



# FY 2020

Presentation Material for  
Financial Results Briefing  
(May 26, 2021)

# Contents

|                      |  |                      |                               |
|----------------------|--|----------------------|-------------------------------|
| Chapter<br><b>01</b> | Features of Shinwa   | Chapter<br><b>07</b> | Financial Overview for FY2020 |
| Chapter<br><b>02</b> | First Pillar: Scaffolding<br>Equipment   | Chapter<br><b>08</b> | Business Forecast for FY2021  |
| Chapter<br><b>03</b> | What is System Scaffolding?  | Chapter<br><b>09</b> | Shareholder Return            |
| Chapter<br><b>04</b> | First-class Production Capacity<br>in Japan and Highly Competitive<br>Manufacturing Cost |                      |                               |
| Chapter<br><b>05</b> | Second Pillar: Logistics<br>Equipment Division   |                      |                               |
| Chapter<br><b>06</b> | Third Pillar: Overseas<br>Business Expansion   |                      |                               |

| Chapter 01 |

# Features of Shinwa

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*SHINWA CO.,LTD.*

**Leader of scaffolding  
equipment technology**

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

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

\* System scaffolding is the general term referring to wedge binding type scaffolding and next generation scaffolding

# Corporate Outline

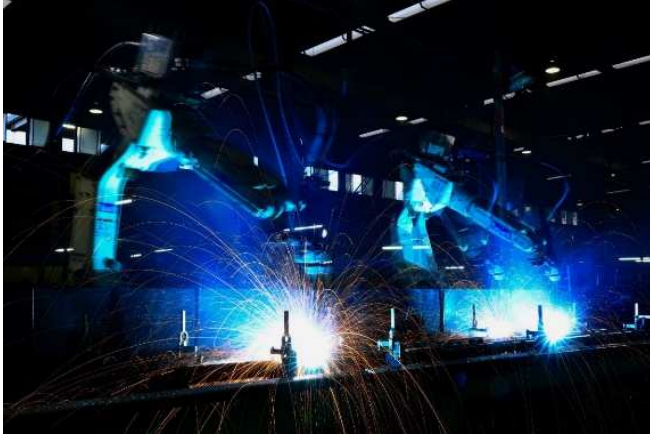


|   |  |
|---|--|
| Name  | Shinwa Co., Ltd.   |
| Head Office                                 | 30-7 Hiratacho Bushigawa, Kaizu-shi,<br>Gifu 503-0311, Japan |
| President and<br>Representative<br>Director | Hiroshi Yamada   |
| Founded                                     | September 1977   |
| Established                                 | August 1979  |
| Capital                                     | 153 million yen  |
| Employees                                   | 175 (*)  |
| Securities Code                             | 3447   |
| Number of<br>Shares Issued                  | 14,103,000 shares (*)  |

(\*) As of March 31, 2021



# Company History



- 1977 Began business operations as Shinwa Shoten
- 1978 Started manufacturing “Jack Base” scaffolding
- 1988 Entered the system scaffolding market
- 2003 Established the Logistics Equipment Division
- 2016 Started manufacturing and selling next generation scaffolding “SPS (Silent Power System)”
- 2017 Began manufacturing and selling overseas
- 2018 Listed on the Second Section of the Tokyo Stock Exchange and Nagoya Stock Exchange
- 2019 Reassigned to the First Section of the Tokyo Stock Exchange and Nagoya Stock Exchange
- 2019 Established Guangdong Nisshin-Chuangfu Advanced Construction Materials Co., Ltd. in China

# Company Network

Eleven locations in Japan and two locations overseas

## Domestic locations



## Overseas locations



- Sales Offices  
**Six in Japan**
- ▲ Equipment Centers  
**Five in Japan**
- ▲ Production Sites  
**One in Japan, two overseas**

# Business Activities

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

## Scaffolding Equipment Division

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



Large-scale warehouse/roof forming construction work



Shin-Tomei Expressway pier construction

## Logistics Equipment Division

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



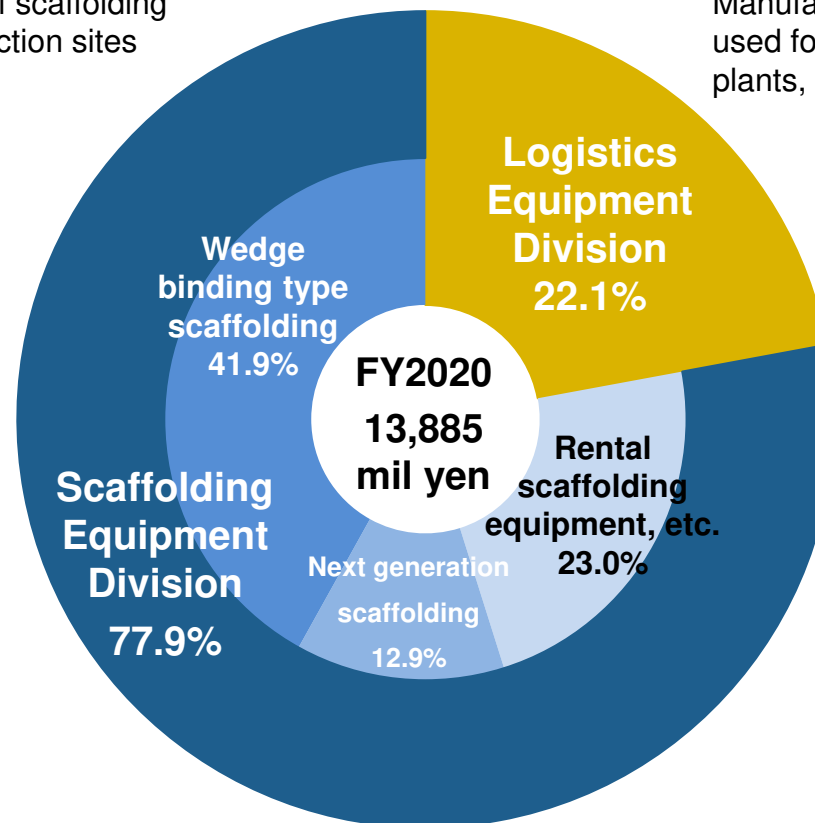
Bulk container cage for liquid shipping



Pallets for automobile manufacturers



Racks for large-scale warehouses





# First Pillar: Scaffolding Equipment Division

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# Categorization of Scaffolding Equipment

Scaffolding equipment is broadly categorized into “lightweight scaffolding equipment” and “heavy-duty scaffolding equipment”

Our company manufactures and sells “footholds” amongst lightweight scaffolding equipment

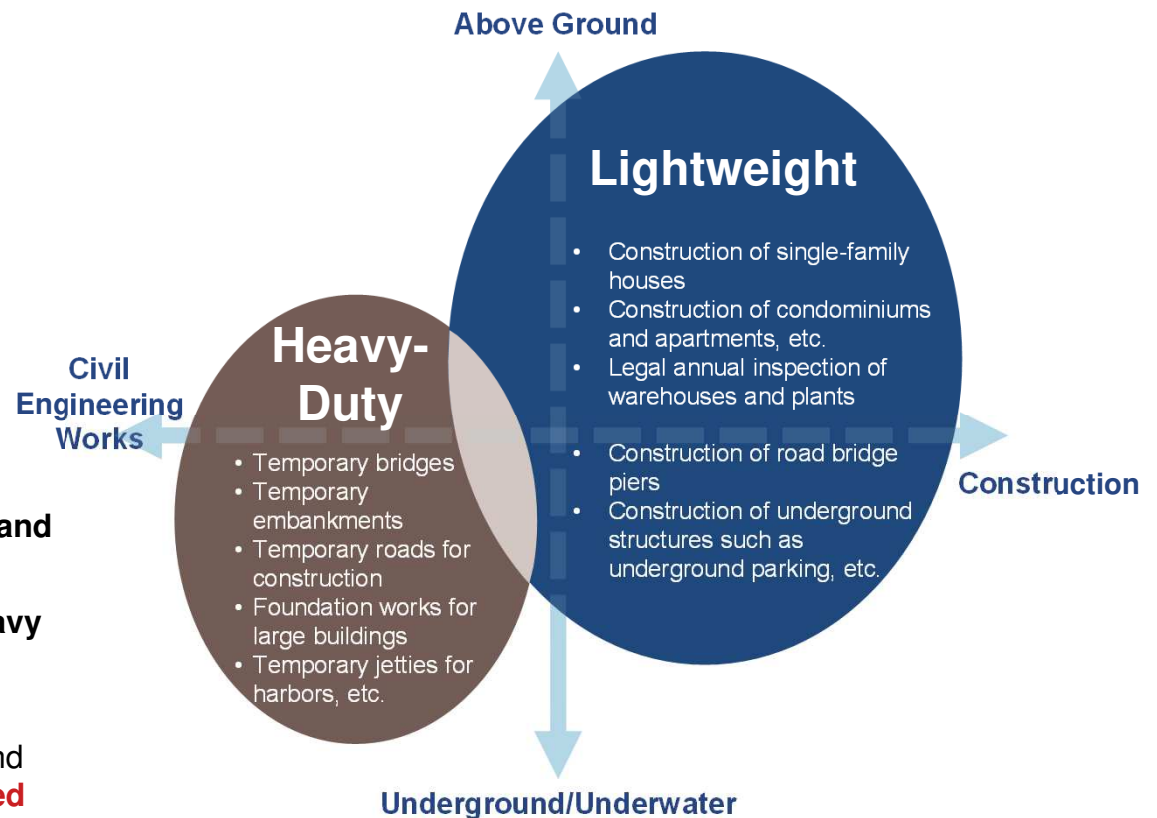
## Lightweight scaffolding equipment

- Used **primarily in the construction of above ground buildings** but **also used widely** in civil engineering works and underground construction
- Equipment primarily for **workers working at high altitudes**
- Can be transported by people and is **highly versatile**

## Heavy-duty scaffolding equipment

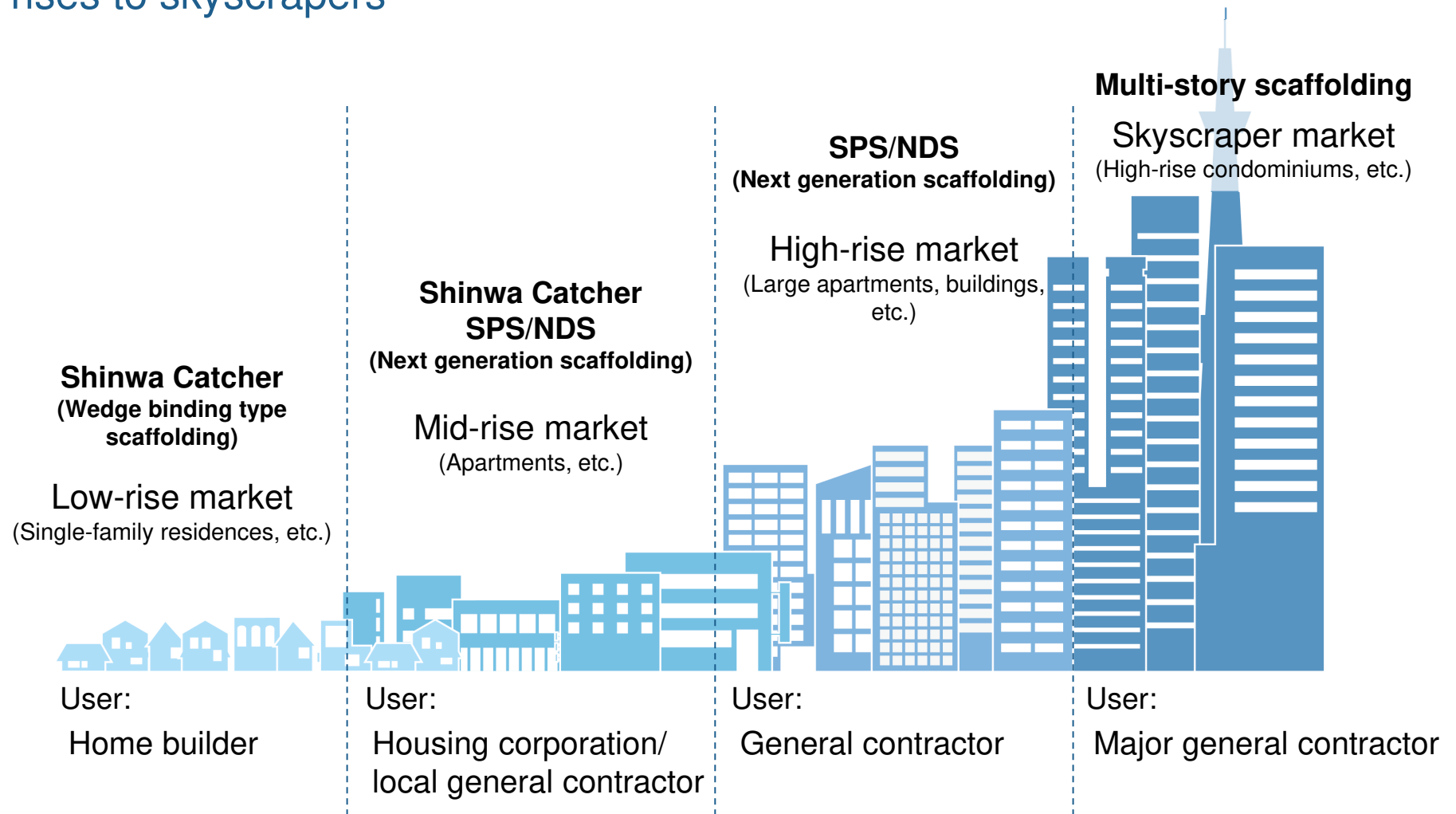
- Used **primarily in civil engineering works and underground construction**
- Large-scale equipment that can **support heavy construction machinery and withstand earth/water pressure**
- Heavy machinery is required to assemble, and equipment is **highly specific and specialized**

## Uses for lightweight and heavy-duty scaffolding equipment



# Unique Positioning in the Scaffolding Market

The only company that can supply products to various markets, from low-rises to skyscrapers



# What is System Scaffolding?

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# Housing Construction (Low-Rise)





# Logistics Warehouse Construction (Mid-Rise)





# Large-Scale Residential Building Repair (High-Rise)





# Super High-Rise Residential Building (Skyscraper)





# Plant Maintenance





# Civil Engineering Work





# Road Construction, Maintenance, and Repair



# System Scaffolding is Indispensable at Construction Sites



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**System  
Scaffolding  
Sales Share**

**No.1**

Total shipment amount base  
from internal survey (in 2019)

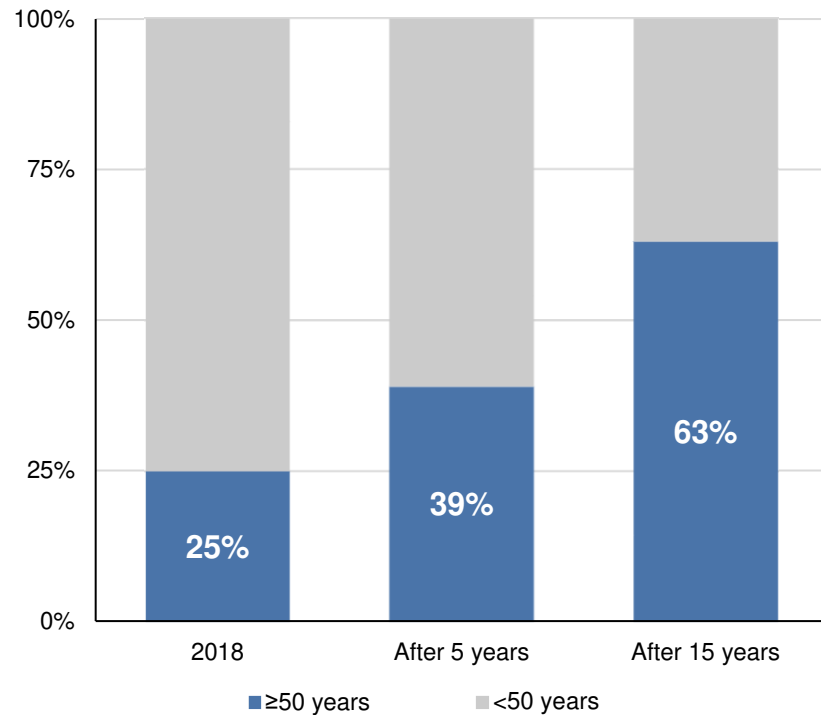
# Business Environment for Scaffolding Equipment Division

Promoting strategic maintenance, repair, and renovation of infrastructure

## Percentage of social infrastructure built 50 years or more ago

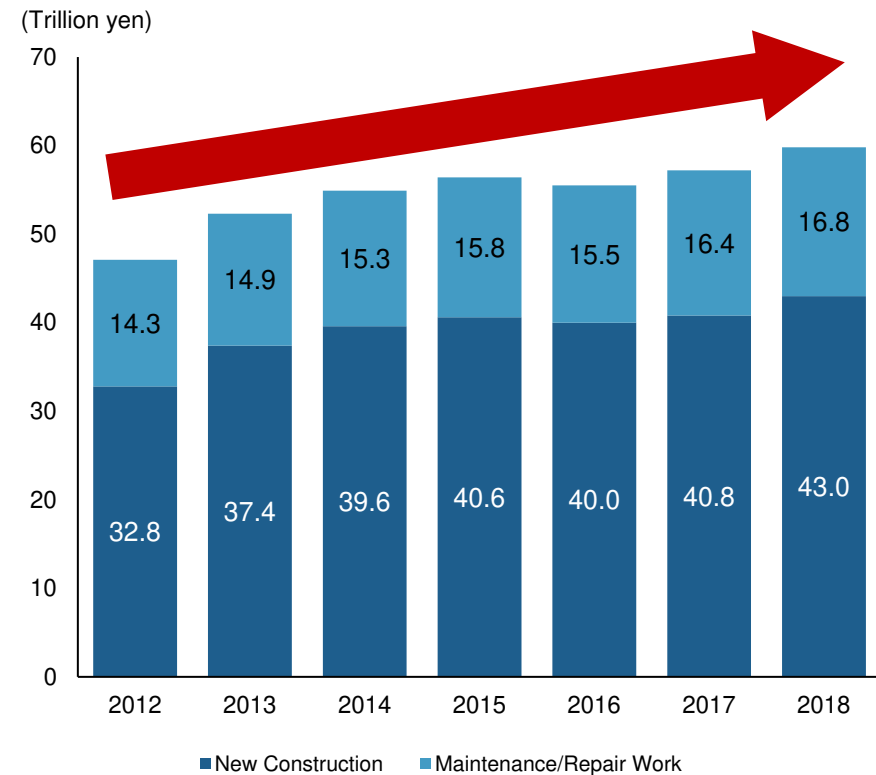
**Road bridges** [about 400,000 bridges\* (out of approx. 700,000 bridges that are 2 m long or more)]

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



\* Percentage calculations exclude approximately 300,000 bridges for which the date of construction is unknown  
Source: Japan Federation of Construction Contractors, "Construction Handbook 2019"

## Construction Investment: Trends in new construction work and maintenance/repair work



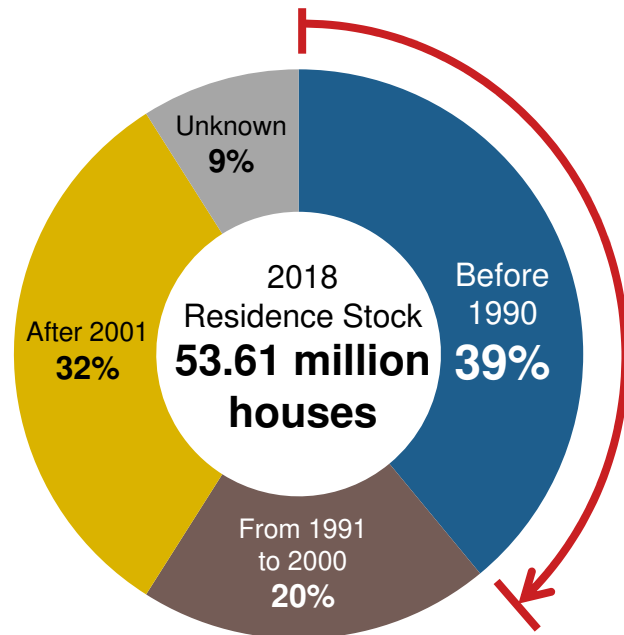
Source: Japan Federation of Construction Contractors, "Construction Handbook 2019"

# Business Environment for Scaffolding Equipment Division

Expect an increase in renovation demand for houses built 30 years ago or more

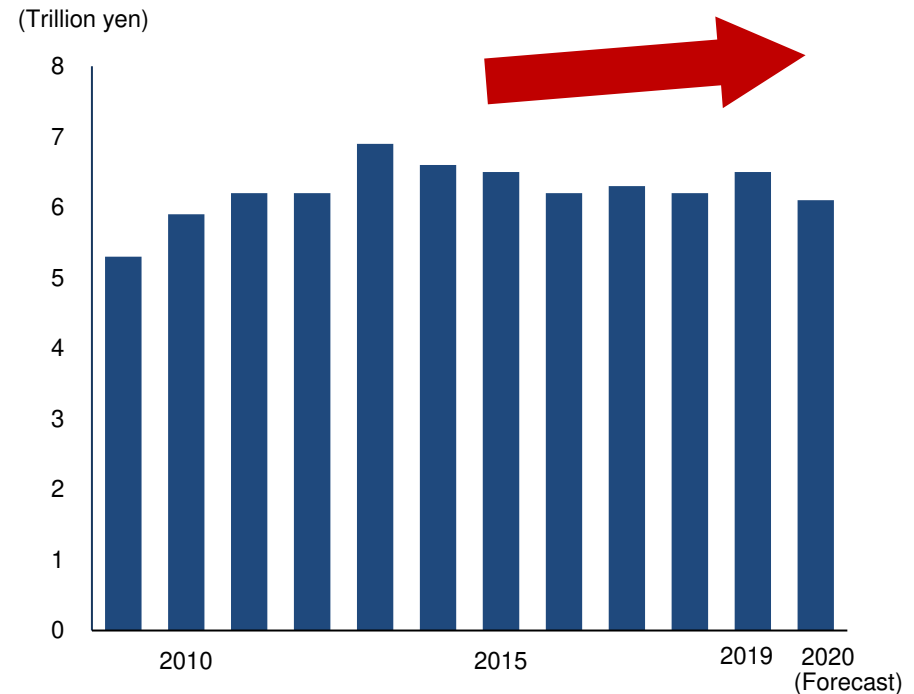
## Number of occupied houses by date of construction

Houses built before 1990 represent 39% (20.9 million houses) of all houses



Source: Ministry of Internal Affairs and Communications "2018 Housing and Land Survey"

## Market size forecast for house renovation market

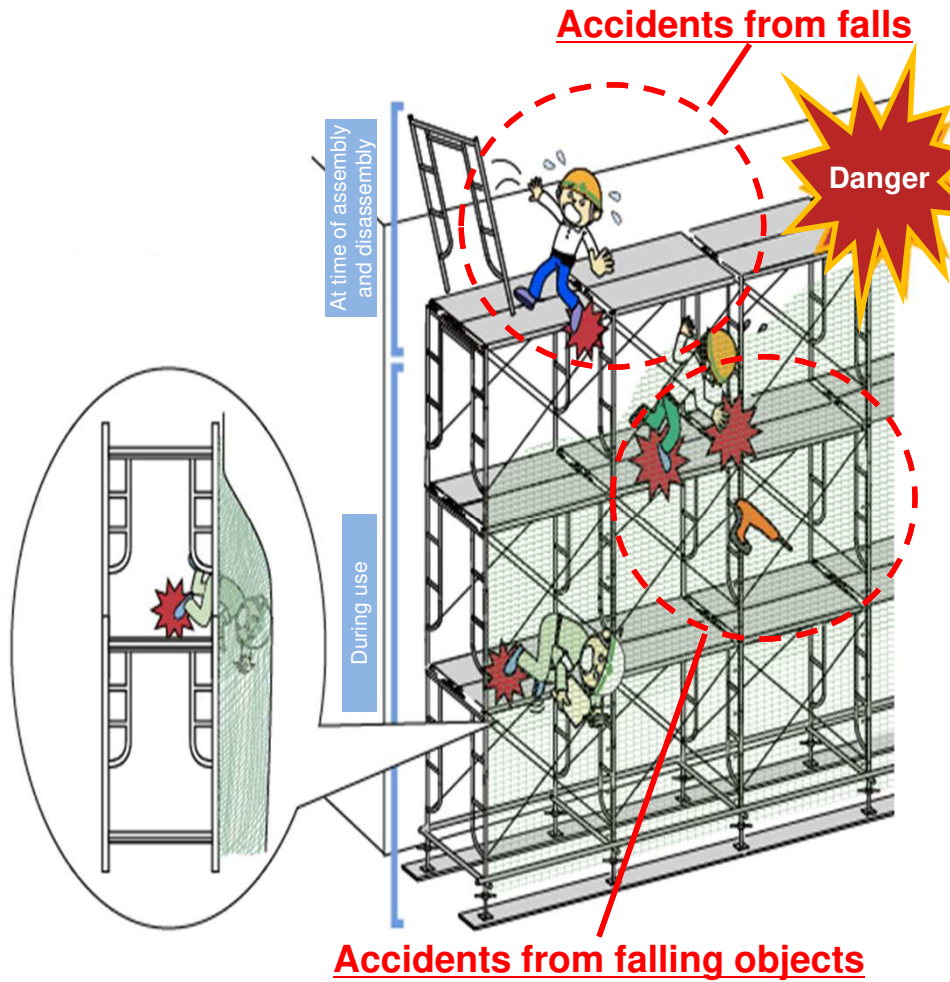


Source: Yano Research Institute Ltd. estimate based on Ministry of Land, Infrastructure, Transport and Tourism "Statistical Survey of Construction Starts," Ministry of Internal Affairs and Communications "Family Income and Expenditure Survey," Ministry of Internal Affairs and Communications "Basic Resident Register," and National Institute of Population and Social Security Research "Future Forecast of Number of Households in Japan (Nationwide Estimate)" (November 27, 2020 estimate)



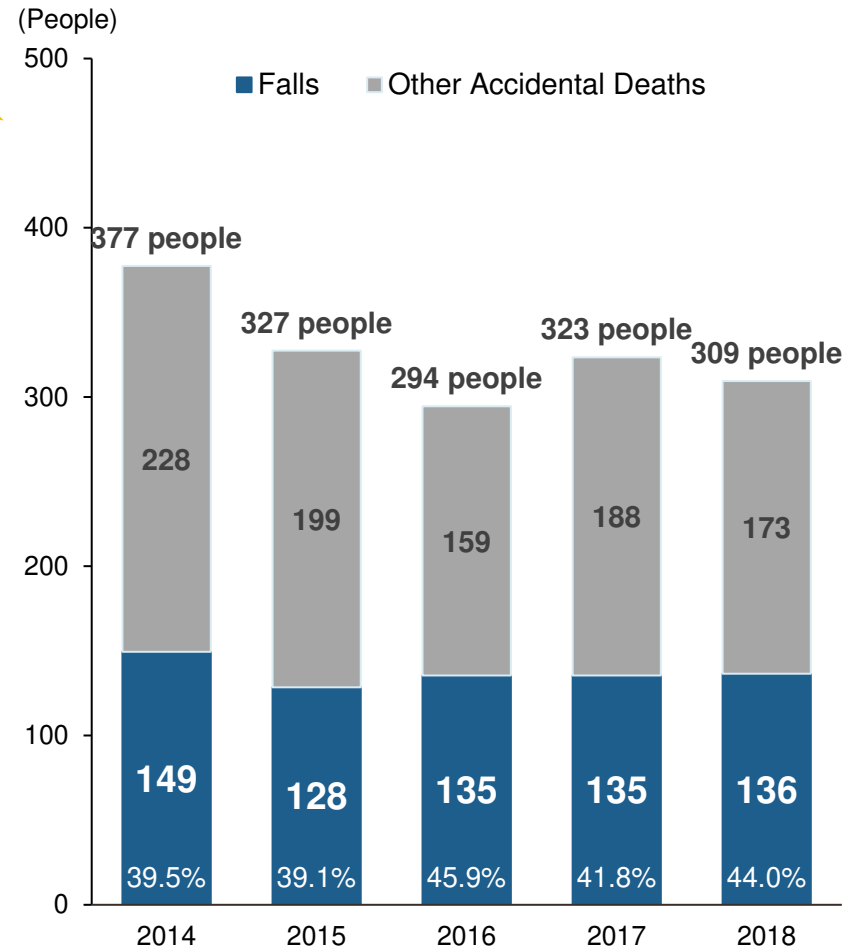
# Work-Related Deaths at Construction Sites

40% of all deaths are a result of falls



[Source] Japan Construction Occupational Safety and Health Association

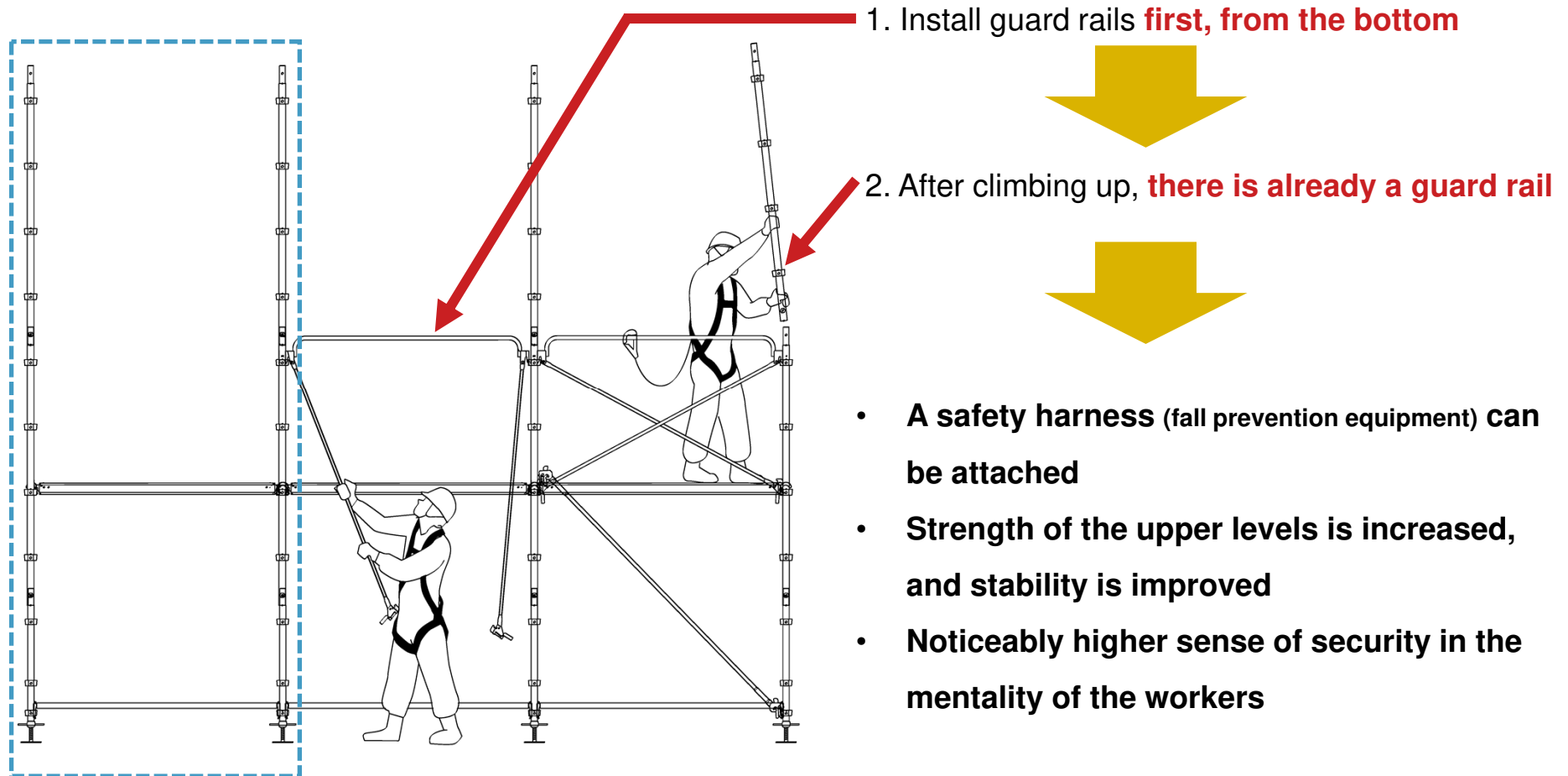
Number of accidental deaths in construction





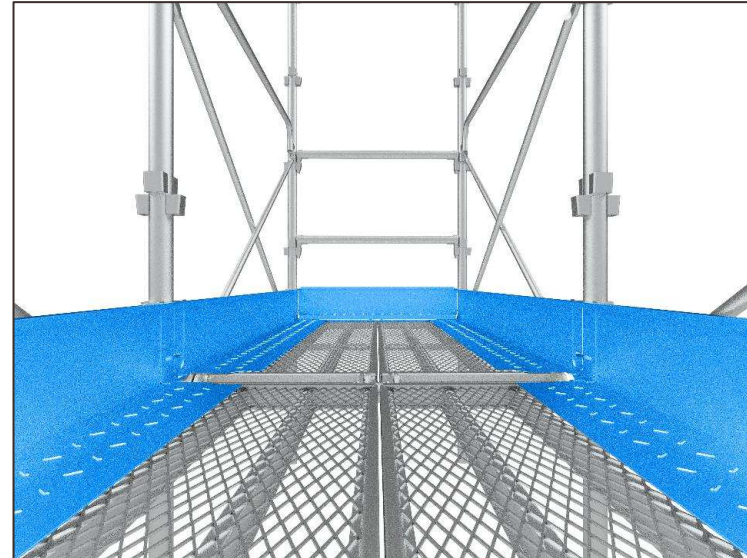
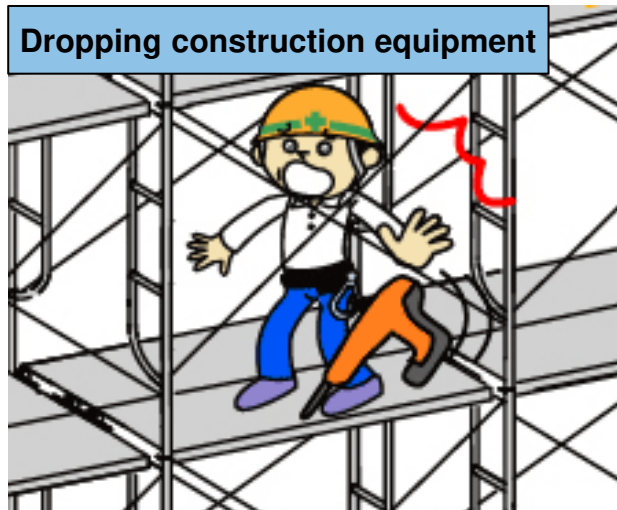
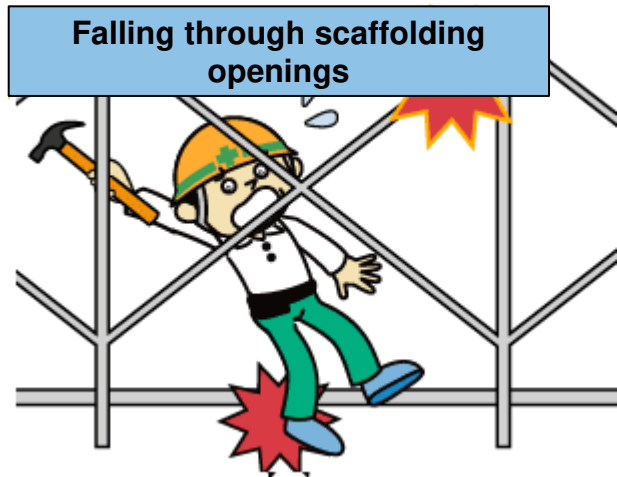
# Measures to Prevent Falls – Pre-install Guard Rails

By installing **guard rails before construction**, prevent accidental falls



# Measures to Prevent Equipment from Falling

Installing toe boards protects the walking surface and prevents people and equipment from falling



## Merits to installing toe boards

- ✓ Prevents workers from falling
- ✓ Prevents equipment from accidentally being dropped
- ✓ Reduces workers' psychological worries

[Source] Japan Construction Occupational Safety and Health Association

# Top Production Capacity in Japan and Highly Competitive Manufacturing Cost

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# Top Production Capacity in Japan



10-ton truck  
Approximately  
**2,700** trucks  
(FY2020)

Number of welding  
robots  
**136**  
robots (As of April 27, 2021)

## Site Area 40,642 m<sup>2</sup>

Boasts leading production capabilities with production of diverse products and speedy product launch

Reduces raw material procurement costs and outsourcing costs

Able to respond flexibly to customer orders

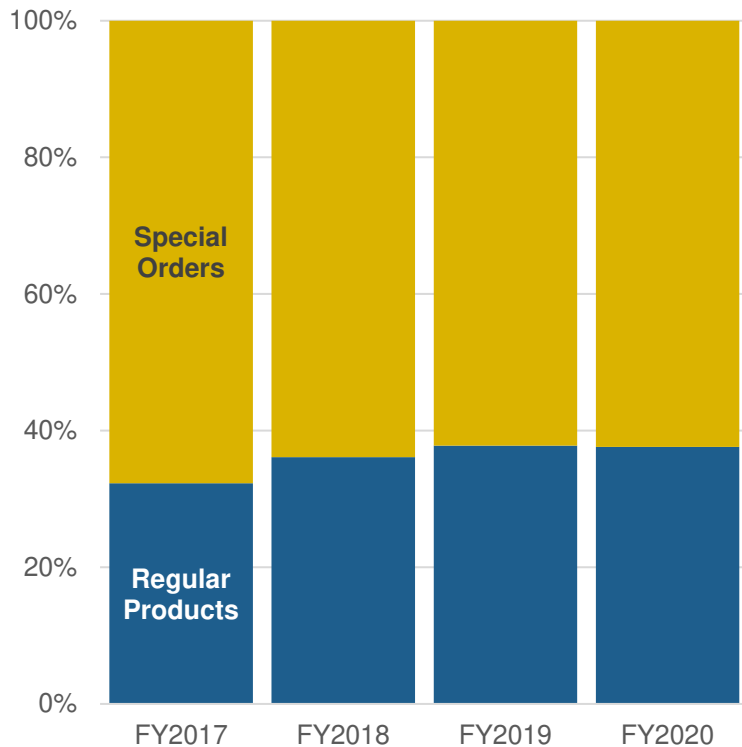


# Highly Competitive Manufacturing Cost

Ability to respond flexibly to various requests from customers and highly competitive with low manufacturing costs by leveraging plant location

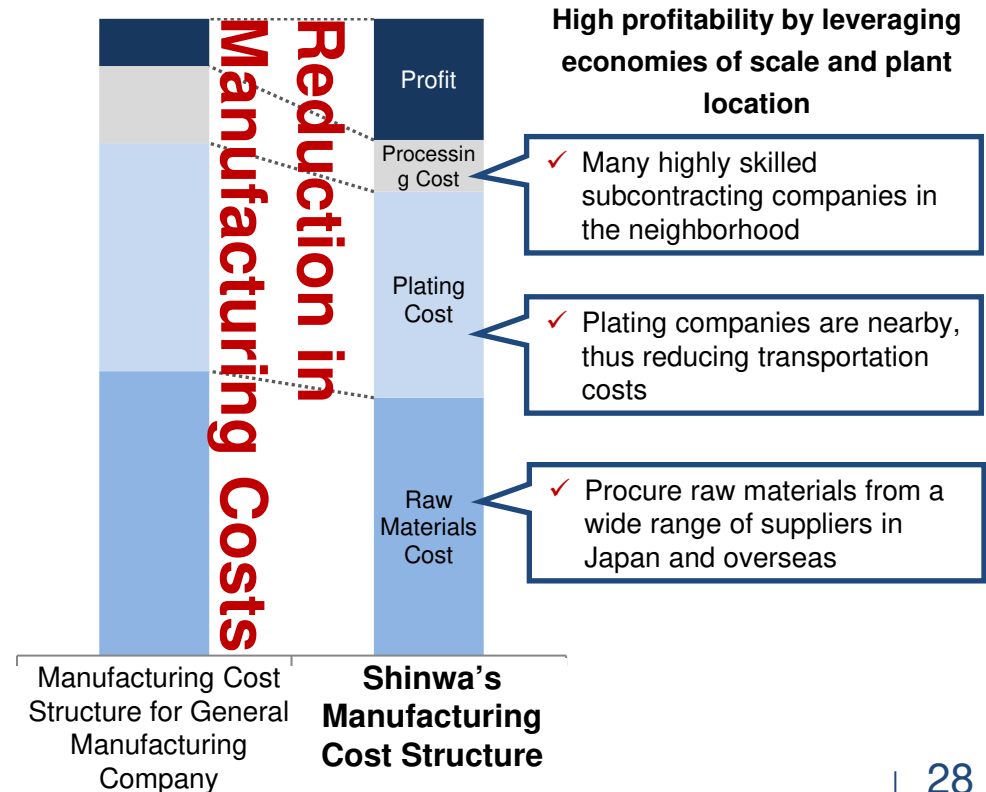
## Special orders as a percentage manufactured items

Achieve the best mix between profitable special orders and regular products with production efficiency



## Low-cost structure for manufacturing costs

Reduce manufacturing costs by taking advantage of leading production capabilities





# Second Pillar: Logistics Equipment Division

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# What is Logistics Equipment?

Logistics equipment does not come in any specific shape or form. It includes custom-made products that respond to transportation and storage needs of various industries

## Exclusive designs for specific industries and needs

Transporting automobile engines safely to overseas factories



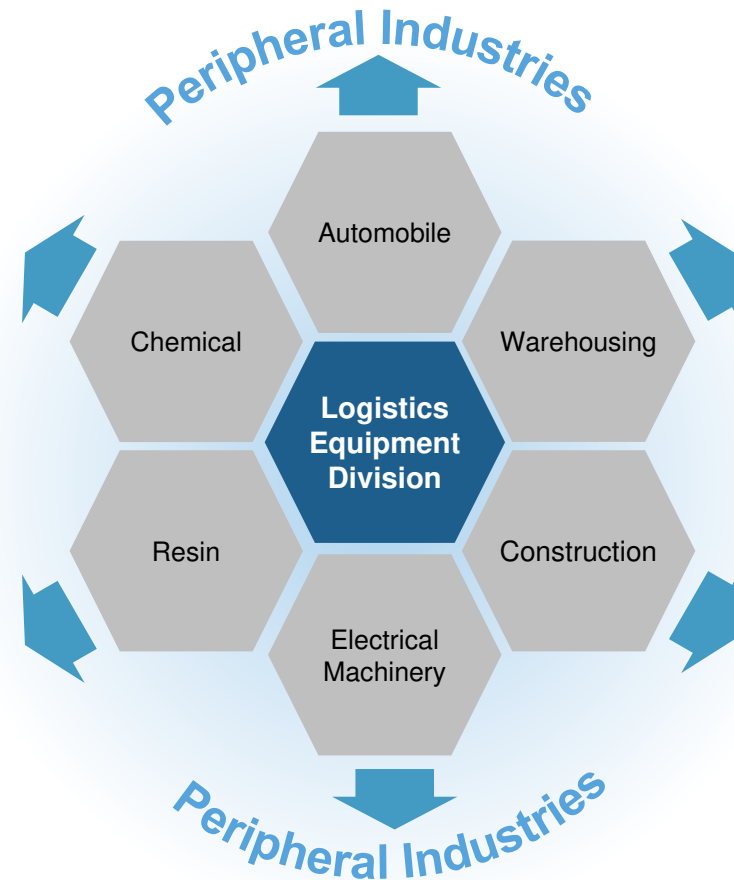
Transporting and storing rolls of film efficiently



Reinforcing containers made of resin in a space-saving and lightweight manner



## Boasts wide-reaching touch points



# [Automobile] Engine/Transmission Transport Pallets



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# [Chemical] Liquid Bulk Containers



(For illustrative purposes only)



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



# [Logistics/Warehouse] Storage Racks for E-Commerce Retailers

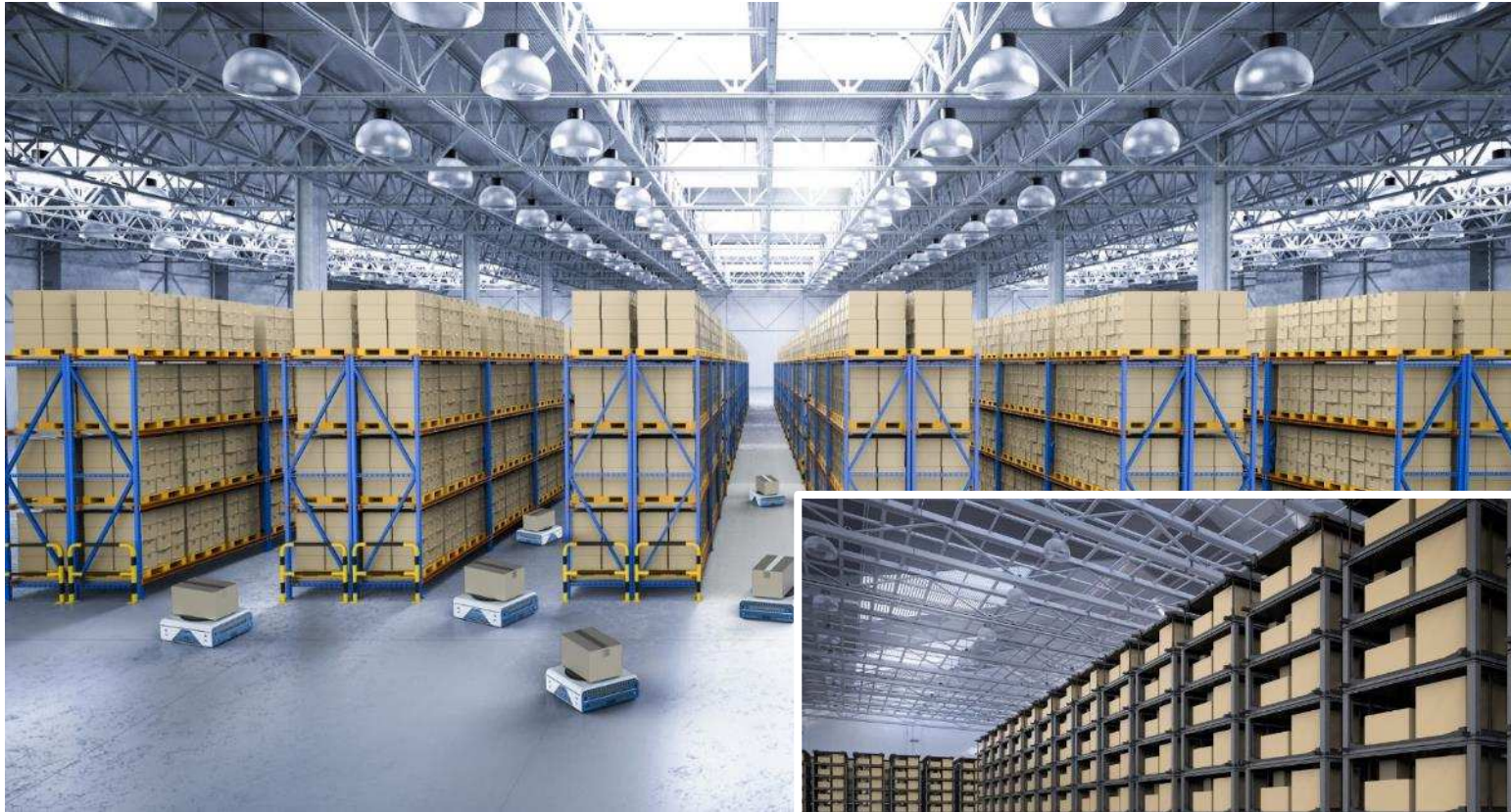


(For illustrative purposes only)





# From Site Management to Installation of Logistics Equipment



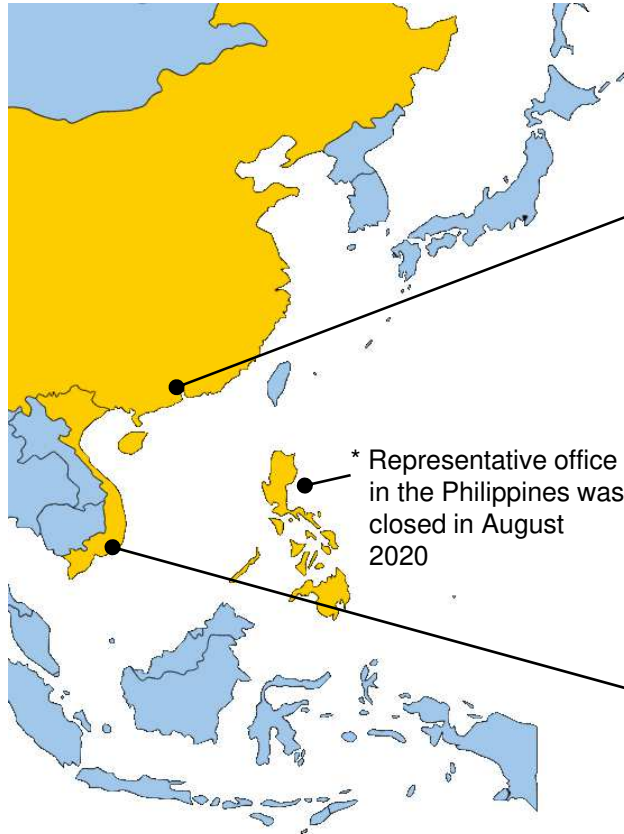
(For illustrative purposes only)



# Third Pillar: Overseas Business Expansion

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# Overseas Expansion – Initiatives to Date



## China

- Established a joint venture company in November 2019
- Upon completion of a marketing study on China's domestic market, began manufacturing and selling scaffolding in 2020 that conformed to China's building standards



## Vietnam

- Opened a subcontract factory in October 2017
- Manufactures system scaffoldings based on Japanese standards and quality

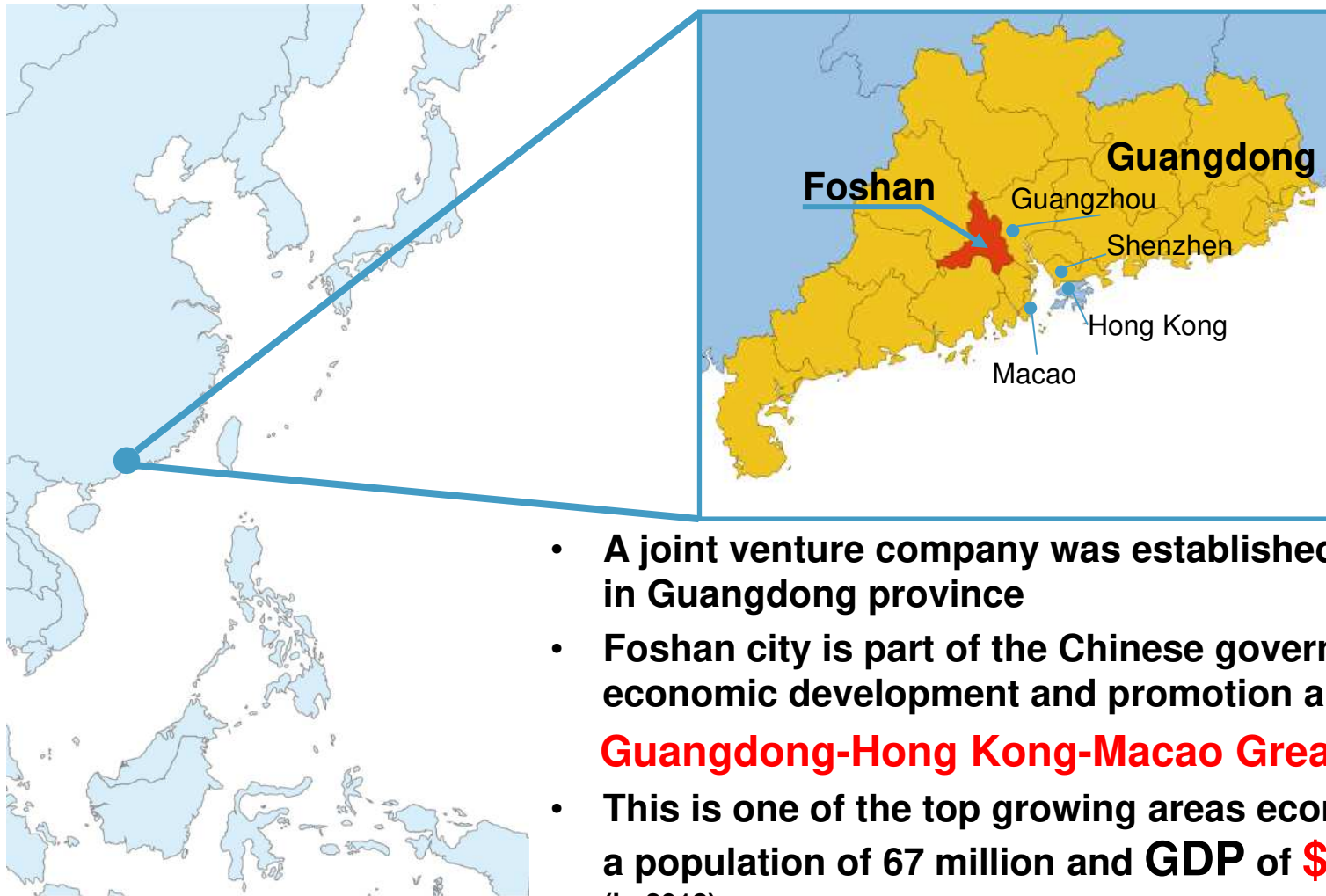


**Reinforce structure to expand sales and rental businesses of products with outstanding workability, durability and safety**



# Overseas Expansion – Establish Joint Venture Company

Established a joint venture company, **Guangdong Nisshin-Chuangfu Advanced Construction Materials Co., Ltd.** in November 2019



- A joint venture company was established in Foshan city in Guangdong province
- Foshan city is part of the Chinese government's economic development and promotion area called **Guangdong-Hong Kong-Macao Greater Bay Area**
- This is one of the top growing areas economically, with a population of 67 million and **GDP of \$1,340 billion** (in 2018)

# Summary of the Joint Venture Company in China

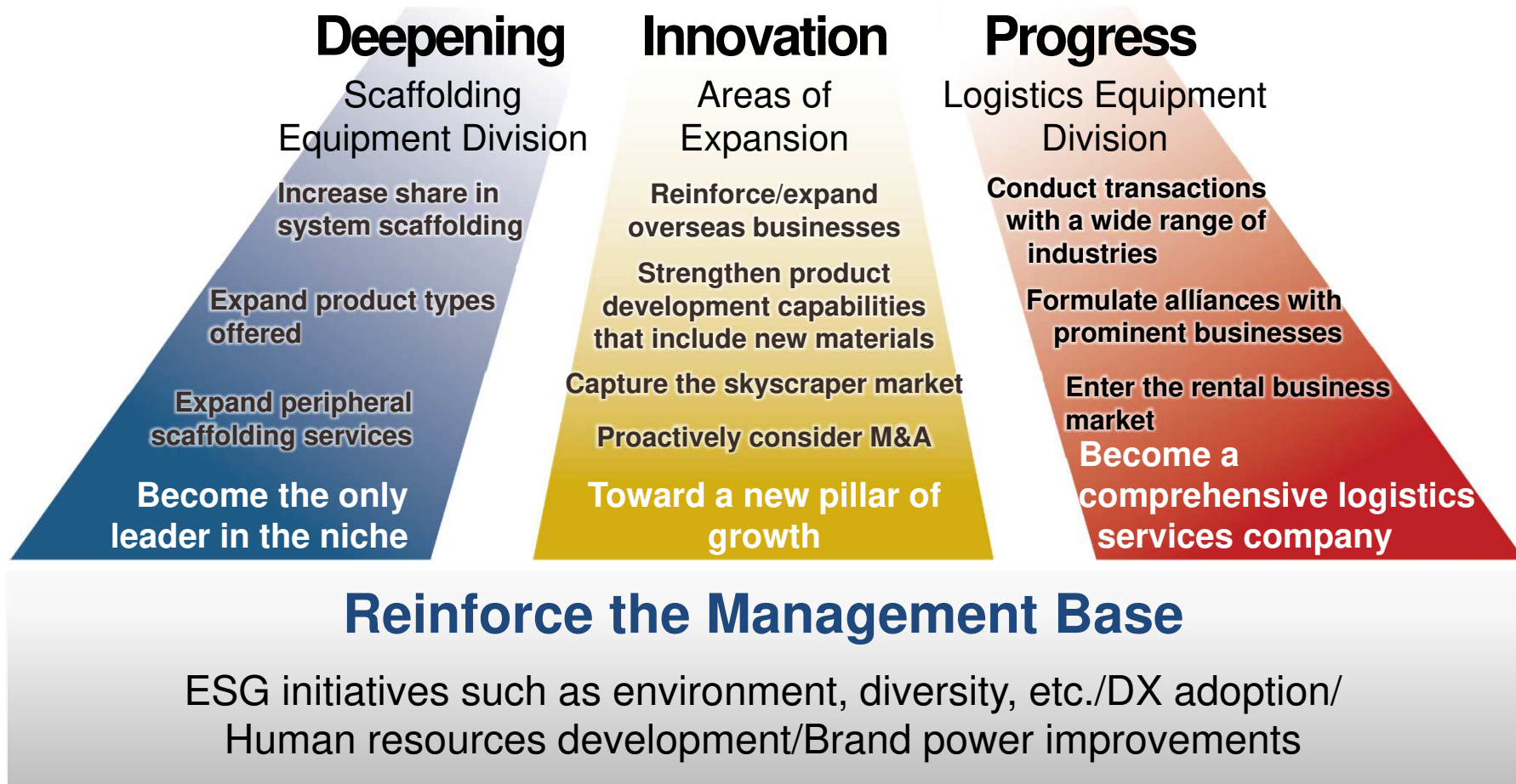
|                       |   |  |   |                         |
|-----------------------|---|--|---|-------------------------|
| <b>Company Name</b>   | <b>Guangdong Nisshin-Chuangfu Advanced Construction Materials Co., Ltd.</b>     | <b>Registered Capital</b>                          | <b>RMB 25 million<br/>(equivalent to approx. 400 million yen)</b> |                         |
| <b>Representative</b> | <b>Kurio Noritake (Executive Vice President and Director, Shinwa Co., Ltd.)</b> |  | <b>Major Shareholders</b>   | <b>Shinwa Co., Ltd.</b> |
| <b>Location</b>       | <b>Foshan, Guangdong</b>  | <b>Guangdong Chuangfu Metal Products Co., Ltd.</b> |   | <b>34.0%</b>            |
| <b>Established</b>    | <b>November 5, 2019</b>   | <b>Alconix Corporation</b>                         |   | <b>15.0%</b>            |
| <b>Business</b>       | <b>Import, manufacture, and sale of scaffolding equipment for construction</b>  |  |   |                         |



**Our mission to “protect valuable lives through our products and services” will also be applied overseas**

# Shinwa's "Visions"

Increase the **true value** of Shinwa with the three "Visions" to achieve continuous growth





| Chapter 07 |

# Financial Overview for FY2020

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*SHINWA CO.,LTD.*

# Financial Highlights for FY2020



**13,885 million yen (year on year -18.7%)**

Delays to investments in new construction and construction interruptions due to the spread of Covid-19 impacted year on year revenue, which posted a decline of 18.7%



**3,621 million yen (year on year -16.3%)**

Gross profit fell as revenue declined but demand for high value-added products such as safety measures equipment remained steady. Gross profit ratio improved 0.8 points year on year to 26.1%



**1,853 million yen (year on year -16.2%)**

Reduced costs and minimized expenditures through all possible means including cutting fixed costs and reviewing new investment projects, etc. Operating profit ratio improved 0.4 points year on year to 13.3%



**1,231 million yen (year on year -16.0%)**

Current profit ratio improved 0.3 points year on year to 8.9%

\*Current profit attributable to owners of parent

Current profit ratio (%) = current profit attributable to owners of parent ÷ Revenue × 100



- Strong demand for high value-added products such as safety measures equipment
- Launch of China's manufacturing subsidiary was delayed due to Covid-19, but manufacturing and sales began in June

# Summary of Consolidated P/L Statement

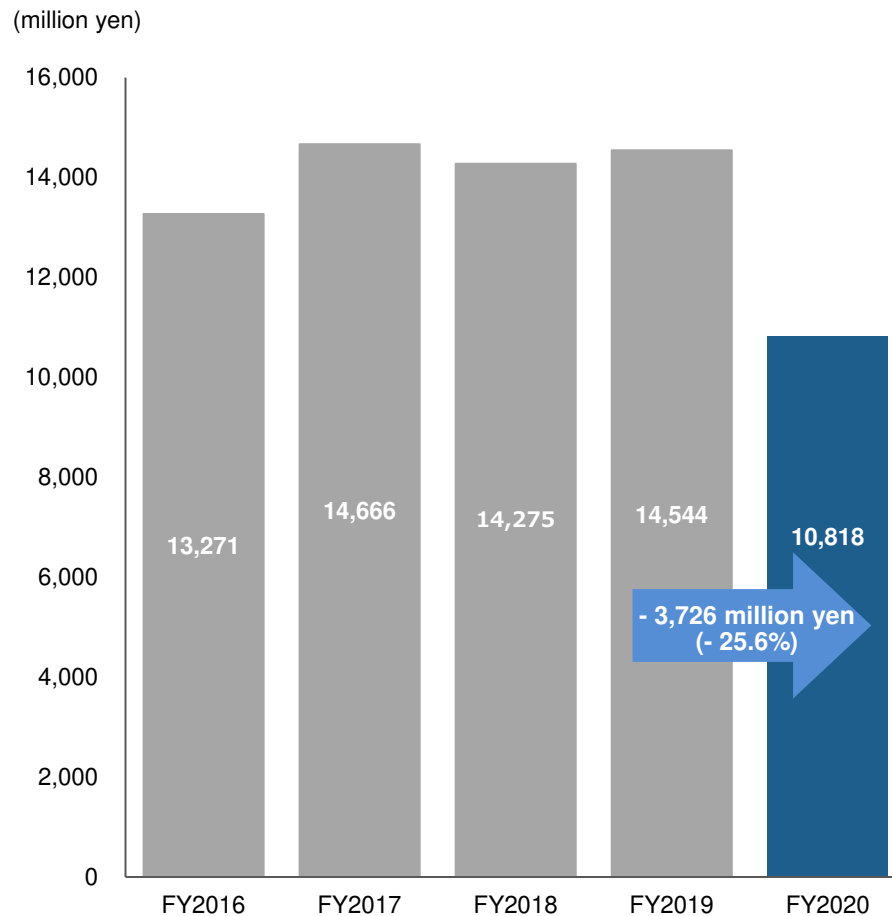
(IFRS-based; million yen)

|   | FY2019<br>Actuals | FY2020<br>Actuals | Increase/<br>Decrease | Year on<br>Year Rate |
|---|-------------------|-------------------|-----------------------|----------------------|
| Revenue   | 17,081            | <b>13,885</b>     | - 3,195               | - 18.7%              |
| Cost of Sales   | 12,751            | <b>10,263</b>     | - 2,488               | - 19.5%              |
| Gross Profit  | 4,329             | <b>3,621</b>      | - 707                 | - 16.3%              |
| Gross Profit Ratio  | 25.3%             | <b>26.1%</b>      | —                     | + 0.8pt              |
| SG&A Expenses, etc.   | 2,119             | <b>1,768</b>      | - 350                 | - 16.5%              |
| Operating Profit  | 2,210             | <b>1,853</b>      | - 357                 | - 16.2%              |
| Operation Profit Ratio  | 12.9%             | <b>13.3%</b>      | —                     | + 0.4pt              |
| Pretax Current Profit   | 2,139             | <b>1,784</b>      | - 355                 | - 16.6%              |
| Current Profit<br>Attributable to Owners of<br>Parent Company | 1,467             | <b>1,231</b>      | - 235                 | - 16.0%              |



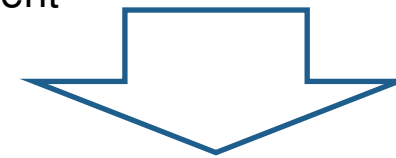
# Performance by Division: Scaffolding Equipment Division

## Revenue trends



## FY2020 consolidated cumulative total

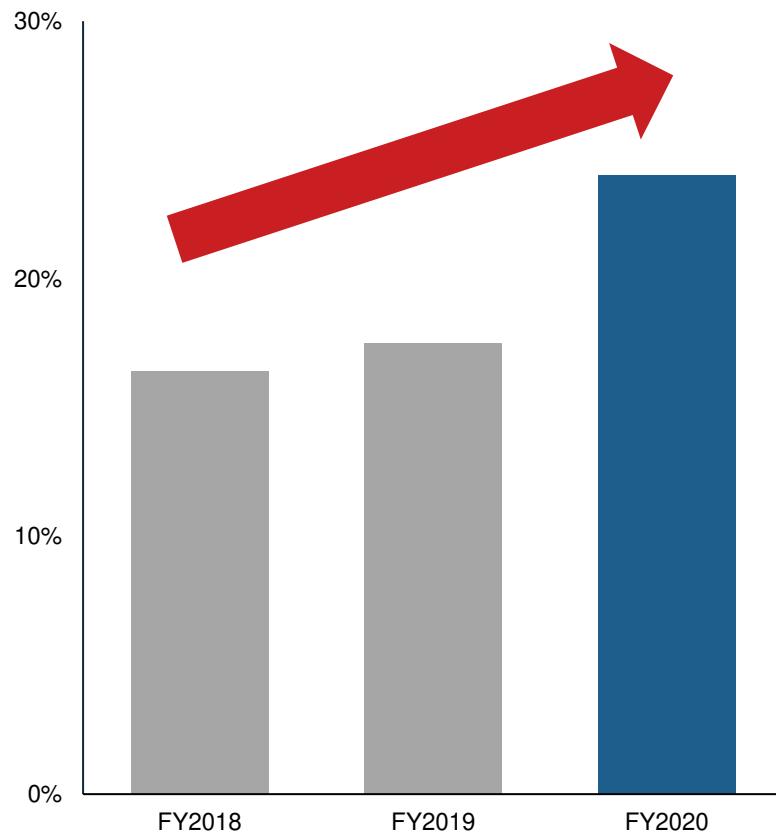
- Impacts were observed in construction interruptions and postponements, as well as delays in new construction and/or investments due to the spread of Covid-19
- Demand was strong for our company's products such as safety measures equipment



**Revenue of 10,818 million yen**  
**This was a 25.6% decline year on year,**  
**showing the significant effects of Covid-19**

# Expansion in Safety Measures Equipment

## Sales share of safety measures equipment



## Pre-installed guard rails

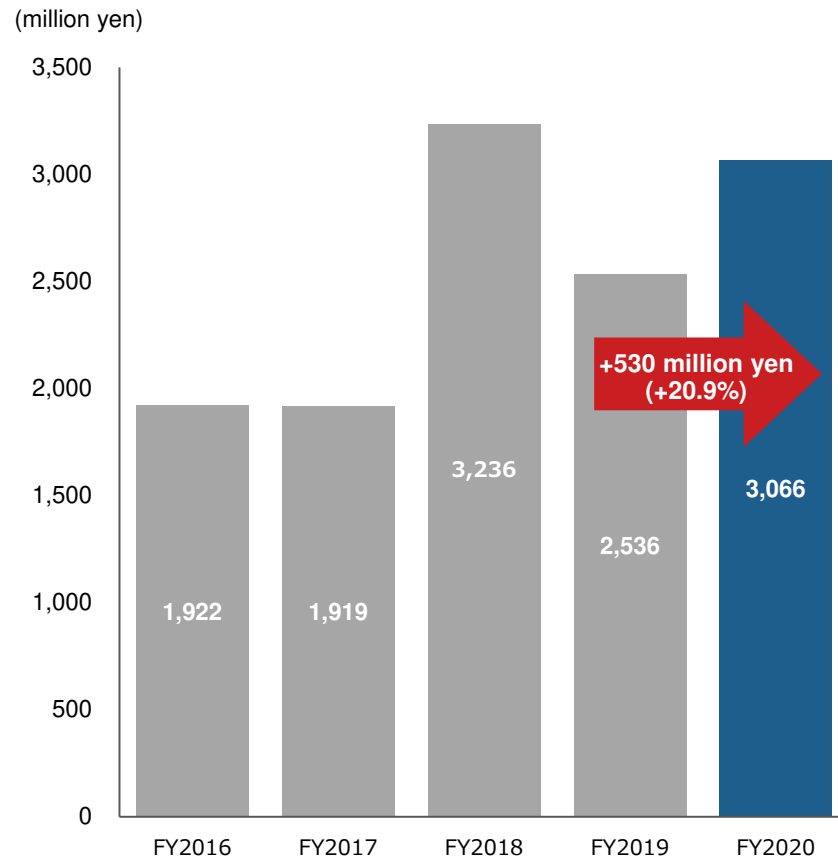
- While affected by Covid-19, there continues to be a strong trend towards the importance of safety at construction sites
- Rate of adoption for safety measures equipment with regard to system scaffolding continues to increase



**Captured 40% of the domestic share**

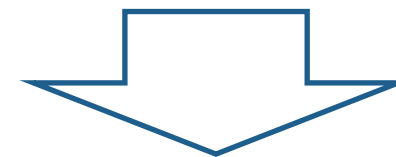
# Performance by Division: Logistics Equipment Division

## Revenue trends



## FY2020 consolidated cumulative total

- Despite the impact of stagnating logistics globally due to Covid-19, successfully won new deals from the automobile and semi-conductor industries which recovered business operations, and in logistics warehousing
- In particular, liquid bulk containers and racks for logistics warehouses trended favorably



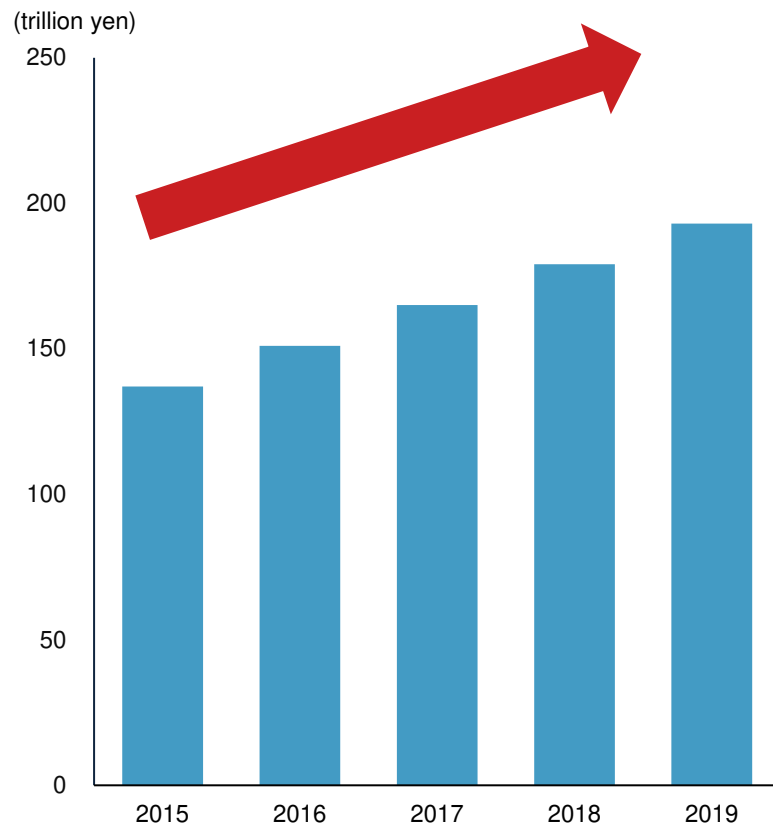
**Revenue of 3,066 million yen**  
**Year on year increased 20.9% showing**  
**the impact of Covid-19 was limited**



# EC Market Scale and Construction Order Trends for Warehouse/Logistics Facilities

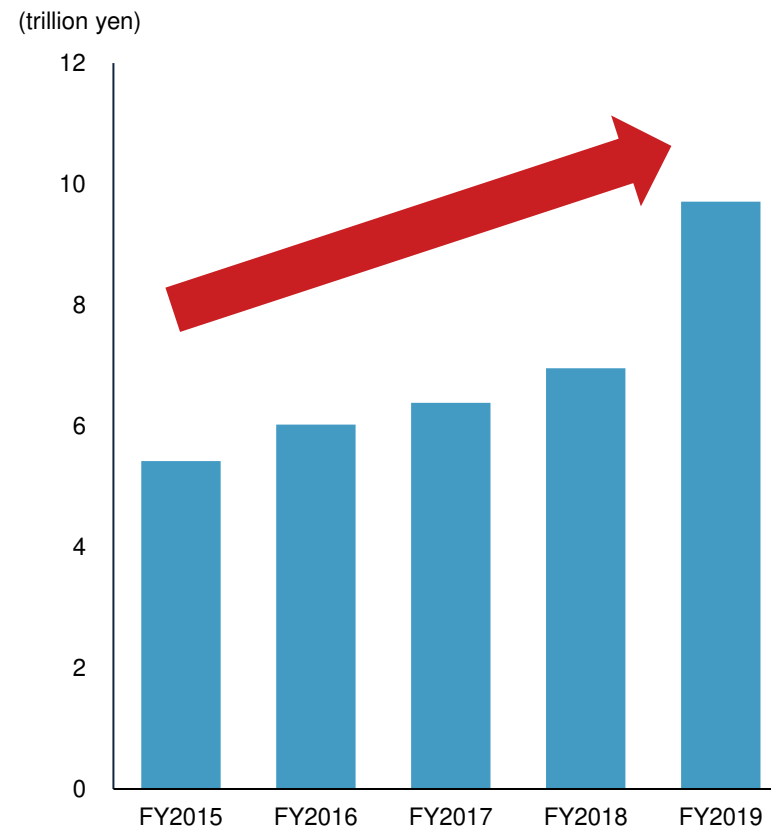
With the expansion in EC market scale, construction orders for warehouses and logistics facilities continued to increase

## Trends in EC market scale



Source: Ministry of Economy, Trade and Industry, "E-Commerce Market Survey"

## Trends in construction order value for warehouses/logistics facilities

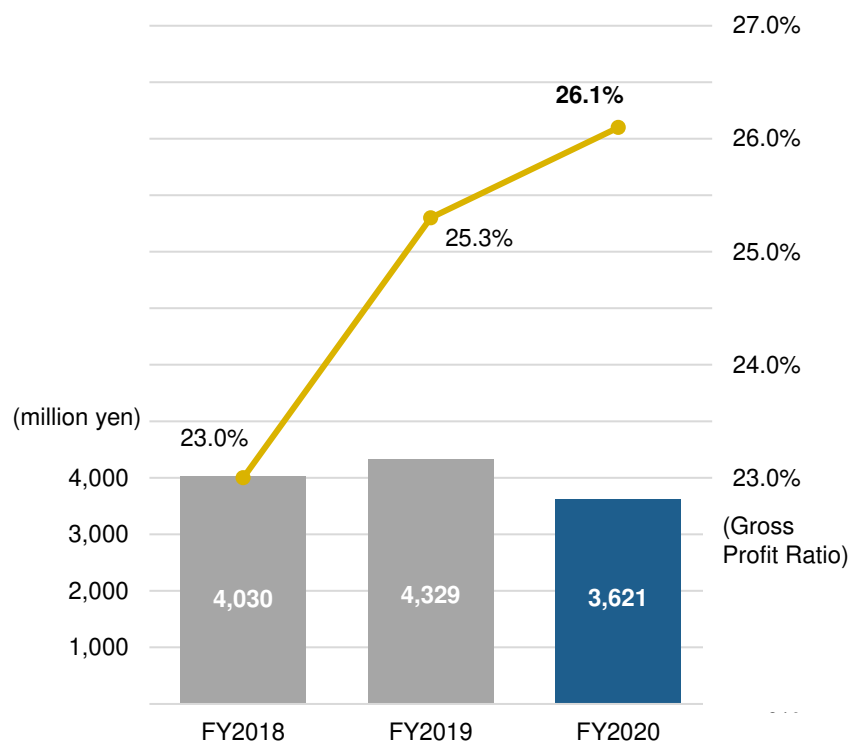


Source: Ministry of Land, Infrastructure, Transport and Tourism, "Current Survey on Orders Received for Construction (Big 50 Constructors)"

# Gross Profit and Operating Profit

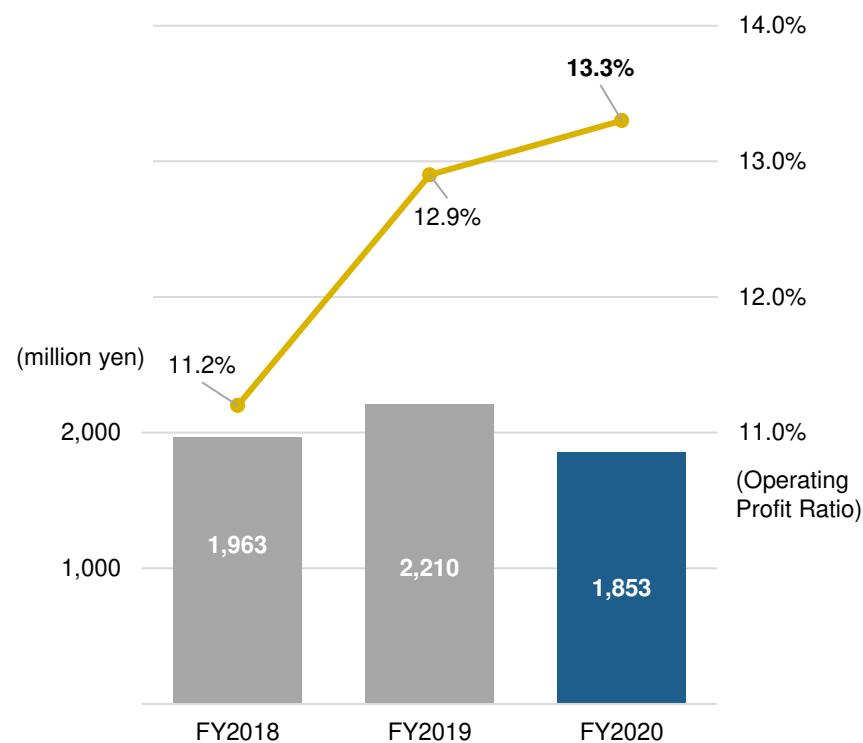
## Gross profit and gross profit ratio

Gross profit fell as revenue declined, but demand for high value-added products such as safety measures equipment remained high, contributing to an improvement in gross profit ratio.



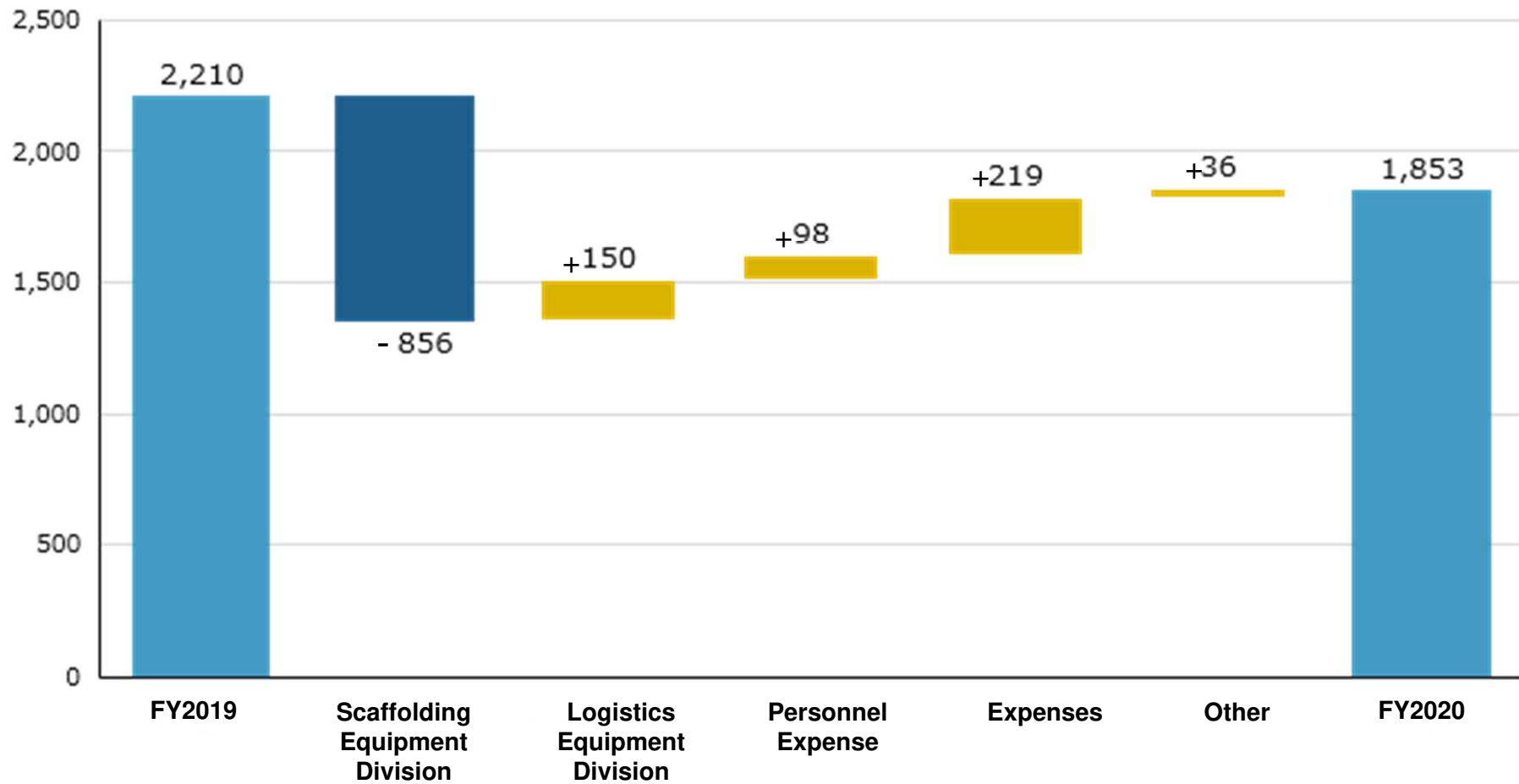
## Operating profit and operating profit ratio

Thorough cost reduction and expense minimization efforts including a reduction in fixed costs such as officer compensation and a review of new investment projects, led to an improvement in the operation profit ratio.



# Analysis of Increases/Decreases in Operating Profit

Sought to secure revenues through cost reductions, etc. but profits fell





# Changes on the Balance Sheet

(IFRS-based; million yen)

|                                     | As of Mar<br>31, 2020 | As of Mar<br>31, 2021 | Change      |
|-------------------------------------|-----------------------|-----------------------|-------------|
| Current Assets                      | 8,345                 | 9,290                 | 945         |
| Non-Current Assets                  | 13,274                | 12,945                | - 328       |
| <b>Total Assets</b>                 | <b>21,620</b>         | <b>22,236</b>         | <b>616</b>  |
| Current Liabilities                 | 2,018                 | 2,428                 | 410         |
| Non-Current Liabilities             | 5,814                 | 5,364                 | - 449       |
| <b>Total Liabilities</b>            | <b>7,832</b>          | <b>7,793</b>          | <b>- 38</b> |
| <b>Total Equity</b>                 | <b>13,788</b>         | <b>14,443</b>         | <b>655</b>  |
| <b>Total Liabilities and Equity</b> | <b>21,620</b>         | <b>22,236</b>         | <b>616</b>  |

## Factors for Increases/Decreases

(million yen)

### Current assets

|                             |        |
|-----------------------------|--------|
| • Cash and cash equivalents | +1,617 |
| • Inventories               | - 922  |

### Non-current assets

|                                 |       |
|---------------------------------|-------|
| • Property, plant and equipment | - 316 |
|---------------------------------|-------|

### Current liabilities

|                            |      |
|----------------------------|------|
| • Trade and other payables | +63  |
| • Income taxes payable     | +161 |

### Non-current liabilities

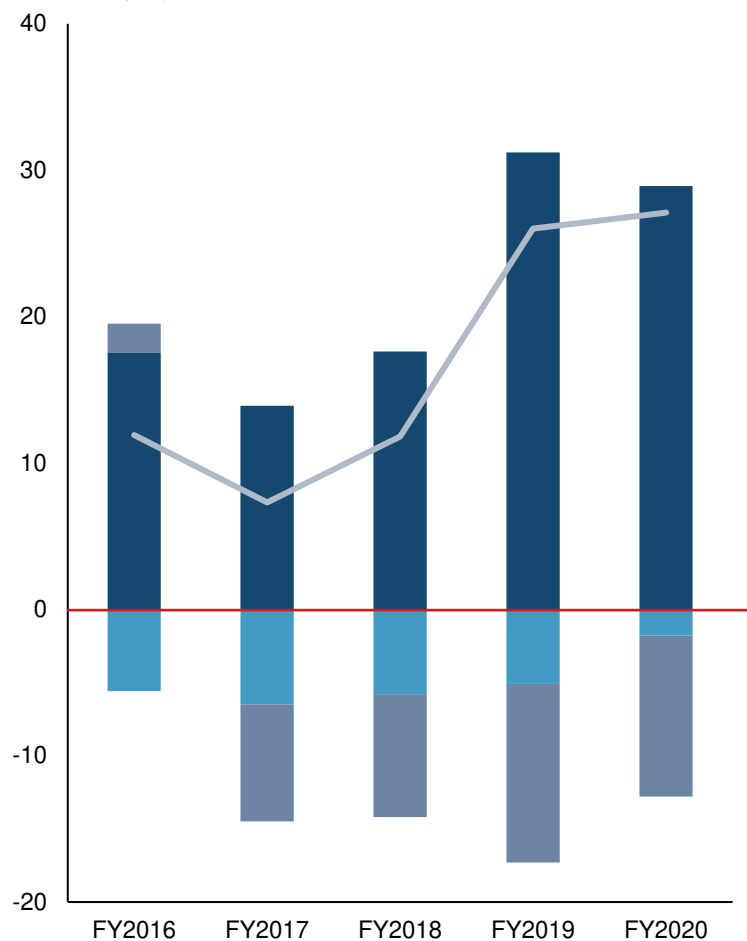
|              |       |
|--------------|-------|
| • Borrowings | - 485 |
|--------------|-------|

### Total equity

|                    |       |
|--------------------|-------|
| • Allocated profit | 1,242 |
| • Dividends paid   | 619   |

# Changes on the Cash Flow Statement

(hundred million yen)



CF from operating activities  
CF from financing activities

CF from investing activities  
Free CF(operating CF+investment CF)

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(million yen)

**CF from operating activities** **2,892**

Pretax net profit 1,784  
 Depreciation 655  
 Changes to inventories 923  
 Changes to trade and other receivables - 234  
 Changes to trade and other payables 41  
 Payment of corporate taxes, etc. - 435

**CF from investing activities** **- 181**

Expenditures from acquisition of property, plant and equipment - 221

**CF from financing activities** **- 1,104**

Repayment of long-term borrowings - 500  
 Dividend payments - 618  
 Repayment of lease obligations - 95

| Chapter 08 |

# Business Forecast for FY2021

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*SHINWA CO.,LTD.*



# Business Forecast for FY2021

While the future still remains uncertain due to the Covid-19 pandemic, construction is expected to trend favorably.

On the other hand, the price of steel, one of the major raw materials for our company's products, is experiencing a steep increase in price globally and is expected to further increase through the end of the fiscal year.

(IFRS based; million yen)

|  | FY2020 | FY2021 Forecast | Change | Year on Year Rate |
|--|--------|-----------------|--------|-------------------|
| <b>Revenue</b>                                 | 13,885 | <b>15,000</b>   | +1,114 | +8.0%             |
| <b>Operating Profit</b>                        | 1,853  | <b>1,700</b>    | - 153  | - 8.3%            |
| <b>Profit Before Tax</b>                       | 1,784  | <b>1,629</b>    | - 155  | +8.7%             |
| <b>Profit Attributable to Owners of Parent</b> | 1,231  | <b>1,128</b>    | - 103  | - 8.4%            |
| <b>Basic Earnings per Share (Yen)</b>          | 87.42  | <b>80.00</b>    | —      | —                 |
| <b>Dividend per Share (Yen)</b>                | 35.0   | <b>32.0</b>     |        |                   |

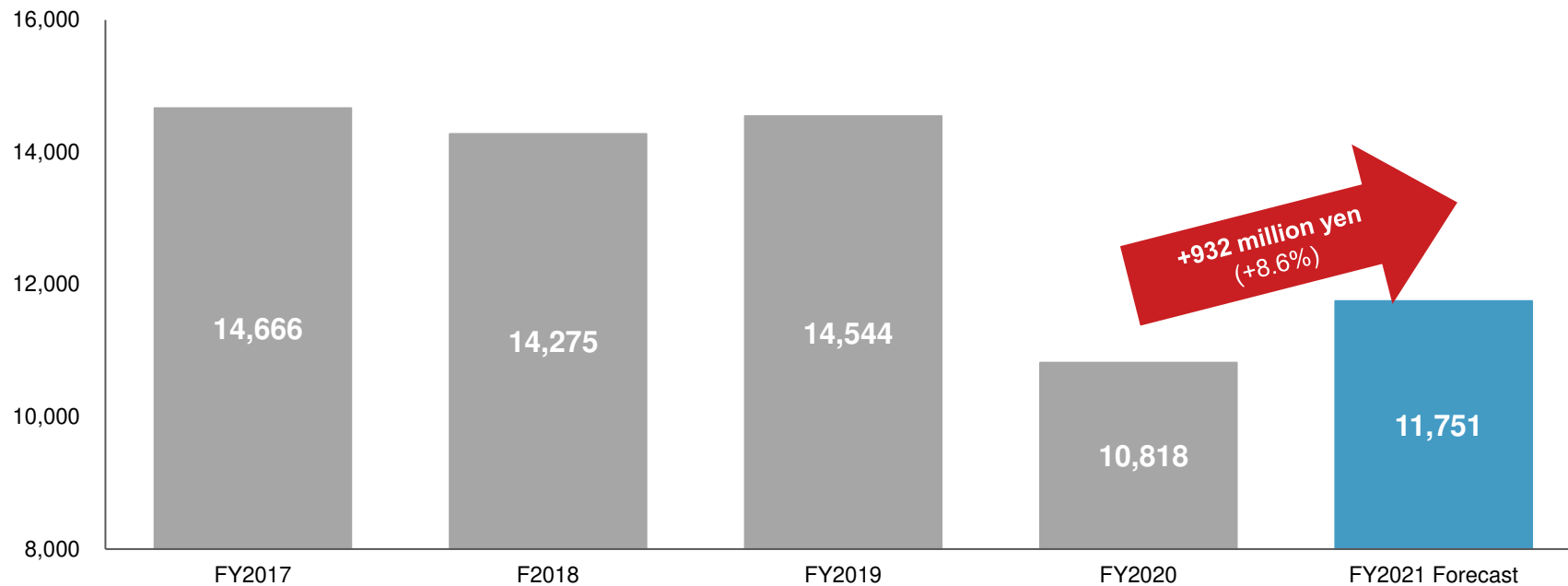
# Business Forecast: Scaffolding Equipment

Demand for high value-added products such as safety measures equipment is expected to continue trending favorably, while demand for other products is also expected to continue to be above a certain level.

The impact of steep increases in raw materials prices is expected to be significant. We will work to maintain profitability by reviewing product sales prices, etc.

## Revenue forecast

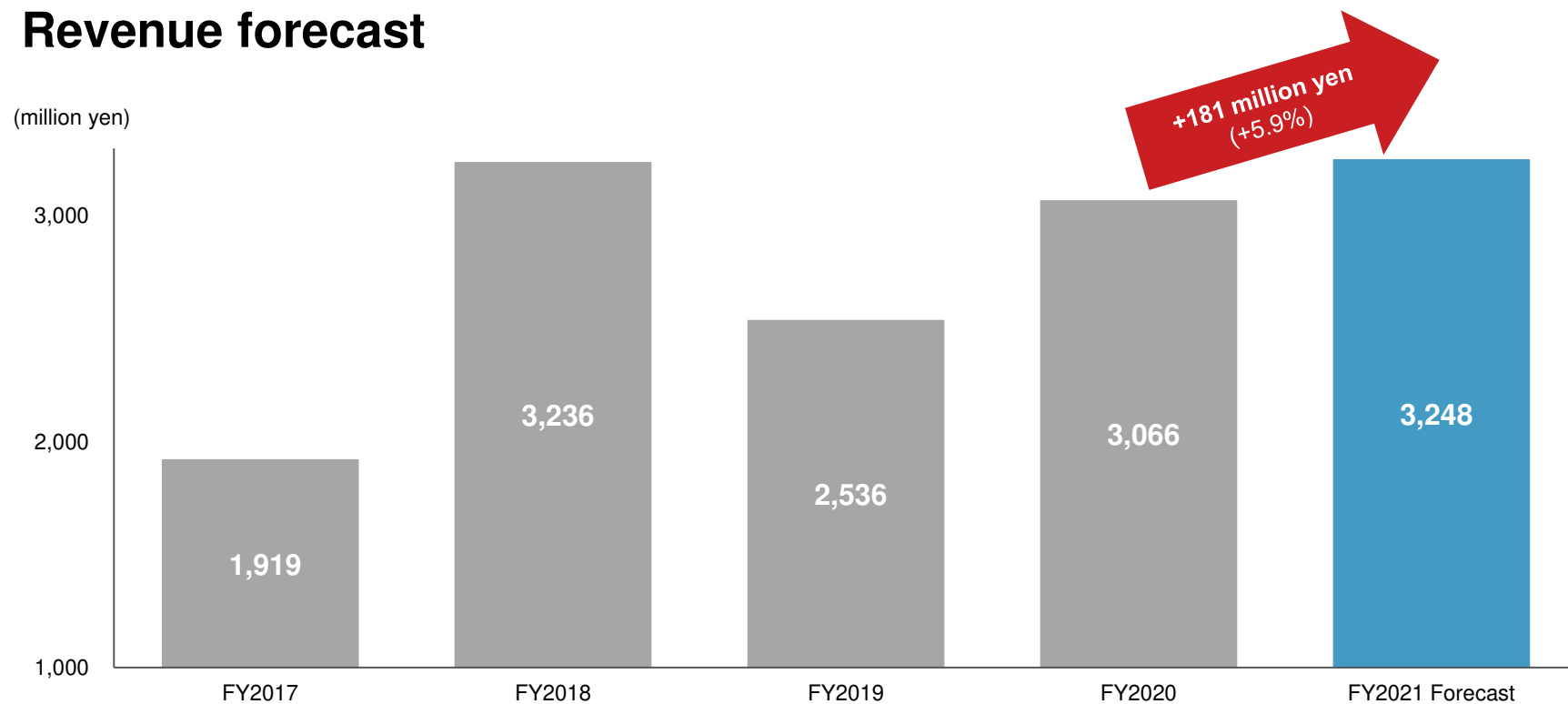
(million yen)



# Business Forecast: Logistics Equipment Division

The trend for bulk containers for transporting liquids and racks for logistics warehouses is expected to remain strong. Additionally, we will make efforts to increase sales through new deals from a wide range of areas.

## Revenue forecast

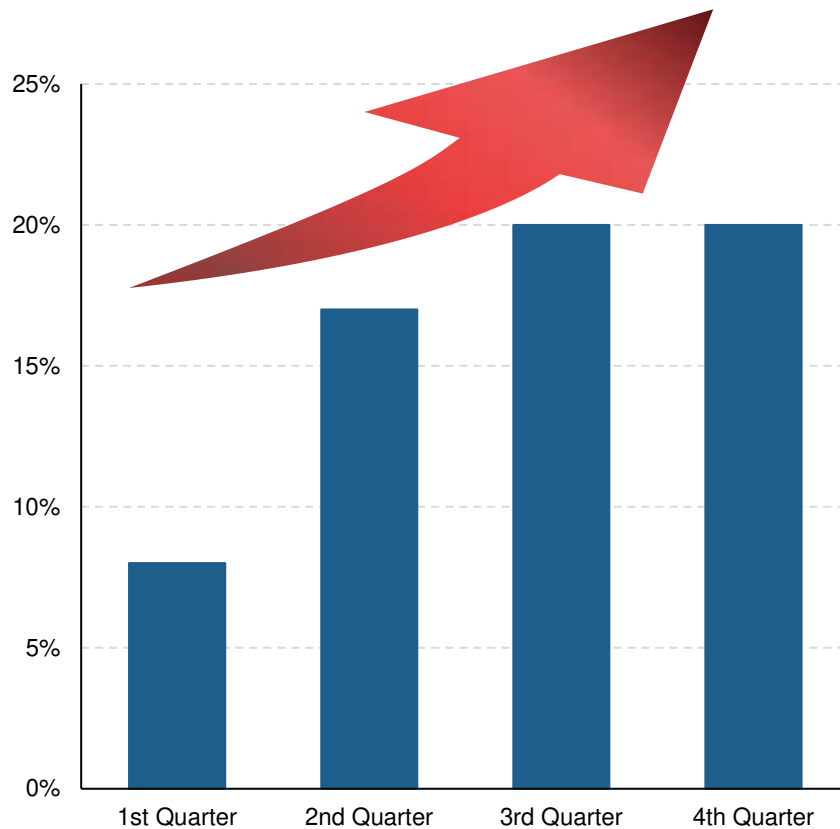




# Trend Forecast for Raw Material Prices

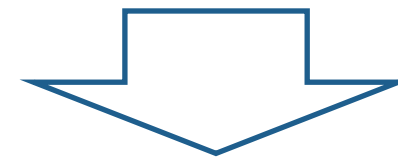
The price of steel, a major raw material for our company's products, is currently undergoing a sharp increase globally.

## Rate of increase of material prices



## Background of price increase

- With strong demand from China in the background, the Asian market saw a steep rise in prices
- Increases in procurement cost of iron ore and coking coal



**Domestic iron materials continue to be scarce, and prices are expected to continue increasing in the near future**

| Chapter 09 |

# Shareholder Return

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*SHINWA CO.,LTD.*

# Shareholder Return

At Shinwa Group, the return of profits to our shareholders is positioned as one of the most important management issues.



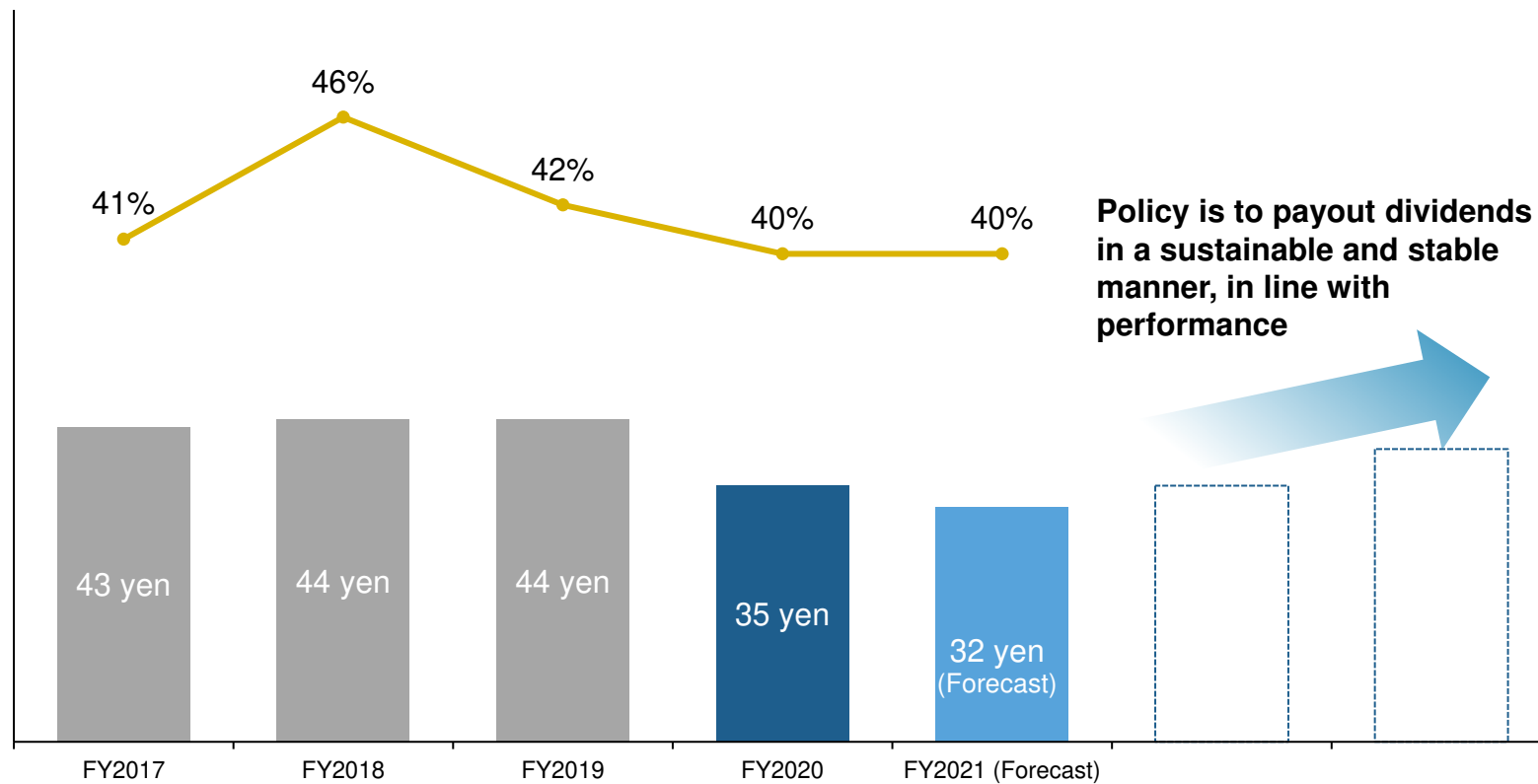
## Use of Internal Reserves

Work toward **reinforcing our financial structure** while also using internal reserves as effective investment funds for **capital investments** and **human resources development** to further expand our business, **with the aim of enhancing corporate value**



# Dividend Payouts to Date

For FY2020, the annual dividend paid out was 35 yen per share.  
For FY2021, annual dividend payout is expected to be 32 yen per share (dividend payout ratio of 40.0%).



## Disclaimer

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

Due to such risks and uncertainties, the actual results may differ from the forecasts, etc. herein.

The information concerning companies other than our companies 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.



30-7 Hiratacho Bushigawa, Kaizu-shi, Gifu Prefecture

Department — Corporate Planning Dept.

Person in Charge — Aoki

TEL — 0584-66-4436

E-mail — [ir@shinwa-jp.com](mailto:ir@shinwa-jp.com)