ShinMaywa Industries, Ltd.

Presentation of Financial Results for FY2021 & Long-term management plan

May 19, 2022

Event Summary

[Company Name]	ShinMaywa Industries, Ltd.	
[Company ID]	7224-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Presentation of Financial Results for FY2021 & Long-term management Plan	
[Fiscal Period]	FY2021 Annual	
[Date]	May 19, 2022	
[Time]	10:30 – 11:14 (Total: 44 minutes, Presentation: 38 minutes, Q&A: 6 minutes)	
[Venue]	Webcast	
[Number of Speakers]	6	
	Tatsuyuki Isogawa	President & CEO
	Kanji Ishimaru	Director, Member of the Board, Deputy Chief Executive Officer
	Katsuyuki Tanuma	Director, Member of the Board, Senior Managing Executive Officer
	Akira Nishioka	Director, Member of the Board, Managing Executive Officer
	Toshiki Kume	Director, Member of the Board, Managing Executive Officer
	Takashi Kunihara	Managing Executive Officer

Summary of Consolidated Financial Results for FY2021

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(Million yen)

	FY2020 (actual)	FY2021		Change (Rate of change)	
		Announced in February	Results	Year-on-year	Compared with figures announced in February
Net sales	209,226	215,000	216,823	+7,597 (+3.6%)	+1,823 (+0.8%)
Operating profit	10,479	9,000	10,569	+90 (+0.9%)	+1,569 (+17.4%)
Ordinary profit	11,182	9,400	11,821	+639 (+5.7%)	+2,421 (+25.8%)
Profit attributable to owners of parent	5,487	5,500	6,907	+1,419 (+25.9%)	+1,407 (+25.6%)
Overseas sales	27,108	–	31,022	+3,914 (+14.4%)	–
ROE	6.4%	–	7.7%	+1.3pt	–
ROIC*	5.1%	–	5.1%	0pt	–
Exchange rate (USD 1)	106.2 yen	–	111.9 yen		

Year-on-year change

- ✓ Revenue increased in Industrial Machinery & Environmental Systems, Parking Systems, and Special Purpose Truck Segments, and also increased overall.
- ✓ Operating profit increased from the previous fiscal year, and ordinary profit also increased due to recording foreign exchange gains because of a weaker yen. Profit attributable to owners of parent also increased due to a decrease in extraordinary losses.
- ✓ As a result of the above, ROE increased, and ROIC remained at the same percentage as the previous fiscal year.

* ROIC = Operating profit x (1 - Effective tax rate) / Average of invested capital (= Interest - bearing debt + Equity) at the beginning and end of the period

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Isogawa: My name is Isogawa from ShinMaywa Industries. I will now present our financial results for the fiscal year ended March 31, 2022, and our Long-term management plan.

First, I will explain the consolidated financial summary for the fiscal year ended March 31, 2022. Here is a table comparing the main performance figures for the fiscal year ended March 31, 2022, with the full-year forecasts announced in the previous fiscal year and in February, respectively.

Overall Net sales increased by JPY7.5 billion to JPY216.8 billion as sales increased in the three segments of Industrial machinery and environmental systems, Parking systems, and Special Purpose Trucks.

As for profits, operating profit was JPY10.5 billion, an improvement from the previous year, and ordinary profit was JPY11.8 billion, up by JPY0.6 billion due to foreign exchange gains resulting from the weaker yen. profit attributable to owners of parent increased by JPY1.4 billion to JPY6.9 billion due to a decrease in impairment loss on goodwill in the Parking system segment, which was recorded as an extraordinary loss in the previous year, and loss due to the COVID-19 pandemic.

ROE increased by 1.3 percentage points to 7.7% due to the increase in profit attributable to owners of parent, while ROIC was 5.1%, maintaining the ratio of the previous year. The Company's estimated quota was roughly 5%.

Consolidated Financial Results for FY2021, by Segment

(Billion yen)

Segment	Net sales FY2020	Net sales FY2021	Net sales Change	Operating profit FY2020	Operating profit FY2021	Operating profit Change
Aircraft	25.9	19.1	-6.8	-0.8	-0.8	-0
Special Purpose Truck	94.7	97.1	+2.4	6.7	5.3	-1.3
Industrial Machinery & Environmental Systems	37.1	46.3	+9.1	2.9	4.8	+1.8
Parking Systems	35.2	38.0	+2.8	3.2	3.0	-0.1
Others	16.0	16.0	-0	1.4	0.9	-0.4
Adjustments	–	–	–	-3.0	-2.8	+0.2
Total	209.2	216.8	+7.5	10.4	10.5	+0

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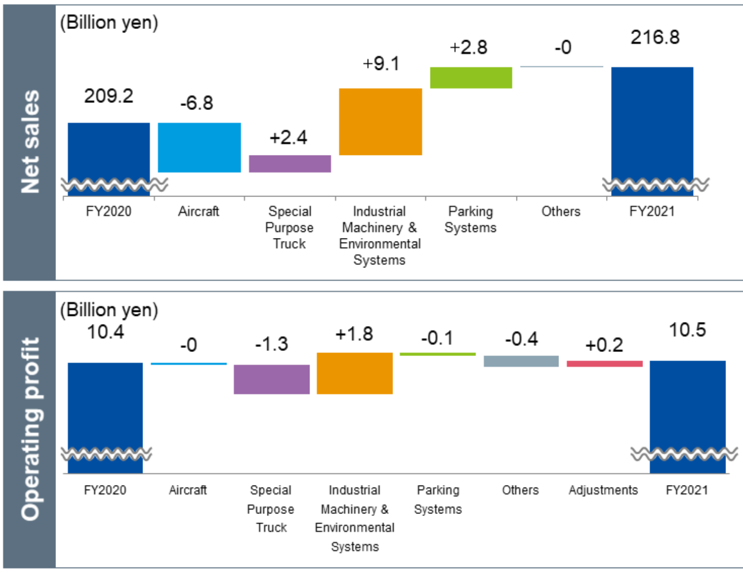
Net sales and operating profit by segment are shown here.

Analysis of Year-on-Year Change, by Segment



Aircraft
- Revenue decreased from products for Boeing

Industrial Machinery & Environmental Systems
- Revenue increased in all fields (water treatment equipment, mechatronics, environment)

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

Special Purpose Truck
- Revenue decreased due to soaring steel prices, etc.

Industrial Machinery & Environmental Systems
- Increased due to increase in revenue

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I will now explain the factors that increased and decreased our performance by segment compared to the previous fiscal year. This shows the factors that increased and decreased in net sales in the upper row and operating profit in the lower row. I'll explain mainly about segments that had large increase and decrease. First, in the Aircraft segment, net sales decreased by JPY6.8 billion, mainly due to a significant decrease in sales of products for Boeing.

On the other hand, the segment reported an increase of JPY9.1 billion in sales, as sales increased in all fields: water treatment equipment, mechatronics products, and environment-related businesses.

Regarding Parking systems segment, sales of mechanical parking equipment and airline passenger boarding bridges both increased, resulting in a JPY2.8 billion increase in sales.

Operating profit was down by JPY1.3 billion in the Special purpose trucks segment due to soaring steel prices and other material costs but increased by JPY1.8 billion in the Industrial machinery and environmental systems segment due to higher sales.

Summary of Consolidated Financial Results Forecast for FY2022

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(Million yen)

	FY2021 (actual)	FY2022 (forecast)	Change (Rate of change)
Net sales	216,823	225,000	+8,176 (+3.8%)
Operating profit	10,569	9,000	-1,569 (-14.9%)
Ordinary profit	11,821	9,200	-2,621 (-22.2%)
Profit attributable to owners of parent	6,907	6,000	-907 (-13.1%)

Exchange rate (USD 1)	111.9 yen	120.0 yen*

Year-on-year change

- ✓ Net sales are expected to increase in all segments, except Special Purpose Truck, and also to increase overall.
- ✓ Profit is expected to decrease overall due to a significant decrease in profit forecast in the Special Purpose Truck segment associated with persistently high steel prices, etc.

(Reference) Performance targets in the Medium-term management plan [SG-2023]

(Million yen)

	FY2023 (target)
Net sales	250,000
Operating profit	15,000

* The exchange rate for FY2022 (forecast) is the assumed exchange rate applicable on and after the announcement date.

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Next, I will explain consolidated financial results forecast. Here is a table comparing the forecast for the fiscal year ending March 31, 2023, with the actual results for the previous year. Net sales are expected to increase in all segments except Special purpose trucks, and overall sales are projected to increase by JPY8.1 billion YoY to JPY225 billion.

With regard to profit, however, operating profit is expected to decrease by JPY1.5 billion to JPY9 billion, due to a significant decrease in the Special purpose trucks segment, caused by factors such as the high price of steel. In addition to the decrease in operating profit, we expect a decrease in foreign exchange gains, resulting in a JPY2.6 billion decrease in ordinary profit to JPY9.2 billion and a JPY0.9 billion decrease in profit attributable to owners of parent to JPY6 billion. This forecast assumes an exchange rate of JPY120 to the US dollar.

Business environment (reportable segments)

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Segment		Forecast	Business environment (outlook)
Aircraft			In the civilian demand-related production volume, demand for aircraft continues to be sluggish due to the decline in passenger demand attributable to the COVID-19 pandemic. The market for medium- to large-size aircraft is expected to recover in FY2023 and beyond. Meanwhile, in terms of sales to the Ministry of Defense, workload is expected to increase as a consequence of the order for US-2 STOL Search and Rescue Amphibian (No. 9), and the operating rate is expected to improve.
Special Purpose Truck		→	The slowdown in production due to delays in procuring key parts, which became evident in the second half of FY2021, is expected to continue for some time in FY2022. In addition, steel prices and other material costs are continuing to trend upward, and profitability is deteriorating. Although price revision measures will be taken in FY2022, there was still a backlog of more than 10 months of orders at the old prices (across the segment), as of the end of the previous fiscal year, and profits are not expected to improve until at least the second half of FY2022.
Industrial Machinery & Environmental Systems	Water treatment equipment		In addition to recovery in civilian demand-related production volume, renewal demand, such as for zero-emission, stock management, and waterproofing for floods, as well as maintenance/service business for public demand are also expected to remain firm. Overseas, sales of turbo blowers by consolidated subsidiary TurboMAX Co., Ltd. are growing in India, Europe, and China. With turbo blowers also expected to contribute to the development of new customers in Japan, the overall business environment is expected to remain strong.
	Mechatronics products		With equipment for the automotive industry making up the majority of sales, this segment has been recovering as customer's appetite for investment returns. In particular, KOREA VACUUM LIMITED, a consolidated subsidiary that manufactures and sells vacuum drying equipment for lithium-ion secondary batteries for EVs, has been receiving an increasing number of inquiries as the market expands to supply not only Korean battery manufacturers but also, more recently, overseas automakers and new battery manufacturers entering the market.
	Environment-related business		In the previous fiscal year, demand for plant projects was strong, including a package contract for construction of a new plant and operation of the facilities for 25 years after its completion (Tenri Project, Nara Prefecture, order amount: 11.3 billion yen). The increase in the related stock business will also support performance in this segment.
Parking Systems			Although the environment for orders for aircraft passenger boarding bridges, which account for part of sales, has remained challenging amid the COVID-19 pandemic, in the key business of mechanical car parking systems, new construction projects, and the maintenance and renovation business, which is the main drivers of earnings, are expected to remain strong.

Here is a table showing the business environment of our group by segment.

While we anticipate a difficult business environment in the Aircraft and Special purpose trucks segments, we expect steady growth in the industrial machinery and environmental systems segment and the Parking systems segment.

In the Aircraft segment, we expect conditions to remain challenging, but workload is expected to increase compared to the previous fiscal year due to the order for the US-2 STOL search and rescue amphibian number nine and other orders.

In the Special purpose trucks segment, the business environment in the first half of the fiscal year is expected to be difficult due to delays in procurement of key components and high prices of steel and other materials. The price revision measures implemented from this fiscal year are expected to contribute to earnings improvement from the second half of the fiscal year onward, as the Company had an order backlog of more than 10 months as of the end of the previous fiscal year.

In the Industrial machinery and environmental systems segment, the market for water treatment equipment and mechatronics products is expected to expand due to the effects of recent M&A. In the environment-related business, demand is expected to increase in the mainstay businesses, including large-scale projects for which orders were received in the previous fiscal year, and the stock business is expected to increase as a result.

In the Parking system segment, mechanical parking equipment, which accounts for about 90% of segment sales, is expected to continue to perform well in new installation projects and in the maintenance and refurbishment business, the main earnings driver.

Consolidated Financial Results Forecast for FY2022, by Segment

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(Billion yen)

Segment	Net sales			Operating profit		
	FY2021 (actual)	FY2022 (forecast)	Change	FY2021 (actual)	FY2022 (forecast)	Change
Aircraft	19.1	22.5	+3.3	-0.8	0	+0.8
Special Purpose Truck	97.1	93.0	-4.1	5.3	2.6	-2.7
Industrial Machinery & Environmental Systems	46.3	52.0	+5.6	4.8	4.9	+0
Parking Systems	38.0	40.5	+2.4	3.0	3.3	+0.2
Others	16.0	17.0	+0.9	0.9	1.1	+0.1
Adjustments	–	–	–	-2.8	-2.9	-0
Total	216.8	225.0	+8.1	10.5	9.0	-1.5

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The full-year forecasts for net sales and operating profit by segment, taking into account the business environment forecasts I have just explained, are as shown in the table.

Aircraft Segment

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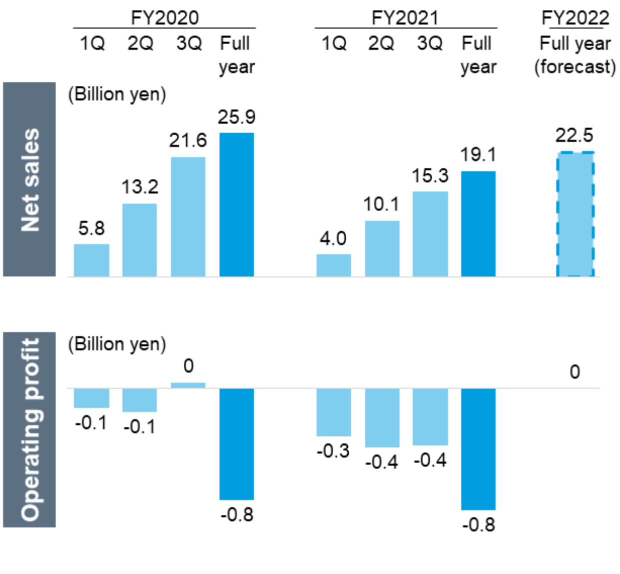

FY2021 financial results (year-on-year)

■ **Net sales**

Sales to Ministry of Defense: Decrease in components for transport aircraft
Civilian demand: Decrease in production volume of 777/777X and 787 aircraft

■ **Operating profit**

- Despite the decrease in production volume of 777/777X and 787 aircraft, operating profit remained at the same level as the previous fiscal year as a result of the yen's depreciation

FY2022 financial results forecast (year-on-year)

■ **Net sales**

Sales to Ministry of Defense: Increase in components for transport aircraft expected
Civilian demand: Increase in production volume of 777/777X aircraft expected

■ **Operating profit**

- Improvement is expected due to revenue increase, higher operating rate, depreciation of the yen, etc.

□ Civilian demand-related production volume

(Unit)

	FY2020	FY2021
777/777X	35	22
787	77	30
G7500	26	36

□ Exchange rate sensitivity

(After date of announcement)

Operating profit increases by approximately 30 million yen for each 1 yen of depreciation

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The following is a segment-by-segment explanation of the factors for changes in the results for the fiscal year ended March 31, 2022, and the forecast for the fiscal year ending March 31, 2023.

First is the Aircraft segment. As for the results for the fiscal year ended March 31, 2022, net sales decreased in components for transport aircraft for the Ministry of Defense as well as for the civilian demand due to a significant decrease in the number of 787s produced, as well as 777s and 777Xs. Operating profit was at the same level as the previous fiscal year despite the decrease in the number of aircraft produced for Boeing, as a result of the weaker yen.

For the full-year forecast for the fiscal year ending March 31, 2023, net sales are expected to increase due to an increase in components for transport aircraft for the Ministry of Defense and an increase in the number of 777 and 777X aircraft produced for the civilian demand. Operating profit is expected to improve by JPY0.8 billion due to increased revenues, increased capacity utilization resulting from the order for the US-2 STOL search and rescue amphibian number nine, and yen depreciation.

Special Purpose Truck Segment

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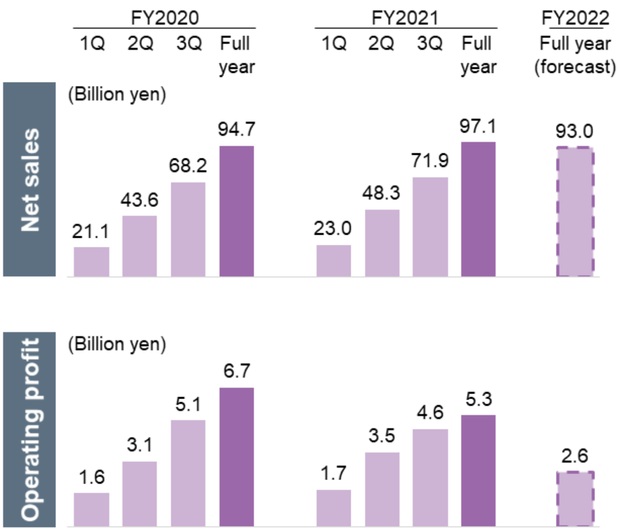

FY2021 financial results (year-on-year)

- **Net sales**
  - Increase in forestry machinery, etc.
  - Increase in revenue due to the effects of M&A
- **Operating profit**
  - Decreased due to soaring steel prices, etc.

FY2022 financial results forecast (year-on-year)

- **Net sales**
  - Decrease in revenue is expected due to delays in procuring key parts, etc.
- **Operating profit**
  - Profit is expected to decrease due to decrease in revenue and persistently high steel prices, etc.

□Trends in outstanding orders

	FY2020				FY2021			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Outstanding orders (billion yen)	63.0	64.1	63.6	60.4	68.7	69.8	74.5	81.9
Outstanding period (month)*	8.9	8.8	8.4	7.7	8.9	8.7	9.3	10.1

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

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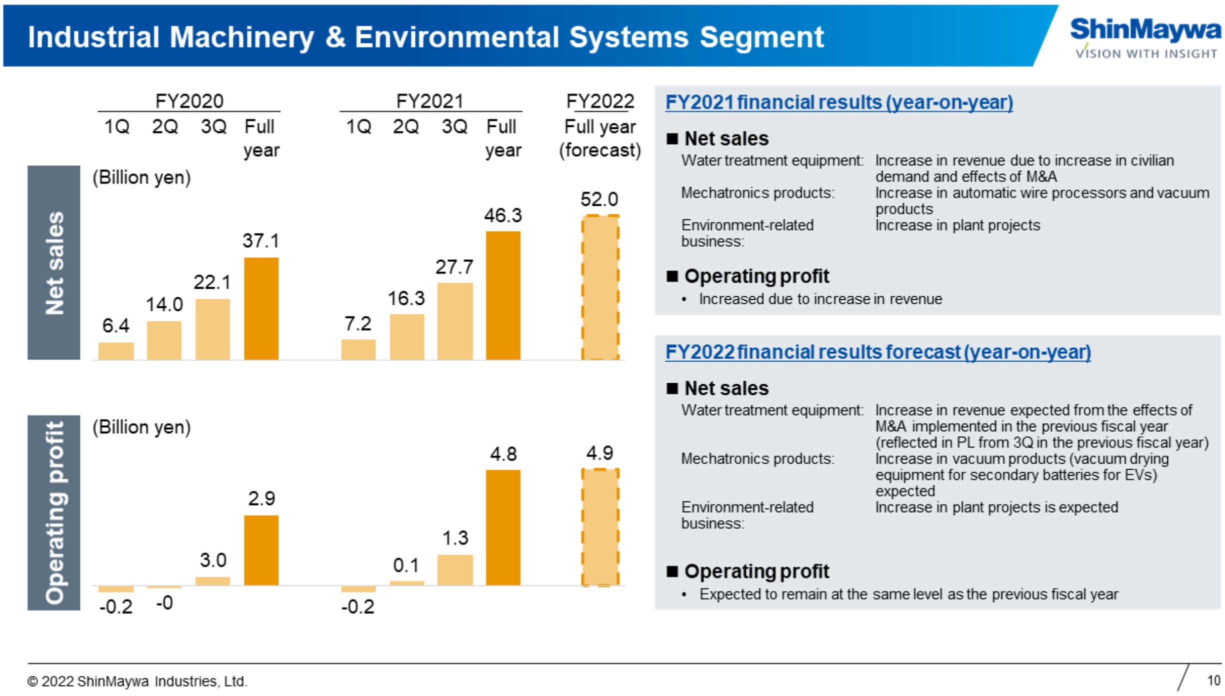
Next is the Special purpose trucks segment. For the fiscal year ended March 31, 2022, net sales increased due to an increase in sales of forestry machinery and other products and the effect of M&A, but operating profit decreased due to soaring steel prices and other factors.

As for the full-year forecast for the fiscal year ending March 31, 2023, net sales are expected to decrease mainly in the first half of the year, as stagnation in production activities due to delays in procurement of key components and other factors are expected to continue for a certain period this fiscal year. Operating profit is expected to decrease due to lower sales and high steel prices.

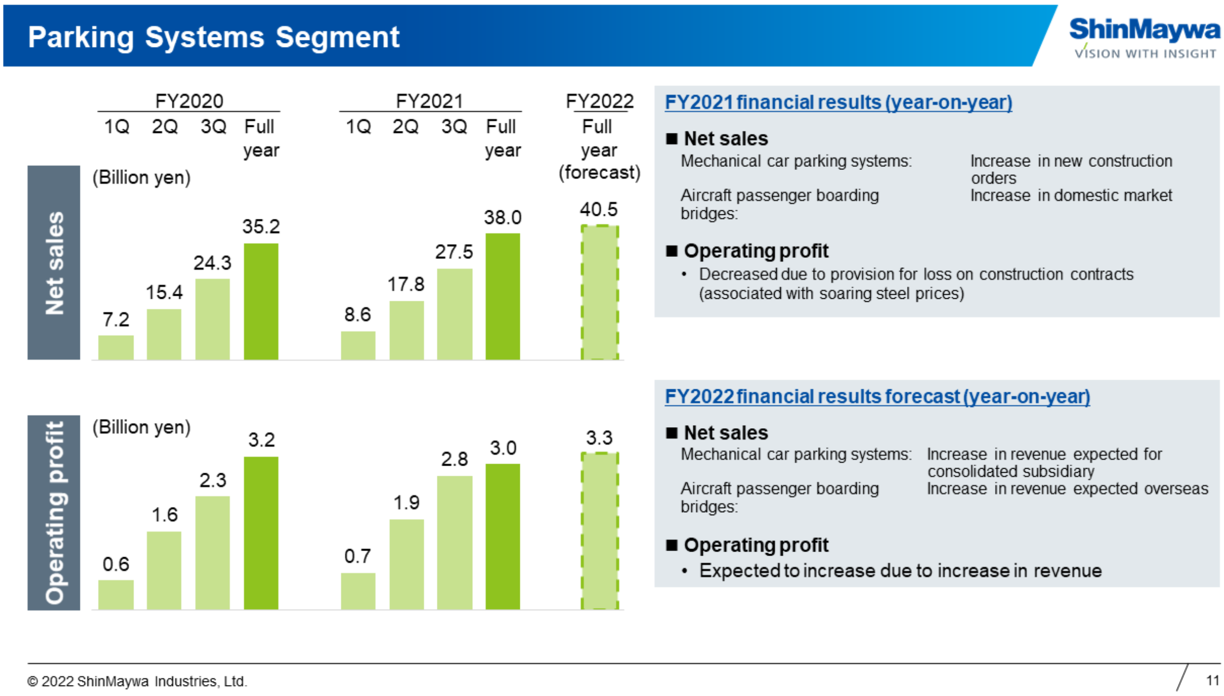
As of the end of the previous fiscal year, we had an order backlog of more than 10 months at the old prices, and we expect that the effects of the price revisions implemented this fiscal year will not be reflected in our business results until the second half of the fiscal year or later.



Next is the Industrial equipment and environmental systems segment. In this segment, sales ratio of water treatment equipment to the public sector is high, and revenue tends to be recorded in the fourth quarter.

As for the results for the fiscal year ended March 31, 2022, net sales increased in the water treatment equipment due to the consolidation of TurboMAX Co., Ld., which manufactures and sells turbo blowers, one of our focus products. Also in the mechatronics product, sales increased in both automatic wire processors and vacuum products. Further, in the environment-related business, sales increased in all segments due to an increase in construction for plant projects. Operating profit increased due to higher sales.

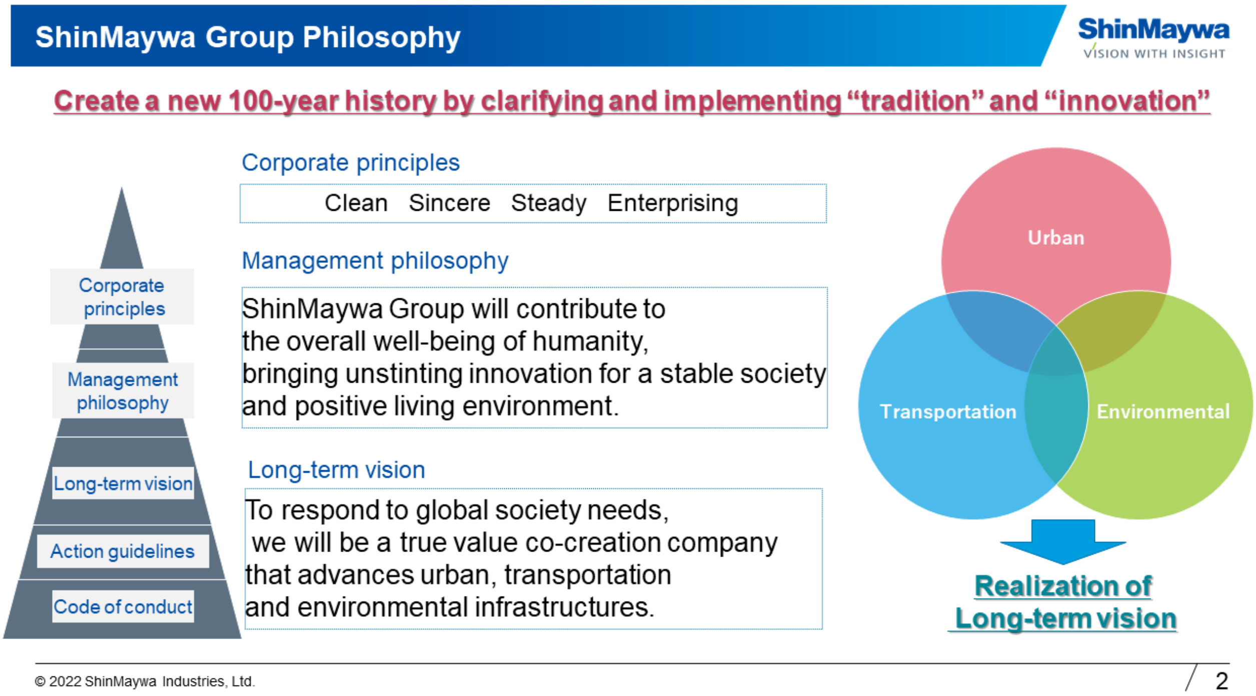
As for the full-year forecast for the fiscal year ending March 31, 2023, net sales are expected to increase in water treatment equipment, where the effects of M&As implemented in the previous fiscal year will be reflected in full-year results this fiscal year. In the mechatronics products business, an increase in sales is expected from KOREA VACUUM LIMITED, which manufactures and sells vacuum drying equipment for EV secondary batteries. In the environment-related business, an increase in the plant project construction work is expected, which is also expected to result in higher sales. Operating profit is expected to be at the same level as the previous fiscal year.



Finally, I will explain about the Parking system segment. For the fiscal year ended March 31, 2022, net sales increased in the segment as a whole, mainly due to an increase in the new construction projects in mechanical parking systems and an increase in domestic sales of aircraft passenger boarding bridges. Operating profit, on the other hand, decreased due to the impact of soaring steel prices and the posting of a provision for loss on construction contracts at the end of the period.

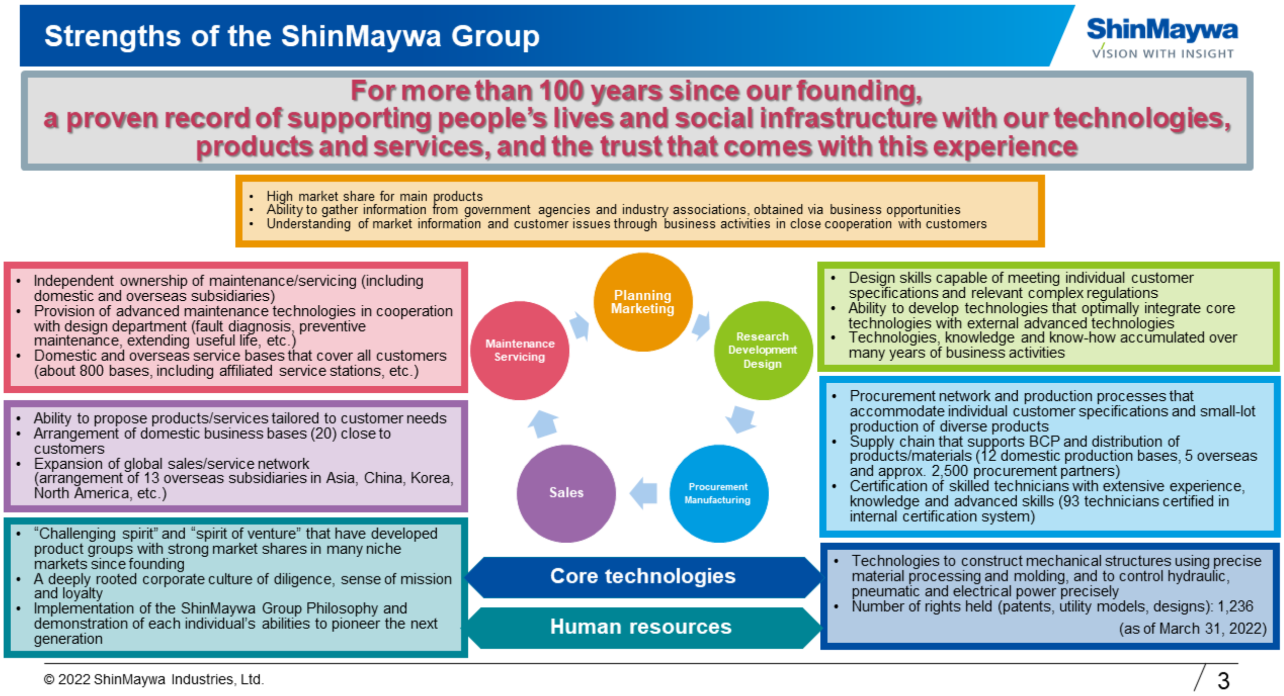
For the full-year forecast for the fiscal year ending March 31, 2023, we expect an increase in net sales for the segment as a whole. In the mechanical parking systems business, we expect an increase in net sales at ShinMaywa Parking Technologies, Ltd., a consolidated subsidiary that handles two- and multi-storied car parking system. In the aircraft passenger boarding bridges business, we expect an increase in overseas revenue. Operating profit is expected to increase due to higher sales.

This was our explanation of the financial results for the fiscal year ended March 31, 2022.



Next, I will explain our Long-term management plan, Sustainable Growth with Vision 2030. This Long-term plan, which was disclosed in outline form in May 2021, has been re-presented here after a year of study of measures, KPIs, and other aspects.

Let me first explain the overall picture of our Long-term business plan. The Company celebrated 100 years in business in 2020. On this occasion, we established the philosophy of the ShinMaywa Group, as shown here, after much consideration of what we should continue to inherit and what we should change in order to build the next 100 years of our history. The Long-term business plan, SG-Vision 2030, which I will explain in this presentation, was formulated with the aim of creating a Long-term vision that clearly defines where we want to be in 2030.



In formulating our Long-term management plan, we have once again identified the strengths of the ShinMaywa Group, as shown in this document.

I will not go into details, but as for human resources, the ShinMaywa Group's spirit and temperament, which can be seen by looking back over our 100-year history. Our technological strength, which is our distinguishing feature, has been examined along the value chain. We believe that our greatest strength is our track record of supporting people's lives and social infrastructure with our technologies, products, and services for more than 100 years since our founding and the trust that comes with this experience.

Changes in the External Environment (Megatrends and Environmental Changes)

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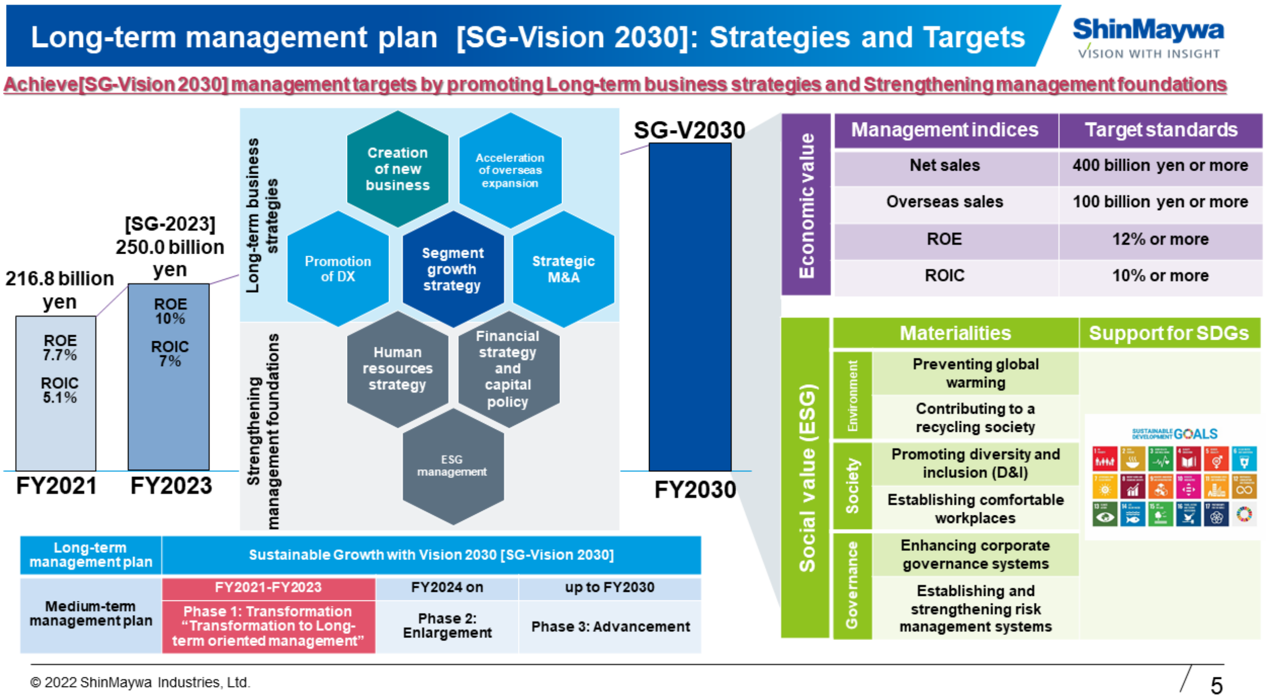
Demographic changes	• Lower birth rate, aging population and labor shortages • Diversity and work style reforms • Increase in mobility-impaired persons because of aging • Increase in foreign workers
Advancement of urbanization	• Urban concentration of population, transportation and logistics • Increase in logistics volume, including waste • Increased polarization of urban/rural areas
Climate change and resource shortages	• Increase in natural disasters due to global warming • Increase in CO_2 emissions • Phase-out of fossil fuels and shift to renewable energy
Technological evolution	• Acceleration of digitization technology and expansion of IoT • Shift toward electrification, automation, labor-saving • Increase in security risks, such as cyberterrorism
Social/economic changes	• Evolution of mobility and diversification of means of transport • Transformation of business model through DX • Pursuit of economic value and social value • Contribution to SDGs and promotion of ESG management • Expansion of global market • Restructuring of supply chains in wake of economic security • Addressing human rights issues, such as forced labor and child labor

Identify environmental changes that present major opportunities for the ShinMaywa Group, and formulate a Long-term management plan

Next, the table shows a sampling of possible future changes in the external environment, focusing on those closely related to the ShinMaywa Group. Of these items, the items in red are themes that we should be particularly aware of and work on, and we see them as opportunities to promote our business growth. Based on these items, we formulated [SG-Vision 2030].



Here is an overview of the vision we are aiming for with [SG-Vision 2030] and the initiatives we are taking to achieve it. There is no change from what we announced a year ago regarding our ongoing commitment to improving economic and social value and the target level we aim to achieve as a result of our efforts.

Broadly speaking, we are working on the eight individual themes shown in the hexagon, with the center of the screen, Long-term business strategies and strengthening of management foundations, as the two management pillars.

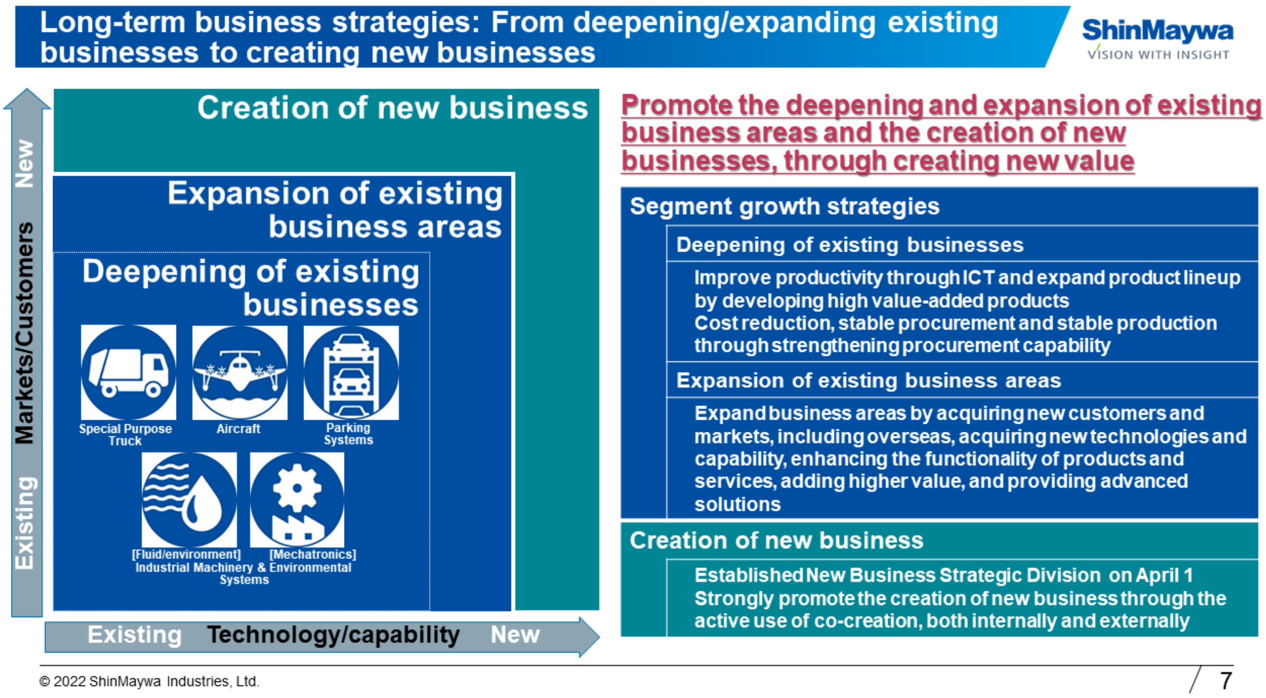
In Long-term business strategy, we put our segment growth strategy the cornerstone and are addressing strategic issues such as accelerating overseas expansion, promoting DX, strategic M&A, and creating new businesses.

In strengthening our management foundation, we will steadily promote sustainable growth by addressing financial and capital policies, human resource strategies, and ESG management in order to fulfill our social responsibilities while supporting the implementation of our Long-term business strategies.

In terms of economic value, we aim to achieve sales of JPY400 billion, of which JPY100 billion will come from overseas sales, ROE of 12%, and ROIC of 10% as our target level for FY2030.

In terms of social values, we have established six materialities in our ESG management in support of the SDGs and are engaged in various activities. Regarding the procedures for promoting this [SG-Vision 2030], we will aim to achieve the target level through the implementation of the three-term Medium-term management plan.

The theme of [SG-2023] for the current phase one of the Medium-term management plan is “Transformation”, phase two is ”Enlargement”, and phase three, the final phase, is ”Advancement”. We are determined to show our shareholders the new ShinMaywa Group in 2030, which will not just be a continuation of the current group.



I will now explain the first pillar of our Long-term business strategies. As shown in the figure on the left, as our Long-term business strategy, we will work on three themes: deepening of existing businesses, expansion the of existing business areas, and creation of new businesses. Aiming to achieve the target level of each management indicator, we are working to deepen each business segment and expand business areas by leveraging the strengths of each segment, such as technology and capability, as well as taking on the challenge of creating new businesses.

To deepen existing businesses, we will make full use of ICT to speedily develop and expand our lineup of high value-added products that improve productivity and solve social issues in all our factories and other facilities, while strengthening our group procurement capabilities to reduce costs and secure stable supplies of key components.

With regard to expansion of existing business areas,, we are working to expand our business domain by establishing new technologies and acquiring new capabilities. We are actively promoting the development of new customers and markets, collaboration among segments, and alliances with venture companies, with the expansion of global market areas at the core of our efforts.

We have begun to create new businesses as a way to distinguish ourselves from these existing businesses. As of April 1 of this year, the New Business Strategy division was established at the head office. The creation of new businesses has been an issue for us for many years. First, we will establish a new business creation process at an early stage, and in new business development, we will demonstrate a spirit of aggressive competition, both internally and externally, and take on the challenge with the determination to surely create new businesses beyond the activities we create together.

Here are some examples of our segment growth strategy initiatives. The expansion of business domains by making products and services smarter using ICT, and the provision of new value in response to the evolution of mobility, EVs, and automated driving.

In terms of the expansion of business domain by making products and services smarter using ICT, our Aircraft division has developed fixed-wing drones. It has already established a fully autonomous operating system, and we are conducting various demonstration tests, including oceanographic observation in collaboration with several local governments and corporations. We are currently studying the possibility of using these drones to create new businesses in areas such as communications and transportation in the future.

In the field of forestry machinery, the figure below is not limited to equipment sales but also includes the development of an operating system that enables remotely controlled work in steep, hazardous mountainous terrain. By establishing this system, we hope to contribute improvements to the safety and efficiency of this operation, in which personnel shortages are concerning.

As shown in the examples here, we will further increase added value in the market and expand our business domain by proposing operational innovations through smart ICT instead of conducting the business that has been centered on selling products.

On the other hand, in terms of providing new value in response to the evolution of mobility, with an eye on the future rise of EVs, the Special purpose trucks division is working to develop next-generation special purpose trucks that broadly respond to CASE, a trend in the automotive industry. The photograph shown here is of an EV-compatible Refuse compactor delivered to Atsugi City in March of this year.

In the photo below, you can also see our joint effort with Gunma University for automatically parking self-driving cars in a mechanical car parking systems. This study has already been completed and has demonstrated the technical feasibility of automated parking as well as automatic entry and exit into and from mechanical parking systems. Currently, we would like to support the development of CASE by advancing this technology and developing a so-called automatic valet parking system that allows drivers to drop off their vehicles at a designated area, and when the vehicle is empty, it automatically drives to a parking facility and parks itself.

Next, I will explain the overseas market environment. We regard this as the most important key to achieving our Long-term vision of meeting the needs of global society as well as our target level. We have identified the Asian market as the key region for ShinMaywa Group's growth, which is indicated by the green frame on the screen.

All segments, with the exception of the Aircraft segment, have been increasing orders and sales in recent years, especially in Southeast Asia. [SG-Vision 2030] aims to achieve sales of JPY55 billion in the Asian market, including Oceania and China. The lower center photo shows an elevator-type car parking system delivered to G-PARK of Thailand, with whom we signed a distributorship agreement in 2019.

The Company has a contract with the company for the sale, installation, and maintenance of mechanical car parking equipment, and has completed construction of a facility with a glass exterior that also serves as a demonstration unit at the site. In addition, we have already received orders from public institutions in Thailand.

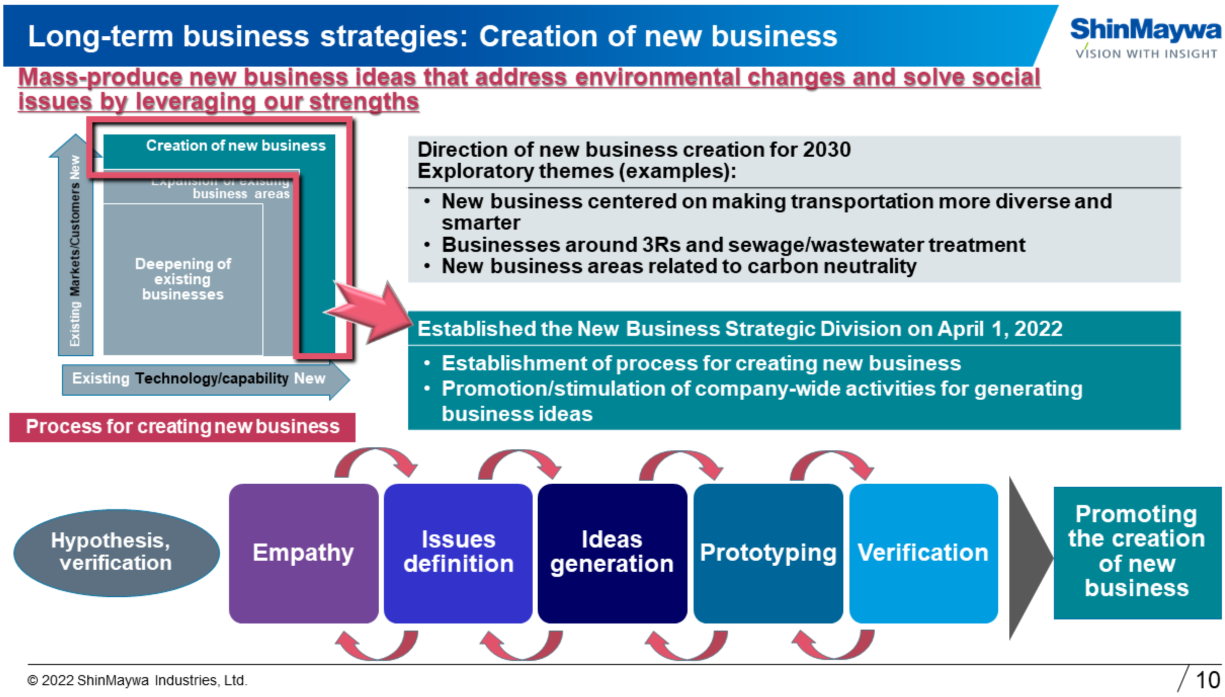
The photo on the right shows a wastewater treatment equipment delivered to Wuhan by a local subsidiary established independently in China. We have already delivered more than 10 products in China, and they have been highly evaluated. Based on these achievements, we are confident with the product's potential for further sales expansion by promoting the superiority of this facility.

Next, the red box indicates our strategy for the US market. The Aircraft sector is currently sluggish due to the COVID-19 pandemic but is expected to recover in the next fiscal year and beyond as a result of deregulation.

In the Industrial machinery systems business, we are also considering expanding sales of products for the automobile industry, such as Automatic wire processors and vacuum driers for secondary batteries for automobiles market by our Korean subsidiary, KOREA VACUUM LIMITED. In the Fluid business, in addition to expanding sales of submersible pumps and turbo blowers, a high value-added product of TurboMAX Co., Ltd., a Korean subsidiary shown in the photo, we are also considering entering the US market for aircraft passenger boarding bridges.

Furthermore, although sales in the European market are currently around JPY2 billion, the Company is [inaudible] developing the automotive industry market by introducing vacuum driers for secondary batteries for automobiles and automatic wire processors that are compatible with this market.

Through these activities, we will focus on increasing awareness and penetration of our brand in the global market and aim to achieve overseas sales of JPY100 billion in FY2030.



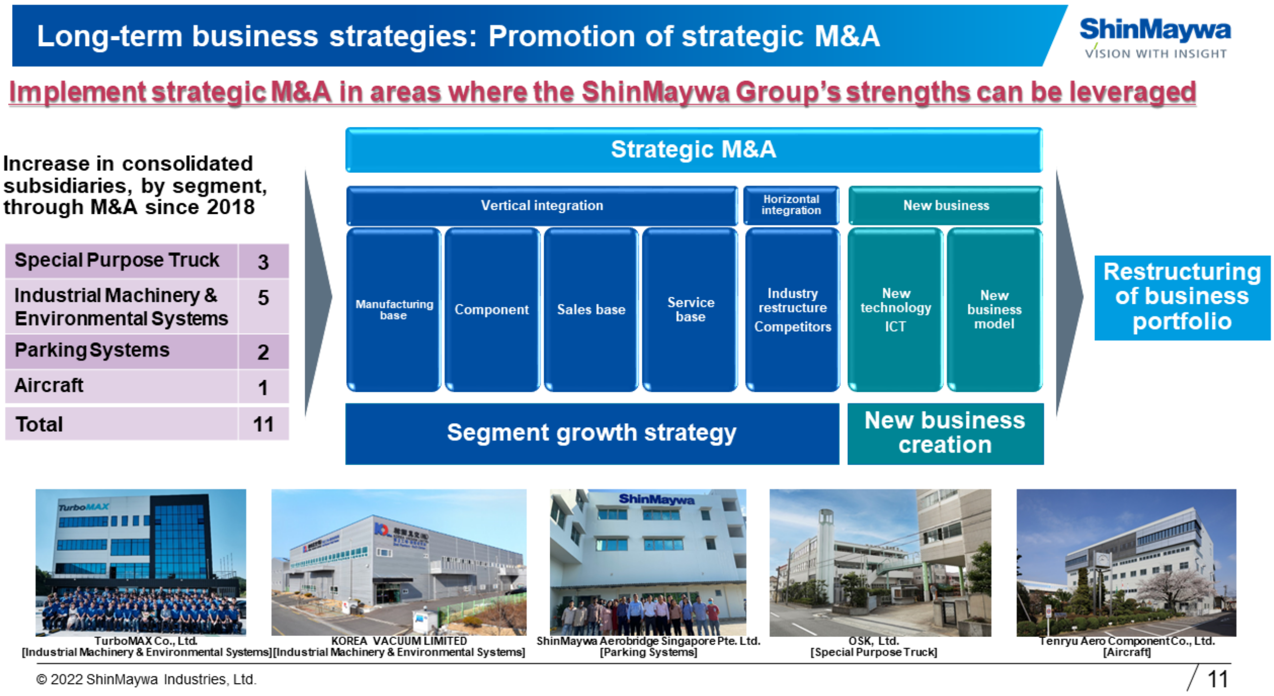
Next, I will explain the current status of new business creation.

As I mentioned earlier, as of April 1 this year, we established the New Business Strategy division at the head office as a function to promote the creation of new businesses. This organization is positioned to promote co-creation by leveraging the strengths, which were mentioned earlier, without being limited by the boundaries of business divisions. We would like to solve and alleviate various social issues arising from changes in the external environment by leveraging our strengths. To do so, we need to create new businesses through exploratory projects without being attached to existing businesses and massing the creation of business ideas that will serve as the foundation is essential.

We will therefore establish a process for creating new businesses and a system for putting this process into practice at an early stage and promote business idea creation activities. We also intend to develop new business development through creating and abandoning many business ideas as a company-wide activity in close cooperation with our business divisions.

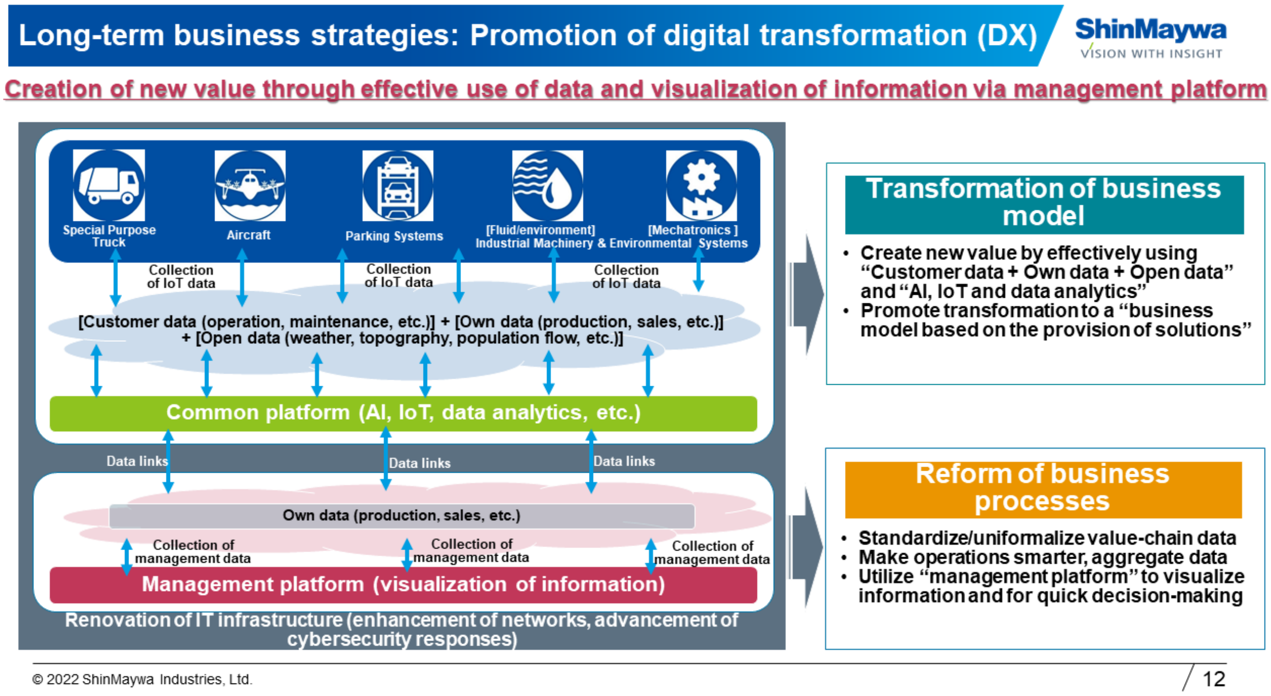
To give you an example of the direction of new business creation, our search themes include new businesses centered on diversification and smartification of transportation, businesses related to the 3Rs, sewage and wastewater treatment, and new business areas related to carbon neutrality.

With regard to the 3Rs, from the perspective of recycling and reuse, we are working to establish recycling technology for carbon fiber reinforced plastic (CFRP), which is discharged during the manufacture of aircraft parts, and to create new businesses that utilize this technology.



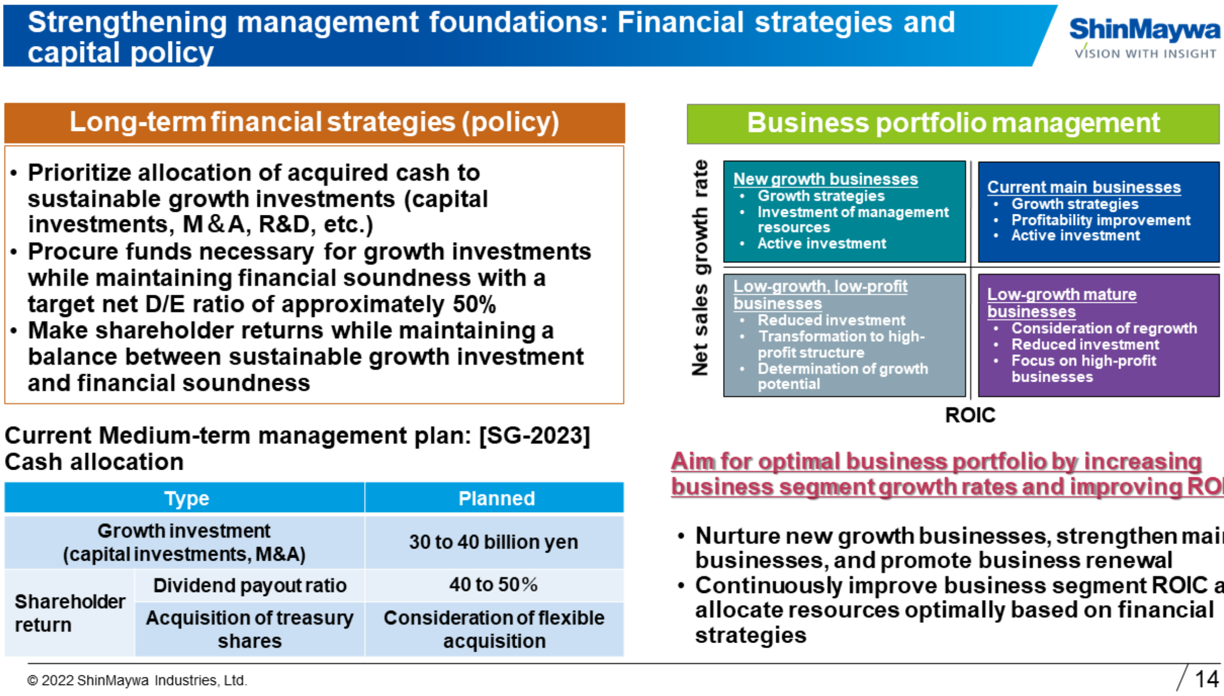
We are also strategically involved in M&A as a means to expand the scale of our business and promote business growth. M&A activity has steadily increased in recent years, with 11 companies consolidated since 2018. However, most of the past M&As have been vertical or horizontal integrations, as shown in the figure, and we have not realized M&As overlooking the entire Group.

We will continue to strengthen our value chain and conduct industry restructuring M&As, but we will also actively engage in strategic M&As that directly lead to the creation of new businesses, such as acquiring technologies that our group does not have and finding companies with the knowledge needed to build new business models. Through the realization of M&As, we will form the business portfolio that we should aim for.



With regard to the promotion of DX, we consider that it is indispensable to expansion of existing businesses areas and create new businesses, and we are currently in the process of collecting various types of data using ICT and other means. In the future, we intend to centralize and visualize value chain data managed by each business segment to promote reform of business processes as well as to use the data to reform business models.

In the next step, through the centralized management of customer data and open data held by the business segments, we will develop new solutions that utilize such data in business models that can be expected to be monetized.



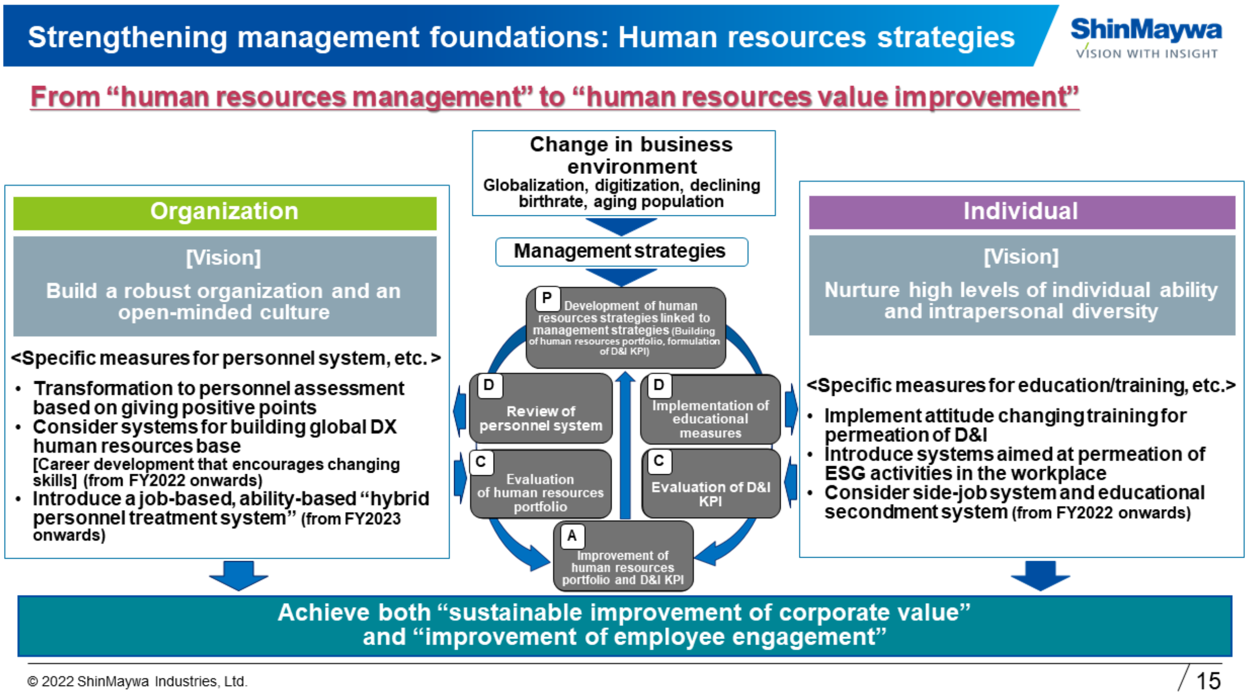
I will now continue with an explanation of strengthening the management foundations.

First, I will explain our financial strategy and capital policy. The Long-term financial strategy policy is shown in the upper left corner of the screen. Cash generated from business activities will be allocated to growth investments such as capital expenditures, M&A, and R&D as priority.

If there is a shortfall against the investment plan, debt financing will be utilized, but in order to maintain financial soundness, the net D/E ratio is set at a target of approximately 50%. While keeping a close eye on both investments in growth and financial soundness, we will also set a target level of dividend payout ratio for each of our medium-term management plans to meet the expectations of our shareholders.

For your reference, the cash allocation for the Medium-term management plan [SG-2023], currently underway, is shown at the bottom left of the screen. Regarding business portfolio management on the right side of the screen, we will recognize the current position of each business segment by setting sales growth rate on the vertical axis and ROIC on the horizontal axis and will aim for an optimal business portfolio in the process of working to improve and enhance the indicators.

We would like to present the specifics of our business portfolio management as part of the next Medium-term management plan.



Next, I will discuss human resource strategies. With the increasing speed of changes surrounding organizations and individuals, and in light of changes in the business environment, we will transform from the traditional management of human resources to maximizing the value of human resources, viewing them as important capital.

To achieve that, we will first clarify the human resource portfolio required to execute our management strategy, revise our personnel system accordingly, and implement education and training as needed to deeply embed diversity and inclusion awareness in the workplace.

In addition, we will work to both sustainably improve corporate value and improve employee engagement by absorbing the opinions of each [inaudible] through monitoring and making a series of improvements.

Strengthening management foundations : Initiatives for ESG

Environment	**1. Preventing global warming**	● **Reduction of greenhouse gas emissions from production activities (Scope 1, Scope 2)** Total CO_2 emissions from energy use: 38% reduction (Achieve by FY2030, compared to FY2017) Total emissions: 42,720 tons (FY2017) ⇒ 26,486 tons (FY2030) ● **Provision of products and services with less environmental impact** Develop/sell energy-saving, low-carbon products, provide low-carbon services and businesses Conduct scenario analysis of climate change based on TCFD (FY2022)
	2. Contributing to a recycling society	● **Reduction of waste** Total waste generated: Reduce by 10% (Achieve by FY2030, compared to FY2020) Total generated: 8,111 tons (FY2020) ⇒ 7,300 tons (FY2030)

Finally, I would like to explain ESG initiatives. We have identified two materialities in terms of environmental, social, and governance issues, and we have set KPIs for each of them and are working to improve them.

First, environmental materiality is the prevention of global warming and contribution to a recycling society. The KPI for FY2030 for the prevention of global warming is set to reduce greenhouse gas emissions by 38% from production activities compared to the actual total CO_2 emissions in FY2017, when it peaked.

In addition, with regard to the provision of products and services with reduced environmental impact, we will conduct a scenario analysis of climate change in light of the TCFD by the end of this fiscal year.

As for KPIs related to contribution to a recycling society, we will promote various improvement activities to reduce total waste emissions in FY2030 by 10% compared to FY2020.

The social materiality we have set forth is the promotion of diversity and inclusion and the creation of a comfortable work environment. Three KPIs have been established for these two materialities.

The first is to nuture an organizational culture that respects and supports diversity, and we plan to conduct an employee survey, acquire certification as a Health & Productivity Management Organization, and conduct human rights due diligence.

Secondly, we are working to acquire diversity in individuals. As a specific example, we plan to increase the number of female managers in stages from 30 in FY2023 to 60 in FY2030, which we will achieve through human resource development and recruiting activities. We also aim to obtain the national certification system, "Eruboshi".

The third is to create opportunities for individuals to make use of their diversity and" Will". We will foster the potential and engagement of individual employees, strengthen the competitiveness of our business and management base, and integrate these with our Long-term business strategy.

Strengthening management foundations : Initiatives for ESG

ShinMaywa
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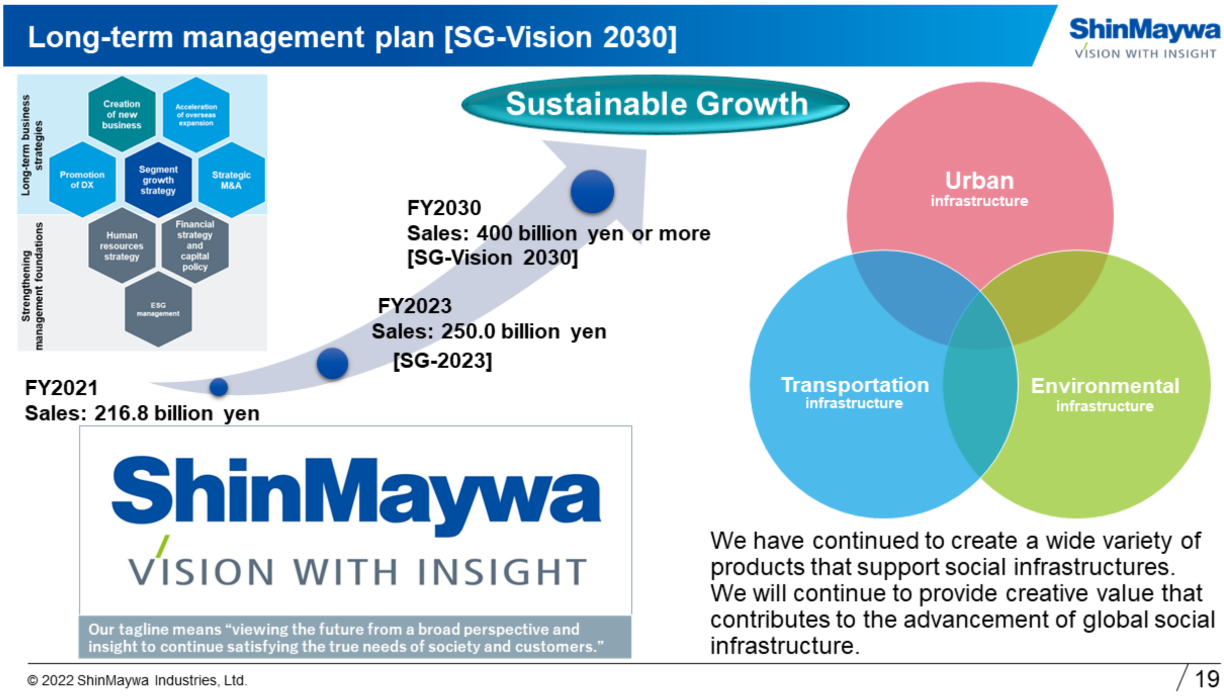
Governance	1. Enhancing corporate governance systems	● Strengthening the supervisory function of the Board of Directors Clarify the skills and experience required of board members and ensure the systematic development and diversity of management personnel
		● Ensuring legitimacy in execution of duties Instill awareness for compliance among executives and employees and develop a control environment that includes subsidiaries
	2. Establishing and strengthening risk management systems	● Establishing and strengthening company-wide risk management systems Develop a risk management system that includes subsidiaries and monitor important risks ● Develop business continuity plans (BCPs) for natural disasters, infectious diseases, etc.
		● Strengthening electronic information management systems Review wide area networks (WANs), reform security regulations, and strengthen incident responses
		● Ensuring quality and safety Understand and support the status of quality control and product safety risk information, including subsidiaries
		● Promotion of CSR procurement Formulate CSR requirements and build systems to execute CSR procurement rationally/effectively/continuously

Finally, two governance materialities are the enhancement of the corporate governance system and the development and strengthening of the risk management system.

KPIs for the enhancement of the corporate governance system are to strengthen the supervisory function of the Board of Directors and to ensure legality in the execution of duties.

The five KPIs for the establishing and strengthening risk management systems are establishing and strengthening company-wide risk management systems including subsidiaries, development of business continuity plans, BCP, against natural disasters and infectious diseases, strengthening of electronic information management systems, ensuring of quality and safety, and promotion of CSR procurement.

We will work to enhance sustainable value through the implementation of KPIs for these ESG materialities.



The ShinMaywa Group has been creating a wide variety of products and services based on our advanced design and manufacturing technologies in various infrastructure fields that support social infrastructure.

We will continue to strive to be a corporate group that provides products and services that contribute to the further advancement and sophistication of social infrastructure. We will steadily implement our current Long-term management plan, [SG-Vision 2030], aiming for sustainable business growth and achievement of various indicators set as targets for FY2030.

That is all for the explanation from me. Thank you very much for taking time out of your busy schedule to participate in our financial results briefing today.

That is all for the explanation from the Company.

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