

ShinMaywa Industries, Ltd.

**Presentation of Financial Results for
the Second Quarter of Fiscal Year 2019**

November 14, 2019

1. Summary of Consolidated Financial Results

2. Progress of “CFG2020” * Medium-term Management Plan

Supplementary Materials

* Abbreviation of “Change for Growing, 2020”

Note1: Numerical values appearing in this document have been rounded down to the nearest unit, while ratios are shown in round figures.

Note2: In this document, “1Q” signifies the cumulative 3-month period, “2Q” signifies the cumulative 6-month period, “3Q” signifies the cumulative 9-month period, and “full year” signifies the cumulative 12-month period.

1 Summary of Consolidated Financial Results

- ✓ Net sales: Achieved record high, exceeding 100 billion yen for the first time as the second quarter results.
- ✓ Operating income: Increased due to growth in revenue and improvement in profitability owing to cost reduction activities, etc.

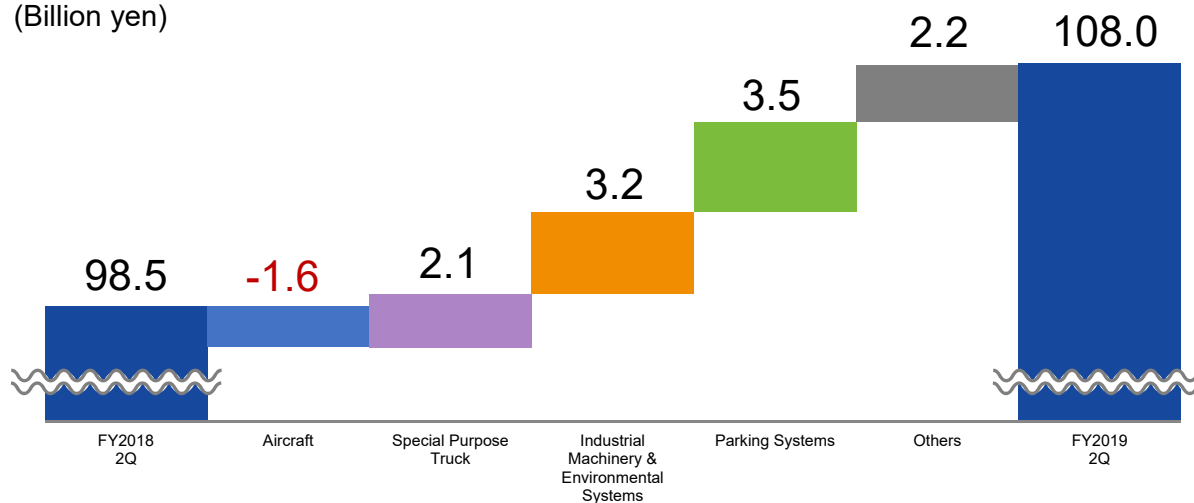
(Million yen)

	FY2018	FY2019	Year-on-year rate of change
	2Q	2Q	
Net sales	98,557	108,098	+9.7%
Operating income	4,048	6,099	+50.7%
Ordinary income	4,290	5,826	+35.8%
Profit attributable to owners of parent	3,242	3,670	+13.2%
Exchange rate (USD 1)	109.5 yen	109.0 yen	

: Record high

Net sales

(Billion yen)



■ Aircraft

- Sales to the Ministry of Defense decreased

■ Special Purpose Truck

- Revenue increased, backed by robust demand and a healthy balance of orders

■ Industrial Machinery & Environmental Systems

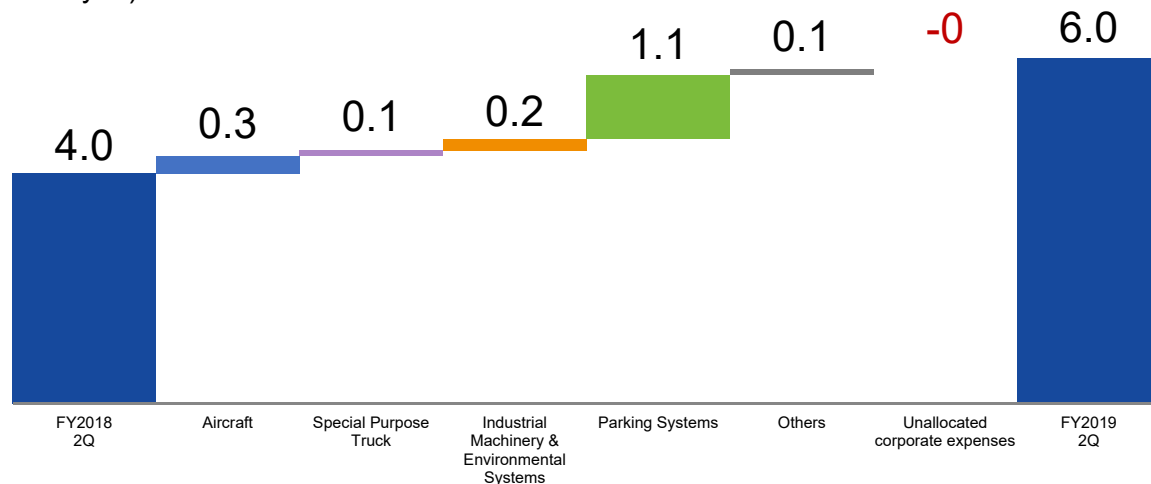
- Revenue increased in all fields

■ Parking Systems

- Revenue increased both in mechanical car parking systems and aircraft passenger boarding bridges

Operating income

(Billion yen)



■ Aircraft

- Increase in number of 787 aircraft produced and improvement in cost

■ Parking Systems

- Operating income increased due to increase in revenue
- Improvement in profitability

Summary of Financial Results Forecast for the Fiscal Year Ending March 31, 2020

- ✓ Net sales: Expect to reach “CFG2020” final fiscal year target values ahead of schedule, and to set new record highs
- ✓ Operating income: Expect to increase earnings due to increase in revenue (upward revision of the full-year financial results forecast)

(Million yen)

	FY2018 (actual)	FY2019 (forecast)		Year-on-year rate of change	Rate of change compared with figures announced in April
		Announced in April	Announced in October		
Net sales	217,297	230,000	230,000	+5.8%	—
Operating income	10,708	11,000	11,500	+7.4%	+4.5%
Ordinary income	10,437	10,500	11,000	+5.4%	+4.8%
Profit attributable to owners of parent	6,996	6,300	6,500	-7.1%	+3.2%
Exchange rate (USD 1)	110.5 yen	105.0 yen	105.0 yen*		

* The exchange rate announced in October is the assumed exchange rate applicable on and after the announcement date.

 : Record high

Financial Results Forecast, by Segment

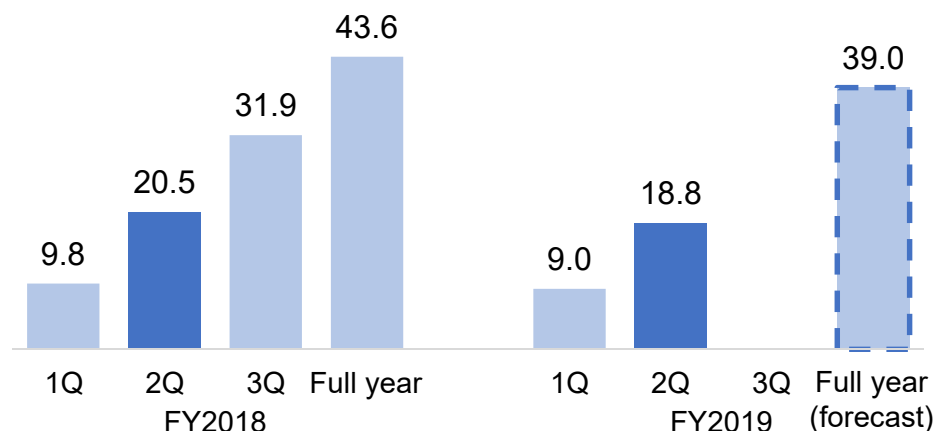
(Billion yen)

Segment	Net sales			Operating income		
	FY2018 (actual)	FY2019 (forecast)	Change	FY2018 (actual)	FY2019 (forecast)	Change
Aircraft	43.6	39.0	-4.6	0.6	1.5	+0.8
Special Purpose Truck	92.3	93.5	+1.1	6.5	6.4	-0
Industrial Machinery & Environmental Systems	33.8	41.0	+7.1	2.4	2.7	+0.2
Parking Systems	33.8	39.0	+5.1	2.3	2.7	+0.3
Others*	13.6	17.5	+3.8	1.0	1.1	+0
Unallocated corporate expenses	—	—	—	-2.3	-3.0	-0.6
Total	217.2	230.0	+12.7	10.7	11.5	+0.7

* "Others" comprises business segments not included in the reportable segments, such as construction, real estate, and software.

Net sales

(Billion yen)



■ FY2019-2Q results (year-on-year)

Sales to Ministry of Defense:

Delay in manufacture of US-2 STOL Search and Rescue Amphibian

Civilian demand:

Increase in number of 777 aircraft produced (22→24)

Increase in number of 777X aircraft produced (2→6)

Increase in number of 787 aircraft produced (65→81)

Decrease in selling price of 787 aircraft

Decrease in number of G7500 aircraft produced (19→13)

■ FY2019 financial results forecast (year-on-year)

Sales to Ministry of Defense:

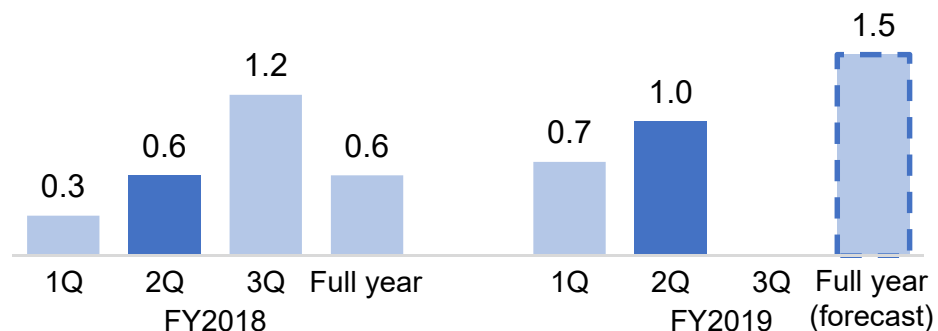
Expect a decrease in the manufacturing volume of US-2 STOL Search and Rescue Amphibian

Civilian demand:

Yen expected to appreciate, and selling price of 787 aircraft expected to decrease

Operating income

(Billion yen)



■ FY2019-2Q Results (year-on-year)

• Decrease in selling price of 787 aircraft

• Increase in number of 787 aircraft produced, improvement in cost

etc.

○ Actual rate (JPY/USD)

FY2018 2Q	109.5
FY2019 2Q	109.0

■ FY2019 financial results forecast (year-on-year)

• Yen expected to appreciate

• Loss on construction contracts expected to decrease

○ Expected rate (FY2019)

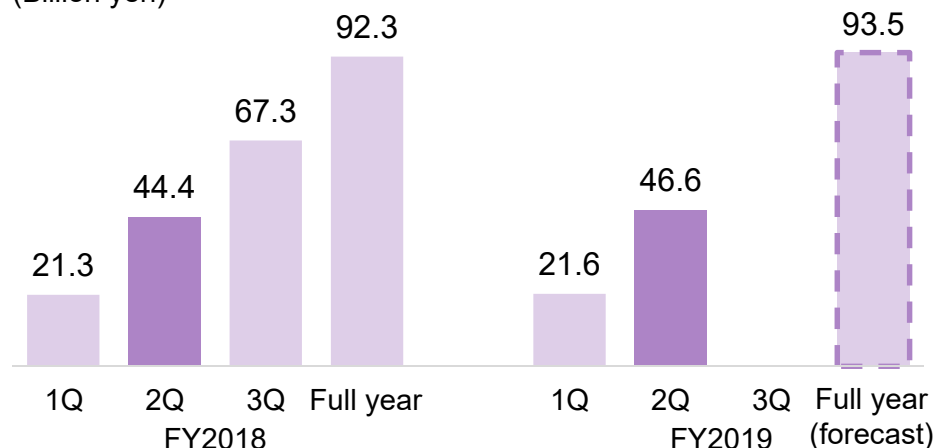
USD 1 = JPY 105

○ Exchange rate sensitivity (3Q and thereafter)

Operating income increases by approximately 100 million yen for each 1 yen of depreciation

Net sales

(Billion yen)



■ FY2019-2Q results (year-on-year)

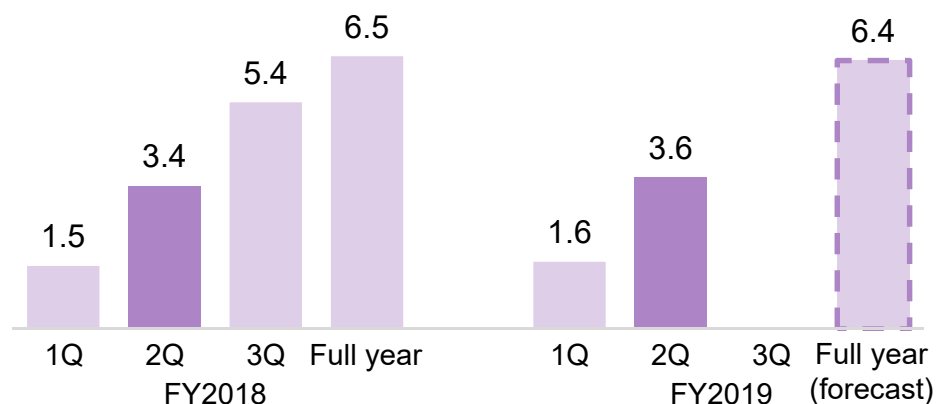
- Robust demand and healthy balance of orders
- Efficiency measures for production activities were also successful

■ FY2019 financial results forecast (year-on-year)

- Sales are expected to exceed previous year due to the balance of orders remaining at a high level

Operating income

(Billion yen)



■ FY2019-2Q results (year-on-year)

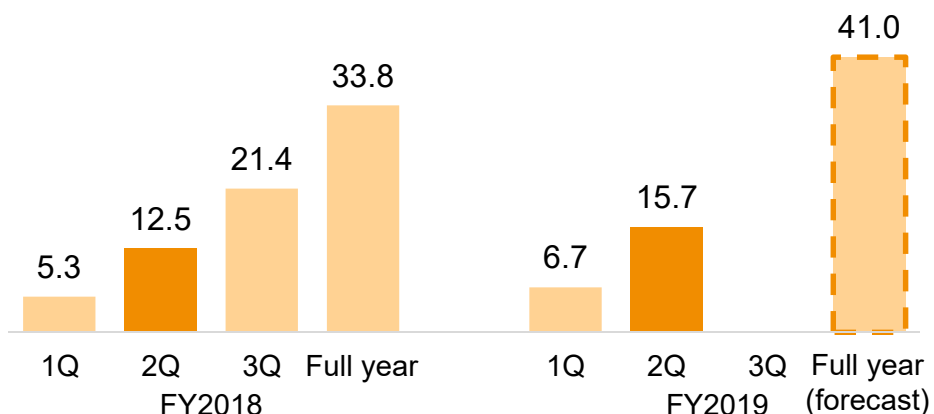
- Operating income increased due to increase in revenue

■ FY2019 financial results forecast (year-on-year)

- Although costs incidental to strengthening the business foundation are expected to increase, operating income is expected to be on par with previous year due to increase in revenue

Net sales

(Billion yen)



■ FY2019-2Q results (year-on-year)

Water treatment equipment:

Steady sales of equipment, systems, and services

Mechatronics products:

Sales increased due to the effects of M&A carried out in previous year (vacuum products)

Environment-related business:

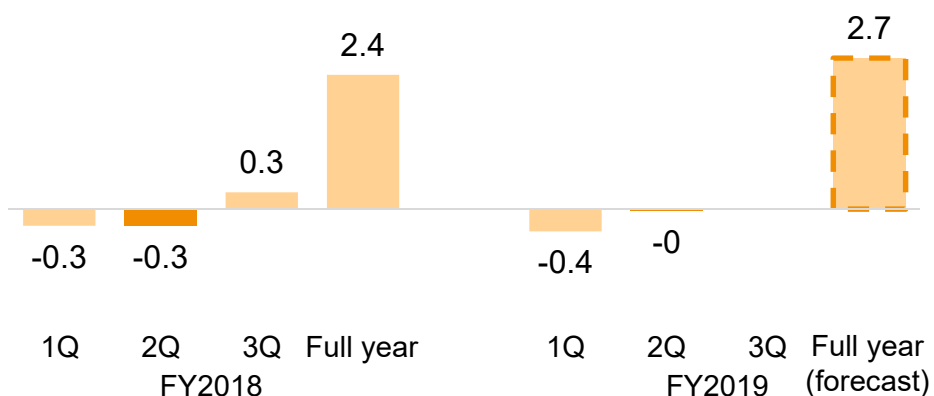
Progress in construction of new plant projects

■ FY2019 financial results forecast (year-on-year)

- Increased revenue expected in all fields, especially mechatronics products, the sales volume for which will expand through M&A carried out in previous year

Operating income

(Billion yen)



■ FY2019-2Q results (year-on-year)

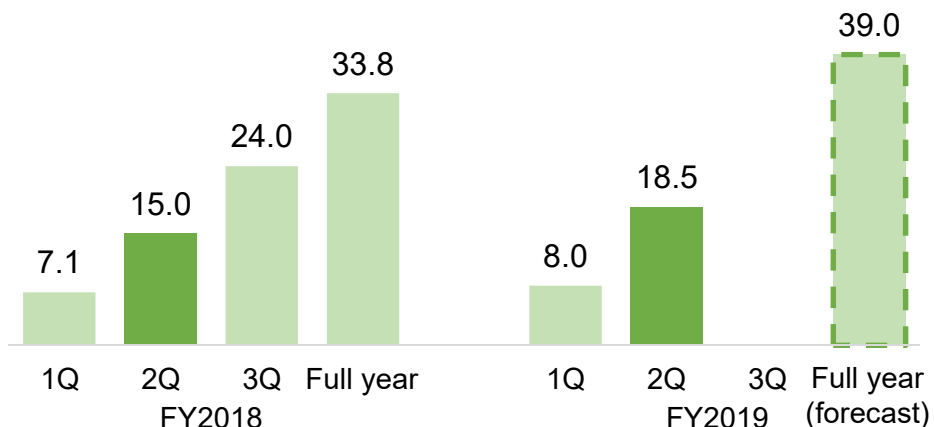
- Customers of mechatronics products are taking a cautious stance on capital investment due to the impact of the U.S.-China trade friction, etc.
- Operating income improved due to increase in revenue

■ FY2019 financial results forecast (year-on-year)

- Operating income expected to increase due to increase in revenue

Net sales

(Billion yen)



■ FY2019-2Q results (year-on-year)

Mechanical car parking systems:

Progress made in construction of new orders and selling price improved due to strengthened sales activities

Aircraft passenger boarding bridges:

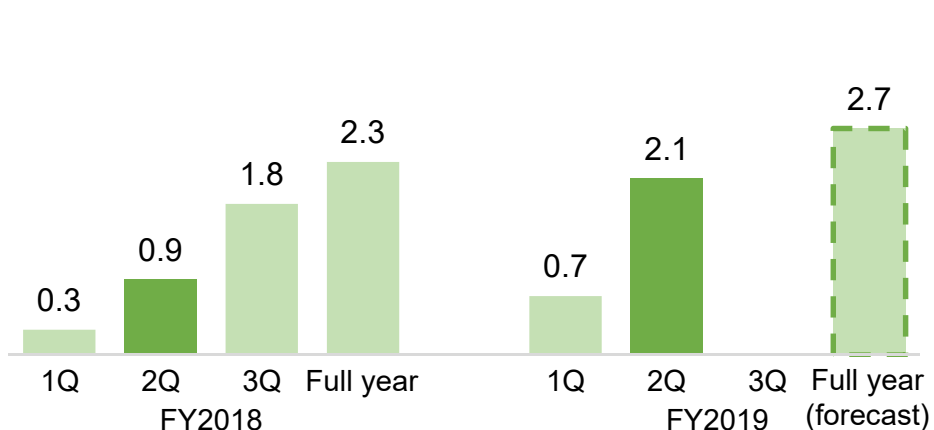
Increase in delivery and maintenance of products

■ FY2019 financial results forecast (year-on-year)

- Steady progress expected in construction of existing orders, both for mechanical car parking systems and for aircraft passenger boarding bridges

Operating income

(Billion yen)



■ FY2019-2Q results (year-on-year)

- Operating income increased due to increase in revenue
- Profitability improved

■ FY2019 financial results forecast (year-on-year)

- Operating income expected to increase due to increase in revenue

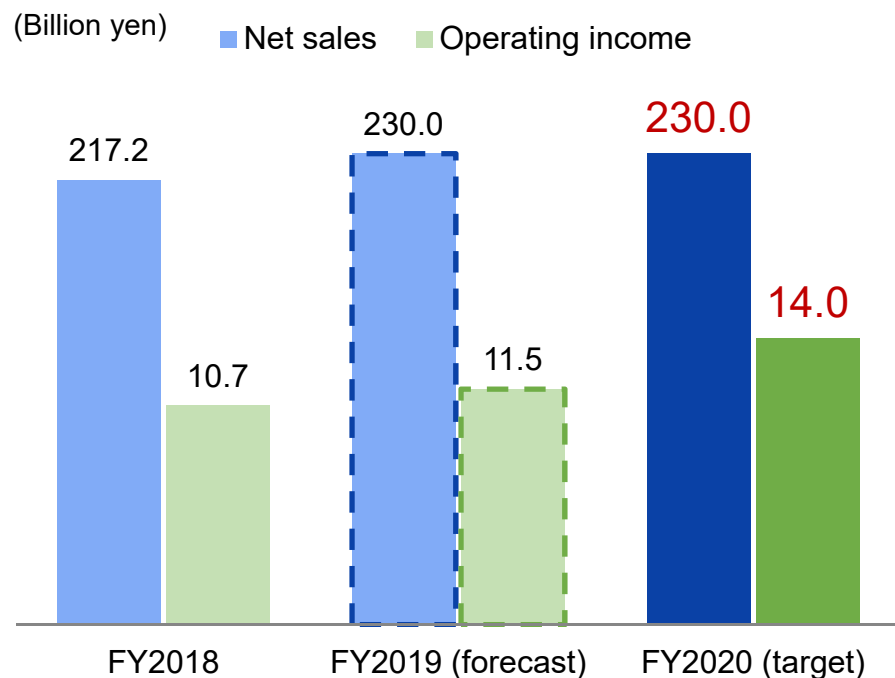
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Progress of “CFG2020” Medium-term Management Plan

Business Performance Targets

During final fiscal year of plan (FY2020), aim to achieve:

- Consolidated net sales of ¥230 billion
- Consolidated operating income of ¥14 billion
- ROE of 8%



Measures

(1) Measures for expanded scale and increased profit of key businesses

- Products & services
 - (a) Develop next-generation products using IoT, AI, etc.
 - (b) Strengthen ability to propose solutions and service systems
 - (c) Invest and develop human resources aimed at streamlining production
- Overseas markets
 - (a) Expand strategic areas and strengthen sales
 - (b) Scout for local partners and promote collaboration
 - (c) Construct own plants → Strengthen production capability and cost competitiveness
- M&A, alliances
 - Strengthen M&A, business tie-ups and other alliances with companies expected to bring synergy

(2) Shareholder return measures

- In principle, maintain a dividend payout ratio of 40%–50% on consolidated basis
- Acquire treasury shares with regard to improving capital efficiency

(Billion yen)

60

50

40

30

20

10

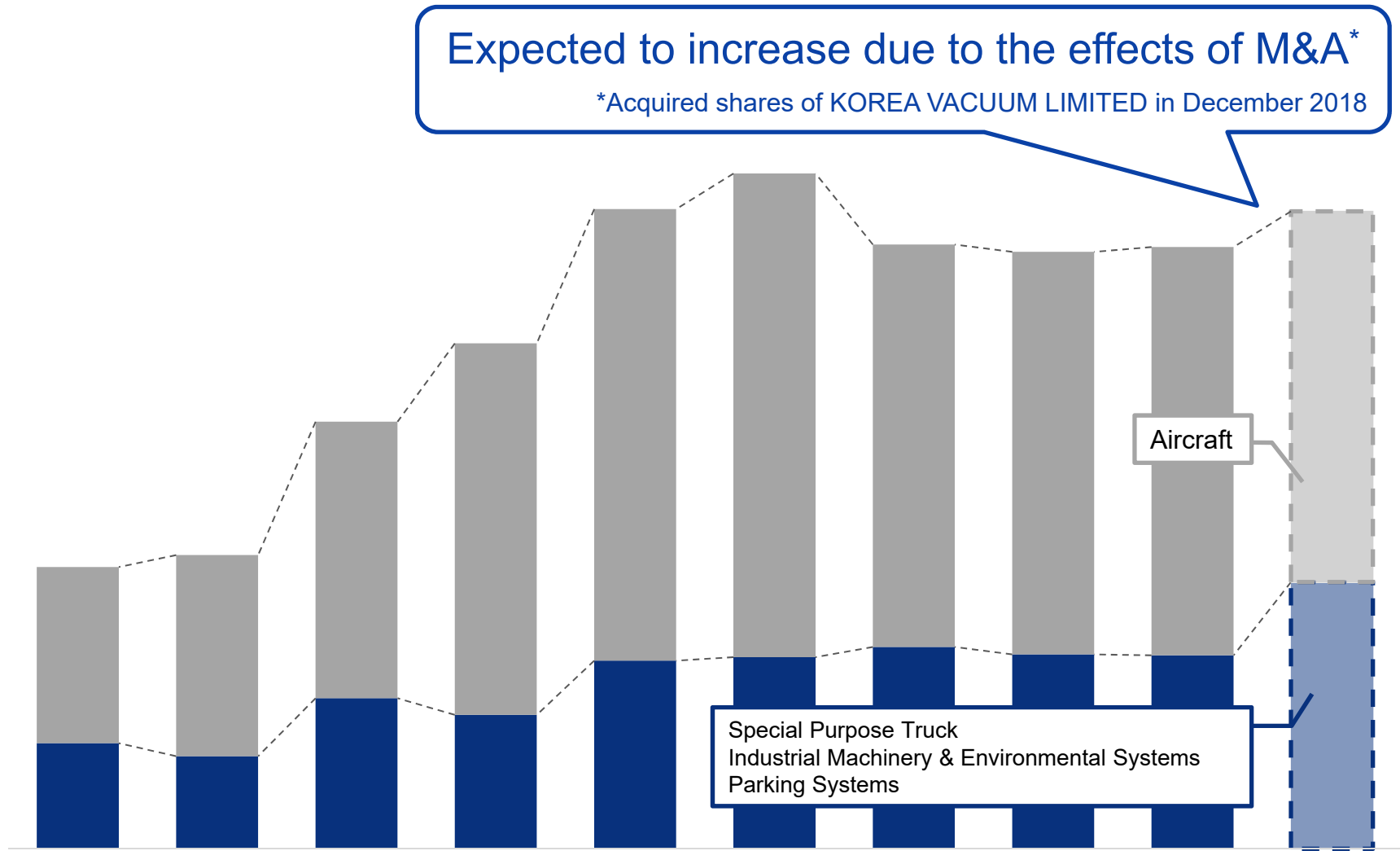
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Expected to increase due to the effects of M&A*
 *Acquired shares of KOREA VACUUM LIMITED in December 2018

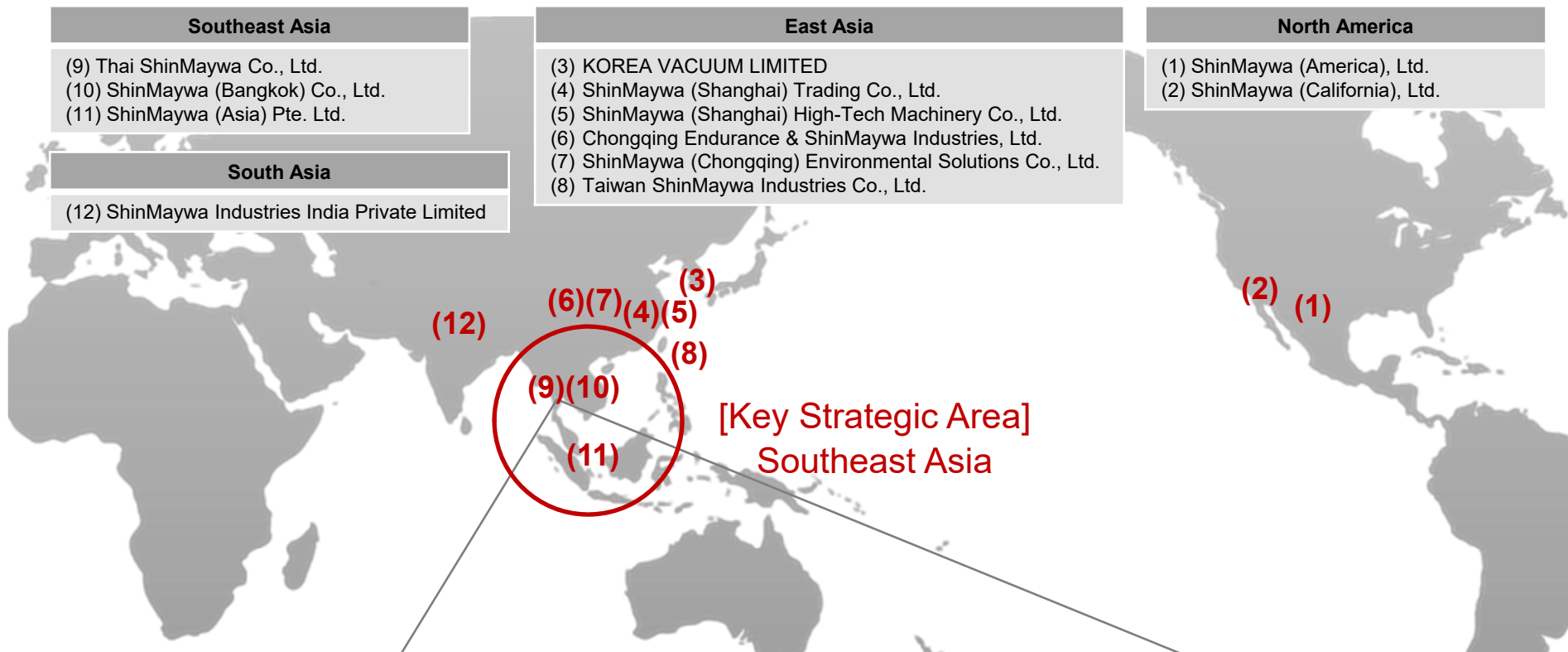
Aircraft

Special Purpose Truck
 Industrial Machinery & Environmental Systems
 Parking Systems

FY2010 FY2011 FY2012 FY2013 FY2014 FY2015 FY2016 FY2017 FY2018 FY2019 (forecast)



Overseas Markets: Overseas Group Companies and Key Strategies by Segment



- Southeast Asia**
- (9) Thai ShinMaywa Co., Ltd.
 - (10) ShinMaywa (Bangkok) Co., Ltd.
 - (11) ShinMaywa (Asia) Pte. Ltd.

- South Asia**
- (12) ShinMaywa Industries India Private Limited

- East Asia**
- (3) KOREA VACUUM LIMITED
 - (4) ShinMaywa (Shanghai) Trading Co., Ltd.
 - (5) ShinMaywa (Shanghai) High-Tech Machinery Co., Ltd.
 - (6) Chongqing Endurance & ShinMaywa Industries, Ltd.
 - (7) ShinMaywa (Chongqing) Environmental Solutions Co., Ltd.
 - (8) Taiwan ShinMaywa Industries Co., Ltd.

- North America**
- (1) ShinMaywa (America), Ltd.
 - (2) ShinMaywa (California), Ltd.

[Key Strategic Area]
Southeast Asia

Thai ShinMaywa Co., Ltd.

Special Purpose Truck	Strengthen production capacity aimed to expand sales of functional components (hoists)
Industrial Machinery & Environmental Systems	Newly establish a production and sales base for water treatment equipment (submersible pumps)

GENERAL AUTOMATIC CARS PARKING SYSTEM CO., LTD.* (G-PARK)

Parking Systems	Enter the mechanical car parking systems market in Thailand →Collaborate with a local distributor
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* Distributor

Special Purpose Truck Segment: Reinforce production capacity at Thai ShinMaywa Co., Ltd.



- ✓ Since its establishment in 1988, Thai ShinMaywa Co., Ltd. has been manufacturing and supplying functional components (hoists) to the parent company in Japan (IP base).
- ✓ Thai ShinMaywa Co., Ltd. has been focusing on sales expansion of functional components in the Thai market and markets of neighboring countries in Southeast Asia in recent years.
- ✓ The company's product quality (durability, etc.) is highly rated in the Southeast Asia market.



- Target→Southeast Asia and India markets
- Reinforce production capacity of telescopic cylinders that have demand growth prospects

■ Outline of investment

- ◆ Conducted a capital increase of Thai ShinMaywa Co., Ltd. in FY2018 (with a total investment amount expected to be JPY1.6 billion).
- ◆ Acquired neighboring land and is newly constructing a plate plant with production scheduled to start from April 2020.

Aiming to achieve net sales of 2.2 billion yen* in FY2020 (year-on-year increase of approx. 10%)

* Net sales of Thai ShinMaywa Co., Ltd. (Special Purpose Truck Segment)

Industrial Machinery & Environmental Systems Segment (Water Treatment Equipment): Establish new production and sales base by utilizing Thai ShinMaywa Co., Ltd.



High-efficiency Submersible Pump
with good pass-through performance

- ✓ The diffusion rate of sewerage systems is still low in Southeast Asia and therefore expansion of the market for submersible pumps used in sewerage systems is expected.
- ✓ We are providing sales and maintenance services mainly through local distributors in Thailand and Vietnam.
- ✓ Exporting products from Japan involves issues in delivery time and price.

- Establish a local production base
→ Resolve issues in delivery time and price
- Position Southeast Asia as a key strategic market
→ Enhance the sales and service network

■ Outline of investment

- ◆ Utilize the production base of Thai ShinMaywa Co., Ltd., a local corporation in the Special Purpose Truck Segment→Constructed a pump assembly plant
→ Aim at smooth start of business by leveraging the Group's know-how in plant operation and management in Thailand
- ◆ We plan to invest a total of JPY600 million as the cost of construction of plant and purchasing facilities and equipment, with the start of production targeted for the second half of FY2020.

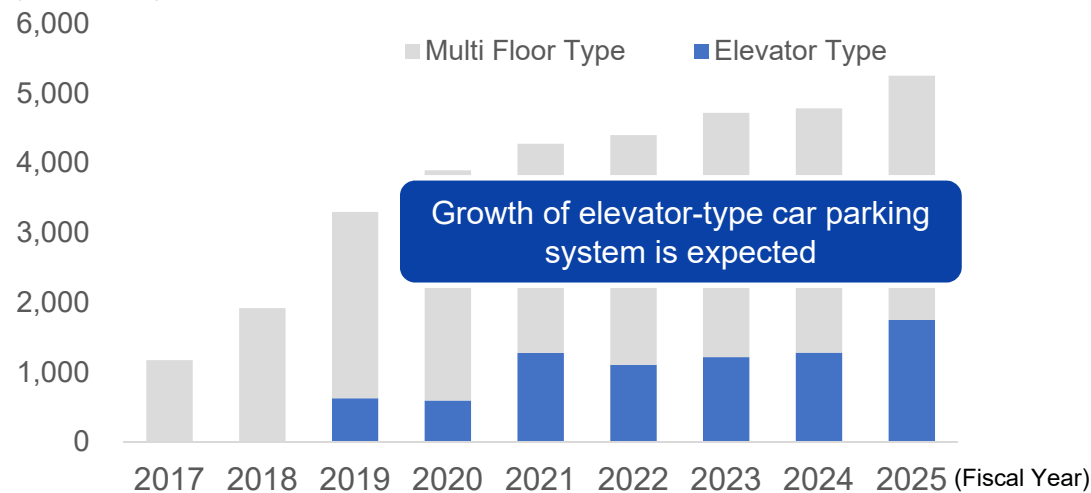
Aiming to achieve net sales of 500 million yen* in FY2022

* Net sales of Thai ShinMaywa Co., Ltd. (Industrial Machinery & Environmental Systems Segment)

Parking Systems Segment: Enter the Mechanical Car Parking Systems (Elevator Type) Market in Thailand

Trends in the parking capacity numbers of mechanical car parking systems in Thailand (forecast)

(Unit: pallet)



Source: Prepared by ShinMaywa

- ✓ Brisk demand for urban development and legislation for establishment of car parking spaces
→ Demand for mechanical car parking systems is increasing.
- ✓ The market for elevator-type car parking systems, the ShinMaywa Group's mainstay, is in the process of formation.
- ✓ There is no local car parking system manufacturer at present but about 10 distributors are selling products imported from China and South Korea.
- ✓ There are numerous projects in which problems occurred after installation (breakdown, user-unfriendliness)



Conceptual sketch of ELEPARK® showroom

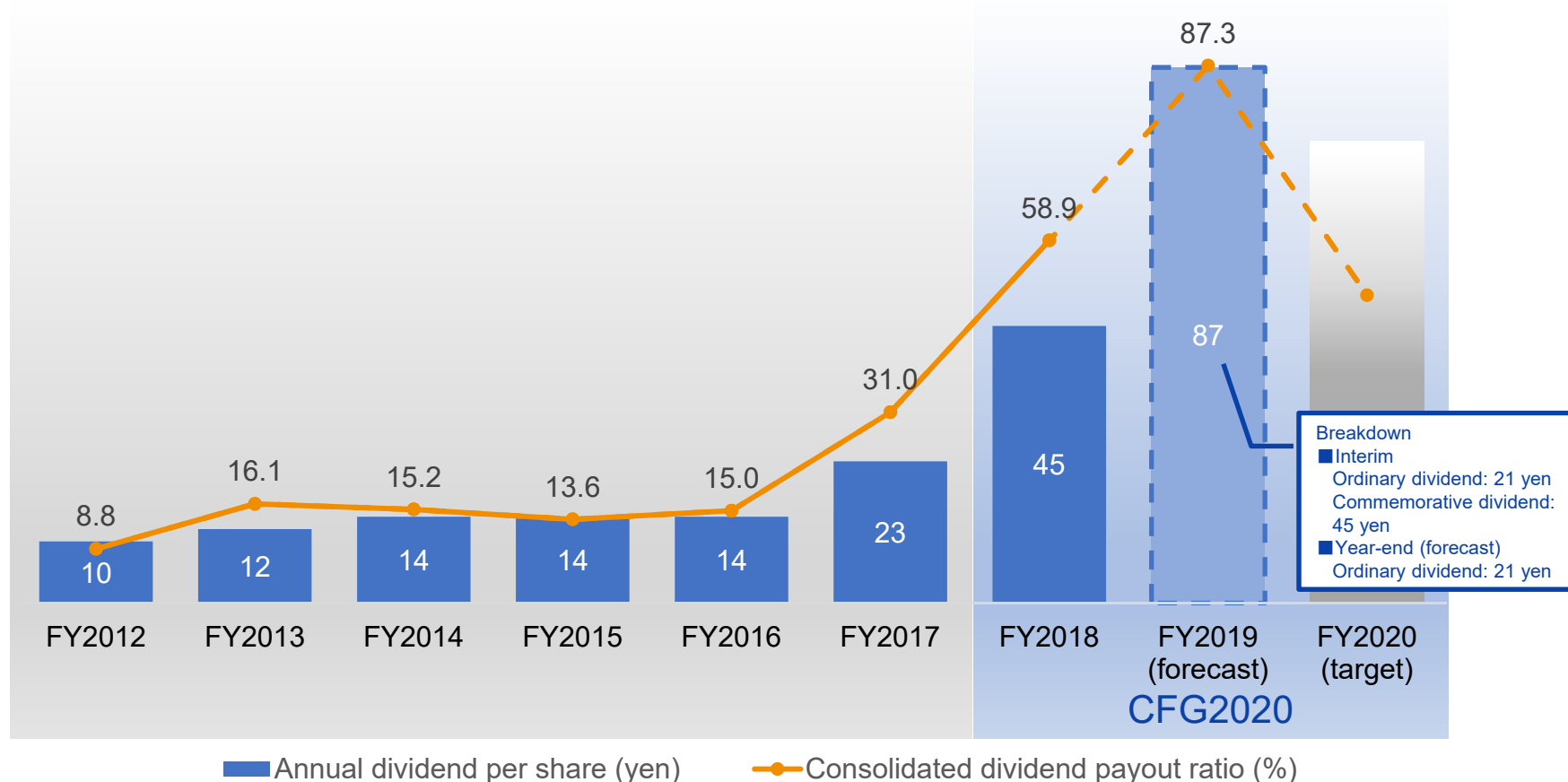
- Entered into a distribution agreement with G-PARK (local corporation) (entrusted sales, installation work, and maintenance and after-sales services to G-PARK)
- Constructing a parking system showroom (Scheduled completion: March 2020)

Aiming to receive orders for 10 parking system towers* in the Thai market in FY2022
 * Accounting for approximately 30% of annual demand for elevator-type car parking systems

✓ Dividend per share for FY2019 is forecast to be 87 yen*

* Including commemorative dividend of 45 yen

✓ Consolidated dividend payout ratio for FY2020 will be 40-50%



		Planned value*1	Actual value (cumulative)*2
Planned value*1 Operating CF ¥32.0-37.0 billion + Procurement of debt ¥10.0-20.0 billion TOB settlement funds Procurement of debt ¥40.0 billion	Growth investments Shareholder returns	Capital investment / M&A ¥30.0-40.0 billion	Investment amount (Billion yen) ¥12.3 billion
		Dividends ¥10.0-13.0 billion	Total amount of dividend (Billion yen) ¥7.7 billion
	Acquisition of treasury shares	Acquire flexibly ¥45.0 billion (30.27 million shares)	Acquisition cost (Billion yen) ¥45.0 billion

*1 Estimated total over 3 years of plan
 *2 Total of FY2018 (full-year) and FY2019 (2Q)

Cancelled a total of 30 million shares as of October 31, 2019

Supplementary Materials

Corporate Name

ShinMaywa Industries, Ltd.

Head Office

1-1 Shinmeiwa-cho, Takarazuka-shi, Hyogo 665-8550, Japan

Founded

November 5, 1949

Paid-up Capital

15,981,967,991 yen

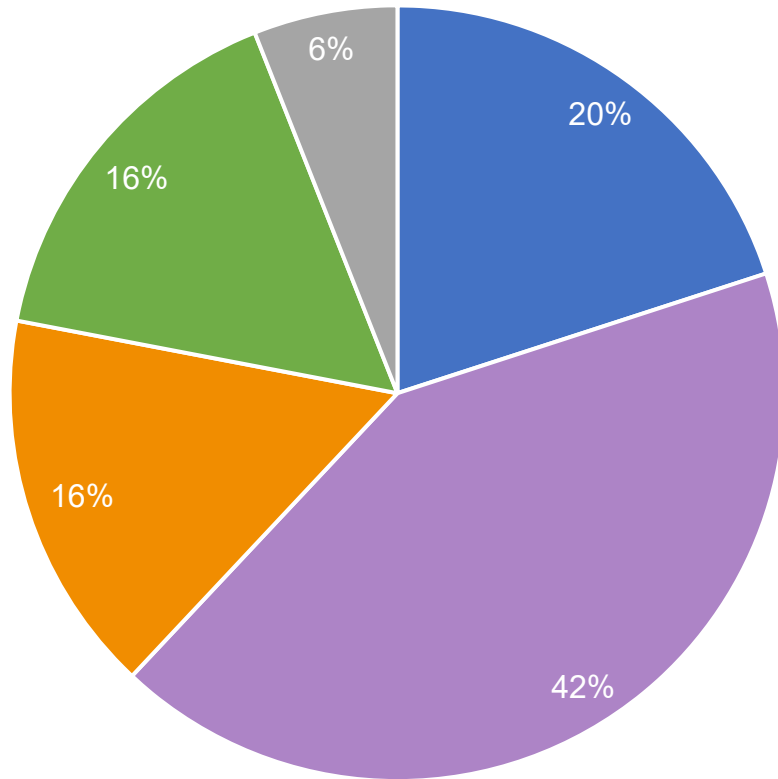
President

Tatsuyuki Isogawa, President & CEO

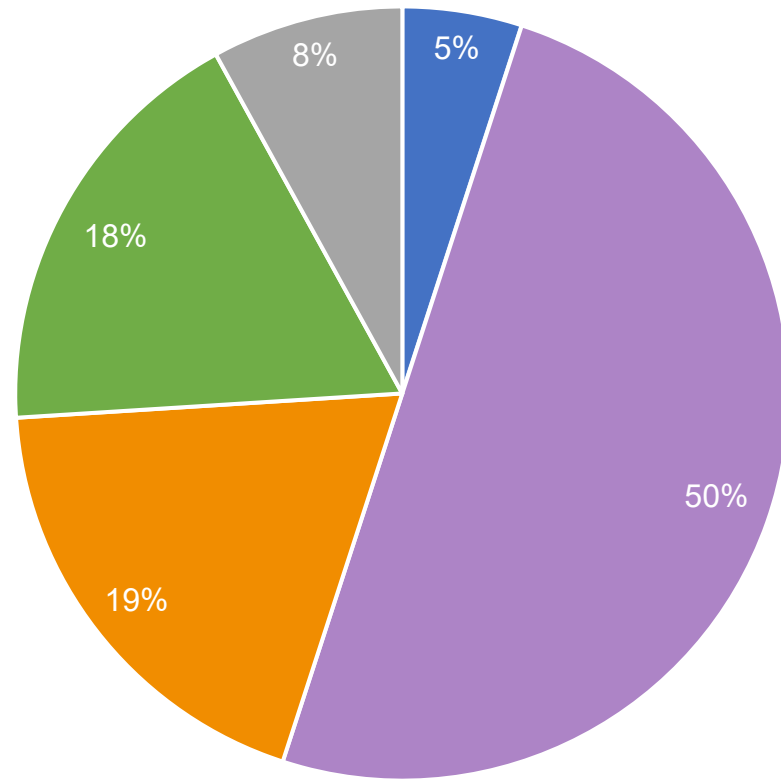
Number of EmployeesConsolidated 5,114 / Non-consolidated 3,054
(as of end of September, 2019)**Consolidated Subsidiaries**20

Distribution Ratios of Net Sales & Operating Income by Segment (FY2018)

■ Distribution of net sales



■ Distribution of operating income

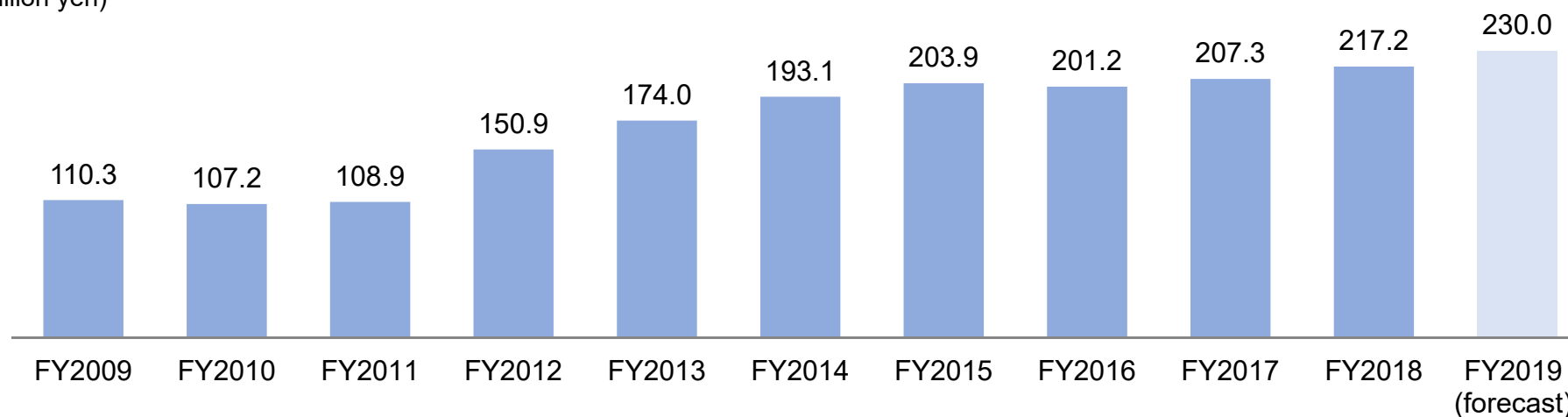


- Aircraft
- Special Purpose Truck
- Industrial Machinery & Environmental Systems
- Parking Systems
- Others

Note: "Operating income" is a simple aggregate of the operating income of each segment. Unallocated corporate expenses, etc. have not been included in calculations.

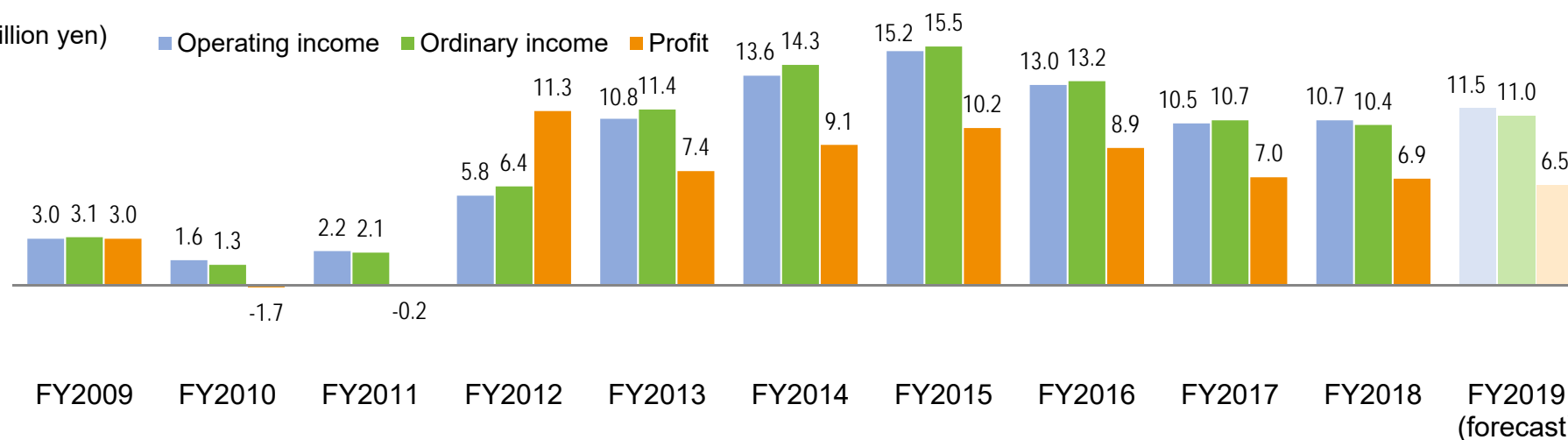
Net sales

(Billion yen)



Operating income, ordinary income, and profit

(Billion yen)



Profit: profit attributable to owners of parent

Business Performance by Index/Segment

Account	FY2014	FY2015	FY2016	FY2017	FY2018
Net sales (million yen)	193,131	203,917	201,204	207,335	217,297
Operating income (million yen)	13,635	15,260	13,067	10,594	10,708
Operating income ratio	7.1%	7.5%	6.5%	5.1%	4.9%
PBR	1.20	0.70	0.86	0.67	1.09
PER	13.88	7.74	11.41	11.79	18.01
ROE (%)	9.1	9.4	7.7	5.8	6.8
ROA (%)	5.2	5.6	4.8	3.7	3.5

Segment	Account	FY2014	FY2015	FY2016	FY2017	FY2018
Aircraft	Net sales (million yen)	41,143	47,262	39,028	40,699	43,635
	Operating income (million yen)	5,263	6,546	2,000	1,368	649
	Operating income ratio	12.8%	13.9%	5.1%	3.4%	1.5%
Special Purpose Truck	Net sales (million yen)	84,775	87,462	89,304	90,317	92,333
	Operating income (million yen)	6,929	6,748	8,348	6,313	6,544
	Operating income ratio	8.2%	7.7%	9.3%	7.0%	7.1%
Industrial Machinery & Environmental Systems	Net sales (million yen)	27,928	30,155	29,451	30,099	33,810
	Operating income (million yen)	1,878	1,985	2,219	2,468	2,474
	Operating income ratio	6.7%	6.6%	7.5%	8.2%	7.3%
Parking Systems	Net sales (million yen)	27,440	29,359	31,145	31,979	33,863
	Operating income (million yen)	1,330	1,814	1,850	1,780	2,343
	Operating income ratio	4.8%	6.2%	5.9%	5.6%	6.9%
Others	Net sales (million yen)	11,843	9,677	12,274	14,239	13,654
	Operating income (million yen)	439	796	960	1,049	1,037
	Operating income ratio	3.7%	8.2%	7.8%	7.4%	7.6%

Consolidated Balance Sheets

(Million yen)

Account	FY2014	FY2015	FY2016	FY2017*	FY2018
Cash and deposits	12,920	17,085	18,772	18,750	23,153
Notes and accounts receivable - trade	77,519	76,642	76,475	74,795	80,955
Work in process	23,274	20,702	20,273	19,594	18,468
Total current assets	136,664	140,366	139,890	133,717	148,683
Property, plant and equipment	27,841	29,131	30,403	31,279	34,865
Intangible assets	2,164	2,402	2,537	2,587	2,768
Investments and other assets	15,496	14,879	15,801	22,417	22,877
Total non-current assets	45,502	46,413	48,742	56,284	60,511
Notes and accounts payable - trade	32,214	31,472	28,239	24,572	29,371
Short-term loans payable	188	-	150	90	49,051
Current portion of long-term loans payable	2,000	2,000	-	-	238
Accrued expenses	10,917	12,481	10,958	10,858	11,434
Total current liabilities	60,457	59,603	56,385	50,871	110,822
Long-term loans payable	2,000	-	-	-	603
Total non-current liabilities	15,750	14,097	13,898	14,125	15,330
Total liabilities	76,208	73,700	70,283	64,997	126,152
Capital stock	15,981	15,981	15,981	15,981	15,981
Capital surplus	15,737	15,737	15,738	15,738	15,737
Retained earnings	72,736	81,522	89,111	94,861	94,992
Treasury shares	(145)	(154)	(3,250)	(3,252)	(44,597)
Non-controlling interests	93	85	79	111	702
Total net assets	105,958	113,079	118,348	125,004	83,043
Total liabilities and net assets	182,167	186,780	188,632	190,001	209,195

* Changes have been made to the presentation method following application of the Partial Amendments to Accounting Standard for Tax Effect Accounting.

■ Capital investments (tangible)

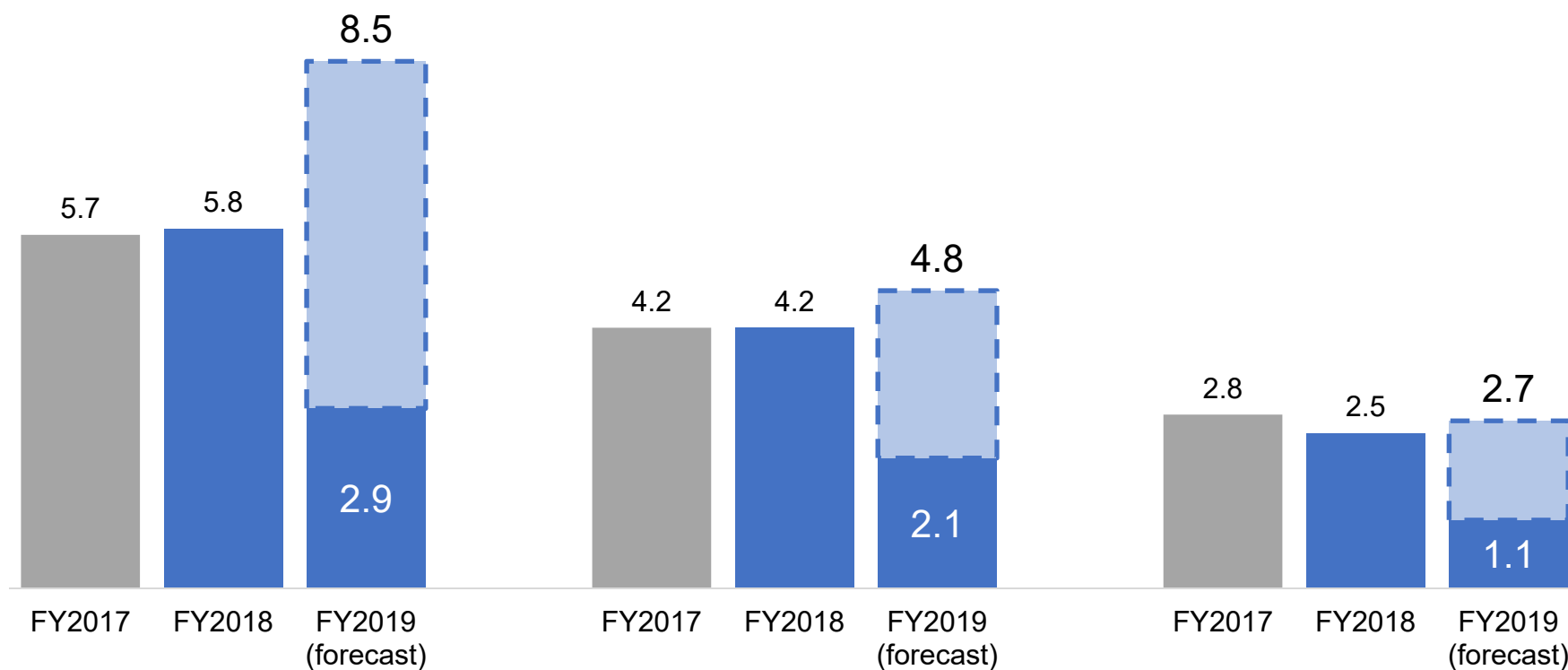
■ Depreciation (tangible)

■ Research and development costs

(Billion yen)

(Billion yen)

(Billion yen)



(Billion yen)

Segment	Net sales			Operating income		
	FY2019 (forecast)	FY2020 (target)	Change	FY2019 (forecast)	FY2020 (target)	Change
Aircraft	39.0	41.0	+2.0	1.5	3.2	+1.7
Special Purpose Truck	93.5	86.5	-7.0	6.4	5.0	-1.4
Industrial Machinery & Environmental Systems	41.0	43.5	+2.5	2.7	3.7	+0.9
Parking Systems	39.0	44.0	+5.0	2.7	3.2	+0.5
Others*	17.5	15.0	-2.5	1.1	1.3	+0.2
Unallocated corporate expenses	—	—	—	-3.0	-2.4	+0.6
Total	230.0	230.0	—	11.5	14.0	+2.5

* “Others” comprises business segments not included in the reportable segments, such as construction, real estate, and software.

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Accordingly, it should be noted that forward-looking information needs to be considered in conjunction with uncertainties and risk factors. Reference should also be made to the numerous important risk factors that could have a significant negative impact on the Company’s actual business operations and results, additional information on which is described in detail in the Company’s quarterly financial results, annual securities report, annual report and various other documents disclosed by the Company.

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