System scaffolding products accounts for almost 80% of revenue in Temporary Materials Division.

Based on its own research, the Company advocates that it has the No. 1 share in the domestic market for system scaffolding products, while holding high flexibility and quality owing to first-class production capacity in Japan. System scaffolding products are defined as "what construction sites need" and the Company says that it supports the footing of many construction sites in Japan with them. Following its founding in September 1977, the Company constructed a factory in Hashima-city, Gifu-prefecture in April 1978 or the next year, having started up the manufacture and sales of jack base, i.e., one of the components for scaffolding, which was followed by the startup of the manufacture and sales of system scaffolding products in January 1988 or the 11th year. This is considered the de facto standard in the domestic market even now, while also being the largest source of earnings with the Company.

Examples of Application for System Scaffolding Products: Housing Construction



Source: Company Data

The Company's system scaffolding products are applied in a wide variety of sites for construction works and engineering works, mainly in Housing Construction. According to the Company, system scaffolding products are equivalents to passenger cars as in the case of automobiles. The category of automobiles includes a variety of vehicles such as buses, trucks, motorcycles, bulldozers, etc., while passenger cars form the core of the production volume. Similarly, in the category of temporary materials, system scaffolding products accounts for the bulk of the production volume as a whole. In the mainstay Housing Construction, the Company has an overwhelming market share. The Company estimates that it has almost 40% share in Japan and thus the Company's system scaffolding products are used by at least one-third of housing construction and repair in Japan.

In Japan, about 70% of condominiums and office buildings are midum-rise (typically three to 5 floors), while the Company's systems scaffolding products hold *strong* market share in terms of Renovation Works and the same applies to new construction.

For Large-scale Residential Building Repair, the Company holds high market share in the Chubu region where it is based, while not much in the Kanto region, including the Tokyo metropolitan area. Given the latter, the Company intends to focus on expanding its market share in the Kanto region. With respect to condominiums whose stock is said to equate to 6 million units in Japan, it is required to implement regular repair every 12 years after the construction of a new building and thus demand for repair is expected to steadily increase in the future, according to the Company.

Examples of Application for System Scaffolding Products

Renovation Works (midum-rise building)



Large-scale Residential Building Repair



Plant Maintenance Works



Civil Engineering Works



Road Construction, Maintenance and Repair



Survey of Important Cultural Property



The New National Stadium



The Company's system scaffolding products are also used in Plant Maintenance Works. Regular plant inspections are carried out once a year at factories in various industrial areas in Japan, while major repair is carried out once every two years. The Company intends to aggressively cultivate markets also in this area.

System scaffolding products are used not only for construction but also for Civil Engineering Works. For example, they are used to construct a pile of bridge pier which is one of the lower structures corresponding to the foot of bridge which conveys the load of the upper structure of bridge to the foundation, while system scaffolding products are used also as materials for storing the concrete when solidifying the bridge pier. On top of this, they are also used in Road Construction, Maintenance and Repair. In other words, system scaffolding products are also used for expressway facilities and their repair.

Elsewhere, system scaffolding products are used in Survey of Important Cultural Property. For example, the Company's system scaffolding products were used to inspect the stone walls of Nagoya-jo Castle keep, which was conducted in CY2018. It was highly regarded for being able to carry out application in a flexible manner in line with the radius (shape of an arc) of the stone walls.

As for individual buildings, the Company says that system scaffolding products were used for The New National Stadium whose completion ceremony was held on 15 December 2019. Initially, prefabricated scaffolding products used to be planned to be applied, but system scaffolding products have had been applied across the board at the end of the day, given that this was a rush job and the considerations on safety were emphasized. System scaffolding products used to be applied with this building which is 50-meter high and one-kilometer or more in circle for several months.

Tsuchikura Plant



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
(FY03/2019)

Number of welding robots

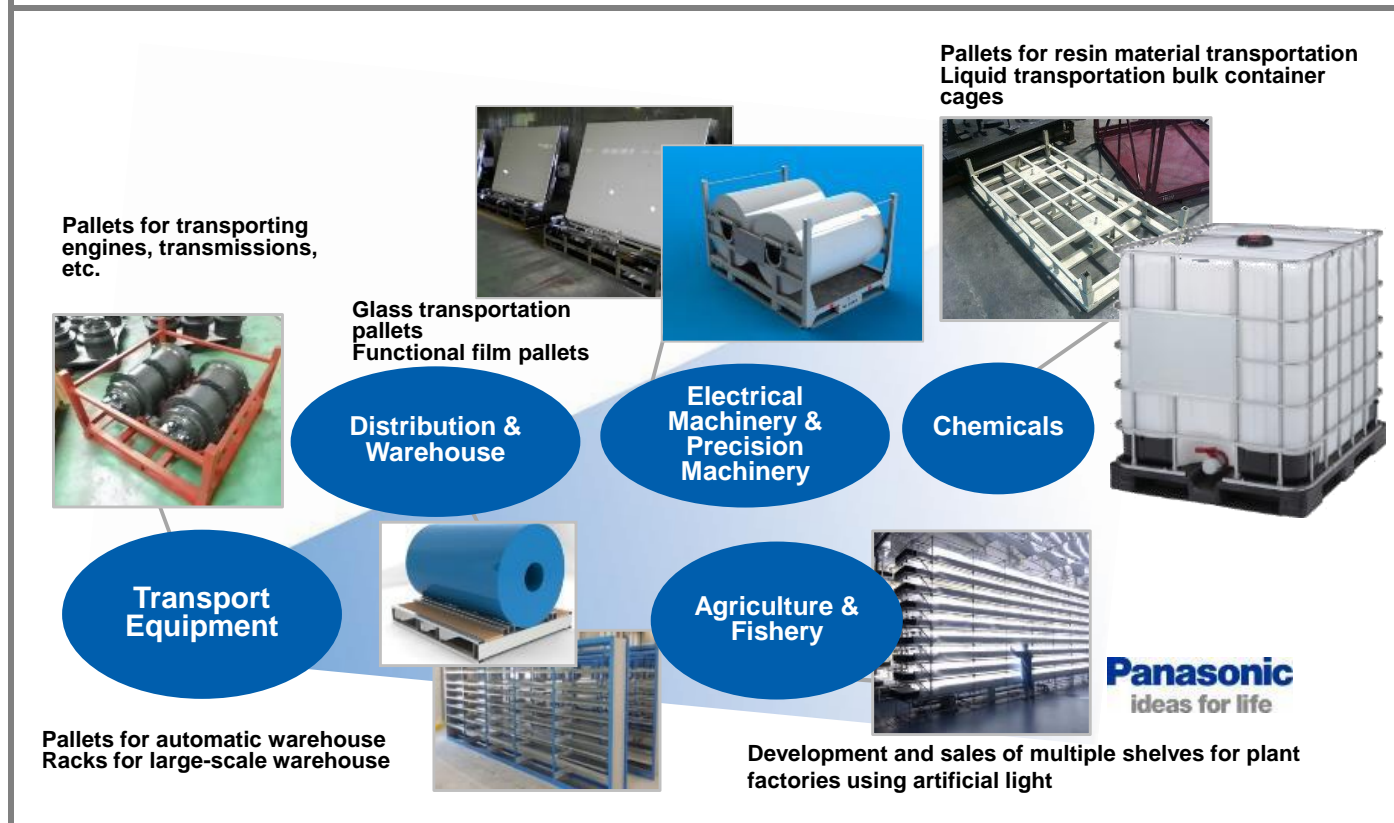
136 units

(As of 8 May 2019)



Tsuchikura Plant (Kaizu-city, Gifu-prefecture) completed in March 1997 is in charge of the bulk of the manufacture of products with the Company at present. The site area is 40,642 m², which is equivalent to the size of the Tokyo Dome, while the Company runs operations to rationally manufacture system scaffolding products, etc., by means of utilizing welding robots as many as 136 units efficiently installed. In FY03/2019, the Company saw production volume equating to some 50,000 tons which is by far the largest in comparison with peers in this business. According to the Company, there are three other companies in this business, which are listed in the stock market, while its production volume of system scaffolding products exceeds by far even the collective equivalents of the said three listed companies. Based on this, the Company says that it has the first-class production capacity in Japan.

Products in Distribution Equipment



Source: Company Data

Having had begun the manufacture and sales of systems scaffolding products in January 1988 or the 11th year of the founding, the Company has newly set up production facilities for distribution equipment in Tsuchikura Plant in May 2003 and created Distribution Equipment Division. Originally, the Company started up with the manufacture of pallets for temporary materials, while it has entered into various niche domains such as Transportation Equipment (automobiles), Distribution & Warehouse, Electric Machinery & Precision Machinery, Agriculture & Fishery and Chemicals.

With regards to Transportation Equipment (automobiles), the Company sees order intake from major automakers to design and manufacture transportation pallets for engines and/or transmission, for example, sometimes as many as around 2,000 units per order in the number. The major automakers who place orders with the Company are exporting transportation pallets loaded with engines and/or transmissions manufactured in Japan to overseas. Then, the transportation pallets made by the Company that has arrived and unloaded are to come back to Japan after being folded, which are so-called returnable transportation pallets. On top of this, the Company is also involved with transportation pallets that can load large motorcycles as they are.

With regards to Chemicals, the Company is involved with liquid transportation bulk container cages, for example, which have been codeveloped with a specific major resin manufacturer who procures them only from the Company. They have capability to fill up liquid as much as equating to capacity of five drum cans in the space of 4 drum cans, while the Company has delivered as many as 150,000 units in FY03/2019.

With regards to Distribution & Warehouse, the Company is involved with racks for warehouse delivered to a major online retailer, for example, which are characterized by that the size of revenue is considerably large and the revenue has a strong tendency to increase or decrease periodically. In FY03/2020, the revenue is expected to periodically decrease and is expected to recover or increase in FY03/2021 in the same manner. On top of this, the Company has begun providing ancillary services to the same customer such as operations to assemble and install warehouse racks manufactured by other companies overseas as well as to install sensors to robots and to input data to software. To date, the Company has booked limited revenue stemming from here, but believes in a high growth potential for the future.

With regards to Agriculture & Fishery, the Company is involved with multiple shelves for plant factories using artificial light, for example. In response to order intake from a major electronics manufacturer, the Company is also involved with the design and the manufacture of racks for plant factories that use LEDs.

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 | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------|
| | Q1 | Q1 to Q2 | Q1 to Q3 | Q1 to Q4 | Q1 | Q1 to Q2 | Q1 to Q3 | Q1 to Q4 | YoY |
| (Million Yen) | 03/2019 | 03/2019 | 03/2019 | 03/2019 | 03/2020 | 03/2020 | 03/2020 | 03/2020 | Net Chg. |
| Revenue | 4,100 | 8,624 | 13,522 | 17,512 | 4,313 | 9,370 | - | - | +746 |
| Cost of sales | 3,177 | 6,666 | 10,440 | 13,482 | 3,283 | 7,063 | - | - | +396 |
| Gross profit | 923 | 1,957 | 3,081 | 4,030 | 1,030 | 2,307 | - | - | +349 |
| SG&A expenses | 490 | 958 | 1,493 | 2,073 | 555 | 1,084 | - | - | +126 |
| Other income and expenses (net) | 3 | 5 | 10 | 7 | (0) | 0 | - | - | (5) |
| Operating profit | 436 | 1,004 | 1,598 | 1,963 | 474 | 1,222 | - | - | +218 |
| Financial income and costs (net) | (15) | (30) | (45) | (69) | (17) | (35) | - | - | (5) |
| Profit before tax | 420 | 974 | 1,552 | 1,894 | 456 | 1,186 | - | - | +212 |
| Income tax expenses | 158 | 346 | 547 | 563 | 156 | 371 | - | - | +25 |
| Profit | 261 | 627 | 1,005 | 1,331 | 299 | 814 | - | - | +187 |
| Profit attributable to owners of parent | 261 | 627 | 1,005 | 1,331 | 299 | 814 | - | - | +187 |
| Revenue YoY | +8.2% | +7.0% | +9.7% | +5.6% | +5.2% | +8.7% | - | - | - |
| Operating profit YoY | (23.6%) | (17.3%) | (13.1%) | (14.9%) | +8.7% | +21.7% | - | - | - |
| Profit before tax YoY | (24.0%) | (17.5%) | (13.2%) | (15.4%) | +8.5% | +21.8% | - | - | - |
| Profit YoY | (28.5%) | (18.1%) | (13.8%) | (8.8%) | +14.6% | +29.9% | - | - | - |
| Profit attributable to owners of parent YoY | (28.5%) | (18.1%) | (13.8%) | (8.8%) | +14.6% | +29.9% | - | - | - |
| Gross profit margin | 22.5% | 22.7% | 22.8% | 23.0% | 23.9% | 24.6% | - | - | +1.9% |
| Revenue to SG&A expenses ratio | 12.0% | 11.1% | 11.0% | 11.8% | 12.9% | 11.6% | - | - | +0.5% |
| Operating profit margin | 10.6% | 11.6% | 11.8% | 11.2% | 11.0% | 13.0% | - | - | +1.4% |
| Profit before tax margin | 10.3% | 11.3% | 11.5% | 10.8% | 10.6% | 12.7% | - | - | +1.4% |
| Profit margin | 6.4% | 7.3% | 7.4% | 7.6% | 7.0% | 8.7% | - | - | +1.4% |
| Profit attributable to owners of parent margin | 6.4% | 7.3% | 7.4% | 7.6% | 7.0% | 8.7% | - | - | +1.4% |
| Income tax expenses / Profit before tax | 37.7% | 35.6% | 35.2% | 29.7% | 34.3% | 31.3% | - | - | (4.3%) |
| Statement of Profit or Loss | Cons.Act | Cons.Act | Cons.Act | Cons.Act | Cons.Act | Cons.Act | Cons.Act | Cons.Act | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | YoY |
| (Million Yen) | 03/2019 | 03/2019 | 03/2019 | 03/2019 | 03/2020 | 03/2020 | 03/2020 | 03/2020 | Net Chg. |
| Revenue | 4,100 | 4,523 | 4,898 | 3,989 | 4,313 | 5,057 | - | - | +533 |
| Cost of sales | 3,177 | 3,489 | 3,773 | 3,041 | 3,283 | 3,780 | - | - | +290 |
| Gross profit | 923 | 1,034 | 1,124 | 948 | 1,030 | 1,277 | - | - | +242 |
| SG&A expenses | 490 | 467 | 535 | 579 | 555 | 529 | - | - | +61 |
| Other income and expenses (net) | 3 | 1 | 5 | (3) | (0) | 0 | - | - | (0) |
| Operating profit | 436 | 568 | 594 | 365 | 474 | 748 | - | - | +180 |
| Financial income and costs (net) | (15) | (14) | (15) | (23) | (17) | (18) | - | - | (3) |
| Profit before tax | 420 | 553 | 578 | 341 | 456 | 730 | - | - | +176 |
| Income tax expenses | 158 | 188 | 200 | 16 | 156 | 215 | - | - | +27 |
| Profit | 261 | 365 | 378 | 325 | 299 | 514 | - | - | +149 |
| Profit attributable to owners of parent | 261 | 365 | 378 | 325 | 299 | 514 | - | - | +149 |
| Revenue YoY | +8.2% | +5.8% | +15.0% | (6.4%) | +5.2% | +11.8% | - | - | - |
| Operating profit YoY | (23.6%) | (11.8%) | (4.8%) | (21.8%) | +8.7% | +31.7% | - | - | - |
| Profit before tax YoY | (24.0%) | (11.7%) | (4.8%) | (24.1%) | +8.5% | +31.9% | - | - | - |
| Profit YoY | (28.5%) | (8.6%) | (5.5%) | +11.0% | +14.6% | +40.8% | - | - | - |
| Profit attributable to owners of parent YoY | (28.5%) | (8.6%) | (5.5%) | +11.0% | +14.6% | +40.8% | - | - | - |
| Gross profit margin | 22.5% | 22.9% | 23.0% | 23.8% | 23.9% | 25.3% | - | - | +2.4% |
| Revenue to SG&A expenses ratio | 12.0% | 10.3% | 10.9% | 14.5% | 12.9% | 10.5% | - | - | +0.1% |
| Operating profit margin | 10.6% | 12.6% | 12.1% | 9.2% | 11.0% | 14.8% | - | - | +2.2% |
| Profit before tax margin | 10.3% | 12.2% | 11.8% | 8.6% | 10.6% | 14.4% | - | - | +2.2% |
| Profit margin | 6.4% | 8.1% | 7.7% | 8.2% | 7.0% | 10.2% | - | - | +2.1% |
| Profit attributable to owners of parent margin | 6.4% | 8.1% | 7.7% | 8.2% | 7.0% | 10.2% | - | - | +2.1% |
| Income tax expenses / Profit before tax | 37.7% | 34.0% | 34.6% | 4.7% | 34.3% | 29.5% | - | - | (4.5%) |

Source: Company Data, WRJ Calculation

Revenue by Division (Cumulative/Quarterly)

| Revenue by Division | Cons.Act Q1 | Cons.Act Q1 to Q2 | Cons.Act Q1 to Q3 | Cons.Act Q1 to Q4 | Cons.Act Q1 | Cons.Act Q1 to Q2 | Cons.Act Q1 to Q3 | Cons.Act Q1 to Q4 | YoY |
|------------------------------------|----------------|----------------------|----------------------|----------------------|----------------|----------------------|----------------------|----------------------|-------------|
| (Million Yen) | 03/2019 | 03/2019 | 03/2019 | 03/2019 | 03/2020 | 03/2020 | 03/2020 | 03/2020 | Net Chg. |
| Wedge binding type scaffolding | 1,682 | 3,696 | 6,300 | 8,214 | 2,230 | 5,015 | - | - | +1,319 |
| Next generation scaffolding | 627 | 1,605 | 2,173 | 2,657 | 575 | 1,172 | - | - | (432) |
| Other temporary materials | 822 | 1,672 | 2,507 | 3,402 | 924 | 1,876 | - | - | +204 |
| Temporary Materials | 3,132 | 6,973 | 10,980 | 14,275 | 3,730 | 8,064 | - | - | +1,091 |
| Distribution Equipment | 967 | 1,650 | 2,541 | 3,236 | 583 | 1,305 | - | - | (344) |
| Revenue | 4,100 | 8,624 | 13,522 | 17,512 | 4,313 | 9,370 | - | - | +746 |
| Wedge binding type scaffolding | (8.3%) | (6.7%) | +4.0% | +3.1% | +32.6% | +35.7% | - | - | - |
| Next generation scaffolding | +17.2% | +25.4% | +11.3% | (11.9%) | (8.4%) | (27.0%) | - | - | - |
| Other temporary materials | (14.8%) | (10.0%) | (11.4%) | (7.6%) | +12.4% | +12.2% | - | - | - |
| Temporary Materials | (6.1%) | (1.8%) | +1.3% | (2.7%) | +19.1% | +15.6% | - | - | - |
| Distribution Equipment | +113.9% | +71.2% | +71.4% | +68.6% | (39.7%) | (20.9%) | - | - | - |
| Revenue (YoY) | +8.2% | +7.0% | +9.7% | +5.6% | +5.2% | +8.7% | - | - | - |
| Wedge binding type scaffolding | 41.0% | 42.9% | 46.6% | 46.9% | 51.7% | 53.5% | - | - | - |
| Next generation scaffolding | 15.3% | 18.6% | 16.1% | 15.2% | 13.3% | 12.5% | - | - | - |
| Other temporary materials | 20.1% | 19.4% | 18.5% | 19.4% | 21.4% | 20.0% | - | - | - |
| Temporary Materials | 76.4% | 80.9% | 81.2% | 81.5% | 86.5% | 86.1% | - | - | - |
| Distribution Equipment | 23.6% | 19.1% | 18.8% | 18.5% | 13.5% | 13.9% | - | - | - |
| Revenue (Composition Ratio) | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | - | - | - |
| Revenue by Division | Cons.Act Q1 | Cons.Act Q2 | Cons.Act Q3 | Cons.Act Q4 | Cons.Act Q1 | Cons.Act Q2 | Cons.Act Q3 | Cons.Act Q4 | YoY |
| (Million Yen) | 03/2019 | 03/2019 | 03/2019 | 03/2019 | 03/2020 | 03/2020 | 03/2020 | 03/2020 | Net Chg. |
| Wedge binding type scaffolding | 1,682 | 2,013 | 2,604 | 1,914 | 2,230 | 2,784 | - | - | +771 |
| Next generation scaffolding | 627 | 977 | 568 | 484 | 575 | 596 | - | - | (380) |
| Other temporary materials | 822 | 850 | 834 | 895 | 924 | 952 | - | - | +102 |
| Temporary Materials | 3,132 | 3,840 | 4,007 | 3,294 | 3,730 | 4,334 | - | - | +493 |
| Distribution Equipment | 967 | 682 | 891 | 695 | 583 | 722 | - | - | +39 |
| Revenue | 4,100 | 4,523 | 4,898 | 3,989 | 4,313 | 5,057 | - | - | +533 |
| Wedge binding type scaffolding | (8.3%) | (5.3%) | +24.1% | +0.3% | +32.6% | +38.3% | - | - | - |
| Next generation scaffolding | +17.2% | +31.3% | (15.5%) | (54.5%) | (8.4%) | (38.9%) | - | - | - |
| Other temporary materials | (14.8%) | (4.8%) | (13.9%) | +5.0% | +12.4% | +12.1% | - | - | - |
| Temporary Materials | (6.1%) | +2.1% | +7.1% | (13.9%) | +19.1% | +12.8% | - | - | - |
| Distribution Equipment | +113.9% | +33.5% | +71.6% | +59.2% | (39.7%) | +5.8% | - | - | - |
| Revenue (YoY) | +8.2% | +5.8% | +15.0% | (6.4%) | +5.2% | +11.8% | - | - | - |
| Wedge binding type scaffolding | 41.0% | 44.5% | 53.2% | 48.0% | 51.7% | 55.1% | - | - | - |
| Next generation scaffolding | 15.3% | 21.6% | 11.6% | 12.1% | 13.3% | 11.8% | - | - | - |
| Other temporary materials | 20.1% | 18.8% | 17.0% | 22.4% | 21.4% | 18.8% | - | - | - |
| Temporary Materials | 76.4% | 84.9% | 81.8% | 82.6% | 86.5% | 85.7% | - | - | - |
| Distribution Equipment | 23.6% | 15.1% | 18.2% | 17.4% | 13.5% | 14.3% | - | - | - |
| Revenue (Composition Ratio) | 100.0% | 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 | | Net Chg. |
| | 03/2019 | 03/2019 | 03/2019 | 03/2019 | 03/2020 | 03/2020 | 03/2020 | 03/2020 | | |
| Cash and cash equivalents | 909 | 983 | 1,237 | 1,742 | 1,619 | 1,863 | - | - | | +880 |
| Trade and other receivables | 3,699 | 4,003 | 3,457 | 3,817 | 3,634 | 4,000 | - | - | | (2) |
| Inventories | 3,107 | 3,041 | 2,683 | 2,382 | 2,675 | 2,429 | - | - | | (612) |
| Other | 138 | 141 | 85 | 121 | 75 | 24 | - | - | | (116) |
| Total current assets | 7,854 | 8,170 | 7,465 | 8,064 | 8,004 | 8,318 | - | - | | +148 |
| Property, plant and equipment | 2,468 | 2,547 | 2,550 | 2,495 | 2,331 | 2,338 | - | - | | (208) |
| Right-of-use assets | - | - | - | - | 371 | 369 | - | - | | +369 |
| Goodwill | 9,221 | 9,221 | 9,221 | 9,221 | 9,221 | 9,221 | - | - | | 0 |
| Intangible assets | 1,265 | 1,260 | 1,278 | 1,276 | 1,270 | 1,267 | - | - | | +6 |
| Other | 86 | 81 | 82 | 114 | 121 | 109 | - | - | | +28 |
| Total non-current assets | 13,041 | 13,110 | 13,133 | 13,108 | 13,315 | 13,306 | - | - | | +195 |
| Total assets | 20,896 | 21,281 | 20,598 | 21,172 | 21,320 | 21,625 | - | - | | +344 |
| Trade and other payables | 1,396 | 998 | 950 | 1,180 | 1,370 | 1,178 | - | - | | +180 |
| Borrowings | 1,058 | 1,798 | 918 | 494 | 494 | 494 | - | - | | (1,303) |
| Other | 500 | 563 | 419 | 502 | 543 | 794 | - | - | | +230 |
| Total current liabilities | 2,956 | 3,360 | 2,288 | 2,177 | 2,409 | 2,468 | - | - | | (892) |
| Borrowings | 5,820 | 5,436 | 5,437 | 5,685 | 5,689 | 5,444 | - | - | | +8 |
| Other | 458 | 455 | 458 | 450 | 663 | 640 | - | - | | +185 |
| Total non-current liabilities | 6,278 | 5,891 | 5,896 | 6,136 | 6,353 | 6,085 | - | - | | +193 |
| Total liabilities | 9,234 | 9,252 | 8,185 | 8,313 | 8,762 | 8,553 | - | - | | (699) |
| Total equity attributable to owners of parent | 11,661 | 12,028 | 12,413 | 12,859 | 12,557 | 13,071 | - | - | | +1,043 |
| Total equity | 11,661 | 12,028 | 12,413 | 12,859 | 12,557 | 13,071 | - | - | | +1,043 |
| Total liabilities and equity | 20,896 | 21,281 | 20,598 | 21,172 | 21,320 | 21,625 | - | - | | +344 |
| Equity attributable to owners of parent | 11,661 | 12,028 | 12,413 | 12,859 | 12,557 | 13,071 | - | - | | +1,043 |
| Interest bearing debt | 6,878 | 7,234 | 6,356 | 6,180 | 6,184 | 5,939 | - | - | | (1,295) |
| Net debt | 5,968 | 6,251 | 5,118 | 4,437 | 4,565 | 4,075 | - | - | | (2,175) |
| Equity ratio | 55.8% | 56.5% | 60.3% | 60.7% | 58.9% | 60.4% | - | - | | - |
| Net debt equity ratio | 51.2% | 52.0% | 41.2% | 34.5% | 36.4% | 31.2% | - | - | | - |
| ROE (12 months) | - | - | 10.8% | 10.7% | 11.3% | 12.1% | - | - | | - |
| ROA (12 months) | - | - | 9.7% | 9.0% | 9.1% | 9.8% | - | - | | - |
| Days for inventory turnover | 89 | 80 | 65 | 71 | 74 | 59 | - | - | | - |
| Quick ratio | 156% | 148% | 205% | 255% | 218% | 238% | - | - | | - |
| Current ratio | 266% | 243% | 326% | 370% | 332% | 337% | - | - | | - |

Source: Company Data, WRJ Calculation

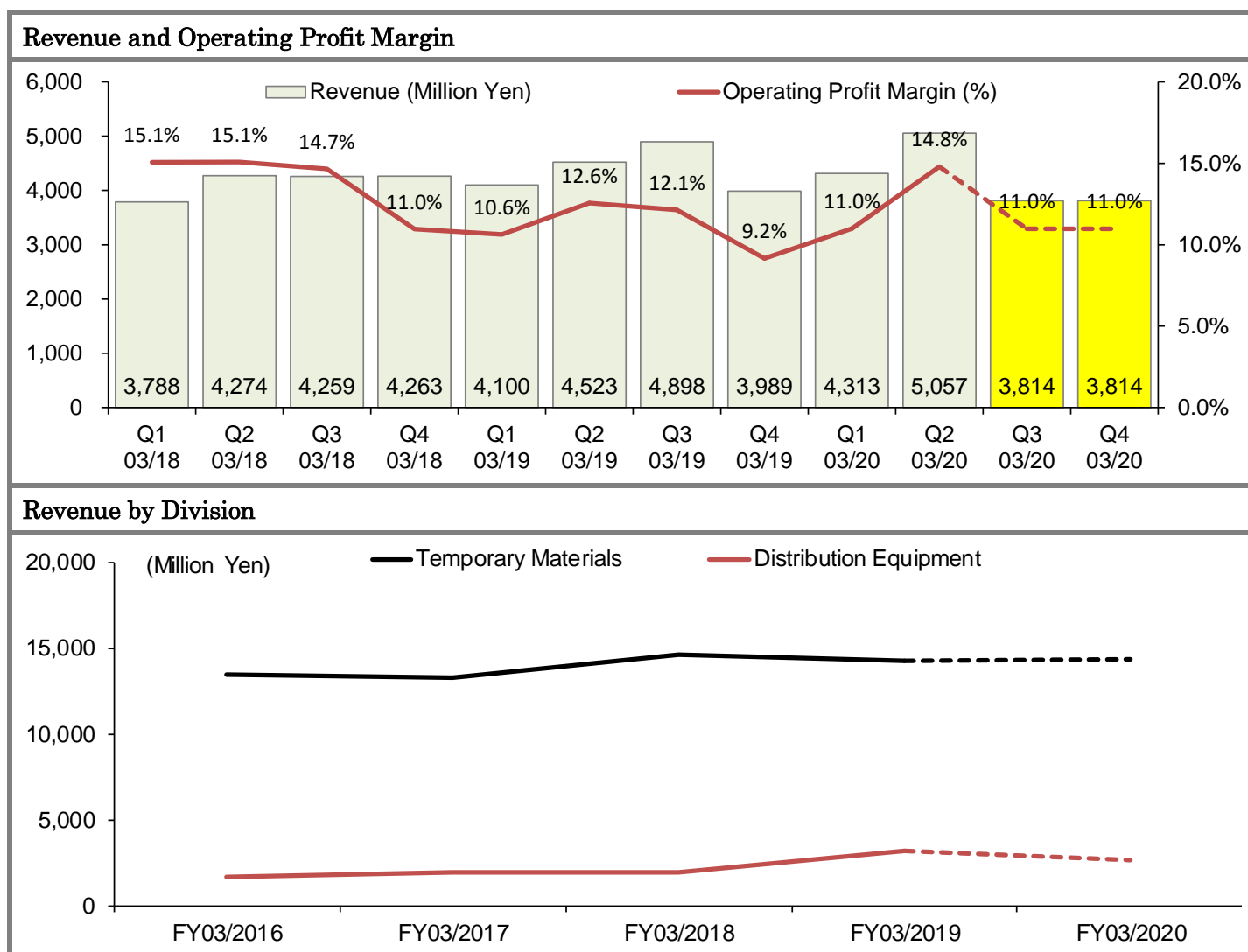
Statement of Cash Flows (Cumulative, Quarterly)

| 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 | | Net Chg. |
| | 03/2019 | 03/2019 | 03/2019 | 03/2019 | 03/2020 | 03/2020 | 03/2020 | 03/2020 | | |
| Cashflows from operating activities | (234) | (202) | 1,091 | 1,766 | 587 | 1,228 | - | - | | +1,430 |
| Cashflows from Investing activities | (148) | (358) | (505) | (580) | (90) | (185) | - | - | | +172 |
| Cashflows from operating and investing activities | (383) | (560) | 586 | 1,186 | 497 | 1,042 | - | - | | +1,603 |
| Cashflows from financing activities | (214) | 35 | (856) | (951) | (621) | (921) | - | - | | (957) |
| 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 | | Net Chg. |
| | 03/2019 | 03/2019 | 03/2019 | 03/2019 | 03/2020 | 03/2020 | 03/2020 | 03/2020 | | |
| Cashflows from operating activities | (234) | 32 | 1,293 | 675 | 587 | 640 | - | - | | +608 |
| Cashflows from Investing activities | (148) | (209) | (146) | (75) | (90) | (95) | - | - | | +114 |
| Cashflows from operating and investing activities | (383) | (177) | 1,146 | 600 | 497 | 545 | - | - | | +722 |
| Cashflows from financing activities | (214) | 250 | (891) | (95) | (621) | (300) | - | - | | (551) |

Source: Company Data, WRJ Calculation

FY03/2020 Company Forecasts

FY03/2020 initial Company forecasts (released on 10 May 2019) have remained unchanged, going for prospective revenue of ¥17,000m (down 2.9% YoY), operating profit of ¥2,060m (up 4.9%), profit before tax of ¥1,990m (up 5.0%) and profit attributable to owners of parent of ¥1,400m (up 5.1%), while operating profit margin of 12.1% (up 0.9% points). However, Q1 to Q2 results exceeded assumptions of initial Company forecasts. Revenue was better by ¥490m (5.5%), operating profit by ¥92m (8.1%), profit before tax by ¥89m (7.8%) and profit attributable to owners of parent by ¥44m (5.7%).



Source: Company Data, WRJ Calculation

Initial Company forecasts assume marginal increases of revenue in Temporary Materials Division and decreases of revenue in Distribution Equipment Division. Given that the impact of the latter is larger than that of the former, Company forecasts are going for some decreases of revenue as a whole as far as we could see. Still, operating profit is expected to increase and thus operating profit margin, while the Company reveals that it is going for “establishment of a lean structure”. Meanwhile, in Q1 to Q2 results, the Company saw revenue of ¥8,064m (up 15.6% YoY) in Temporary Materials Division and ¥1,305m (down 20.9%) in Distribution Equipment Division, suggesting that revenue of Temporary Materials Division, mainly that of system scaffolding products, is running far ahead of initial assumptions.

In fact, the Company sees progress rate of no less than some 60% in Q1 to Q2 results against initial full-year Company forecasts, higher than the equivalent of some 50% during the same period of the FY03/2019 results, i.e., progress rate of 55.1% (up 5.9% points) in revenue, 59.3% (up 8.2% points) in operating profit, 59.6% (up 8.2% points) in profit before tax and 58.2% (up 11.1% points) in profit attributable to owners of parent.

In Q1 to Q2, the Company suggests that it hardly saw frontloaded demand stemming from the consumption tax hike and thus it is likely to see steady increases in revenue and earnings continuing in H2 in reality. For example, it has been spotted that demand for the Company's system scaffolding products may exceed expectations due to typhoons that have hit the Kanto region. However, the Company has left its initial assumptions for FY03/2020 unchanged from a conservative perspective.

Meanwhile, the Company considers returning earnings to shareholders as one of the key management priorities, going for payment of dividend in line with earnings and for payout ratio of 40% or more. In FY03/2019, the Company paid annual dividend of ¥44.0 per share, implying payout ratio of 45.6%, while going for ¥44.0 per share, implying payout ratio of 44.0%, in FY03/2020, as initially assumed.

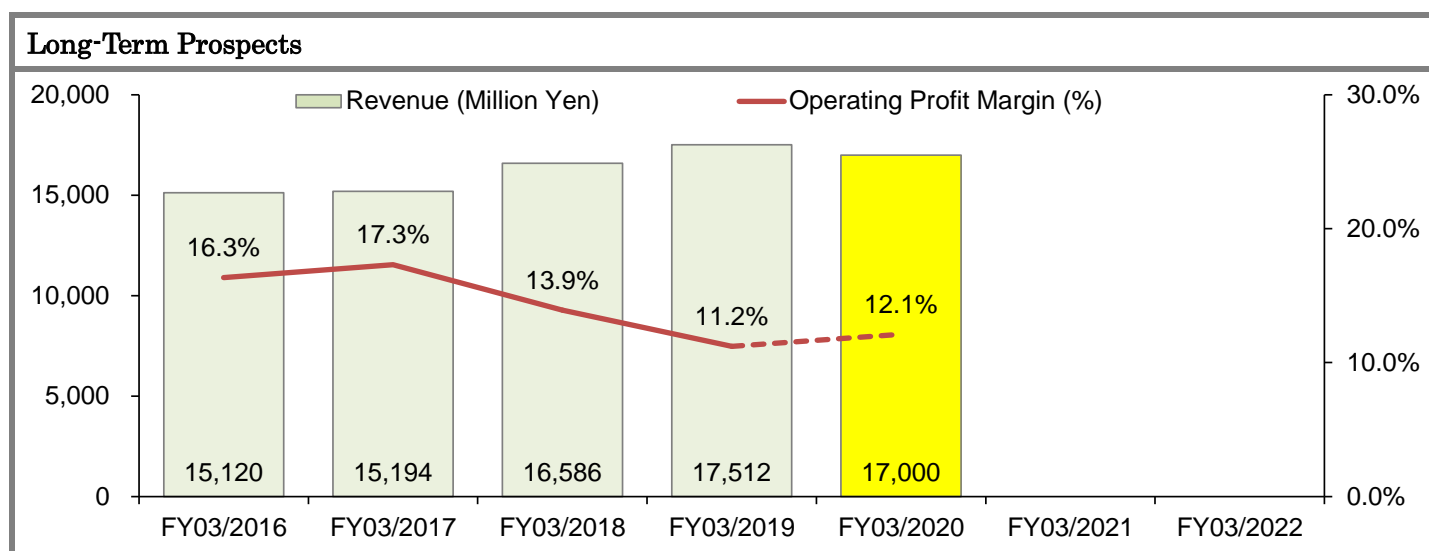
FY03/2020 Company Forecasts and Results

| Cons. Fiscal Year (IFRS) (Million Yen) | Date | Event | Revenue | Operating profit | Profit before tax | Profit attributable to owners of parent |
|---|-----------|---------------|---------|---------------------|----------------------|--|
| FY03/2020CoE | 10-May-19 | Q4 Results | 17,000 | 2,060 | 1,990 | 1,400 |
| FY03/2020CoE | 09-Aug-19 | Q1 Results | 17,000 | 2,060 | 1,990 | 1,400 |
| FY03/2020CoE | 08-Nov-19 | Q2 Results | 17,000 | 2,060 | 1,990 | 1,400 |
| | | Amount of Gap | 0 | 0 | 0 | 0 |
| | | Rate of Gap | 0.0% | 0.0% | 0.0% | 0.0% |
| FY03/2020CoE | 10-May-19 | Q4 Results | 17,000 | 2,060 | 1,990 | 1,400 |
| FY03/2020CoE | 08-Nov-19 | Q2 Results | 17,000 | 2,060 | 1,990 | 1,400 |
| | | Amount of Gap | 0 | 0 | 0 | 0 |
| | | Rate of Gap | 0.0% | 0.0% | 0.0% | 0.0% |
| Cons. Half Year (IFRS) (Million Yen) | Date | Event | Revenue | Operating profit | Profit before tax | Profit attributable to owners of parent |
| Q1 to Q2 FY03/2020CoE | 10-May-19 | Q4 Results | 8,880 | 1,130 | 1,100 | 770 |
| Q1 to Q2 FY03/2020CoE | 09-Aug-19 | Q1 Results | 8,880 | 1,130 | 1,100 | 770 |
| Q1 to Q2 FY03/2020Act | 08-Nov-19 | Q2 Results | 9,370 | 1,222 | 1,186 | 814 |
| | | Amount of Gap | 490 | 92 | 86 | 44 |
| | | Rate of Gap | 5.5% | 8.1% | 7.8% | 5.7% |
| Q1 to Q2 FY03/2020CoE | 10-May-19 | Q4 Results | 8,880 | 1,130 | 1,100 | 770 |
| Q1 to Q2 FY03/2020Act | 08-Nov-19 | Q2 Results | 9,370 | 1,222 | 1,186 | 814 |
| | | Amount of Gap | 490 | 92 | 86 | 44 |
| | | Rate of Gap | 5.5% | 8.1% | 7.8% | 5.7% |
| Cons. Half Year (IFRS) (Million Yen) | Date | Event | Revenue | Operating profit | Profit before tax | Profit attributable to owners of parent |
| Q3 to Q4 FY03/2020CoE | 10-May-19 | Q4 Results | 8,120 | 930 | 890 | 630 |
| Q3 to Q4 FY03/2020CoE | 09-Aug-19 | Q1 Results | 8,120 | 930 | 890 | 630 |
| Q3 to Q4 FY03/2020CoE | 08-Nov-19 | Q2 Results | 7,630 | 838 | 804 | 586 |
| | | Amount of Gap | (490) | (92) | (86) | (44) |
| | | Rate of Gap | (6.0%) | (9.9%) | (9.7%) | (7.0%) |
| Q3 to Q4 FY03/2020CoE | 10-May-19 | Q4 Results | 8,120 | 930 | 890 | 630 |
| Q3 to Q4 FY03/2020CoE | 08-Nov-19 | Q2 Results | 7,630 | 838 | 804 | 586 |
| | | Amount of Gap | (490) | (92) | (86) | (44) |
| | | Rate of Gap | (6.0%) | (9.9%) | (9.7%) | (7.0%) |

Source: Company Data, WRJ Calculation

Long-Term Prospects

The Company's long-term business performance are likely to depend upon the future development of operations overseas to take off on a full-fledged basis in FY03/2021. According to the Company, this is expected to make add-on of some 10% in revenue as a whole for the Company in FY03/2021. Meanwhile, the Company estimates there remains some growth potential in Japan to which it is exposed with Temporary Materials Division in the first place, implying that this is true of revenue with the Company that advocates it holds the No. 1 share in the domestic market for its system scaffolding products or the mainstay of Temporary Materials Division.



Source: Company Data, WRJ Calculation

As for business environment of Temporary Materials Division mainly comprising system scaffolding products, it has been spotted that, for example, as the aging of social infrastructure such as road bridges progresses continuously toward the future, construction related to maintenance and repair is also moving in the same direction. Meanwhile, it has been also spotted that domestic construction investment has been on an increasing trend in both new construction and maintenance & repair during the period by FY2017 due partly to the Infrastructure Longer-Life Plan. On top of this, nearly half of the detached houses have been built for about 30 years, implying increased demand for rebuilding, renovation, and/or demolition in the near future, while any of those drives demand for system scaffolding products. The other thing is that the fatalities on accident in the construction industry in FY2017 were 323 people, out of which 135 people (42%) were of crashes and/or falls during works on the scaffolding. In light of this, it has been spotted that demand for safe system scaffolding, which can avoid and reduce crashes and/or falls, will increase for the future.

Meanwhile, the Company established representative office in the Philippines in June 2017 and has a track record of sales to the leading local company in the field of elevator installation works. Then, in October of the same year, the Company established subcontract factory in Vietnam with a local company and began production of Japanese standard and Japanese quality system scaffolding products. The impact of those two measures on the Company's business performance appears to be limited, but the Company is going for revenue that exceeds a certain level to generate from the beginning with respects to a joint venture in China, established on 27 November 2019. This joint venture is identified as GUANGDONG NISSHIN-CHUANGFU ADVANCED CONSTRUCTION MATERIALS Co., Ltd., which is based in Foshan, Guangdong. Foshan-city is a part of the "Guangdong-Hong Kong-Macau Greater Bay Area" or economic development promotion region envisioned by the Chinese government with regional population of 67m and GDP of US\$1.3 trillion in CY2018, making it one of the most developing regions in China.

GUANGDONG NISSHIN-CHUANGFU ADVANCED CONSTRUCTION MATERIALS Co., Ltd. is represented by the Company's executive vice president Kurio Noritake and is engaged in the imports, manufacture and sales of temporary materials. The Company owns 51.0% of registered capital (RMB 25m or roughly ¥400m), while Guangdong Chuangfu Metal Products Co., Ltd. owns 34.0% and ALCONIX CORPORATION owns 15.0% .The former is a local aluminum processing manufacturer in which the latter owns 35% and the size of its business is almost the same as that of the Company. Approximately half of sales are accounted for by those of temporary materials made of aluminum, selling them to predominant customers. Meanwhile, ALCONIX CORPORATION is a general trading house group that handles everything from the distribution of non-ferrous metal raw materials and products to the manufacture of processed products. It runs four operation bases in China and has a variety of local business expertise, together with investment in more than 10 local companies to run the manufacture and/or distribution business in China.

The background to the establishment of this joint venture is the ongoing progress in the improvement of safety, improvement of construction efficiency and consideration for the environment at the local construction sites. That is to say, demand for the Company's system scaffolding products that can respond to this is greatly increasing. In particular, in light of the strong need to improve safety, the Company intends to put the philosophy it has advocated in its domestic business development in the first place and foremost in its local operations, i.e., "We will protect our precious lives through our products and services".

The Company appears to be planning to launch GUANGDONG NISSHIN-CHUANGFU ADVANCED CONSTRUCTION MATERIALS Co., Ltd. as soon as possible through collaboration with Guangdong Chuangfu Metal Products Co., Ltd. or a local partner and ALCONIX CORPORATION.

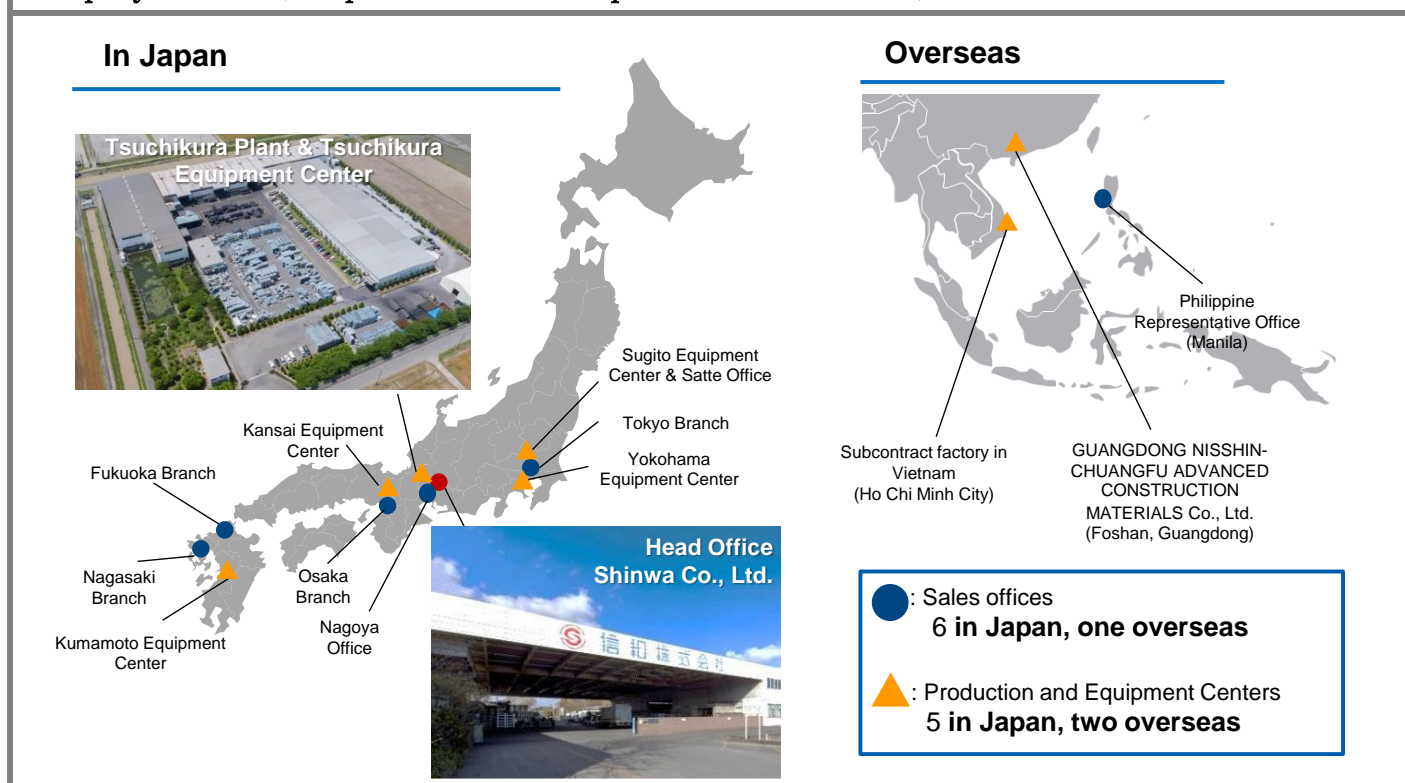
In collaboration with Guangdong Chuangfu Metal Products Co., Ltd, the Company is to locally start up the manufacture of system scaffolding products with limited initial investment by means of renting a portion of its factory. Meanwhile, presumably through collaboration with ALCONIX CORPORATION which has a variety of local business knowhows, the Company has already reached the point where specific sales channels are expected. Another factor is also driving this, as far as we could see, that the Company intends to manufacture scaffolding to cope with local specifications and local safety standard. More importantly, given limited initial investment, the business here is likely to bring some add-on in earnings from the beginning.

4.0 Business Model

The Leader of Temporary Materials Technology

The Company manufactures and sells temporary materials and distribution equipment through its 11 domestic and three overseas operating bases. In Japan, the Company has 6 sales offices and 5 production and equipment centers, while it has one sales office and two production and equipment centers overseas. In Kaizu-city, Gifu-prefecture where the Company is based, it operates Tsuchikura Plant in charge of the bulk of the manufacture of temporary materials and distribution equipment as a whole for the Company. With system scaffolding products, etc. manufactured here, the Company is developing its business as the leader of temporary materials technology. Although the Company's overseas business development has been limited so far, the Company is going for a full-scale contribution in FY03/2021, stemming from GUANGDONG NISSHIN-CHUANGFU ADVANCED CONSTRUCTION MATERIALS Co., Ltd. (Foshan, Guangdong), a joint venture (51.0% stake) in China, which was established on 27 November 2019.

Company Network (11 Operation Bases in Japan and three Overseas)



Source: Company Data

At the 5th ordinary general meeting of shareholders held on 25 June 2019, three internal directors and four independent external directors are appointed as planned. One of the newly appointed independent external directors is a female. In other words, while the Company strives to strengthen its corporate governance as a company with the audit and supervisory committee, it also places importance on diversity. Furthermore, the nomination and compensation committee, which comprises four independent external directors and one representative director, has been established to ensure the fairness, transparency and objectivity of procedures related to the nomination and compensation of directors and executive officers.

5.0 Financial Statements

Statement of Profit or Loss

| Statement of Profit or Loss | Cons.Act FY | Cons.Act FY | Cons.Act FY | Cons.Act FY | Cons.Act FY | Cons.CoE FY | YoY |
|--|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
| (Million Yen) | 03/2015 | 03/2016 | 03/2017 | 03/2018 | 03/2019 | 03/2020 | Net Chg. |
| Revenue | - | 15,120 | 15,194 | 16,586 | 17,512 | 17,000 | (512) |
| Cost of sales | - | 10,992 | 10,774 | 12,410 | 13,482 | - | - |
| Gross profit | - | 4,128 | 4,419 | 4,175 | 4,030 | - | - |
| SG&A expenses | - | 1,661 | 1,777 | 1,871 | 2,073 | - | - |
| Other income and expenses (net) | - | 4 | (11) | 3 | 7 | - | - |
| Operating profit | - | 2,470 | 2,631 | 2,306 | 1,963 | 2,060 | +96 |
| Financial income and costs (net) | - | (336) | (71) | (67) | (69) | (70) | (0) |
| Profit before tax | - | 2,134 | 2,559 | 2,238 | 1,894 | 1,990 | +95 |
| Income tax expenses | - | 622 | 878 | 779 | 563 | - | - |
| Profit | - | 1,511 | 1,680 | 1,459 | 1,331 | - | - |
| Profit attributable to owners of parent | - | 1,511 | 1,680 | 1,459 | 1,331 | 1,400 | +68 |
| Revenue YoY | - | - | +0.5% | +9.2% | +5.6% | (2.9%) | - |
| Operating profit YoY | - | - | +6.5% | (12.3%) | (14.9%) | +4.9% | - |
| Profit before tax YoY | - | - | +19.9% | (12.5%) | (15.4%) | +5.0% | - |
| Profit YoY | - | - | +11.2% | (13.1%) | (8.8%) | +5.1% | - |
| Profit attributable to owners of parent YoY | - | - | +11.2% | (13.1%) | (8.8%) | +5.1% | - |
| Gross profit margin | - | 27.3% | 29.1% | 25.2% | 23.0% | - | - |
| Revenue to SG&A expenses ratio | - | 11.0% | 11.7% | 11.3% | 11.8% | - | - |
| Operating profit margin | - | 16.3% | 17.3% | 13.9% | 11.2% | 12.1% | +0.9% |
| Profit before tax margin | - | 14.1% | 16.8% | 13.5% | 10.8% | 11.7% | +0.9% |
| Profit margin | - | 10.0% | 11.1% | 8.8% | 7.6% | 8.2% | +0.6% |
| Profit attributable to owners of parent margin | - | 10.0% | 11.1% | 8.8% | 7.6% | 8.2% | +0.6% |
| Income tax expenses / Profit before tax | - | 29.2% | 34.3% | 34.8% | 29.7% | - | - |

Source: Company Data, WRJ Calculation

20

Revenue by Division

| Revenue by Division | Cons.Act FY | Cons.Act FY | Cons.Act FY | Cons.Act FY | Cons.Act FY | Cons.CoE FY | YoY |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
| (Million Yen) | 03/2015 | 03/2016 | 03/2017 | 03/2018 | 03/2019 | 03/2020 | Net Chg. |
| Wedge binding type scaffolding | - | 8,867 | 8,731 | 7,967 | 8,214 | - | - |
| Next generation scaffolding | - | - | 466 | 3,018 | 2,657 | - | - |
| Other temporary materials | - | 4,600 | 4,073 | 3,680 | 3,402 | - | - |
| Temporary Materials | - | 13,467 | 13,271 | 14,666 | 14,275 | - | - |
| Distribution Equipment | - | 1,652 | 1,922 | 1,919 | 3,236 | - | - |
| Revenue | - | 15,120 | 15,194 | 16,586 | 17,512 | 17,000 | (512) |
| Wedge binding type scaffolding | - | - | (1.5%) | (8.8%) | +3.1% | - | - |
| Next generation scaffolding | - | - | - | +546.6% | (11.9%) | - | - |
| Other temporary materials | - | - | (11.4%) | (9.6%) | (7.6%) | - | - |
| Temporary Materials | - | - | (1.4%) | +10.5% | (2.7%) | - | - |
| Distribution Equipment | - | - | +16.4% | (0.1%) | +68.6% | - | - |
| Revenue (YoY) | - | - | +0.5% | +9.2% | +5.6% | (2.9%) | - |
| Wedge binding type scaffolding | - | 58.6% | 57.5% | 48.0% | 46.9% | - | - |
| Next generation scaffolding | - | 0.0% | 3.1% | 18.2% | 15.2% | - | - |
| Other temporary materials | - | 30.4% | 26.8% | 22.2% | 19.4% | - | - |
| Temporary Materials | - | 89.1% | 87.3% | 88.4% | 81.5% | - | - |
| Distribution Equipment | - | 10.9% | 12.7% | 11.6% | 18.5% | - | - |
| Revenue (Composition Ratio) | - | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | - |

Source: Company Data, WRJ Calculation

Statement of Financial Position

| Statement of Financial Position | Cons.Act FY | Cons.Act FY | Cons.Act FY | Cons.Act FY | Cons.Act FY | Cons.CoE FY | YoY |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------|
| (Million Yen) | 03/2015 | 03/2016 | 03/2017 | 03/2018 | 03/2019 | 03/2020 | Net Chg. |
| Cash and cash equivalents | - | 1,227 | 1,617 | 1,507 | 1,742 | - | - |
| Trade and other receivables | - | 3,490 | 3,554 | 4,258 | 3,817 | - | - |
| Inventories | - | 1,574 | 2,218 | 2,142 | 2,382 | - | - |
| Other | - | 87 | 78 | 168 | 121 | - | - |
| Total current assets | - | 6,379 | 7,469 | 8,077 | 8,064 | - | - |
| Property, plant and equipment | - | 2,085 | 2,217 | 2,453 | 2,495 | - | - |
| Right-of-use assets | - | - | - | - | - | - | - |
| Goodwill | - | 9,221 | 9,221 | 9,221 | 9,221 | - | - |
| Intangible assets | - | 1,242 | 1,239 | 1,263 | 1,276 | - | - |
| Other | - | 71 | 92 | 68 | 114 | - | - |
| Total non-current assets | - | 12,620 | 12,771 | 13,007 | 13,108 | - | - |
| Total assets | - | 19,000 | 20,241 | 21,084 | 21,172 | - | - |
| Trade and other payables | - | 879 | 1,122 | 1,468 | 1,180 | - | - |
| Borrowings | - | 765 | 766 | 767 | 494 | - | - |
| Other | - | 672 | 760 | 615 | 502 | - | - |
| Total current liabilities | - | 2,317 | 2,649 | 2,852 | 2,177 | - | - |
| Borrowings | - | 7,384 | 6,621 | 5,818 | 5,685 | - | - |
| Other | - | 485 | 475 | 445 | 450 | - | - |
| Total non-current liabilities | - | 7,870 | 7,096 | 6,263 | 6,136 | - | - |
| Total liabilities | - | 10,187 | 9,746 | 9,116 | 8,313 | - | - |
| Total equity attributable to owners of parent | - | 8,812 | 10,495 | 11,968 | 12,859 | - | - |
| Total equity | - | 8,812 | 10,495 | 11,968 | 12,859 | - | - |
| Total liabilities and equity | - | 19,000 | 20,241 | 21,084 | 21,172 | - | - |
| Equity attributable to owners of parent | - | 8,812 | 10,495 | 11,968 | 12,859 | - | - |
| Interest bearing debt | - | 8,149 | 7,387 | 6,586 | 6,180 | - | - |
| Net debt | - | 6,922 | 5,770 | 5,078 | 4,437 | - | - |
| Equity ratio | - | 46.4% | 51.9% | 56.8% | 60.7% | - | - |
| Net debt equity ratio | - | 78.5% | 55.0% | 42.4% | 34.5% | - | - |
| ROE (12 months) | - | 20.0% | 17.4% | 13.0% | 10.7% | - | - |
| ROA (12 months) | - | 11.0% | 13.0% | 10.8% | 9.0% | - | - |
| Days for inventory turnover | - | 52 | 75 | 63 | 64 | - | - |
| Quick ratio | - | 204% | 195% | 202% | 255% | - | - |
| Current ratio | - | 275% | 282% | 283% | 370% | - | - |

Source: Company Data, WRJ Calculation

Cashflow Statement

| Statement of Cash Flows | Cons.Act FY | Cons.Act FY | Cons.Act FY | Cons.Act FY | Cons.Act FY | Cons.CoE FY | YoY |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------|
| (Million Yen) | 03/2015 | 03/2016 | 03/2017 | 03/2018 | 03/2019 | 03/2020 | Net Chg. |
| Cashflows from operating activities | - | 2,353 | 1,757 | 1,390 | 1,766 | - | - |
| Cashflows from Investing activities | - | (374) | (560) | (651) | (580) | - | - |
| Cashflows from operating and investing activities | - | 1,978 | 1,197 | 738 | 1,186 | - | - |
| Cashflows from financing activities | - | (2,514) | (807) | (848) | (951) | - | - |

Source: Company Data, WRJ Calculation

Per Share Data

| Per Share Data (Before Adjustments for Split) (Yen) | Cons.Act FY 03/2015 | Cons.Act FY 03/2016 | Cons.Act FY 03/2017 | Cons.Act FY 03/2018 | Cons.Act FY 03/2019 | Cons.CoE FY 03/2020 | YoY Net Chg. |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------------|
| No. of Shares FY End (thousand shares) | - | 13,788 | 13,788 | 13,788 | 13,989 | - | - |
| Net Profit / EPS (thousand Shares) | - | 13,783 | 13,789 | 13,788 | 13,806 | - | - |
| Treasury Shares FY End (thousand shares) | - | 0 | 0 | 0 | 0 | - | - |
| Basic Earnings per Share | - | 109.66 | 121.88 | 105.87 | 96.44 | 100.08 | - |
| Diluted Earnings per Share | - | 109.66 | 121.88 | 105.24 | 95.81 | - | - |
| Book Value per Share | - | 639.14 | 761.15 | 868.04 | 919.24 | - | - |
| Dividend per Share | - | 0.00 | 0.00 | 43.00 | 44.00 | 44.00 | - |
| Per Share Data (After Adjustments for Split) (Yen) | Cons.Act FY 03/2015 | Cons.Act FY 03/2016 | Cons.Act FY 03/2017 | Cons.Act FY 03/2018 | Cons.Act FY 03/2019 | Cons.CoE FY 03/2020 | YoY Net Chg. |
| Share Split Factor | - | 1 | 1 | 1 | 1 | - | - |
| Basic Earnings per Share | - | 109.66 | 121.88 | 105.87 | 96.44 | 100.08 | - |
| Book Value per Share | - | 639.14 | 761.15 | 868.04 | 919.24 | - | - |
| Dividend per Share | - | 0.00 | 0.00 | 43.00 | 44.00 | 44.00 | - |
| Payout Ratio | - | 0.0% | 0.0% | 40.6% | 45.6% | 44.0% | - |

Source: Company Data, WRJ Calculation

6.0 Other Information

By Far the Largest Even in 10 Years

In September 1977, Shinwa Shoten or predecessor of present-day Shinwa Co. Ltd. was founded. Having gone through incorporation and changes of juridical personality for a few times, present-day Shinwa Co. Ltd. was established on 11 August 2014. The acquisition implemented for this incurred goodwill of ¥9,221m and it appeared net debt reached some ¥10,000m then, because of the use of leveraged buyout. However, the Company has been consistently seen ample free cashflow since then, having cut back on net debt by half to date. As of the end of Q2 FY03/2020, net debt equity ratio stood at 31.2% (net debt of ¥4,075m and equity attributable to owners of parent of ¥13,071m), implying favorable state of financial background or a room to further increase dividend.

Having listed on the second section of Tokyo Stock Exchange in March 2018, the Company was also listed on the second section of Nagoya Stock Exchange in June of the same year, which was followed by change of the market to the first section of Tokyo Stock Exchange and the first section of Nagoya Stock Exchange in March 2019. Since the inauguration, the Company has expanded its business scale through contribution to development of customers and the market for temporary materials as a manufacturer of those represented by system scaffolding products. On top of this, the Company set up Distribution Equipment Division in May 2003, based on own metal machining technology, having supplied diverse customers with high-quality products, according to the Company.

System scaffolding products or the mainstay in Temporary Materials Division have seen growth together with that of customers across the nation in Japan, while the Company advocates that it has the No. 1 share in the domestic market even now. Meanwhile, under the recent circumstances where existing equipment becoming obsolete and workforce coming down being raised as problems, the Company launches system scaffolding products in the market, extensively incorporating demand from society represented by that of securing safety on works and increasingly sophisticated demand from customers together with its accumulated knowhows on the manufacture and sales for a long time. The Company is keen on persistent self-discipline to realize the manufacture of products with a high pride as the leader also in the future, while further pursuing customer satisfaction, putting up “being by far the largest even in 10 years as manufacturer” as its corporate slogan.

History of Juridical Personality

| Date | Events |
|----------------|--|
| September 1977 | Shinwa Shoten, established in Hashima-city, Gifu-prefecture with objectives to manufacture and sell temporary materials |
| August 1979 | Incorporated and established as Shinwa Co., Ltd. (former Shinwa A) with capital of ¥10m |
| February 2004 | Former Shinwa A, merged by SBI Partners and then identified as Shinwa Co. Ltd. (former Shinwa B) Tsuchikura Equipment Center, established in Tsuchikura Plant |
| August 2006 | Shinwa Co. Ltd. (former Shinwa B), merged by Cosmetics Global Holdings Japan and then identified as Shinwa Co. Ltd. (former Shinwa C) with capital of ¥2,603m |
| August 2014 | River Holdings (present-day Shinwa Co. Ltd.), founded to procure shares from former Shinwa Co., Ltd. |
| April 2015 | Merged with former Shinwa Co., Ltd. (subsidiary, then) and then identified as (present-day) Shinwa Co., Ltd. |

History of Business

| Date | Events |
|---------------|---|
| April 1978 | Constructed factory in Hashima-city, Gifu-prefecture |
| January 1988 | Set up division of wedge binding scaffolding and started up manufacturing and selling of SHINWA CATCHER |
| April 1990 | Set up Kanto Branch in Satte-city, Saitama-prefecture (present-day Tokyo Branch: moved to Chiyoda-ku, Tokyo afterwards) |
| October 1990 | Constructed factory in Kaizu-city, Gifu-prefecture |
| March 1997 | Constructed factory (Tsuchikura Plant) in Kaizu-city, Gifu-prefecture |
| July 2002 | Merged with Chubu Shinwa Co., Ltd. in charge of imports and exports of steel materials and sales (capital: ¥20m) |
| May 2003 | Additionally constructed facilities to manufacture distribution equipment in Tsuchikura Plant |
| December 2003 | Entered distribution equipment and started selling distribution equipment to manufacturers of automobiles |
| January 2004 | Head office, moved to Kaizu-city, Gifu-prefecture |
| July 2007 | Set up Osaka sales office in Suita-city, Osaka-prefecture (present-day Osaka Branch) |
| August 2007 | Fully consolidated Shinwa Service Co., Ltd. (Umi-machi, Kasuya-district, Fukuoka-prefecture) as subsidiary with transfer of the shares |
| August 2008 | Tsuchikura Equipment Center, approved as factory to cope with standard of management for aged temporary materials |
| January 2009 | Started up selling Hanging Pallets |
| March 2010 | Capital reduction (to ¥100m) for the sake of solid financial position |
| October 2010 | Satte Equipment Center, approved as factory to cope with standard of management for aged temporary materials |
| November 2011 | Satte Equipment Center, moved to Sugito-machi, Kitakatsushika-district, Saitama-prefecture and then identified as Sugito Equipment Center |
| | Started up selling Landing Box or easy lift for works with scaffolding |
| March 2013 | Osaka Branch moved, due to increased business scale |
| May 2014 | Started up selling distribution equipment to a major online retailer |
| May 2016 | Started up manufacturing and selling of next generation scaffolding or Silent Power System (SPS) |
| February 2017 | Started up manufacturing and selling of next generation scaffolding or Darwin (NDS) for a specific major leasing company of temporary materials |
| June 2017 | Set up representative office in Manila, the Philippines and started up selling own products |
| October 2017 | Started up the manufacture of wedge binding scaffolding by subcontract factory in Ho Chi Minh, Vietnam |
| March 2018 | Listed on the second section of Tokyo Stock Exchange |
| June 2018 | Listed on the second section of Nagoya Stock Exchange |
| October 2018 | Set up Kumamoto Equipment Center of Shinwa Service Co., Ltd. in Kumamoto-city, Kumamoto-prefecture |

| | |
|---------------|--|
| November 2018 | Set up Yokohama Equipment Center in Yokohama-city, Kanagawa-prefecture Set up Kansai Equipment Center in Ikeda-city, Osaka-prefecture |
| February 2019 | Set up Nagoya office in Nagoya-city, Aichi-prefecture |
| March 2019 | Change listing to the first section of Tokyo Stock Exchange Change listing to the first section of Nagoya Stock Exchange |
| November 2019 | Established joint venture GUANGDONG NISSHIN-CHUANGFU ADVANCED CONSTRUCTION MATERIALS Co., Ltd. in China |

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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