

Presentation of Financial Results for
the Second Quarter of Fiscal Year 2020

100th

Tradition and Innovation
Celebrating 100 years in business

ShinMaywa

November 17, 2020

ShinMaywa Industries, Ltd.

1. Summary of Consolidated Financial Results
 2. Measures against the COVID-19 pandemic
- ## Supplementary Materials

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

Year-on-year change

- ✓ Revenue decreased in all segments due in part to the impact of the COVID-19 pandemic
- ✓ As a result of decrease in revenue, profit decreased

(Million yen)

	FY2019 2Q	FY2020 2Q	Change
Net sales	108,098	93,783	-14,315 (-13.2%)
Operating income	6,099	3,807	-2,292 (-37.6%)
Ordinary income	5,826	3,824	-2,002 (-34.4%)
Profit attributable to owners of parent	3,670	2,107	-1,562 (-42.6%)

Exchange rate (USD 1)	109.0 yen	107.1 yen
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108,098 : Record high

Consolidated Financial Results for the Second Quarter of Fiscal Year 2020, by Segment

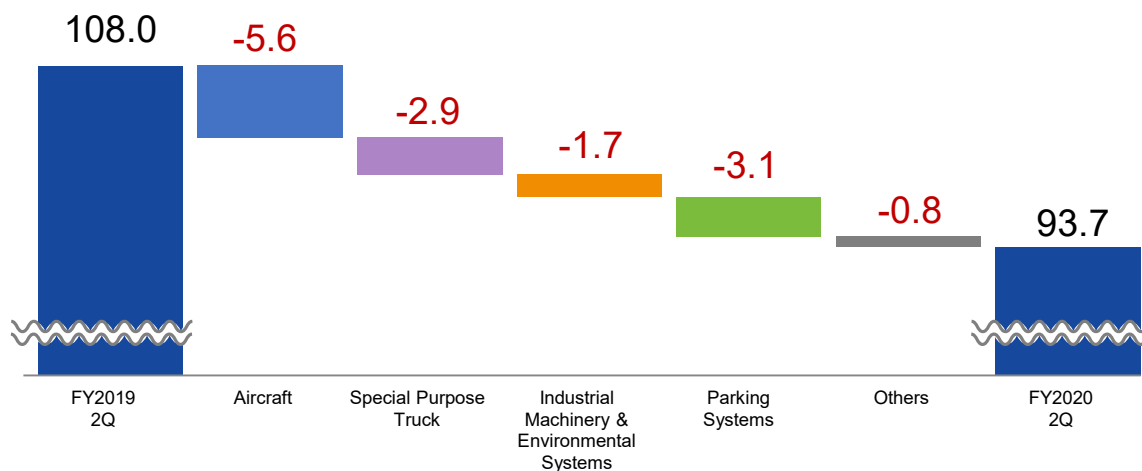
(Billion yen)

Segment	Net sales			Operating income		
	FY2019 2Q	FY2020 2Q	Change	FY2019 2Q	FY2020 2Q	Change
Aircraft	18.8	13.2	-5.6	1.0	-0.1	-1.1
Special Purpose Truck	46.6	43.6	-2.9	3.6	3.1	-0.4
Industrial Machinery & Environmental Systems	15.7	14.0	-1.7	-0	-0	-0
Parking Systems	18.5	15.4	-3.1	2.1	1.6	-0.4
Others*	8.2	7.3	-0.8	0.5	0.5	-0
Unallocated corporate expenses	—	—	—	-1.1	-1.2	-0
Total	108.0	93.7	-14.3	6.0	3.8	-2.2

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

Net sales

(Billion yen)



Aircraft

- Revenue decreased in products for Boeing

Special Purpose Truck

- Revenue decreased due to decrease in construction-related vehicles, trailers, etc.

Industrial Machinery & Environmental Systems

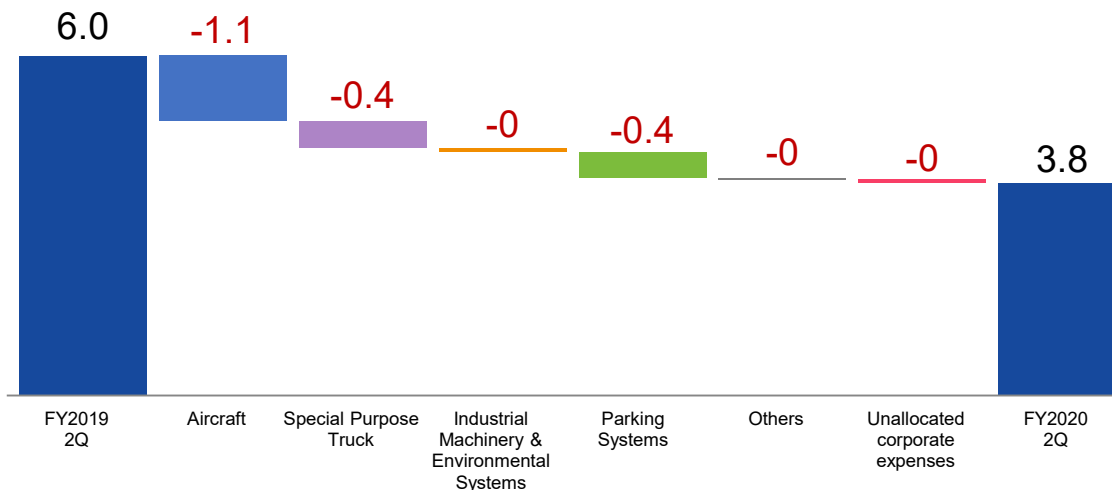
- Revenue decreased in mechatronics products

Parking Systems

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

Operating income

(Billion yen)



Aircraft

- Decreased due to decrease in production volume of products for Boeing

Special Purpose Truck

- Decreased due to decrease in revenue

Parking Systems

- Decreased due to decrease in revenue

Year-on-year change

- ✓ Decrease in both revenue and profit is expected, taking into account the impact of the COVID-19 pandemic on order receipt and production activities



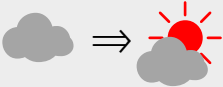
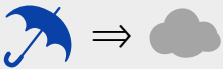

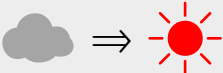
(Million yen)

	FY2019 (actual)	FY2020 (forecast)		Change	
		Announced in July	Announced in October	Year-on-year	Compared with figures announced in July
Net sales	227,231	210,000	210,000	-17,231 (-7.6%)	—
Operating income	12,836	8,500	8,500	-4,336 (-33.8%)	—
Ordinary income	12,375	8,700	8,700	-3,675 (-29.7%)	—
Profit attributable to owners of parent	7,378	5,000	5,000	-2,378 (-32.2%)	—

Exchange rate (USD 1)	108.6 yen	108.0 yen	108.0 yen*
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108.0 yen* : Record high

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

Segment		Severity	Business environment amid the spread of COVID-19
Aircraft			Following the suspension of production by Boeing, ShinMaywa suspended the production of 777/777X and 787 aircraft for a month from the end of April to May 2020. A substantial reduction in production from the initial plan is also anticipated in the second half and beyond due to review of production plans by Boeing, and cost reductions are necessary to secure profits.
Special Purpose Truck			Demand dropped temporarily due to the COVID-19 pandemic. However, the segment's overall outstanding orders stood at about 9 months of monthly sales as of the end of 2Q, and gradual recovery is expected in the second half and beyond.
Industrial Machinery & Environmental Systems	Water treatment equipment		Although products for civilian demand and overseas markets have been affected, products for public demand in Japan have been relatively firm. The impact on full-year performance is limited.
	Mechatronics products		Facilities for the automotive industry make up the majority of sales, and customers have continued to reduce investment in FY2020 as they did in FY2019 due to the U.S.-China trade friction. However, the Chinese and Southeast Asian markets are expected to gradually recover.
	Environment-related business		Public-sector projects account for the majority of sales and the impact on business performance is limited as the performance is supported by the stock business as well as the recording of sales using the percentage of completion method for existing orders.
Parking Systems			There are some effects such as low operation rates of coin-operated parking lots. However, the impact on business performance is limited as orders for new construction projects have been secured and sales from such orders will be recorded using the percentage of completion method. The maintenance business, the pillar of profits, has been firm. As to aircraft passenger boarding bridges, which account for part of sales, ShinMaywa has remaining workload for a while despite the impact on future orders and production activities, and the impact on business performance is limited.

Consolidated Financial Results Forecast for Fiscal Year 2020, by Segment

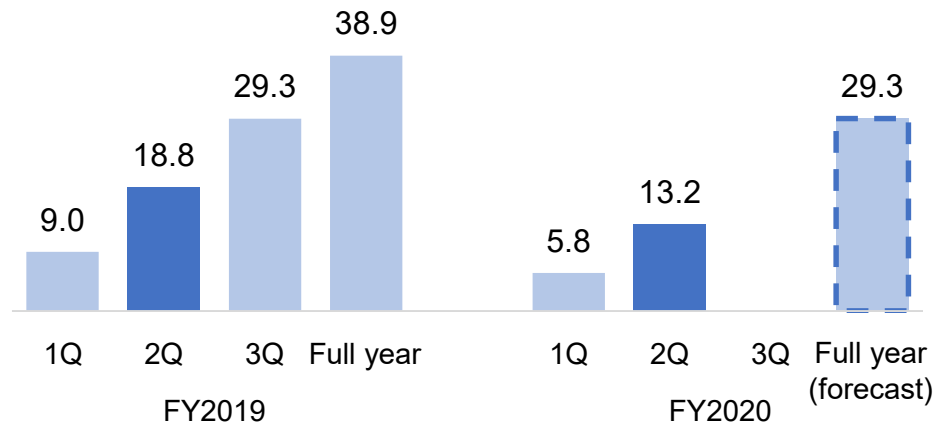
(Billion yen)

Segment	Net sales			Operating income		
	FY2019 (actual)	FY2020 (forecast)	Change	FY2019 (actual)	FY2020 (forecast)	Change
Aircraft	38.9	29.3	-9.6	1.5	-0.6	-2.2
Special Purpose Truck	94.6	90.0	-4.6	6.8	5.8	-0.9
Industrial Machinery & Environmental Systems	38.3	37.1	-1.2	2.7	2.0	-0.7
Parking Systems	37.8	35.8	-2.0	3.2	3.1	-0.1
Others*	17.4	17.8	+0.3	1.1	1.4	+0.2
Unallocated corporate expenses	—	—	—	-2.6	-3.2	-0.5
Total	227.2	210.0	-17.2	12.8	8.5	-4.3

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

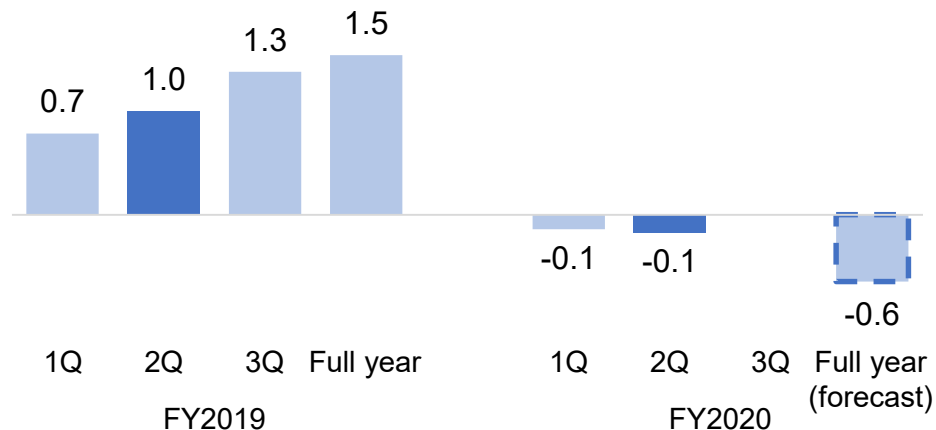
Net sales

(Billion yen)



Operating income

(Billion yen)



FY2020-2Q results (year-on-year)

- Net sales
 - Sales to Ministry of Defense:
 - Increase in components for transport aircraft
 - Civilian demand:
 - Decrease in production volume of 777/777X and 787 aircraft
- Operating income
 - Decreased due to decrease in production volume of 777/777X and 787 aircraft
 - Decreased due to a difference in selling price of 787 aircraft

FY2020 financial results forecast (year-on-year)

- Net sales
 - Sales to Ministry of Defense:
 - Increase in regular repair services, etc. expected
 - Civilian demand:
 - Decrease in production volume of 777/777X and 787 aircraft expected
- Operating income
 - Expected to decrease due to decrease in production volume of 777/777X and 787 aircraft
 - Expected to decrease due to a difference in selling price of 787 aircraft

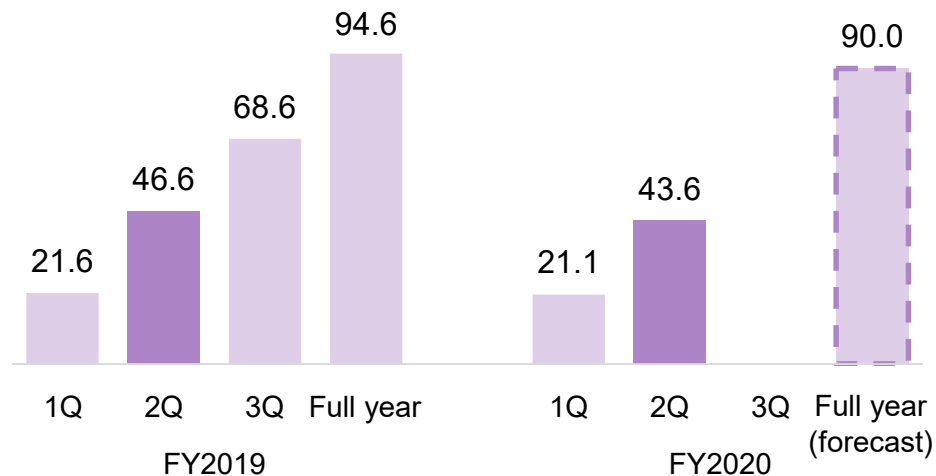
- Civilian demand-related production volume (Unit)
- Exchange rate sensitivity (After date of announcement)

	FY2019 2Q	FY2020 2Q
777/777X	30	19
787	81	48
G7500	13	12

Operating income increases by approximately 50 million yen for each 1 yen of depreciation

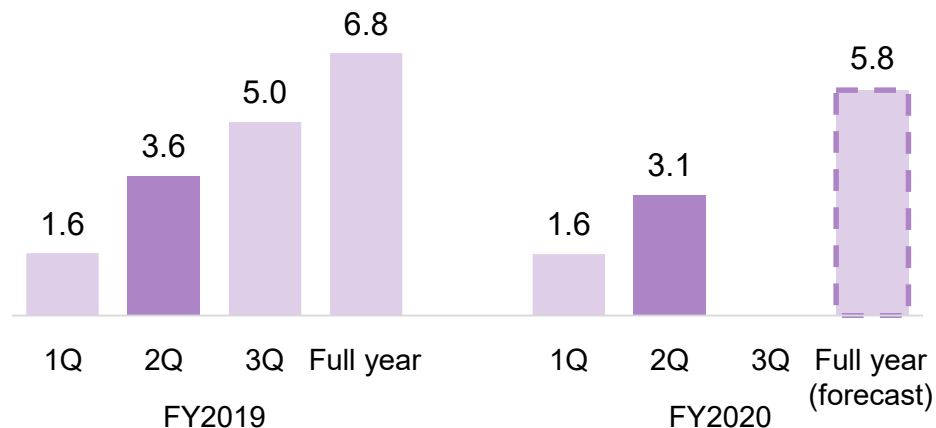
Net sales

(Billion yen)



Operating income

(Billion yen)



FY2020-2Q results (year-on-year)

- Net sales
 - Decrease in construction-related vehicles
 - Decrease in trailers
- Operating income
 - Decreased due to decrease in revenue

FY2020 financial results forecast (year-on-year)

- Net sales
 - Decrease in construction-related vehicles expected
 - Decrease in trailers expected
- Operating income
 - Expected to decrease due to decrease in revenue

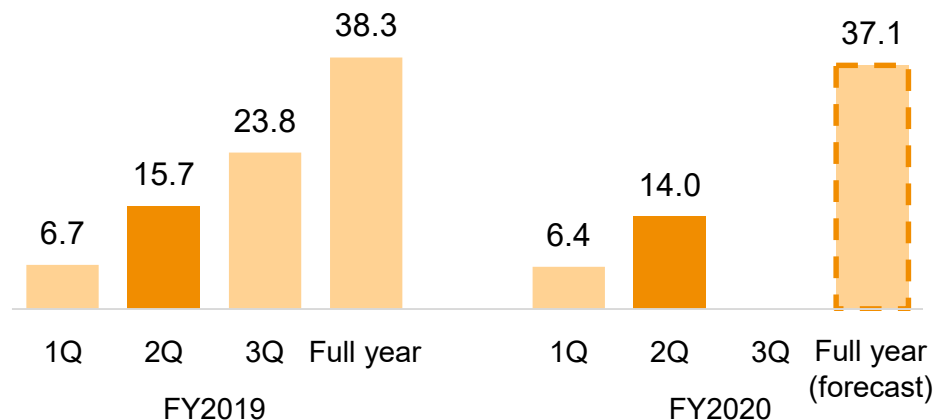
□ Trends in outstanding orders

	FY2019				FY2020	
	1Q	2Q	3Q	4Q	1Q	2Q
Outstanding orders (billion yen)	62.2	61.0	65.7	61.0	63.0	64.1
Outstanding period (month)*	8.6	7.9	8.6	7.7	8.9	8.8

* The average period from order receipt to sales; calculated by dividing the value of outstanding orders by sales per month

Net sales

(Billion yen)

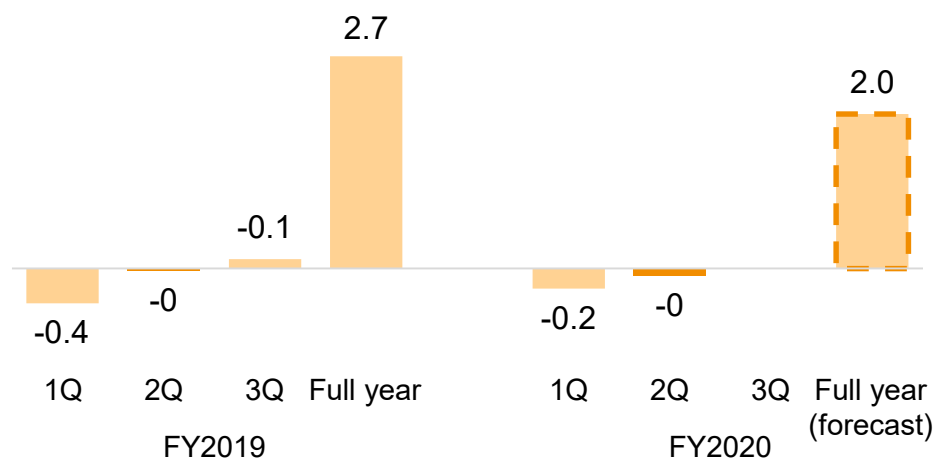


FY2020-2Q results (year-on-year)

- Net sales
 - Water treatment equipment:
 - Slight decrease in revenue
 - Mechatronics products:
 - Decrease in automatic wire processors and thin film coating systems
 - Environment-related business:
 - Decrease associated with a difference in composition for new construction orders
- Operating income
 - On par with the previous year

Operating income

(Billion yen)

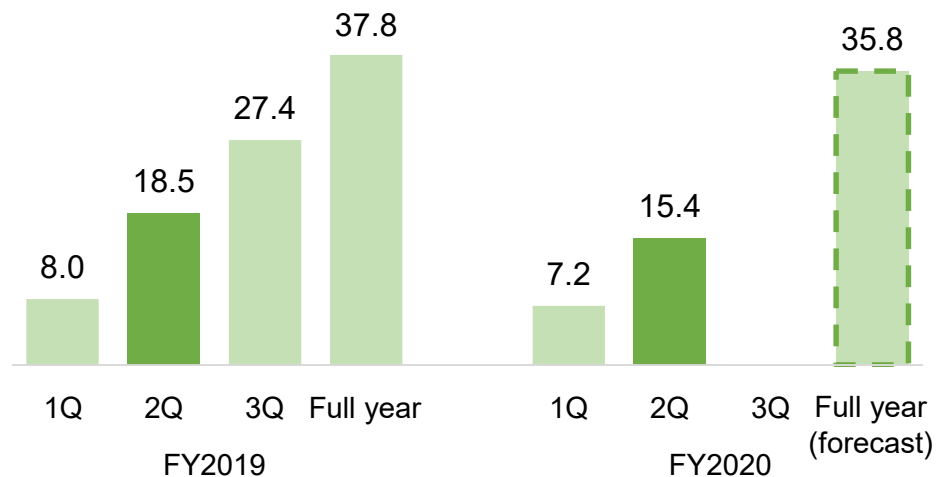


FY2020 financial results forecast (year-on-year)

- Net sales
 - Water treatment equipment:
 - Expected to be on par with the previous year
 - Mechatronics products:
 - Decrease in automatic wire processors and thin film coating systems expected
 - Environment-related business:
 - Increase in revenue expected
- Operating income
 - Expected to decrease in water treatment equipment due to a difference in product composition, etc.
 - Deterioration expected in mechatronics products
 - Expected to be on par with the previous year in the environment-related business

Net sales

(Billion yen)

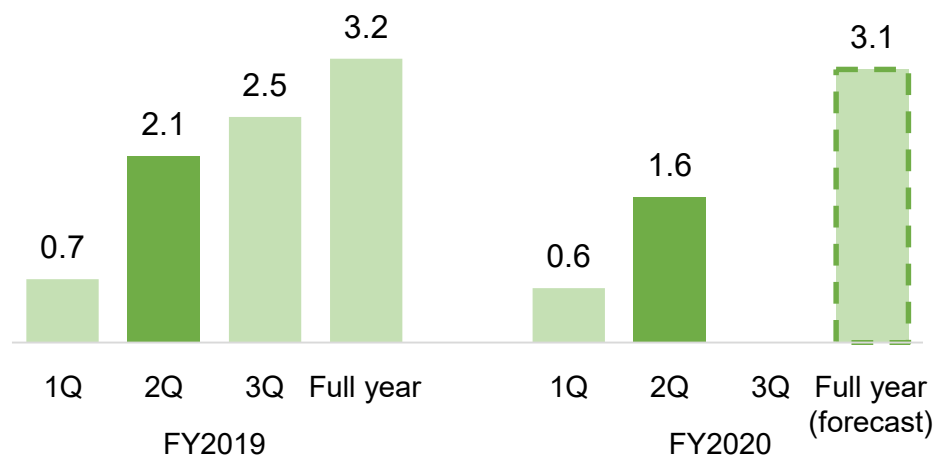


FY2020-2Q results (year-on-year)

- Net sales
 - Mechanical car parking systems:
 - Decrease in works for new construction orders
 - Decrease in repairs and improvements and the coin-operated parking business
 - Aircraft passenger boarding bridges:
 - Decrease in number of delivered products
- Operating income
 - Decreased due to decrease in revenue

Operating income

(Billion yen)



FY2020 financial results forecast (year-on-year)

- Net sales
 - Mechanical car parking systems:
 - Decrease in works for new construction orders expected
 - Decrease in the coin-operated parking business expected
 - Aircraft passenger boarding bridges:
 - Decrease in number of delivered products expected
- Operating income
 - Expected to decrease due to decrease in revenue

2 Measures against the COVID-19 pandemic

Major Infection Control Measures



The following measures are continuously implemented, with the highest priority placed on the health of employees and consideration for the safety of business partners and society as a whole

- ✓ Careful selection of long-distance business trips
- ✓ Recommendation of staggered work timing and working from home* (target: departments and divisions that can implement such programs)
- ✓ Implementation of measures against droplet transmission in offices, reception areas, etc.
- ✓ Staggered use of canteen facilities
- ✓ Disinfection of hands when entering rooms and wearing of masks
- ✓ Monitoring of employees' health conditions

*Introduction of Remote Work Program



The program was introduced in October with the aim of realization and firm establishment of various work styles and further improvement of productivity, in addition to the prevention of COVID-19 infection

It is likely to take until FY2023 at the earliest for the market for civil aircraft demand to recover



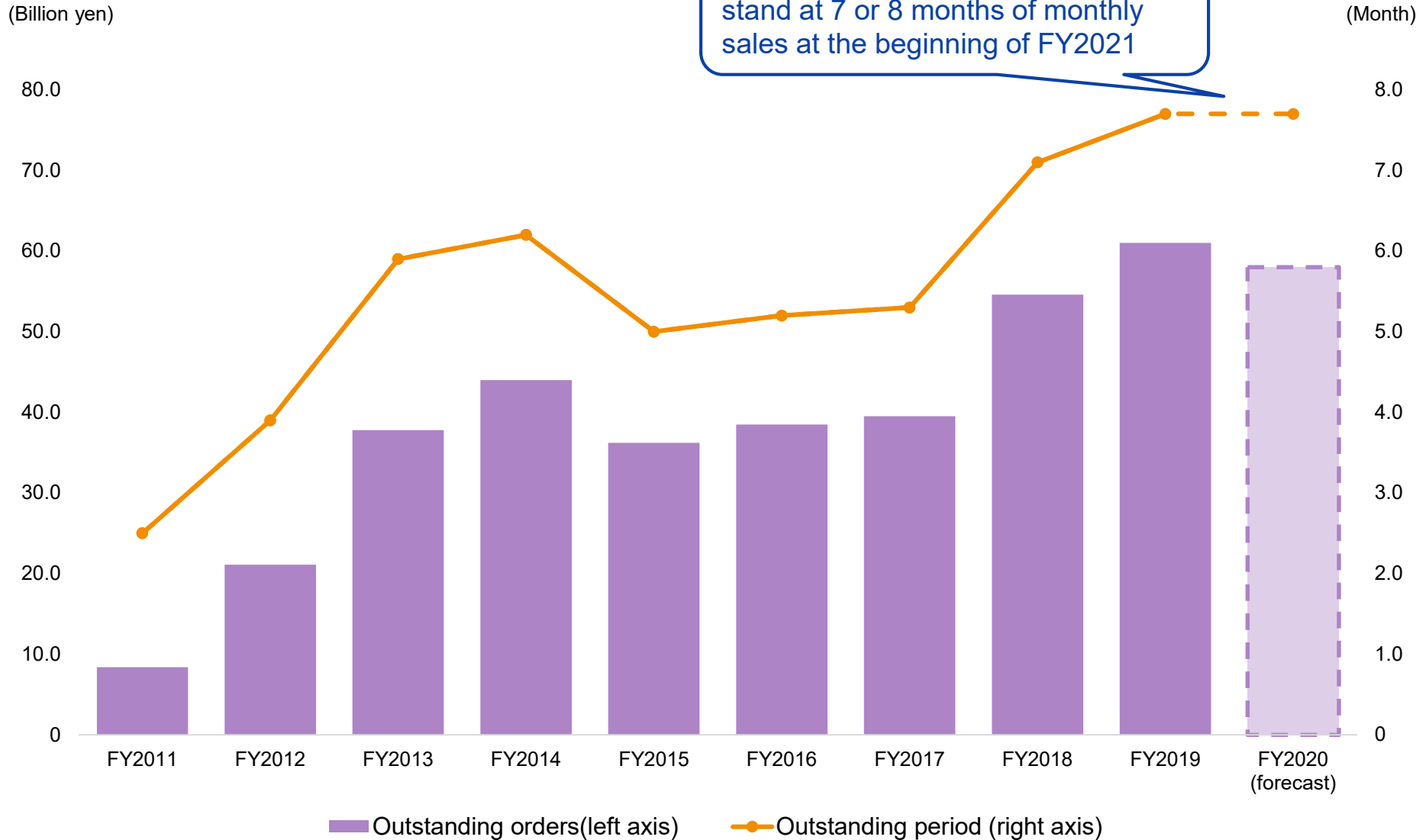
Measures for preventing further deterioration of profitability are being implemented

Measures for Reducing Costs

- ✓ Strengthen initiatives for reducing material costs and processing man-hours that have already been implemented as well as cut down on expenses
- ✓ Internally handle part of the work outsourced to external contractors as a measure to prevent the outflow of funds
- ✓ Reassign employees to divisions and Group companies that are short of staff
→ Optimize human resources in stages

An initiative to acquire orders for the US-2 STOL Search and Rescue Amphibian (9th model) at an early stage will also be implemented as a countermeasure for recovery shortfalls in the next fiscal year and beyond

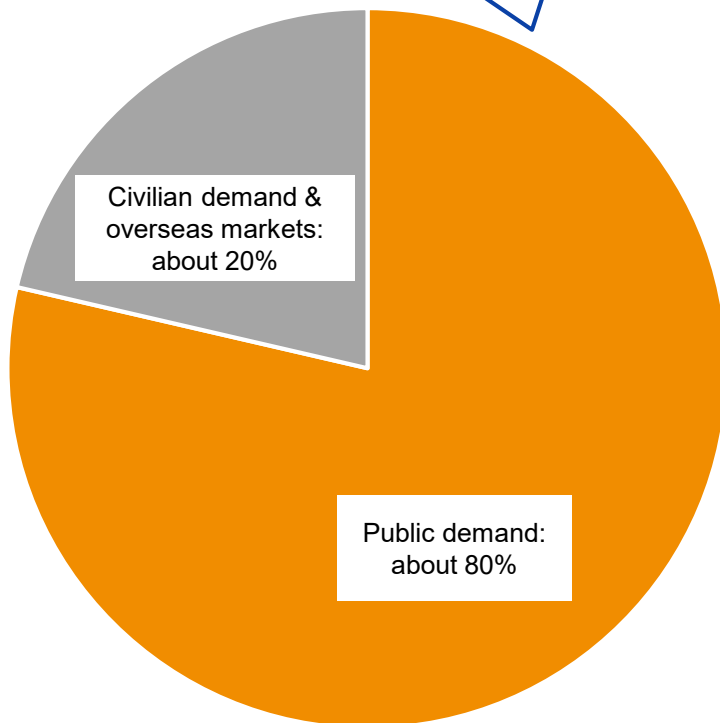
■ Trends in outstanding orders



* Outstanding period: the average period from order receipt to sales; calculated by dividing the value of outstanding orders by sales per month

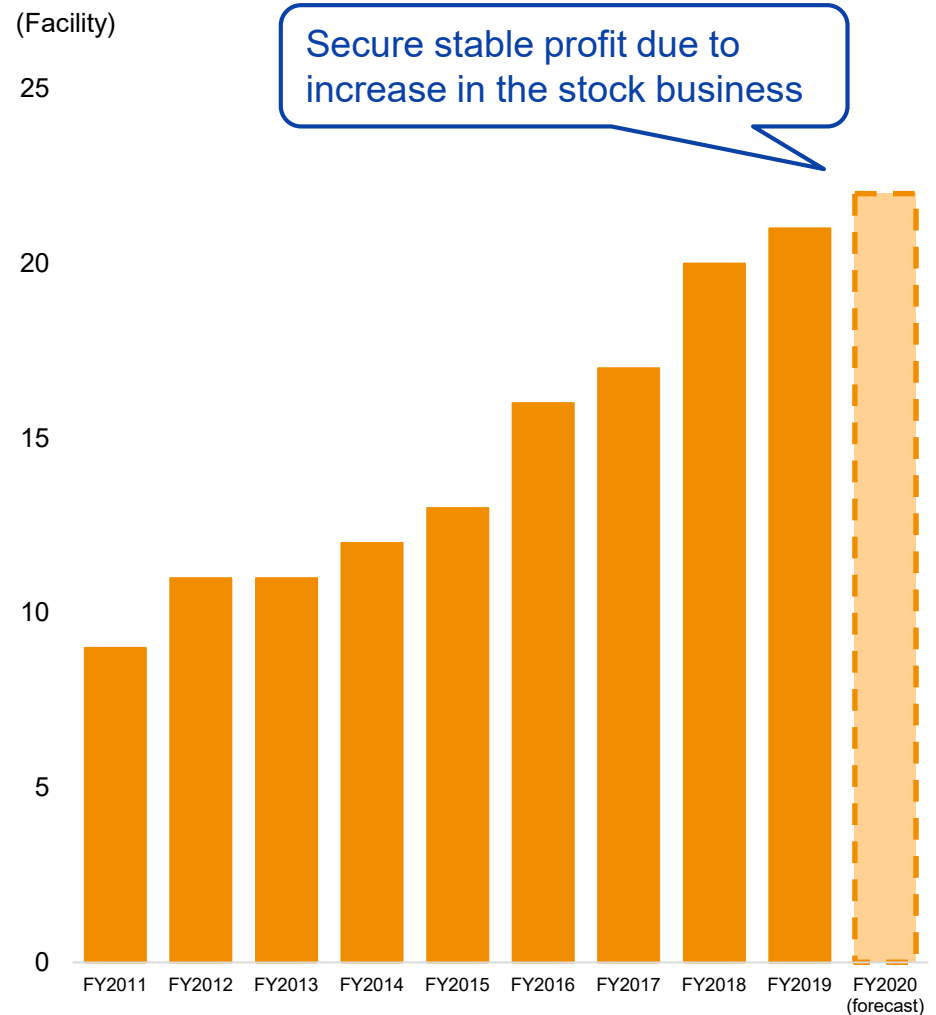
■ Water treatment equipment: sales composition by market(FY2019)

Business performance is supported by products for public demand, which account of about 80% of sales

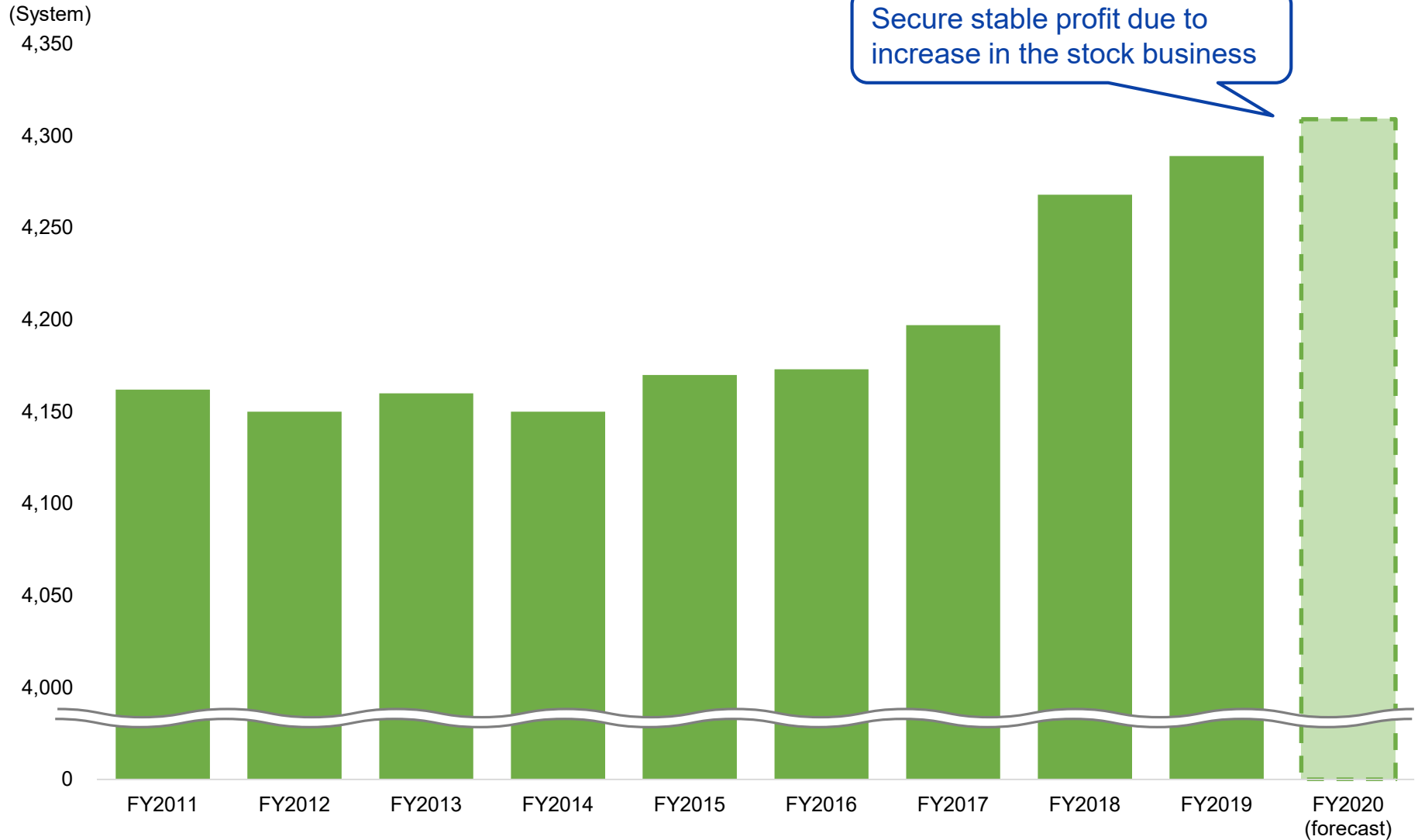


■ Environment-related business: changes in number of facilities operated and managed

Secure stable profit due to increase in the stock business



■ Mechanical car parking systems: changes in number of systems with maintenance contracts (large-scale systems)



Business Performance Targets

(Revised downward in July 2020)

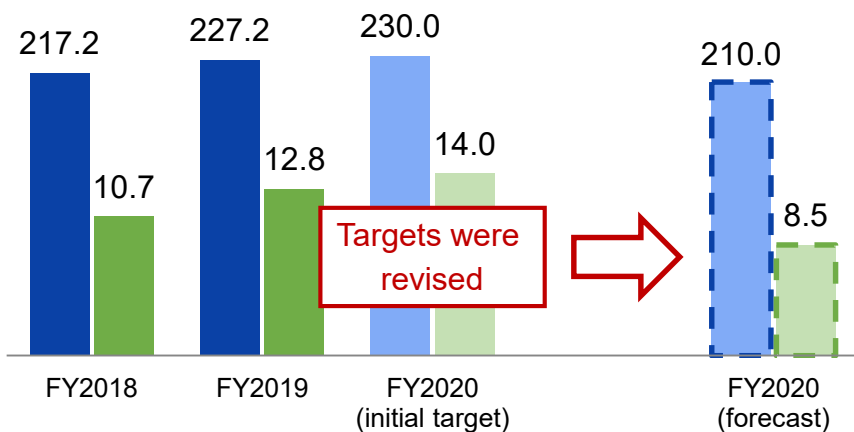
Targets for the final fiscal year (FY2020) of the plan were revised as follows

(Billion yen)

	FY2018	FY2019	FY2020	
			Initial target	Forecast
Consolidated net sales	217.2	227.2	230.0	210.0
Consolidated operating income	10.7	12.8	14.0	8.5
ROE	6.8%	8.9%	8.0% or more	6.0%

(Billion yen)

■ Net sales ■ Operating income



* Abbreviation of “Change for Growing, 2020”

Measures

(Continuously implemented even during the COVID-19 pandemic)

Despite delays in some measures resulting from the impact of the COVID-19 pandemic, measures that can be carried out continue to be implemented

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

- Products & services

- Develop next-generation products using IoT, AI, etc.
- Strengthen ability to propose solutions and service systems
- Make capital investments aimed at streamlining production and develop human resources

- Overseas markets

- Expand strategic areas and strengthen sales
- Scout for local partners and promote collaboration
- 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

“CFG2020” Business Performance Targets, by Segment

(Billion yen)

Segment	Net sales			Operating income			Major factors for changes
	Initial target	Forecast	Change	Initial target	Forecast	Change	
Aircraft	41.0	29.3	-11.7	3.2	-0.6	-3.8	<ul style="list-style-type: none"> Substantial decrease in production volume of 787 aircraft Lower selling price for 787 aircraft than initially projected Continuing high production costs of G7500
Special Purpose Truck	86.5	90.0	+3.5	5.0	5.8	+0.8	<ul style="list-style-type: none"> The cooling of the market, including the peak-out of construction demand associated with the Olympics, was expected at the time of formulating the Medium-term Management Plan, but orders remain at high levels
Industrial Machinery & Environmental Systems	43.5	37.1	-6.4	3.7	2.0	-1.7	<ul style="list-style-type: none"> In mechatronics products, which are mostly for customers in the automotive industry, sales have been sluggish due to the U.S.-China trade friction and the COVID-19 pandemic (Sales scale has expanded due to M&A effects)
Parking Systems	44.0	35.8	-8.2	3.2	3.1	-0.1	<ul style="list-style-type: none"> Operating income close to the initial target is anticipated, backed by expanded sales of mechanical car parking systems (elevator-type) due to brisk condominium/hotel construction demand, as well as strengthened sales activities toward improvement of selling prices
Others*	15.0	17.8	+2.8	1.3	1.4	+0.1	<ul style="list-style-type: none"> The construction business has performed solidly
Unallocated corporate expenses	—	—	—	-2.4	-3.2	-0.8	<ul style="list-style-type: none"> Costs associated with reconstruction of welfare facilities (dormitories and company housing) and IT-related costs increased
Total	230.0	210.0	-20.0	14.0	8.5	-5.5	

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

Next Medium-term Management Plan

A 3-year medium-term plan incorporating the following measures is under consideration

- ✓ Measures for improving profits in the aircraft segment (such as concrete cost reduction measures)
- ✓ Measures for securing and expanding the profits of each segment (continuation of “CFG2020” measures and promotion of new growth measures)

Scheduled time of disclosure: Spring of 2021

Long-term Vision

In April 2020, the ShinMaywa Group established the Long-term Vision, which shows the ideal form that the Group aims to achieve in 2030.

**To respond to global society needs,
we will be a true value co-creation company
that advances urban, transportation
and environmental infrastructures.**

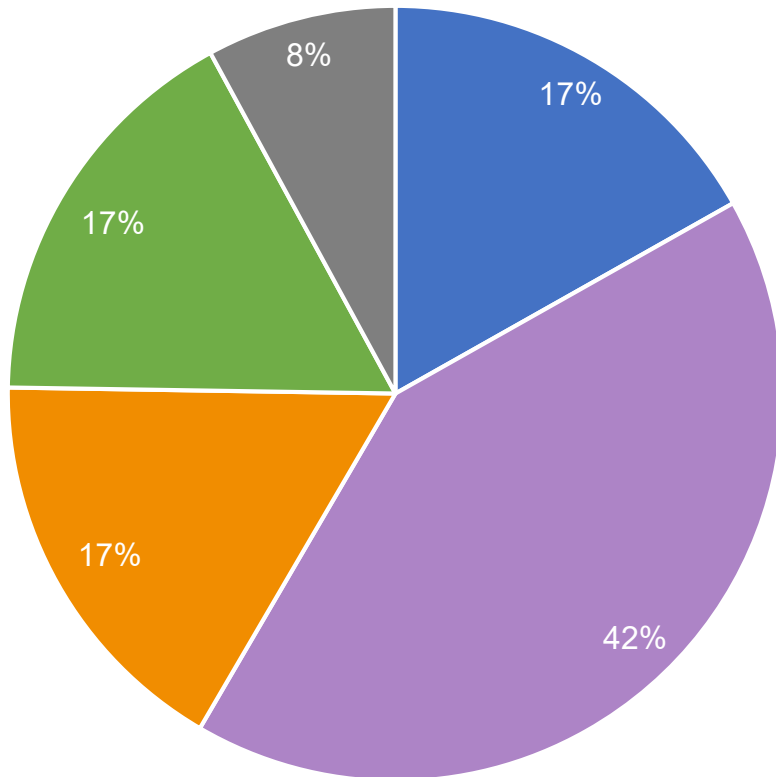
- ✓ The Vision includes the idea that the ShinMaywa Group will respond to customer needs and social issues with optimal solutions, taking global market trends into consideration to achieve the sustainable growth of the company in the future
- ✓ Through sustainable management, the Group will build a firm management foundation that can adapt to various environmental changes

Management strategy toward realization of the Long-term Vision: disclosure of the outline is scheduled for the spring of 2021

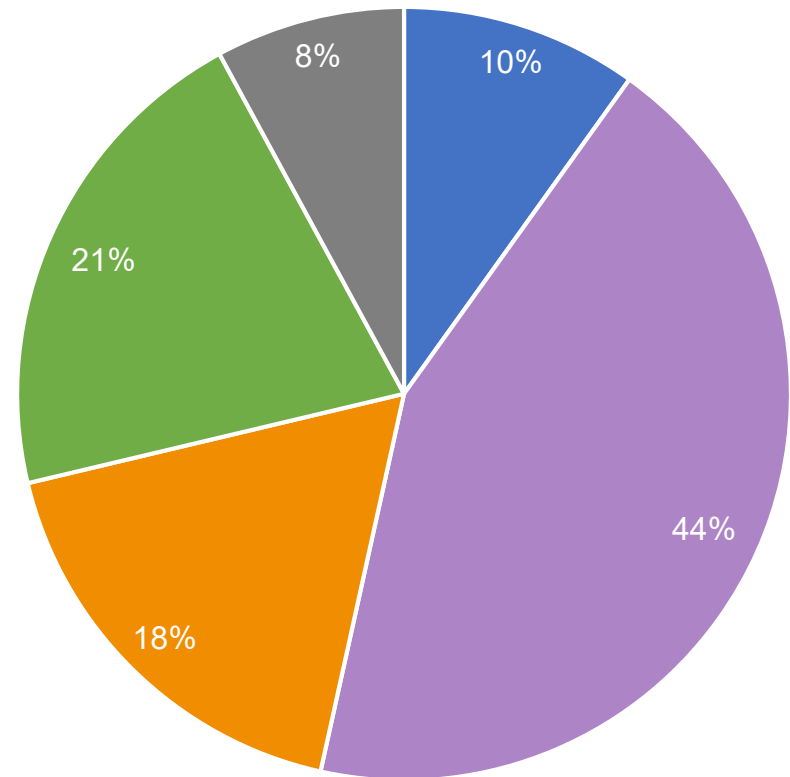
Supplementary Materials

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 Employees	Consolidated 5,461 / Non-consolidated 3,054 (as of end of September, 2020)
Consolidated Subsidiaries	26

■ Distribution of net sales

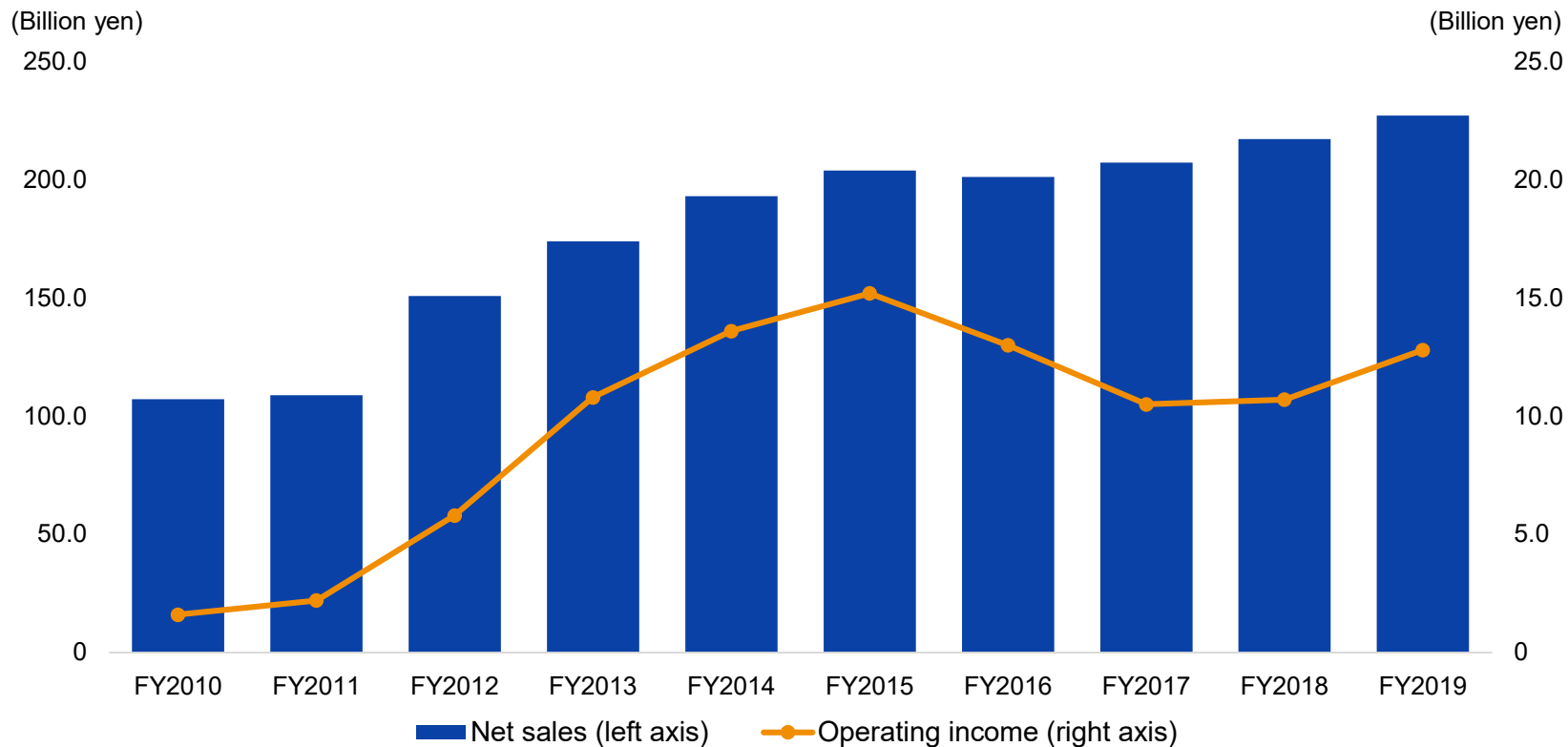


■ Distribution of operating income



- 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 have not been included in calculations.



(Billion yen)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Net sales	107.2	108.9	150.9	174.0	193.1	203.9	201.2	207.3	217.2	227.2
Operating income	1.6	2.2	5.8	10.8	13.6	15.2	13.0	10.5	10.7	12.8
Ordinary income	1.3	2.1	6.4	11.4	14.3	15.5	13.2	10.7	10.4	12.3
Profit attributable to owners of parent	-1.7	-0.2	11.3	7.4	9.1	10.2	8.9	7.0	6.9	7.3

 : Record high

Account	FY2015	FY2016	FY2017	FY2018	FY2019
Net sales (million yen)	203,917	201,204	207,335	217,297	227,231
Operating income (million yen)	15,260	13,067	10,594	10,708	12,836
Operating income ratio (%)	7.5	6.5	5.1	4.9	5.6
PBR (times)	0.70	0.86	0.67	1.09	0.89
PER (times)	7.74	11.41	11.79	18.01	9.95
ROE (%)	9.4	7.7	5.8	6.8	8.9
ROA (%)	5.6	4.8	3.7	3.5	3.5

(Million yen)

Segment	Account	FY2015	FY2016	FY2017	FY2018	FY2019
Aircraft	Net sales	47,262	39,028	40,699	43,635	38,950
	Operating income	6,546	2,000	1,368	649	1,551
	Operating income ratio (%)	13.9	5.1	3.4	1.5	4.0
Special Purpose Truck	Net sales	87,462	89,304	90,317	92,333	94,627
	Operating income	6,748	8,348	6,313	6,544	6,802
	Operating income ratio (%)	7.7	9.3	7.0	7.1	7.2
Industrial Machinery & Environmental Systems	Net sales	30,155	29,451	30,099	33,810	38,370
	Operating income	1,985	2,219	2,468	2,474	2,748
	Operating income ratio (%)	6.6	7.5	8.2	7.3	7.2
Parking Systems	Net sales	29,359	31,145	31,979	33,863	37,805
	Operating income	1,814	1,850	1,780	2,343	3,223
	Operating income ratio (%)	6.2	5.9	5.6	6.9	8.5
Others	Net sales	9,677	12,274	14,239	13,654	17,476
	Operating income	796	960	1,049	1,037	1,193
	Operating income ratio (%)	8.2	7.8	7.4	7.6	6.8

■ Consolidated Balance Sheets

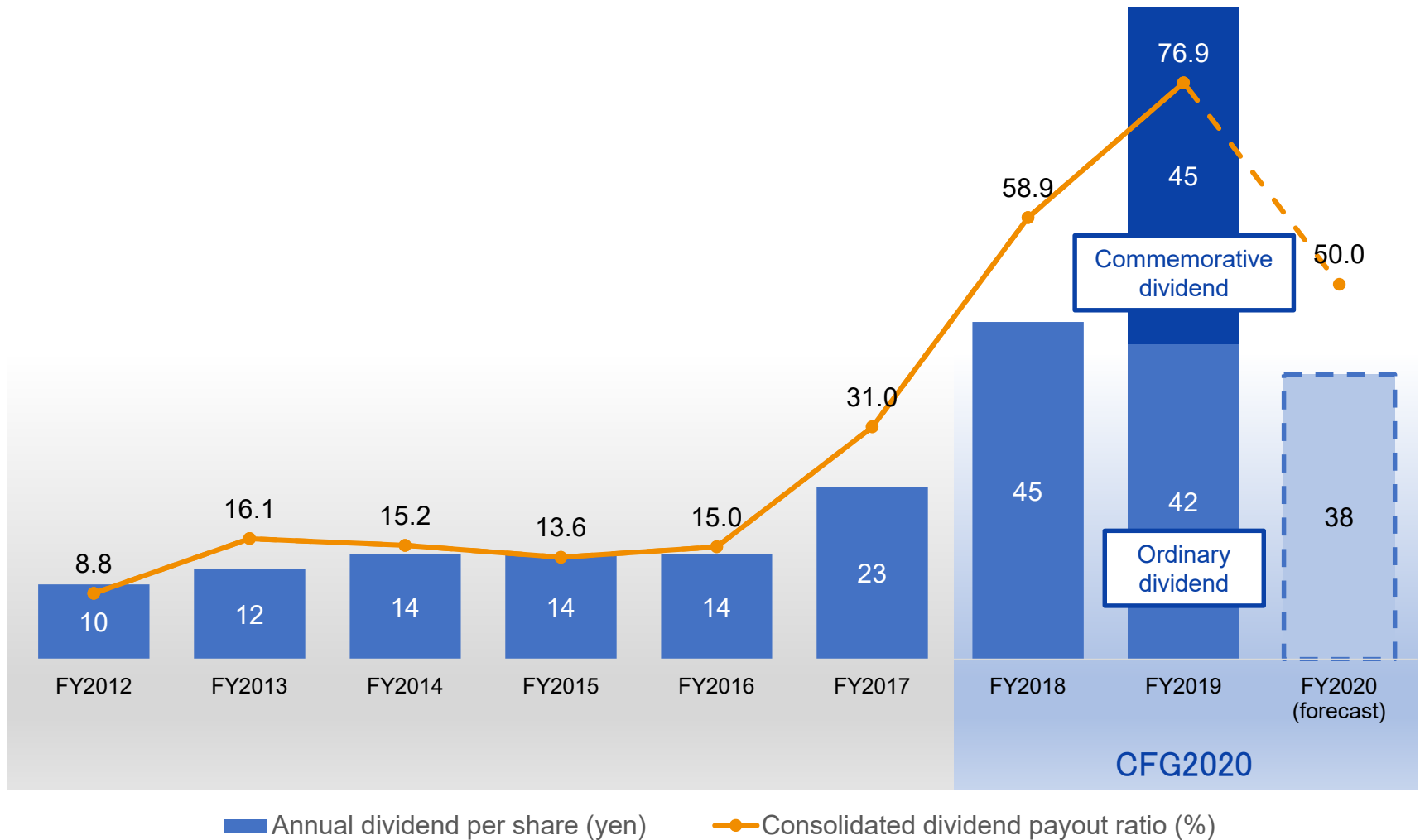
(Million yen)

	As of March 31, 2020	As of September 30, 2020	Change
Cash and deposits	19,342	21,535	+2,192
Trade receivables	81,755	62,021	-19,734
Inventories	42,499	47,268	+4,769
Total fixed assets	40,622	42,920	+2,297
Others assets	29,937	28,578	-1,359
Total assets	214,157	202,324	-11,833
Trade payables	27,464	20,298	-7,165
Interest-bearing debt	57,568	55,981	-1,587
Other liabilities	45,444	41,023	-4,421
Total liabilities	130,477	117,303	-13,174
Equity	82,946	84,173	+1,227
Other net assets	734	847	+113
Total net assets	83,680	85,021	+1,340
Total liabilities and net assets	214,157	202,324	-11,833
Equity ratio	38.7%	41.6%	

■ Consolidated Statements of Cash Flows

(Million yen)

	FY2019 2Q	FY2020 2Q	Change
Cash flows from operating activities	4,660	9,204	+4,543
Cash flows from investing activities	-5,088	-4,112	+975
Free cash flows	-428	5,091	+5,519
Cash flows from financing activities	-4,157	-3,042	+1,115



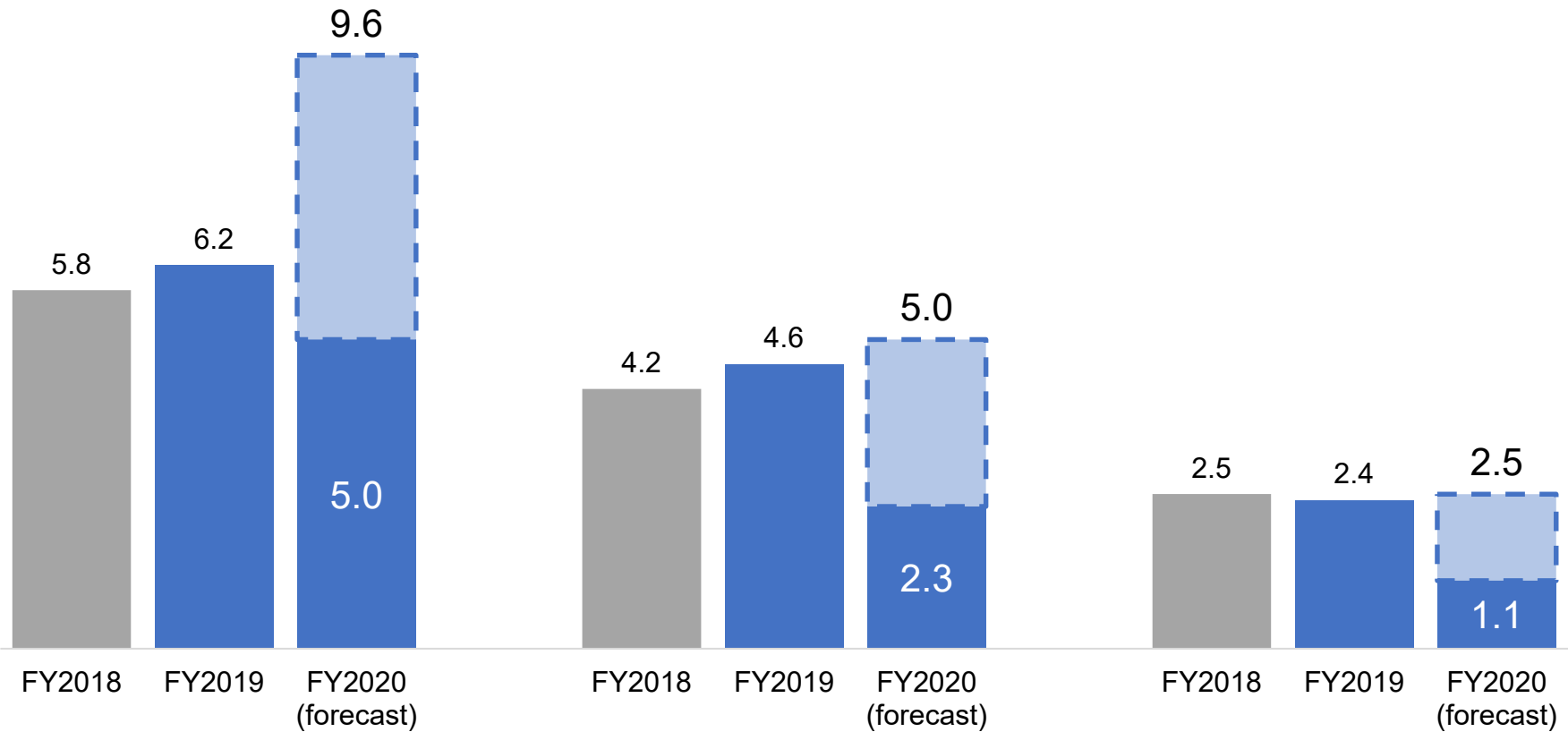
■ Capital investments (tangible) ■ Depreciation (tangible)

■ Research and development costs

(Billion yen)

(Billion yen)

(Billion yen)



The lower part of the graph: 2Q results

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