

“Value Up 200!” Extended for New Targets

The ShinMaywa Group announced today that it has decided to extend the duration of its long-term management plan “Value Up 200!” which began in April 2006, and laid out new management targets for the year ending April 2012.

“Value Up 200!” was originally conceived as a five-year plan which would continue through March 2011, with a focus on enhancing intrinsic corporate value. The first three-year period of this plan is called “T-up 130!,” the primary targets of which included “operating income of ¥8 billion or over and overseas sales ratio of 20% or more.” To our regret, however, we have found it practically impossible to achieve these targets. Accordingly, we have adjusted the duration of “Value Up 200!” and set up new concrete management targets, based on such factors as the predicted schedule whereby our implanted programs to “enhance intrinsic corporate value” will bear fruit.

The assumed failure to achieve the three-year plan may be attributable to the considerably faster than expected appreciation of the yen, the resurgence of materials costs, and the delay in manufacturing programs for new products, but we believe that the biggest factor is the poor independence of our core businesses.

Based on this analysis, we have chosen “**breaking away from dependence on the outside**” as an action theme for “Value Up 200!” Under the banner of this slogan, we will hone the strengths of our core businesses during the extended period, and aim to become a group of companies capable of controlling any assumed management risks with our own efforts, thereby establishing a management structure which enables us to flexibly respond to changes in business environments. We believe that completion of the management targets for the final year of “Value Up 200!” will lead us to attain our goal of enhancing intrinsic corporate value.

■ About “Value Up 200!”

[Action theme]

Breaking away from dependence on the outside – Aiming to enhance intrinsic corporate value –

[Duration]

April 1, 2006 – March 31, 2012 (six years)

* In practice, the plan runs for four years from April 2008, since the first two years up until March 2008 overlap with “T-up 130!”

[Management agenda]

Based on reflection upon the failure to meet the targets of “T-up 130!,” we will focus on the six management objectives below in an effort to transform ourselves into a group of companies that achieve self-reliant development and growth.

- Proactive expansion to overseas markets
- Dissolving vulnerability of production-to-order
- Increasing the ratio of sales for new markets/products
- Concentrating management resources on core businesses
- Appraisal of value of each business
- Drafting/implementing multilateral management plans

[Agenda for each business segment]

Agenda	Aircraft	Special Purpose Truck	Industrial Machinery
Proactive expansion to overseas markets	Overseas sales ratio of 50% or more	To accelerate overseas expansion, steadily advance plans to start up joint ventures early on, and establish joint ventures and liaison offices	Focus on taking orders from North America, China, Asia and other overseas markets
Dissolving vulnerability of production-to-order	Improve profitability by redesigning and increasing efficiency of production processes mainly for mass-produced models	Radically streamline production by renovating equipment and production processes and utilizing overseas subsidiaries	Build production processes capable of flexibly responding to fluctuations in demands, and introduce new project management techniques for increased productivity for some of the processes
Increasing the ratio of sales for new markets/products	Add products (components) to own line whose orders may be sought of our own free will	Conduct M&As, develop improved models of existing products, and promote joint development with Iwafuji Industrial Co., Ltd. (a new member of the ShinMaywa Group)	Expedite development of new and improved products which feature “high performance,” “energy conservation,” and “high reliability”
Concentrating management resources on core businesses	Reap the benefits of the acquisition* of a component manufacturing subsidiary (ShinMaywa Aircraft Engineering, Ltd.) *Acquired January 2007	Focus management resources on “overseas expansion,” “production innovation,” and “development and marketing of customer-oriented products”	Shift focus from “products” to “customers” to search for synergies among different businesses
Appraisal of value of each business	Determine whether or not to divest low-profit lines in the private aircraft business	Assess the future value of low-market-share products, and perform business assessment for M&As and establishment of joint ventures	Clearly define the business portfolio, based on which management resources are allocated

[Key programs for each business segment]

Aircraft Segment

- Establish a mass-production system for components of the Boeing 787 and undertake coordinated action for this project
- Ensure steady earnings on the manufacture of components for overseas commercial aircraft
- Develop basic technologies for future opportunities (original technologies for aircraft component manufacturing)

Special Purpose Truck Segment

- Improve profitability by streamlining production
- Expand sales by aggressively making inroads into overseas markets (export, local production)
- Broaden the business portfolio by forming joint ventures and entering into new markets

Industrial Machinery Segment

- Make continued efforts to develop and release new and improved products which will drive future growth
- Full-scale entry into overseas markets (with manufacturing to export specs, M&As, alliances in mind)
- Create production processes capable of flexibly responding to fluctuations in demands

General programs supporting the management agenda and segment-specific key programs

- **Promote the production innovation campaign “SHIP” (improved earnings, enhanced business structure)**
- **Reorganize the Group into an organization capable of steadily practicing the management agenda**
- **Exploit inter-business synergies**
- **Examine and conduct M&As and divestures for the future of the Group**

[Management targets]

- ◆ Targets for the year ending March 2012

Item	Targets
Operating income	¥10 billion
Net sales	¥155 billion
Operating income	6.0% or over
ROE	5.5% or over
Overseas sales ratio	25% or over
Payout ratio	Aim to maintain the current level (approx. 30%*) *Based on consolidated net income