



November 9, 2023

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### Notice Regarding the 4th Mid-term Management Plan

Shinwa Co., Ltd. Formulated a "Mid-term Management Plan," a three – years plan covering the period from the Fiscal Year Ending August 31, 2024 to Fiscal Year Ending August 31, 2026. And we announce the details it.



## 4th Medium-term Management Plan

Plan Period: September 2023 to August 2026 (three years)

株式会社 進和



# Medium-term Management Plan

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The forecast values contained in these materials are calculated based on the Company's judgments and assumptions in light of currently available information. Please be advised that actual results may differ substantially from the forecast, due to factors including the inherent uncertainty of these judgments and assumptions, as well as future business operations and changes in economic conditions in Japan and overseas.

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# 4th Medium-term Management Plan

■ Plan Period: September 2023 to August 2026 (three years)

# Change! Shinwa moving forward 2026

—Challenge Toward Reform and Sustainable Growth—

## Management Vision

Responding to unprecedented changes in the times with agility, each of our employees will boldly take on new challenges without fear of change and, by delivering new value to our customers, aim to be a company that is trusted by its customers.

1

## – **Expand business in growth markets**

Target EV, automotive battery, semiconductor, and HVAC markets

2

## – **Enhance production and development systems (manufacturer functions)**

Enhance the engineering division, with its focus on metal-joining technologies, and the automation/labor-saving smart factory division, with the use of IoT and AI

3

## – **Expand global business and establish systems**

Strengthen the overall management function of regional hubs and control of Group companies

4

## – **Strengthen business foundation**

Promote sustainability management and human capital-based management and strengthen governance

5

## – **Improve capital efficiency and enhance shareholder returns**

Financial strategies that are conscious of capital efficiency and appropriate allocation of investment and shareholder returns

# Key Strategies [Domestic Sales Division]

1

## Strengthen engineering functions and promote sales activities that leverage core competencies

- Strengthen engineering functions through establishment of two specialized engineering organizations
- Incorporate outsourcing of customers' production preparation work on automobile production lines and launch production lines
- Establish dedicated sales division to support manufacturing DX (network/digital)

- Strengthen system integrator operations in logistics domain using robots/AMR (Autonomous Mobile Robot)

- Expand operations in semiconductor and electronic devices domain, using ultra-precision coating equipment as a foothold

- Leverage three “advanced technology labs” to pioneer new business domains
  - Lab-❶ Lab Beyond that showcases Shinwa's core competencies
  - Lab-❷ Metrology Center that technologically verifies inspection measurement
  - Lab-❸ SFiC Lab that verifies smart factories

# Key Strategies [Domestic Sales Division]

2

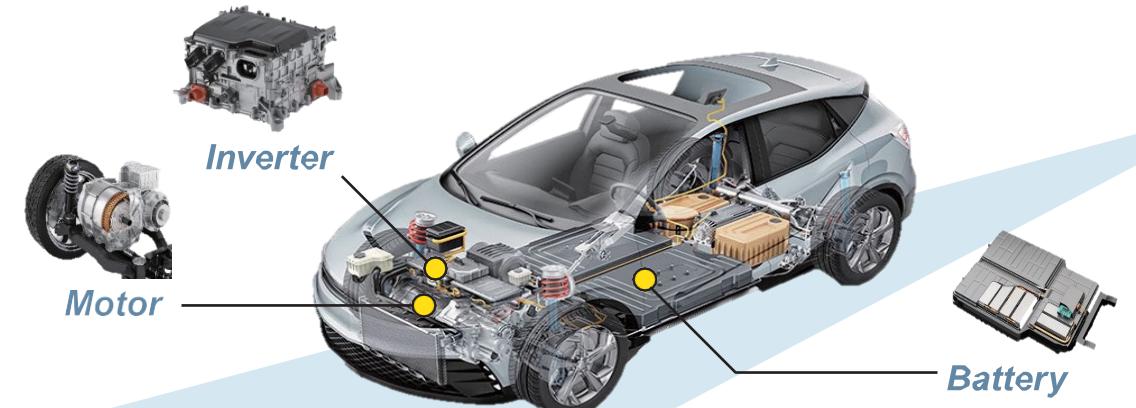
## Respond to electrification and autonomous driving

- Promote sales and marketing to all mobility electrification fields – automobiles, construction machinery, farm machinery, electric vertical take-off and landing (eVTOL) aircraft
- Expand operations in automotive battery domain and promote receipt of mass production orders for battery components
- Expand operations in electric vehicle components (motors, inverters) and take on challenge of power semiconductor domain
- Expand operations in automotive sensor domain, including high-precision cameras and LiDAR for autonomous driving

3

## Expand green business

- CO<sub>2</sub> reduction proposals for a decarbonized society
  - Sale of energy-saving products, energy visualization
  - Proposals for CO<sub>2</sub> reductions through equipment maintenance operations
- Enter fuel cell (FC) and hydrogen-related new energy fields
- Realize manufacturing GX through introduction of energy monitoring systems



# Key Strategies [Overseas Sales Division]

1

## Build Group management structure with Regional Headquarters (RHQs) at the core

- Strengthen management and operational support of overseas subsidiaries by clarifying roles of RHQs
- Optimize intra-Group procurement structure and build structures for collaboration

■ **SHINWA INTEC CO., LTD. (Thailand)**  
→ SHINWA (INDIA) ENGINEERING & TRADING PRIVATE LIMITED (India)  
→ PT.SANTAKU SHINWA INDONESIA (Indonesia)  
→ SHINWA INTEC MALAYSIA SDN. BHD. (Malaysia)

■ **SHINWA (SHANGHAI) Co., Ltd. (China)**  
→ YANTAI SHINWA JOINT TECHNOLOGY Co., Ltd. (China)  
→ YANTAI FRONTIER SPIRITS SHINWA MAINTENANCE TECHNOLOGY Co., Ltd. (China)  
→ SHINWA TIANJIN FACTORY AUTOMATION SYSTEM CENTER (China)

■ **SHINWA U.S.A. CORPORATION (USA)**  
→ SHINWA ENGINEERING S.A. DE C.V. (Mexico)  
→ SHINWA REPRESENTACAO COMERCIAL DO BRASIL LTDA. (Brazil)

# Key Strategies [Overseas Sales Division]

2

## Cultivate selected priority regions, markets and customers and promote sales

- Actively deploy sales activities targeting HVAC, semiconductors, petrochemicals and food industries, in addition to automotive industry

(Promote initiatives that consider balance of industry-based portfolios)

- Promote new business and build sales foundations in Global South (India, Indonesia, Brazil)

- Cultivate global supplier products and secure commercial rights in Japan and overseas markets

3

## Develop overseas and global human resources and promote SDGs initiatives

- Strengthen development of overseas and global human resources

- Develop systems to enable global assignment of outstanding overseas staff, including to Japan head office

- Raise awareness of SDGs at overseas subsidiaries and promote businesses that leverage SDGs

SDGs Activity: Mangrove planting (Thailand)



## 1 Strengthen manufacturing technology development in growth markets

- Increase competitiveness and expand semiconductor market sales, including development of new precision coating platform & elemental equipment
- Strengthen development of battery components and associated metal-joining technologies and internalize manufacturing personnel
- With sights on markets that are phasing out ICE vehicles and the low-carbon/carbon-neutral market, internalize joining (laser, FSW, brazing, piercing) technicians for aluminum, etc. for vehicles and heat exchangers



“Ultra-precision coating equipment” for semiconductors, developed by Shinwa

Kasugai Office  
Base for development of ultra-precision coating equipment and battery components / associated metal-joining technology



# Key Strategies [Manufacturing Division]

2

## Expand production and manufacturing structure

- Accelerate development of manufacturing methods and enhance total engineering capabilities in laser and other equipment and testing
- Build engineering systems using IoT and DX technologies for realization of smart factories and expand sales
- Enhance maintenance business with kneading machine manufacturing business and CN market potential in mind

3

## Develop and strengthen manufacturing foundations

- Develop capacity to deliver products that uphold and improve the basics of SQCDE (safety, quality, cost, delivery, and environment)



- Create further synergies of people and technologies among manufacturing divisions and with partner companies
- Speed up development of visualization and digitalization of energy management and production management

# Key Strategies [Management Division]

1

## Develop management foundation for growing global business

- Strengthen group company management through the monitoring and onsite guidance of overseas subsidiaries
- Strengthen IT infrastructure of overseas subsidiaries
- Promote human resources development and recruitment through cross-border mutual exchanges

2

## Enhance corporate value through promotion of sustainability management

- Participate in social contribution activities with awareness of co-existence with local communities and environmentally friendly society
- Promote diversity and develop comfortable workplace environments with aim of employees' safety, security, and health
- Review of personnel systems and human resources development initiatives through in-house training programs
- Promote finance strategies conscious of capital efficiency

3

## Ensure thorough compliance and deepen governance

- Maintain and enhance the safety and health management system, and foster consciousness of rules for compliance with relevant laws and regulations
- Maintain and strengthen Group-wide information security systems and improve productivity through use of new core systems
- Strengthen effectiveness of internal control systems

# Financial Strategy

## 1 Initiatives for improvement of PBR

While remaining sufficiently conscious of capital cost and capital return potential, continuously generate revenue and cash to fund growth through business activities and enhance corporate value (improvement of PBR) through appropriate cash allocations.

Enhance corporate value  
Improvement of **PBR**

$$\text{PBR} = \text{ROE} \times \text{PER}$$

Strengthen earning capacity and cash generation capacity  
Improvement of **ROE**

Improve evaluation from society/capital market  
Improvement of **PER**

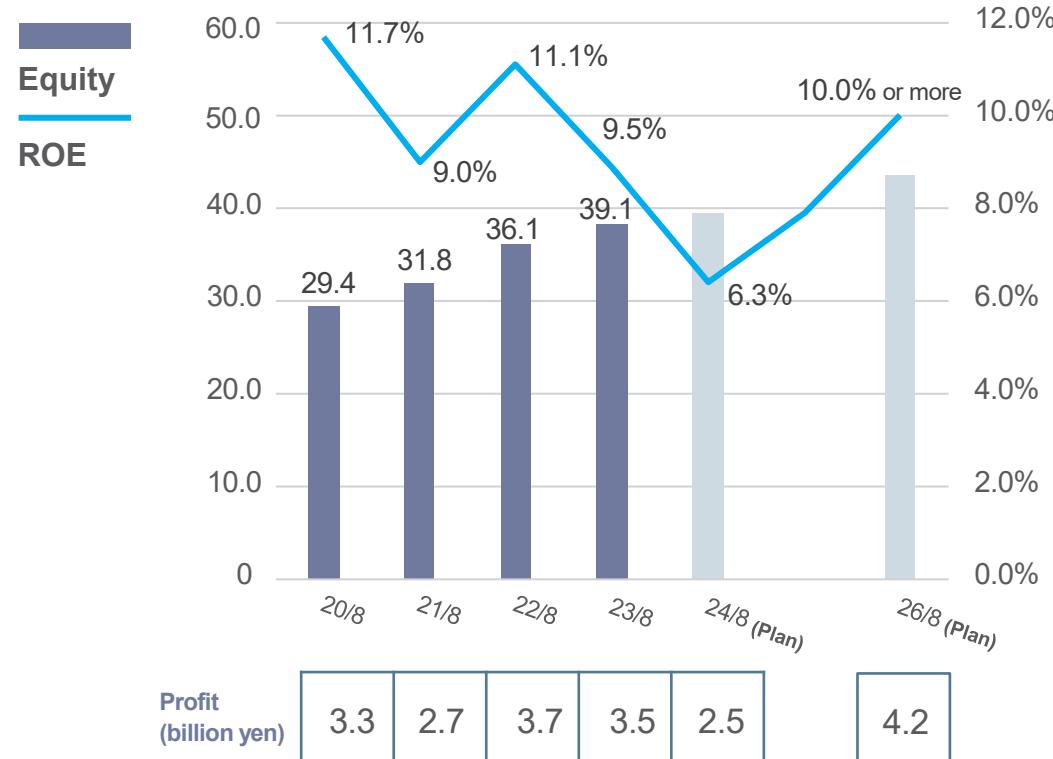
<b>Strengthen earning capacity</b>	<ul style="list-style-type: none"><li>• Implement Key Strategies with certainty</li><li>• Improve operating profit margin</li><li>• Lower costs by reducing costs, SG&amp;A expenses, etc.</li></ul>
<b>Improve capital efficiency</b>	<ul style="list-style-type: none"><li>• Capital cost-conscious management</li><li>• Appropriate financial leveraging</li><li>• Improve working capital efficiency</li></ul>
<b>Promote growth investments</b>	<ul style="list-style-type: none"><li>• Invest in strategic and new businesses</li><li>• Invest in R&amp;D</li><li>• M&amp;A, develop global business</li></ul>
<b>Strengthen shareholder returns</b>	<ul style="list-style-type: none"><li>• Consolidated payout ratio of 50% or more</li><li>• Stable dividends (lower limit of ¥100)</li><li>• Strengthen information disclosures and dialogue with shareholders</li></ul>
<b>Promote sustainability management</b>	<ul style="list-style-type: none"><li>• Invest in human capital</li><li>• Co-exist with local communities</li><li>• Strengthen corporate governance</li></ul>

# Financial Strategy

## 2 Improve capital efficiency

Steadily generate ROE of 10% or more, in excess of capital cost, and strive to enhance corporate value, to lead to early realization of PBR of above 1. With ROE trending downward in most recent figures due to increase in equity and decline in profitability, strive to strengthen earning capacity and maintain appropriate level of equity.

### ROE/Equity



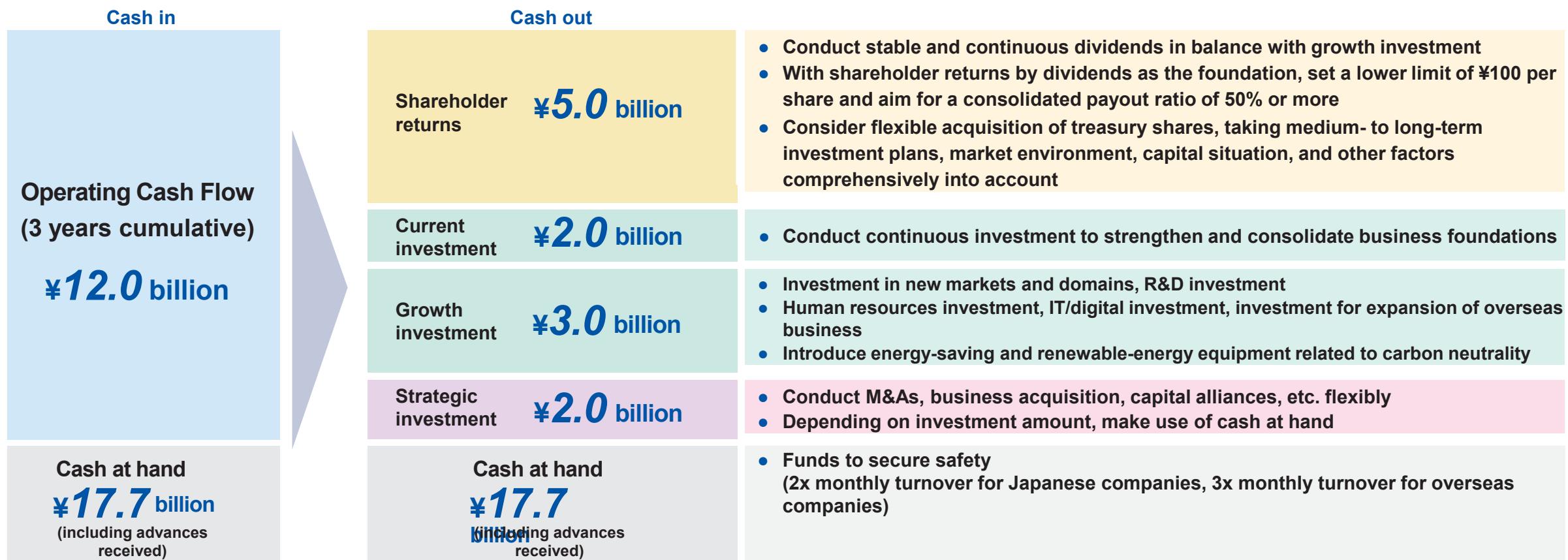
### 4th Medium-term Management Plan

	ROE	Net profit margin	Total asset turnover	Leveraging
<b>10% or more</b>	<b>= Around 4.7%</b>	<b>× Around 1.3 times</b>	<b>× Around 1.7x</b>	
<b>ROE</b>	20/8	21/8	22/8	23/8
	29.4	31.8	36.1	39.1
	11.7%	9.0%	11.1%	9.5%
	6.3%			6.3%
				10.0% or more
<b>Profitability</b> Net profit margin	24/8 (Plan)	26/8 (Plan)		Around 4.7%
				Around 1.3 times
<b>Efficiency</b> Total asset turnover	20/8	21/8	22/8	23/8
	1.3 times	1.1 times	1.2 times	1.3 times
				1.2 times
<b>Leveraging</b> Financial leveraging	24/8 (Plan)	26/8 (Plan)		Around 1.7x

# Financial Strategy

## 3 Cash allocation (3 years cumulative)

Within cash flow generated by operating activities, allocate to investment and shareholder returns appropriately while ensuring financial soundness. In investment, in addition to strengthening core businesses and investing in new markets and domains, actively make human capital investments and investments related to carbon neutrality.

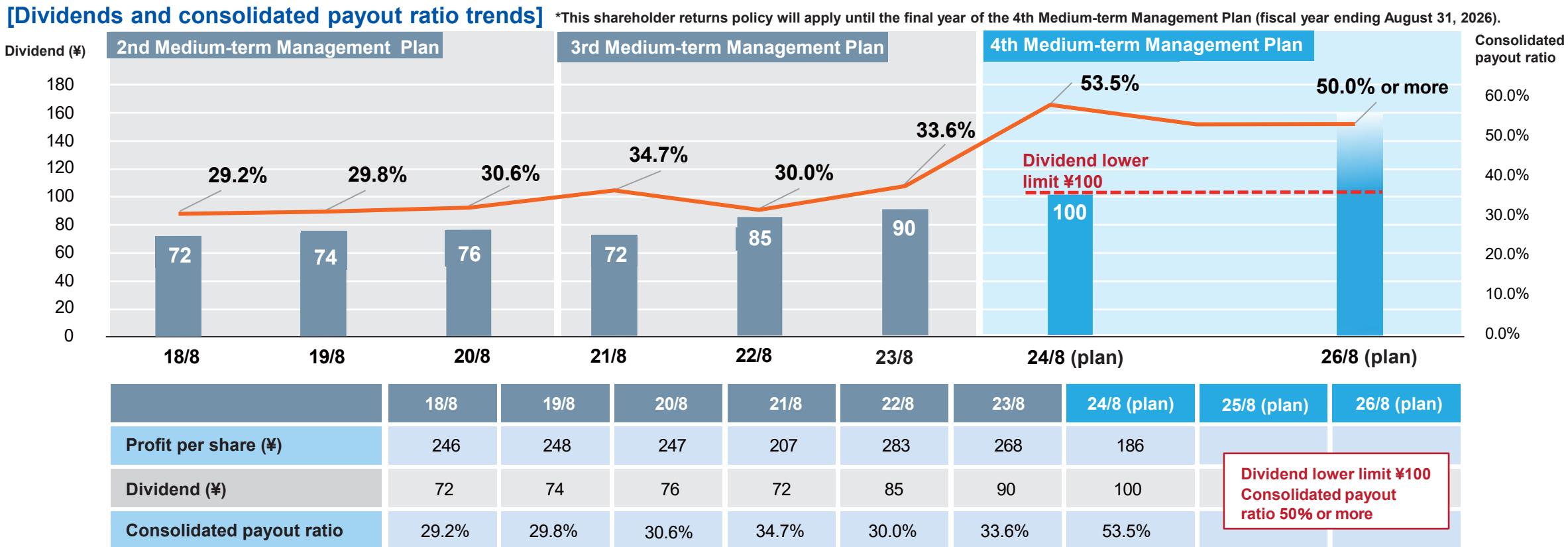


# Shareholder Returns Policy

## 1 Enhancement of shareholder returns

Striving to increase distribution of profit by further improving the stability of shareholder returns and through the sustained improvement of business performance, aim for a consolidated payout ratio of 50% or more, with a lower limit of ¥100 yen per share. Further, consider acquisition of treasury shares, taking medium- to long-term investment plans, market environment, capital situation, and other factors into comprehensive account.

### [Dividends and consolidated payout ratio trends]



# Management Targets

□ Consolidated results targets for the final fiscal year (year ending August 31, 2026)

Net sales	¥90.0 billion
Operating profit	¥5.8 billion
Profit attributable to owners of parent	¥4.2 billion
Overseas net sales (by destination)	¥40.0 billion
Overseas segment profit	¥3.0 billion
ROE	10% or more

# Sustainability Management

With four materiality items at the center of sustainability management, by expanding our business in growth markets, enhancing our engineering capabilities, promoting diversity, and strengthening our governance structure, we will work toward the further enhancement of corporate value, with the goal of being a company that offers a true sense of wellbeing.

## 1 Climate change initiatives



### Greenhouse gas reduction initiatives

- Propose CO<sub>2</sub> reduction items and sell products for a decarbonized society
- Promote metal-joining technology development items for growth markets
- Promote activities to reduce Shinwa Group's Scope 1 & 2 emissions

## 3 Development of comfortable working environment



### Diversity & Inclusion initiatives

- Enhance career support and education and training programs
- Actively promote overseas personnel and female managers
- Encourage male employees to take childcare leave

## 2 Realization of abundant society

### SUSTAINABLE DEVELOPMENT GOALS



### Co-existence with local communities, support for culture and sport

- Donation initiatives in Japan and overseas
- Regional cooperation in SDGs education activities
- Promote employment of people with disabilities, support art by people with disabilities

## / Wellbeing

## 4 Strengthening of business foundation

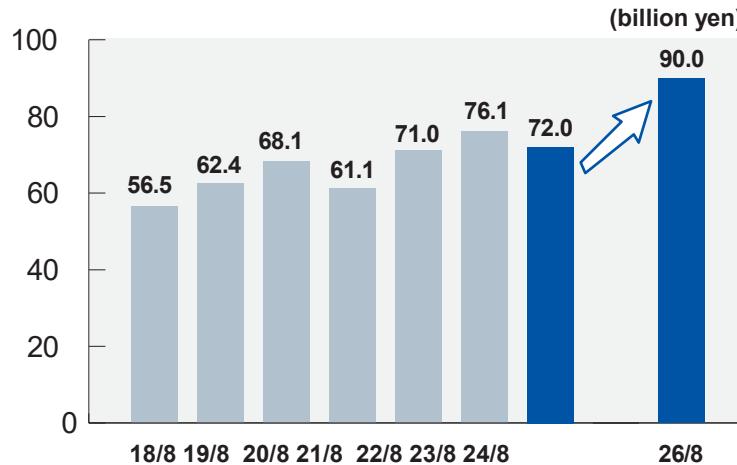


### Strengthening of business foundation

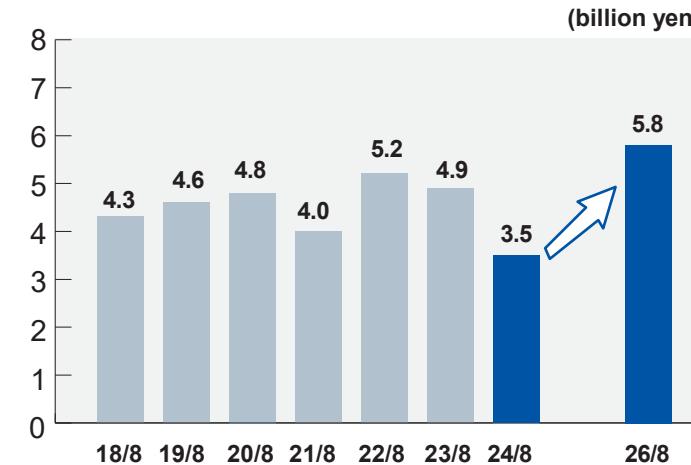
- Maintain and enhance the safety and health management system
- Strengthen effectiveness of internal control systems
- Strengthen information security and increase IT literacy

# Reference Materials

## ■ Net sales (consolidated)



## ■ Operating profit (consolidated)



## ■ Profit (consolidated)



## ■ Overseas net sales (by destination)



## ■ Overseas segment profit



## ■ ROE

