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Notice Regarding Formulation of the New Medium-term Management Plan “Change for Growing, 2020”

ShinMaywa Industries, Ltd. (President and Chief Executive Officer: Tatsuyuki Isogawa) has recently formulated “Change for Growing, 2020” (“CFG2020”), a new three-year medium-term management plan extending until the end of the fiscal year ending March 31, 2021. We hereby announce an outline of the plan as described below.

1. Summary of the Previous Medium-term Management Plan (April 2015 to March 31, 2018)

We set up the following three basic policies in our three-year Medium-term Management Plan "New Challenge 100," which started in fiscal year 2015.

- Firmly maintain our operating base while taking on new challenges to achieve further breakthroughs
- Promote CSR-oriented management through products and services
- Develop next-generation management

With these policies in mind, we made group-wide efforts to enable us to achieve our business performance targets of consolidated net sales of over ¥200 billion and consolidated operating income of over ¥10 billion in a stable manner.

During the active period of the plan, in addition to the results achieved through our various activities, we recorded business performance that surpassed all our targets, assisted by the continuation of an environment favorable to our mainstay businesses, including the effects of “Abenomics” economic recovery measures and the weakening of the yen, as well as measures to address natural disasters that occurred across Japan, and special demand leading up to the Tokyo Olympics.

2. Business Environment Surrounding the ShinMaywa Group

Under these circumstances, our market environment is expected to become more difficult to a certain extent in the three years covered by CFG2020. However, as most of the Group's businesses are related to social infrastructure, we will be able to expand our market share in Japan by further enhancing our edge in the market through measures such as incorporation of IoT and AI into our key products. Increased demand can also be anticipated in the service business. Overseas, we

believe that there is room for further growth because we have many businesses and products the markets for which will expand in the future, especially in emerging countries.

3. Overview of New Medium-term Management Plan “CFG2020” (Activity Period: April 2018 to March 31, 2021)

In view of the business environment described in the preceding paragraph, and in order to survive in a society where changes are occurring at an unimaginably rapid pace, it is important to boost our position in the market by expanding net sales, and using the profits earned to proactively invest for the next generation. At the same time, we wish to provide appropriate levels of rewards to our shareholders, who support our management, from the profits earned through our business activities, and the name of our new medium-term management plan, “Change for Growing, 2020,” encompasses this wish.

The year 2020 marks the 100th anniversary of the founding of the Company (including the pre-ShinMaywa period.) To pass on its history to this point to the next generation, we have set out in CFG2020 specific measures aimed at expanding the scale of our key businesses and increasing profits from them, as well as our policy concerning return of profit to shareholders. We will again take on the challenge of achieving further breakthroughs (innovative changes), and transform the Company to enhance our corporate value through steady growth.

(1) Business Performance Targets for New Medium-term Management Plan “CFG2020” (Final Fiscal Year)

In CFG2020, we will work on measures to enhance our corporate value by focusing on both sustainable growth of profits and efficient use of capital.

The business performance targets for the final year of CFG2020 (fiscal year 2020) are as shown below.

	Targets in final fiscal year for CFG2020
Consolidated net sales	¥230 billion
Consolidated operating income	¥14 billion
Return on equity (ROE)	8%

(Reference) Comparison with the previous medium-term management plan

	New Challenge 100		CFG2020		Difference (B-A)	Rate of increase
	FY2016 results	FY2017 results (A)	FY2018 forecast	FY2020 targets (B)		
(Unit: billion yen)						
Consolidated net sales	201.2	207.3	210.0	230.0	22.7	+11%
Consolidated operating income	13.0	10.5	10.5	14.0	3.5	+33%
ROE	7.7%	5.8%	6.1%	8.0%	-	-

(2) CFG2020 Basic Policy—Transformations Aimed at Enhancing Corporate Value

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

- Products & services:
 - (a) Focus on developing next-generation products using IoT, AI, etc.
 - (b) Strengthen ability to propose solutions and service systems
 - (c) Make capital investments aimed at streamlining production and develop human resources
- Overseas markets:
 - (a) Expand strategic areas by segment and strengthen sales
 - (b) Explore local partners in the manufacturing, sales, and service fields and promote collaboration
 - (c) Strengthen production capability and cost competitiveness by constructing our own plants
- M&A and alliances: Promote M&A with companies that can be expected to bring synergy, and strengthen business tie-ups and other alliances

2) Shareholder return measures

- Maintain a payout ratio of 40-50%, in principle, on a consolidated basis while taking into account three points—dividends to shareholders, business investment for the future, and internal reserves for maintaining the management foundation
- Flexibly acquire our own shares in light of the implementation status of investment in growth, etc. while taking into account capital efficiency, cash flows, etc.

(3) CFG2020 Major Measures by Segment

1) Aircraft segment

Increase profits from existing products and take on the challenge of new businesses

Products & services	<u>US-2 search and rescue amphibian</u> <ul style="list-style-type: none"> - Acquire and increase Ministry of Defense replacement budget by improving functions and performance - Develop uses other than search and rescue missions (addition of firefighting function, etc.)
Overseas markets	<u>Production of commercial aircraft components</u> <ul style="list-style-type: none"> - Increase the production of main wing spars for Boeing 787 - Establish mass-production systems for wing-to-body fairings for Boeing 777X (new series), moving surfaces for Bombardier G7000, etc. - Acquire orders for new components
M&A and alliances	<u>US-2 search and rescue amphibian</u> <ul style="list-style-type: none"> - Consider collaboration with Mahindra aimed at exports to India. <u>New business</u> <ul style="list-style-type: none"> - Enter the maintenance business in collaboration with a small aircraft maintenance company
Fiscal year 2020 target	Net sales: ¥41.0 billion; Operating income (ratio): ¥3.2 billion (7.8%)

2) Special purpose truck segment

Expand our market share by developing new products and strengthening our service systems, and step up expansion into overseas markets

Products & services	<ul style="list-style-type: none"> - Introduce high value-added products into the market using AI and IoT (Environmental and logistics-related vehicles) - Strengthen product competitiveness in growth fields (logistics, light vehicles, forestry) - Enhance the service business by expanding maintenance systems
Overseas markets	<ul style="list-style-type: none"> - Boost production capability for key components (cylinders for dump trucks, etc.) at our local subsidiary in Thailand, strengthen exports to third-party countries, and enter the Indian market - Increase sales and expand target models in the Oceania region <loader dump trucks (sliding bed dump trucks), refuse compactors> - Work together with domestic competitors to build sales systems
M&A and alliances	<ul style="list-style-type: none"> - Expand service networks by strengthening alliances
Fiscal year 2020 target	Net sales: ¥86.5 billion; Operating income (ratio): ¥5.0 billion (5.8%)

3) Industrial machinery & environmental systems segment

Increase profits and expand overseas sales by implementing M&A and alliances

Products & services	<p><u>Automatic wire processors</u></p> <ul style="list-style-type: none"> - Reinforce electric wire processing capabilities by developing high-end machines <p><u>Vacuum (high-precision systems for thin films) business</u></p> <ul style="list-style-type: none"> - Expand product line-up by developing large-sized refrigerators <p><u>Fluid (water treatment equipment) business</u></p> <ul style="list-style-type: none"> - Expand line-up of major equipment for sewage treatment plants - Expand the scope of renewal projects that can be handled by strengthening engineering capabilities
Overseas markets	<p><u>Automatic wire processors</u></p> <ul style="list-style-type: none"> - Explore new markets through alliances with sales agents in Europe and Africa <p><u>Environmental system</u></p> <ul style="list-style-type: none"> - Introduce wastewater treatment equipment for refuse transfer stations into the Chinese market <p><u>Fluid (water treatment equipment) business</u></p> <ul style="list-style-type: none"> - Set up and strengthen bases in Southeast Asia and North America (Production, service, logistics)
M&A and alliances	<p><u>Automatic wire processors</u></p> <ul style="list-style-type: none"> - Expand related businesses through alliances with manufacturers of peripheral equipment and semi-automatic machines <p><u>Vacuum (high-precision systems for thin films) business</u></p> <ul style="list-style-type: none"> - Expand domestic share in collaboration with Diavac Limited (made into a subsidiary in April 2018) and expand business overseas
Fiscal year 2020 target	<p>Net sales: ¥43.5 billion; Operating income (ratio): ¥3.7 billion (8.5%)</p>

4) Parking systems segment

Enter a new solutions business for mechanical car parking systems and expand profits by broadening sales areas for aircraft passenger boarding bridges

Products & services	<p><u>Car parking systems</u></p> <ul style="list-style-type: none"> - Develop next-generation mechanical car parking systems for self-driving cars and enter the car parking system solutions business - Use IoT and AI to make maintenance services more sophisticated and save on manpower <p><u>Aircraft passenger boarding bridges</u></p> <ul style="list-style-type: none"> - Expand domestic market share by introducing high value-added products (automatic docking function, full-flat specifications)
Overseas markets	<p><u>Aircraft passenger boarding bridges</u></p> <ul style="list-style-type: none"> - Expand market share in hub airports in Southeast Asia by introducing high value-added products (automatic docking function, full-flat specifications) - Expand overseas production bases and strengthen cost competitiveness - Use a local subsidiary in India to enter the local market
M&A, alliances	<p><u>Car parking systems</u></p> <ul style="list-style-type: none"> - Expand product line-ups through alliances - Increase scale through transfer of maintenance business from manufacturers that are withdrawing
Fiscal year 2020 target	<p>Net sales: ¥44.0 billion; Operating income (ratio): ¥3.2 billion (7.3%)</p>

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