



FY 2021 1Q

Supplementary Document
(August 26, 2021)

 **信和株式会社**

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Part 1

Financial Overview

SHINWA CO.,LTD.



| Chapter 01 |

Financial Overview for FY2021 Q1

Financial Highlights for FY2021 Q1



3,884 million yen (year on year +40.9%)

Demand in equipment for transportation recovered as a result of steady public works projects and a recovery in corporate activities.



936 million yen (year on year +40.4%)

Performance by the Scaffolding Equipment Division and the Logistics Equipment Division remained strong.



471 million yen (year on year +130.1%)

Efforts to reduce various fixed expenses and control expenditures were adopted to curtail SG&A expenses.



313 million yen (year on year +158.6%)

*Current profit attributable to owners of parent

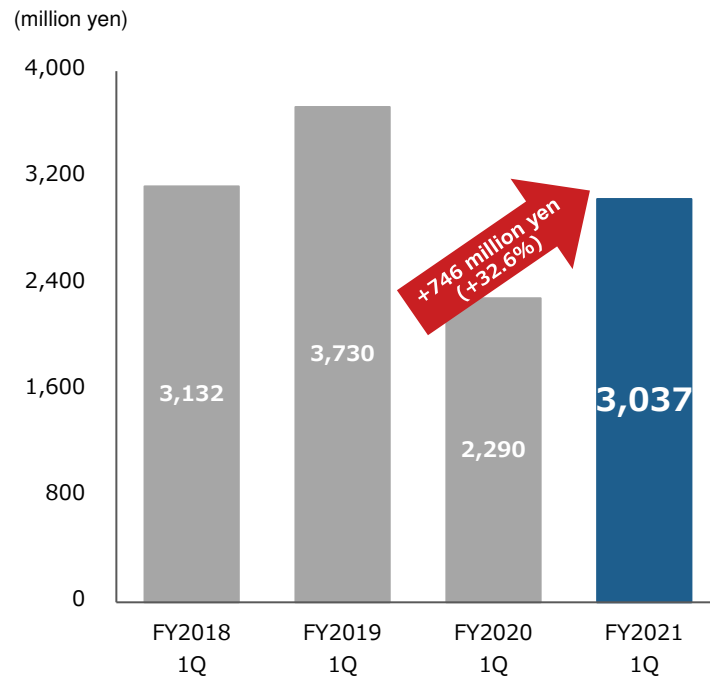
Summary of Consolidated P/L Statement

(IFRS-based; million yen)

	FY2020 Q1 Actuals	FY2021 Q1 Actuals	Increase/ Decrease	Year on Year Rate
Revenue	2,756	3,884	+1,127	+40.9%
Cost of Sales	2,089	2,947	+857	+41.1%
Gross Profit	667	936	+269	+40.4%
Gross Profit Ratio	24.2%	24.1%	–	△0.1pt
SG&A Expenses, etc.	474	467	△6	△1.4%
Operating Profit	205	471	+266	+130.1%
Operation Profit Ratio	7.4%	12.1%	–	+ 4.7pt
Pretax Current Profit	188	453	+265	+141.0%
Current Profit Attributable to Owners of Parent Company	121	313	+192	+158.6%

Performance by Division: Scaffolding Equipment Division

Revenue trends



First Quarter Cumulative Total

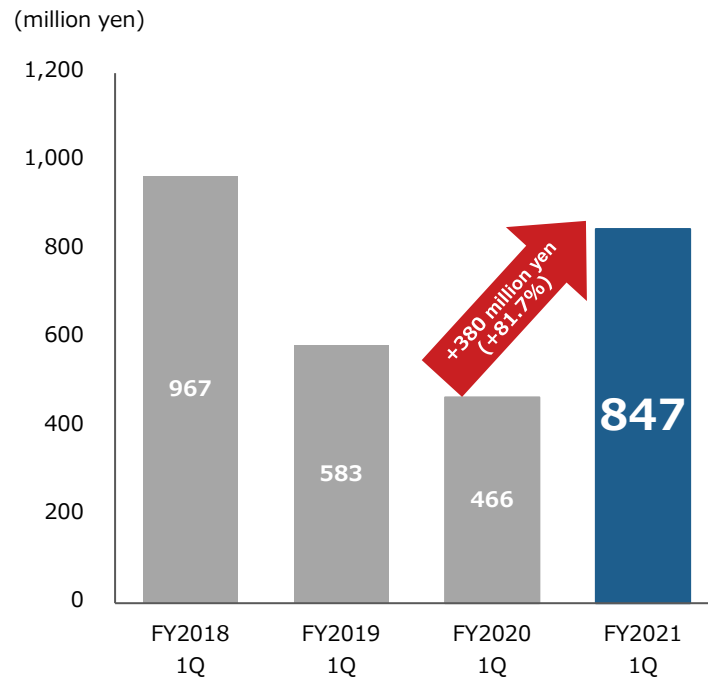
- With construction work trending toward recovery, our core products of wedge binding-type scaffolding and next generation scaffolding performed well.
- There was continued demand for safety measures equipment aimed at improving safety at construction sites.



**Revenue 3,037 million yen
year on year +32.6%**

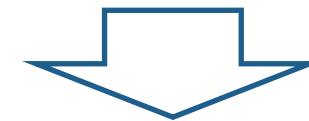
Performance by Division: Logistics Equipment Division

Revenue trends



First Quarter Cumulative Total

- Increase in activity was evident from each industry in terms of manufacturing activity and distribution volume as the economy is showing signs of recovery from COVID-19 effects. As a result, acquisition of new projects and increase in repeat projects led to strong performance.

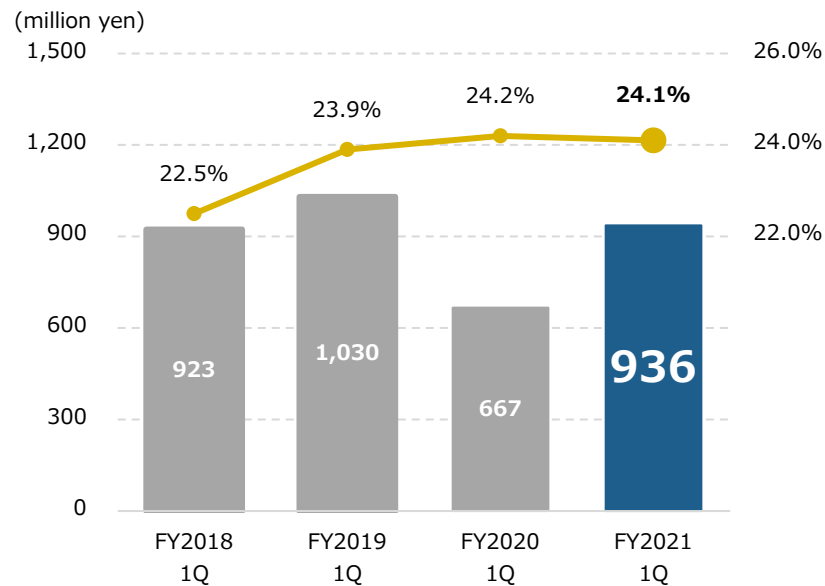


**Revenue 847 million yen
year on year +81.7%**

Gross Profit and Operating Profit

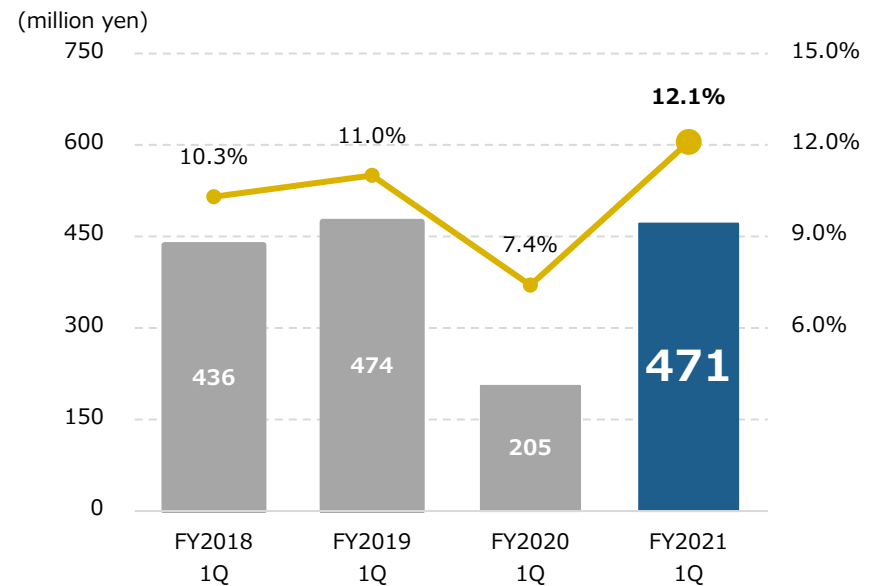
Gross profit and gross profit ratio

Although steel prices increased as expected, gross profit ratio was 24.1% due to continued demand for high value-added products such as safety measures equipment.



Operating profit and operating profit ratio

Operating profit ratio was 12.1% resulting from reductions in various fixed expenses and initiatives to control expenditures.



Progress Against Business Forecast

First quarter of FY2021 is performing steadily.

(IFRS · million yen)

	FY2021 Business Forecast	FY2021 Q1 Actuals	Progress Against Forecast
Revenue	15,000	3,884	25.9%
Operating Profit	1,700	471	27.7%
Pretax Current Profit	1,629	453	27.8%
Current Profit Attributable to Owners of Parent Company	1,128	313	27.7%

Business Forecast for FY2021

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)

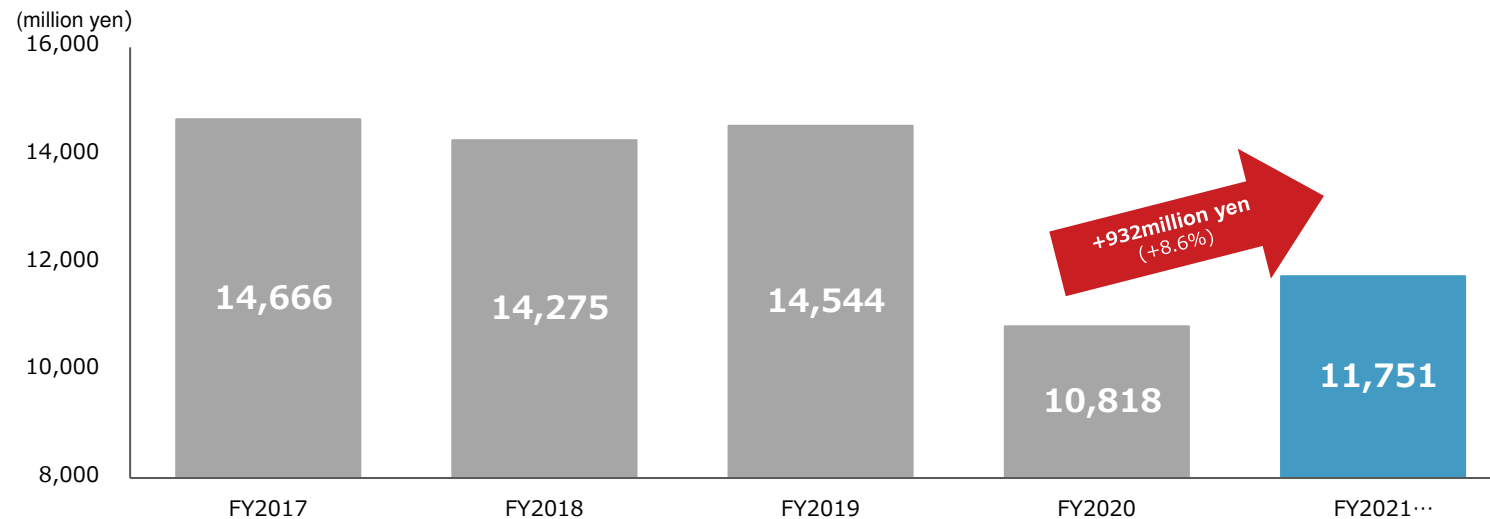
	FY2020	FY2021 Forecast	Change	Year on Year Rate
Revenue	13,885	15,000	+1,114	+8.0%
Operating Profit	1,853	1,700	▲153	▲8.3%
Profit Before Tax	1,784	1,629	▲155	+8.7%
Profit Attributable to Owners of Parent	1,231	1,128	▲103	▲8.4%
Basic Earnings per Share (Yen)	87.42	80.00	—	—
Dividend per Share (Yen)	35.0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

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.

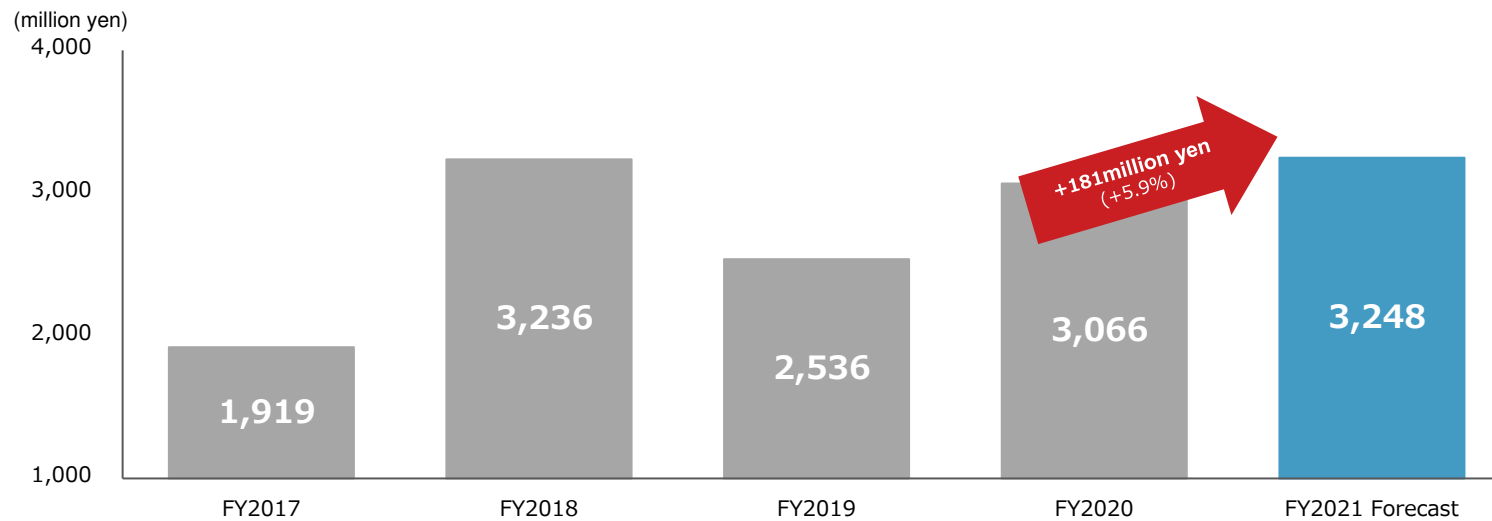
Revenue forecast



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.

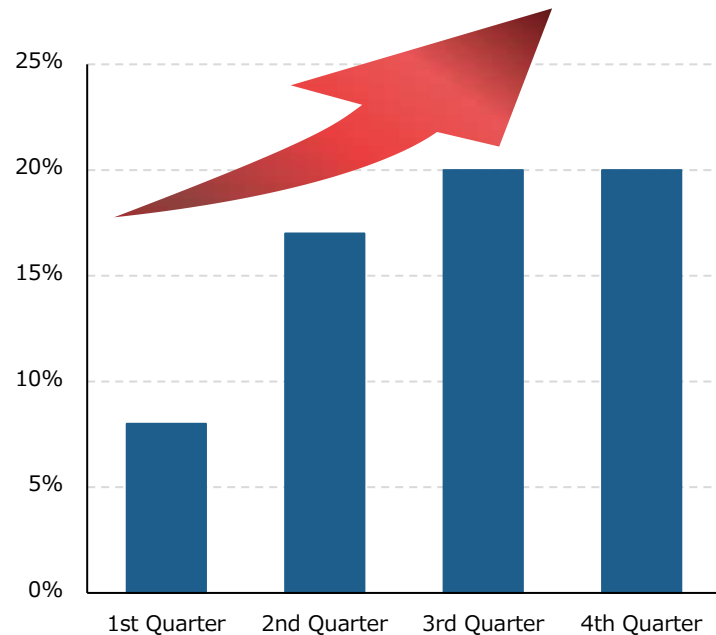
Revenue forecast



Trend Forecast for Raw Material Prices

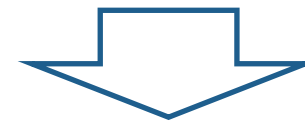
The price of steel, a major raw material for our company's products, is currently undergoing a sharp increase globally.

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

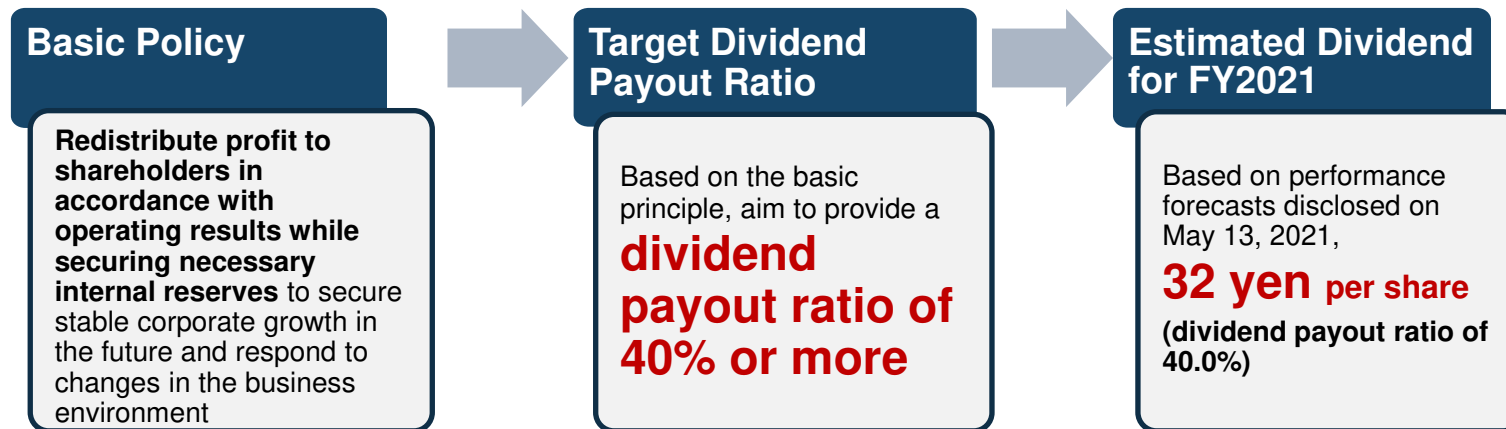


Domestic iron materials continue to be scarce, and prices are expected to continue increasing in the near future

Shareholder Return

Shareholder Return

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

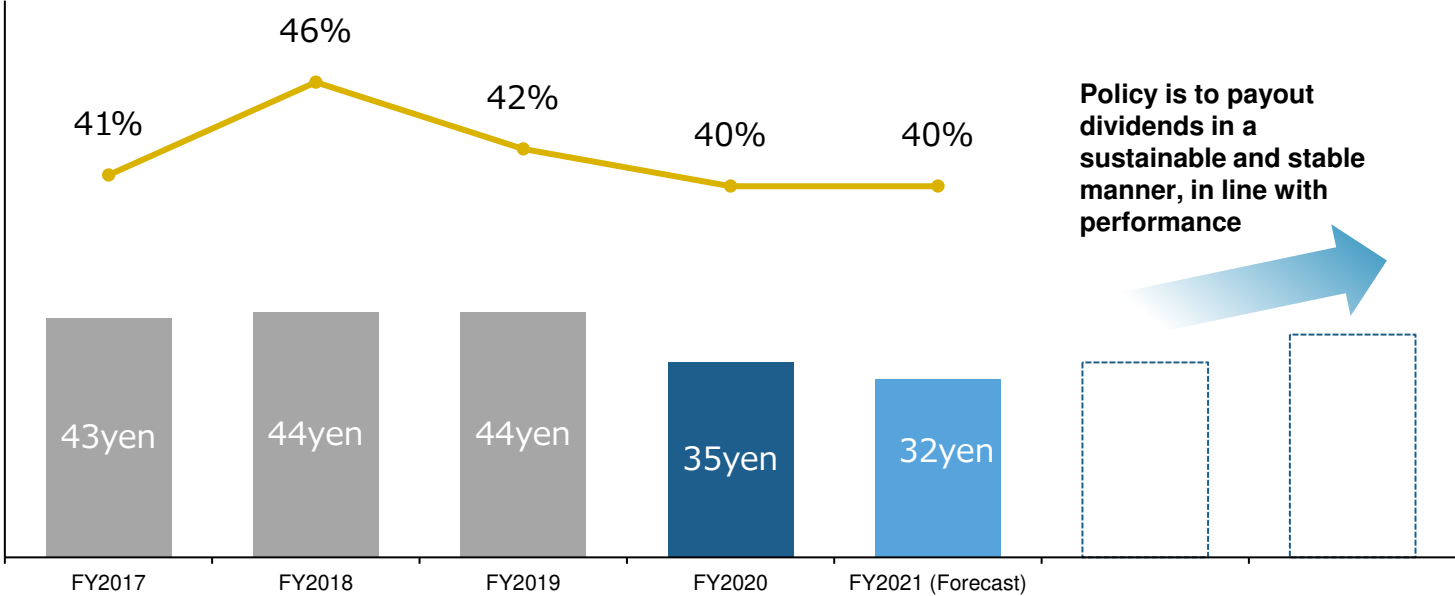


Use of Internal Reserves

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%).



Part 2

Company Overview

SHINWA CO.,LTD.

Features of Shinwa

**Leader of scaffolding
equipment technology**

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

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

* 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, Gifu 503-0311, Japan
President and Representative Director	Hiroshi Yamada
Founded	September 1977
Established	August 1979
Capital	153 million yen
Employees	175 (*)
Securities Code	3447
Number of 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

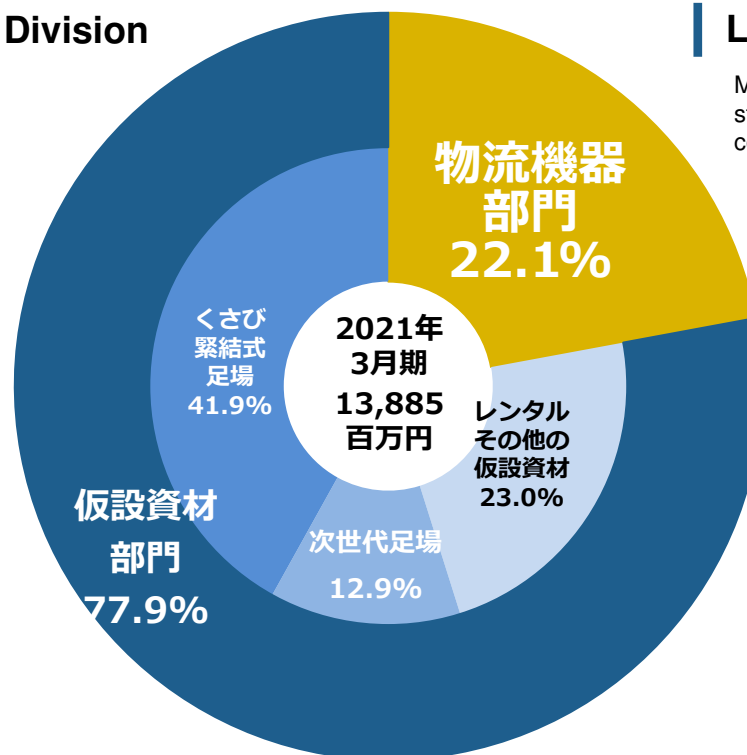


Large-scale warehouse/roof forming construction work



Shin-Tomei Expressway pier construction

SHINWA CO., LTD.



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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

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

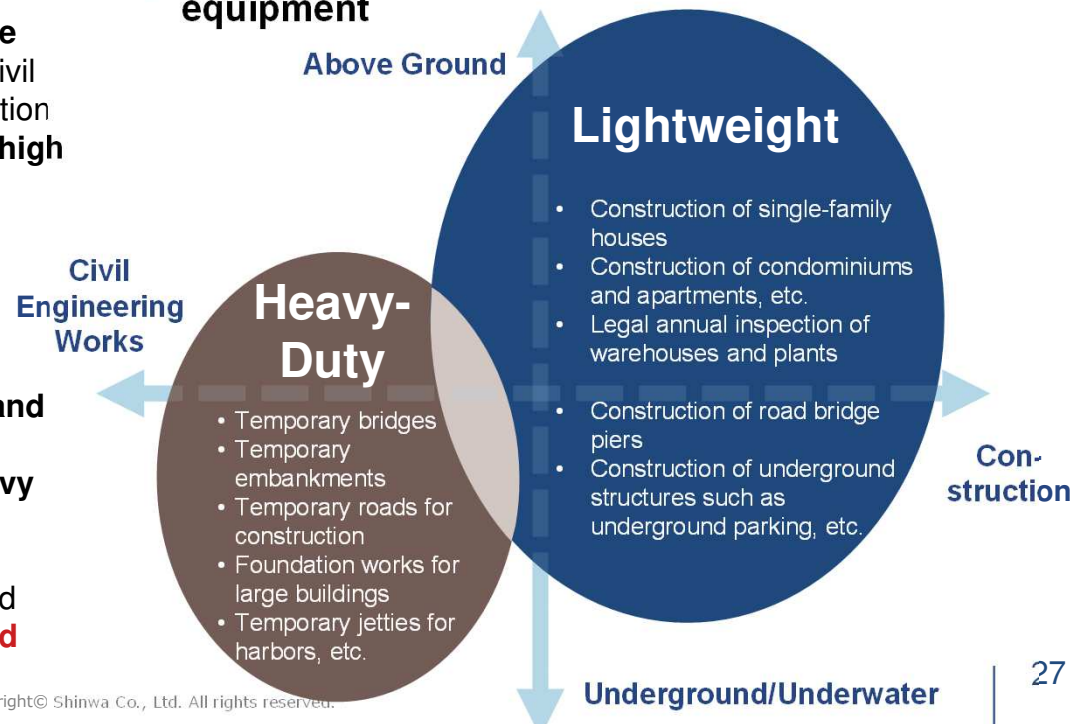
Lightweight scaffolding equipment

- 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

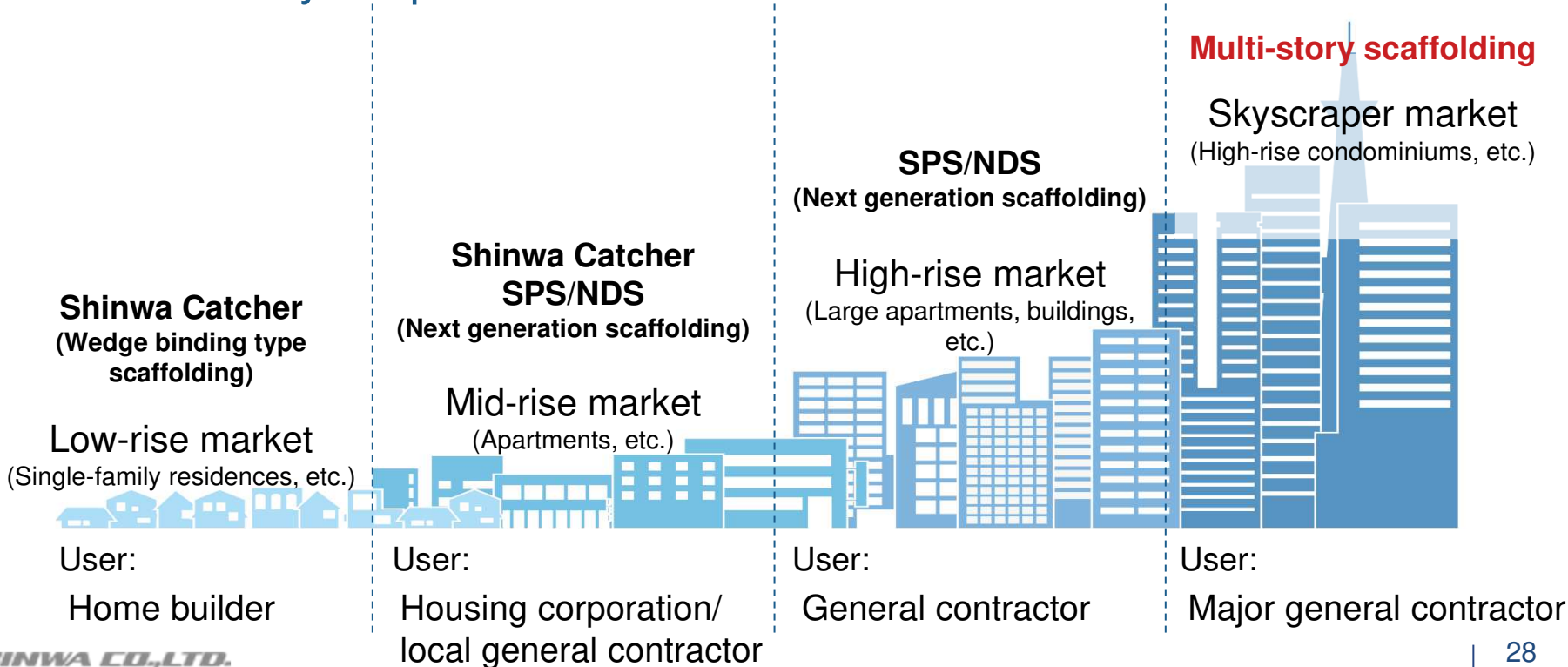
- Used **primarily in civil engineering works and underground construction**
- Large-scale equipment that can **support heavy construction machinery and withstand earth/water pressure**
- Heavy machinery is required to assemble, and equipment is **highly specific and specialized**

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?

Housing Construction (Low-Rise)



Logistics Warehouse Construction (Mid-Rise)



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Large-Scale Residential Building Repair (High-Rise)



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Super High-Rise Residential Building (Skyscraper)



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Plant Maintenance



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Civil Engineering Work



Road Construction, Maintenance, and Repair



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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)

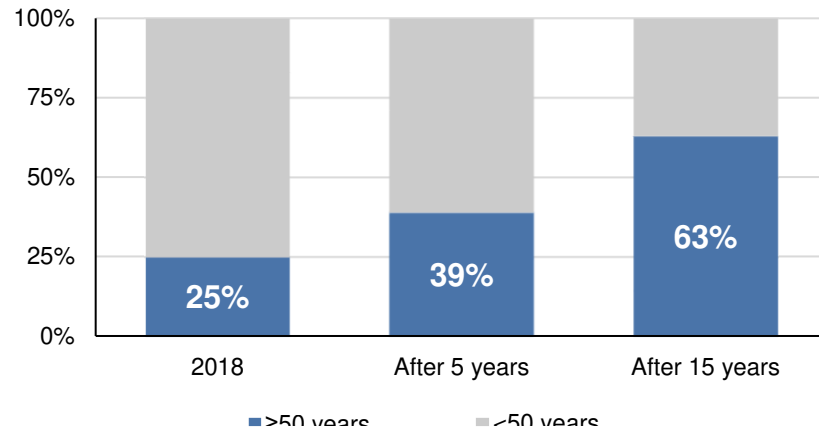
Business Environment for Scaffolding Equipment Division

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

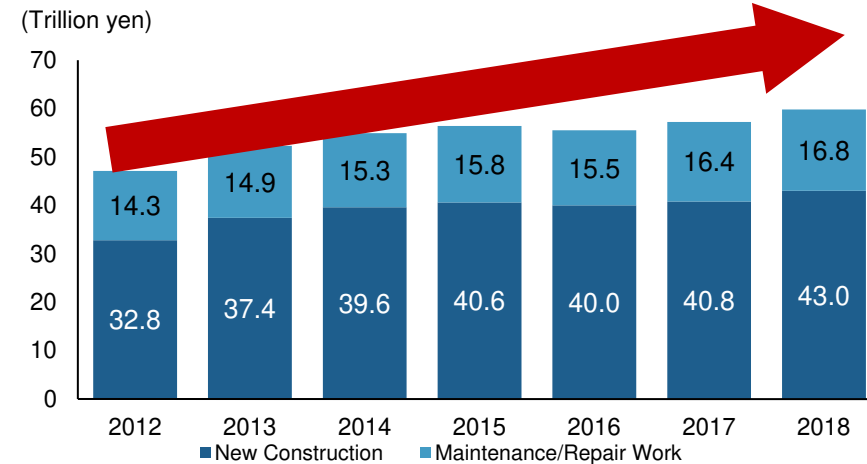


* Percentage calculations exclude approximately 300,000 bridges for which the date of construction is unknown

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

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



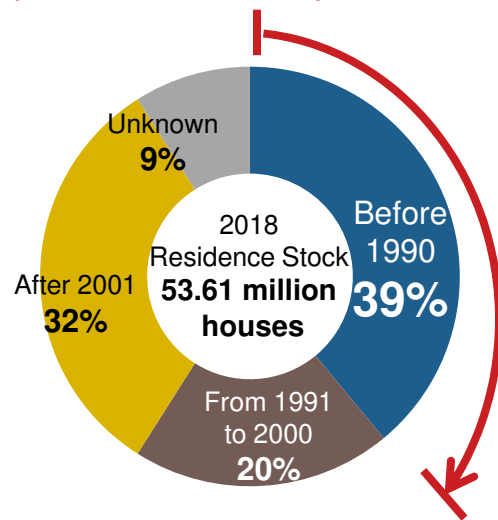
Source: Japan Federation of Construction Contractors, "Construction Handbook 2019"

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

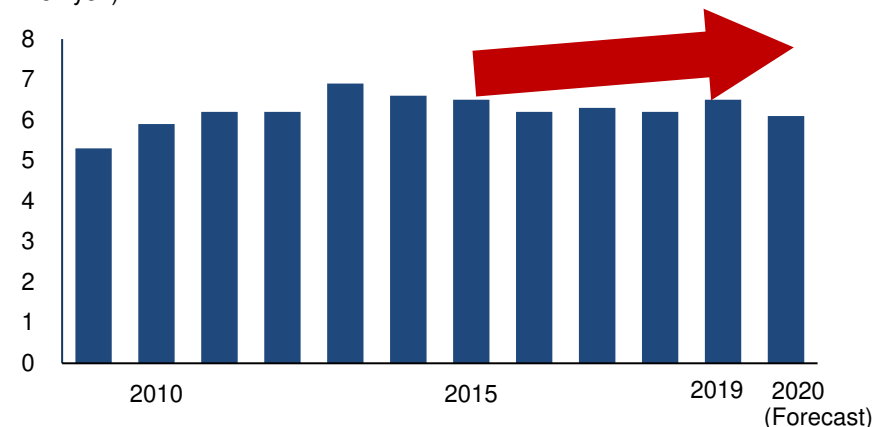


Source: Ministry of Internal Affairs and Communications "2018 Housing and Land Survey"

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Market size forecast for house renovation market

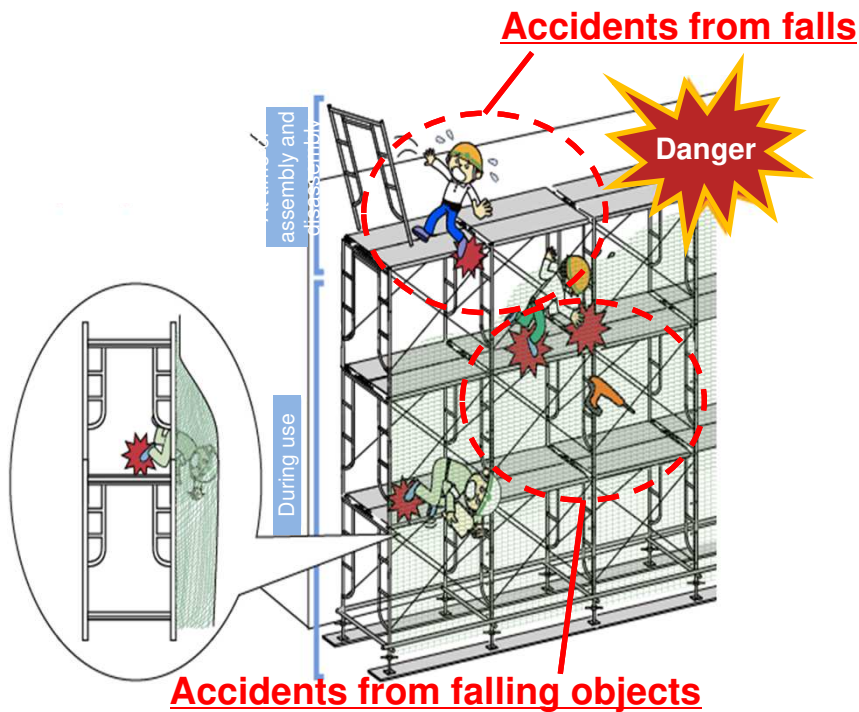
(Trillion yen)



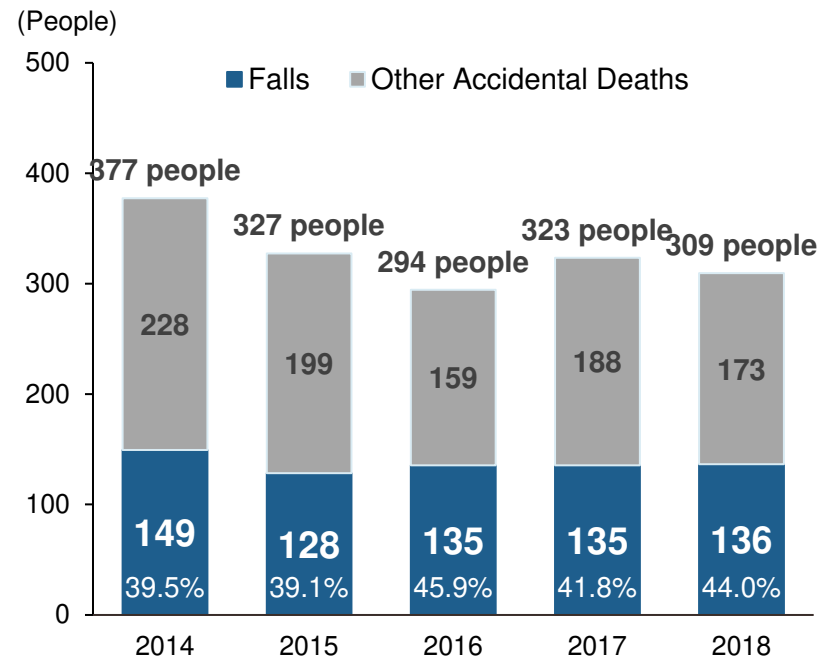
Source: Yano Research Institute Ltd. estimate based on Ministry of Land, Infrastructure, Transport and Tourism "Statistical Survey of Construction Starts," Ministry of Internal Affairs and Communications "Family Income and Expenditure Survey," Ministry of Internal Affairs and Communications "Basic Resident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

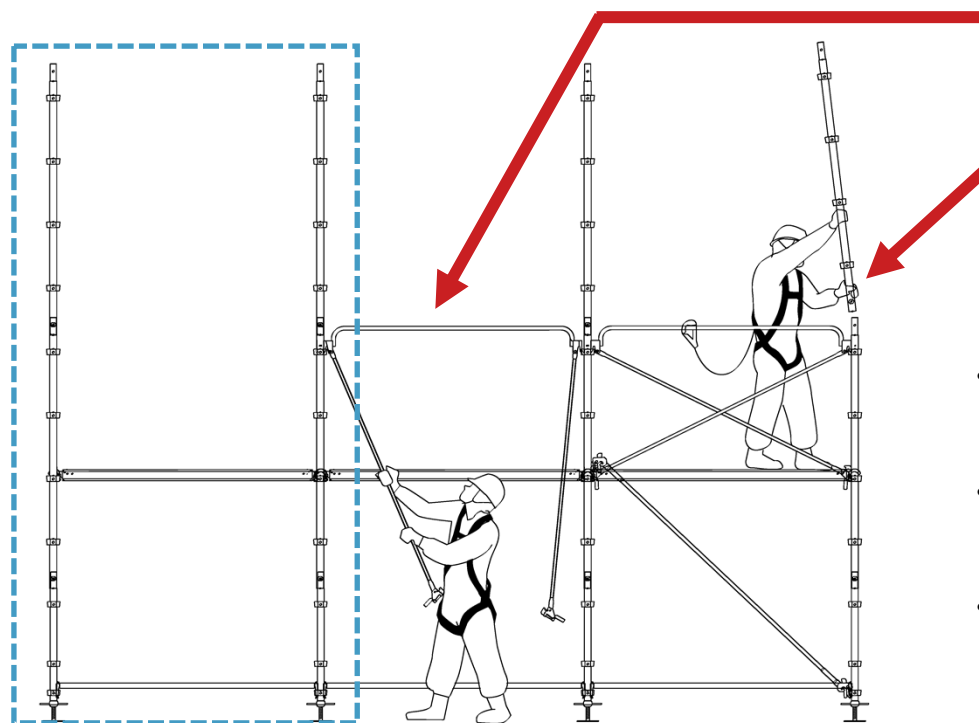


Number of accidental deaths in construction



Measures to Prevent Falls – Pre-install Guard Rails

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



1. Install guard rails **first, from the bottom**



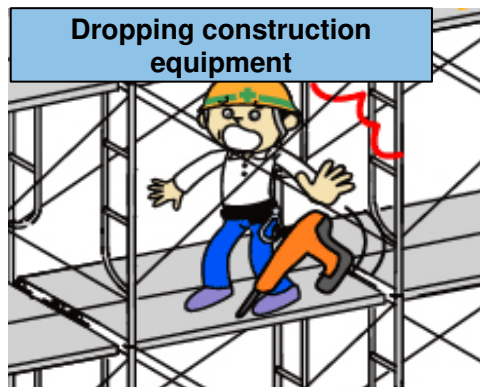
2. After climbing up, **there is already a guard rail**



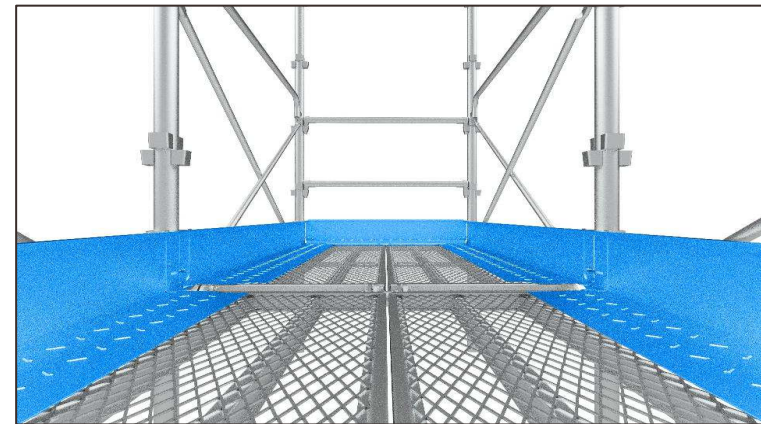
- **A safety harness (fall prevention equipment) can be attached**
- **Strength of the upper levels is increased, and stability is improved**
- **Noticeably higher sense of security in the mentality of the workers**

Measures to Prevent Equipment from Falling

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



【出典】建設業労働災害防止協会



Merits to installing toe boards

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

Top Production Capacity in Japan and Highly Competitive Manufacturing Cost

Top Production Capacity in Japan



Site Area 40,642 m²

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

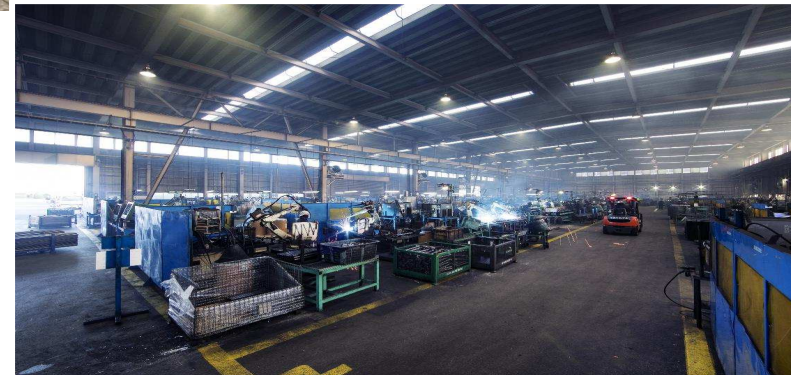
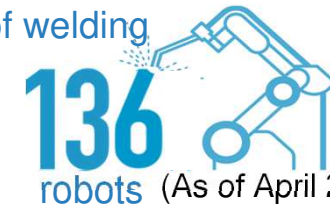
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10-ton truck



(FY2020)

Number of welding robots

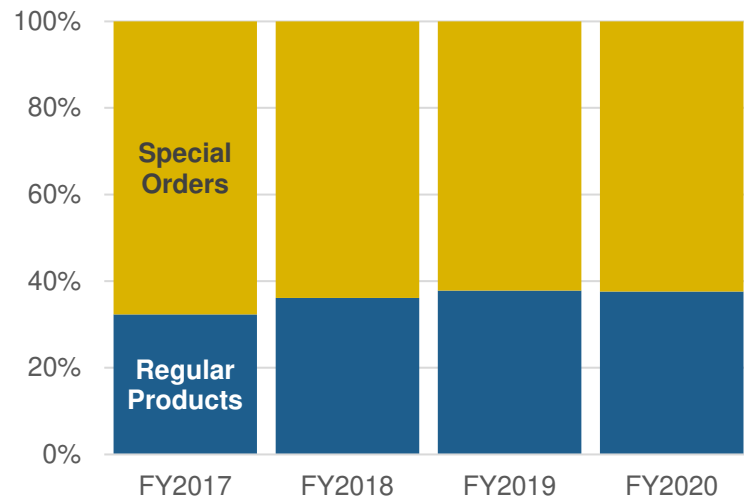


Highly Competitive Manufacturing Cost

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

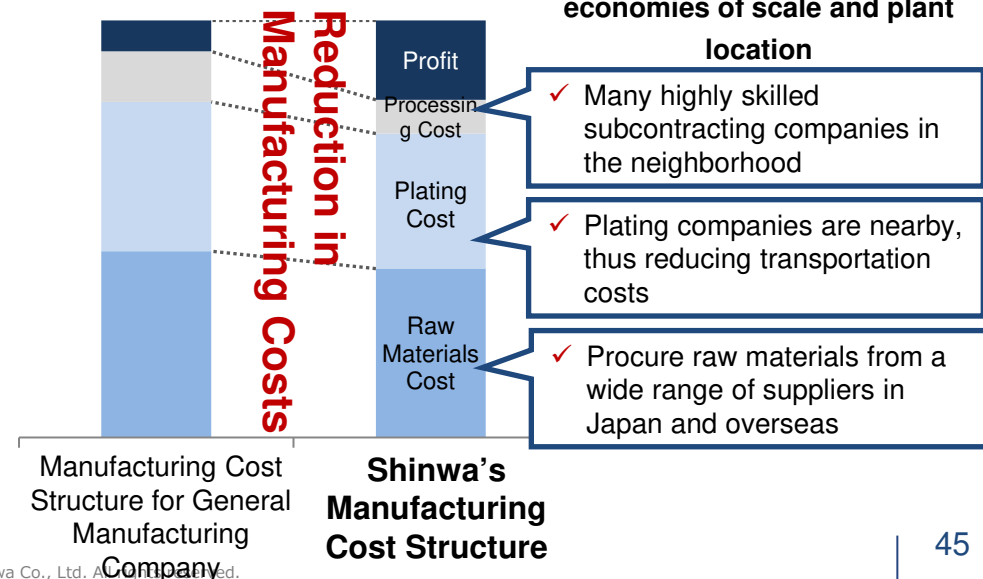
Special orders as a percentage manufactured items

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 **High profitability by leveraging economies of scale and plant location**



Second Pillar: Logistics Equipment Division

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

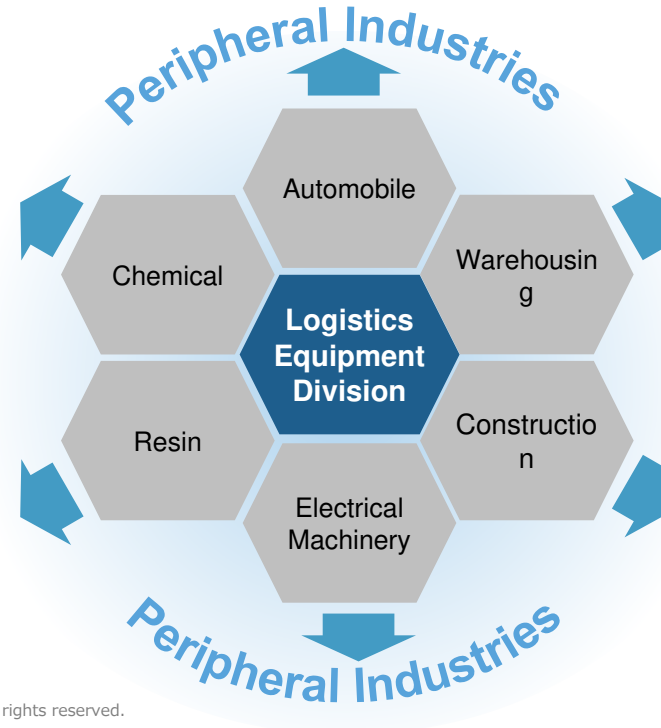


Reinforcing containers made of resin in a space-saving and lightweight manner



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Boasts wide-reaching touch points



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[Automobile] Engine/Transmission Transport Pallets



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[Chemical] Liquid Bulk Containers

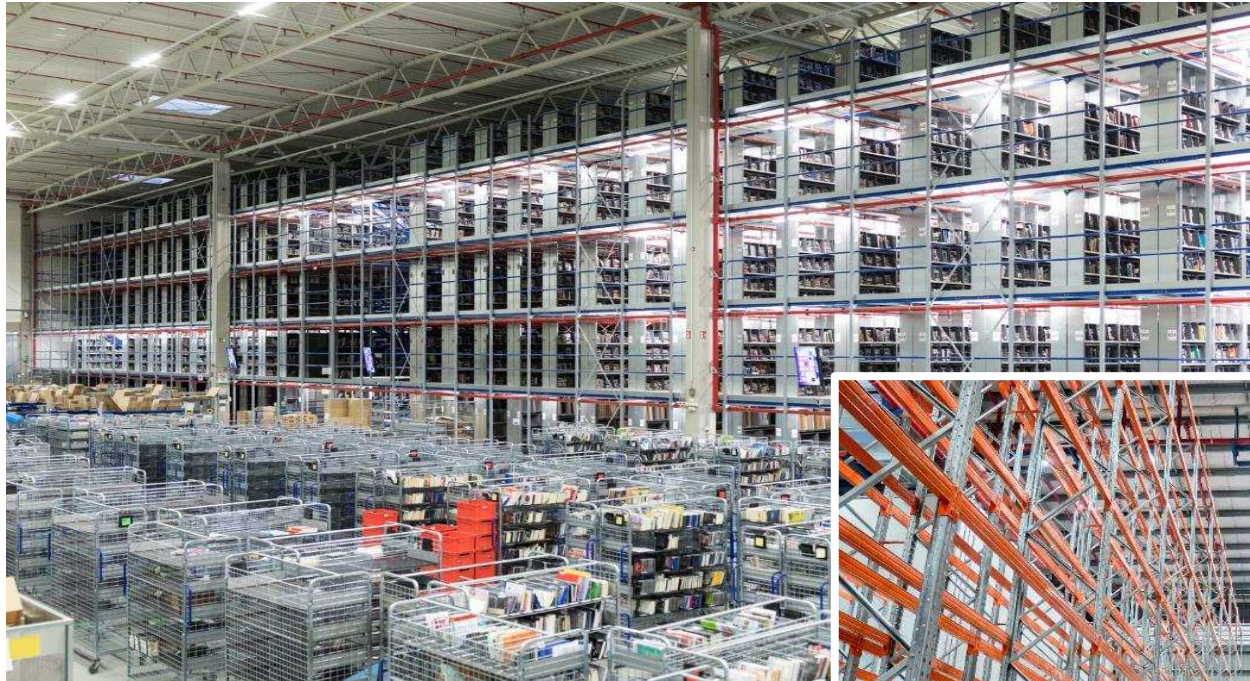


((For illustrative purposes only))



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

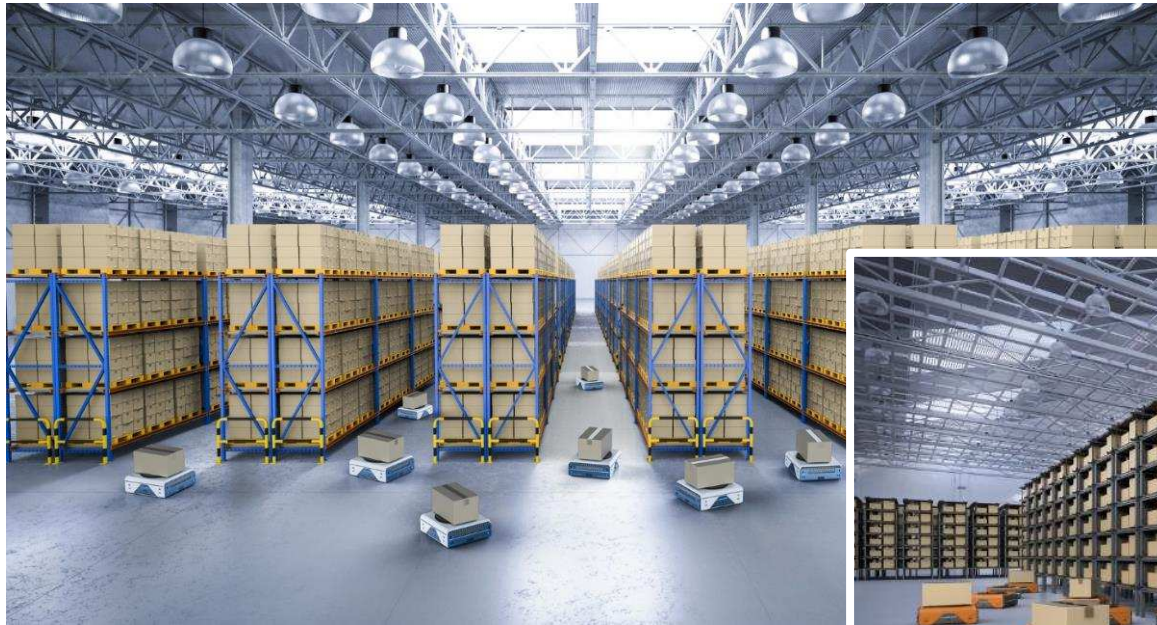
[Logistics/Warehouse] Storage Racks for E-Commerce Retailers



(For illustrative purposes only)



From Site Management to Installation of Logistics Equipment

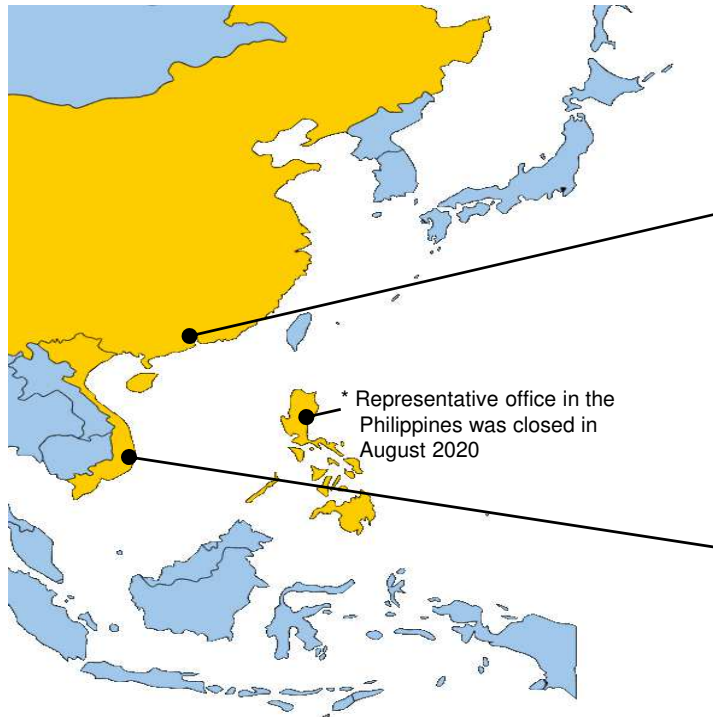


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Third Pillar: Overseas Business Expansion

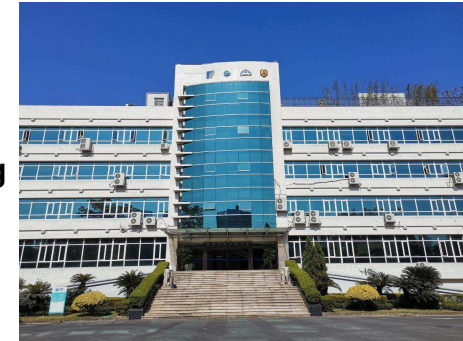
Overseas Expansion – Initiatives to Date



* Representative office in the Philippines was closed in August 2020

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

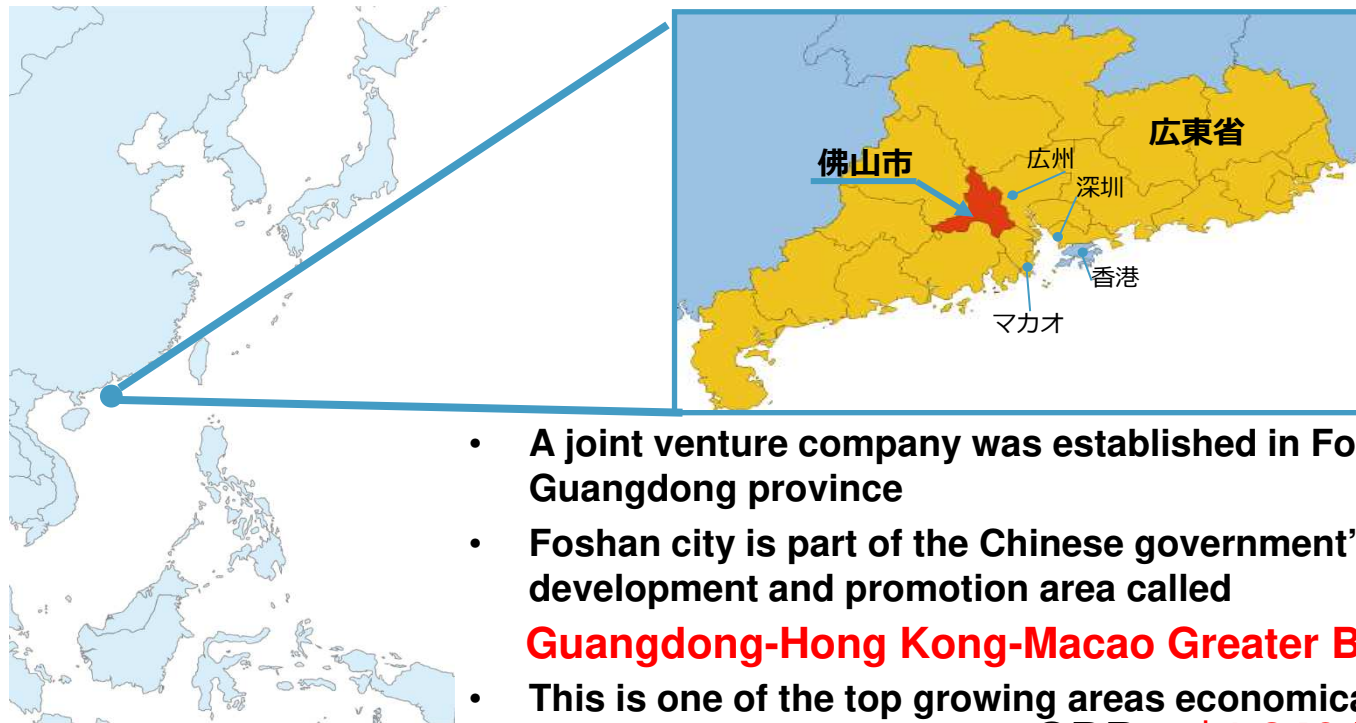
- Opened a subcontract factory in October 2017
- Manufactures system scaffoldings based on Japanese standards and quality



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

Overseas Expansion – Establish Joint Venture Company

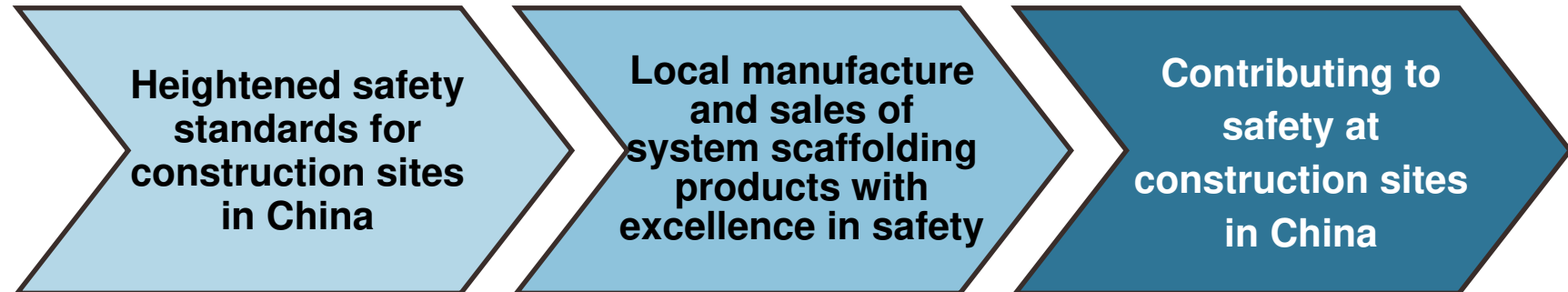
Established a joint venture company, **Guangdong Nisshin-Chuangfu Advanced Construction Materials Co., Ltd.** in November 2019



- 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

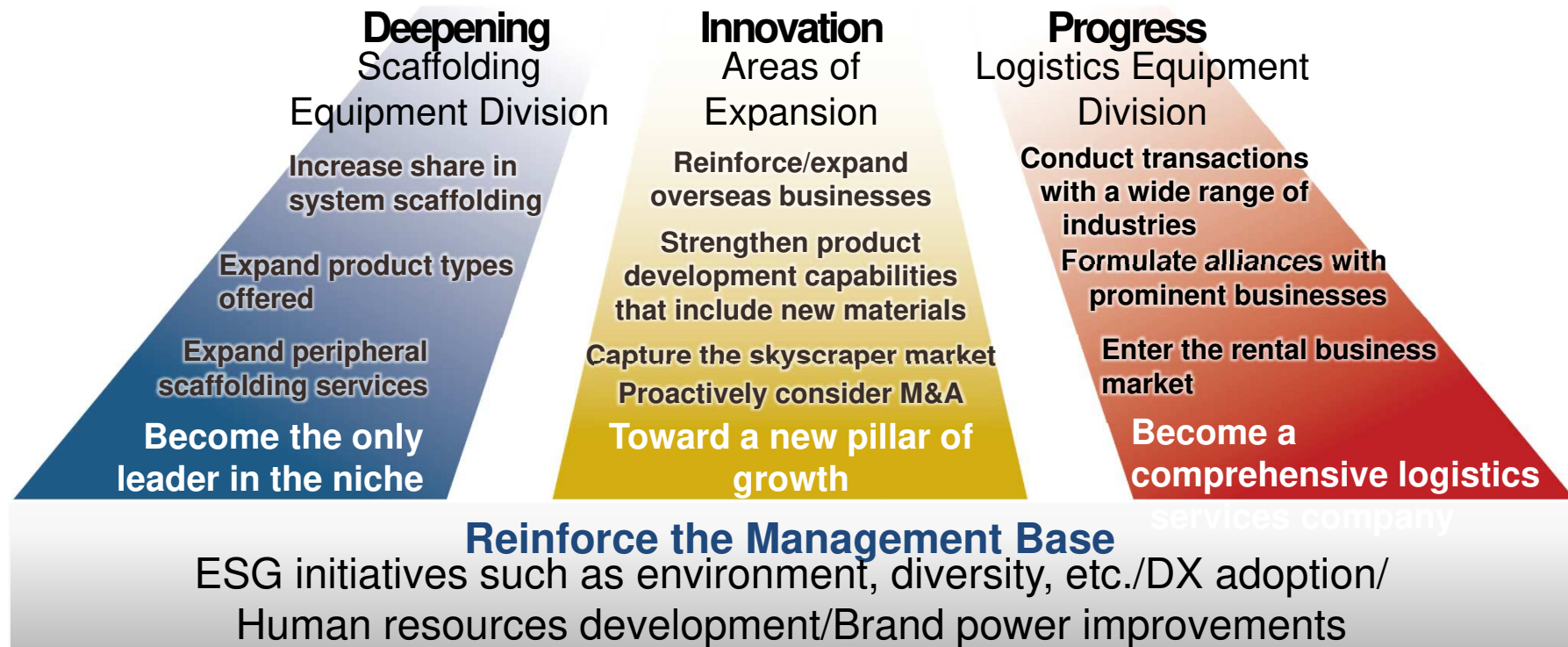
Company Name	Guangdong Nisshin-Chuangfu Advanced Construction Materials Co., Ltd.	Registered Capital	RMB 25 million (equivalent to approx. 400 million yen)	
Representative	Kurio Noritake (Executive President and Director, Shinwa Co., Ltd.)		Major Shareholders	Shinwa Co., Ltd.
Location	Foshan, Guangdong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



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



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