

# Long-term and Medium-term management plans Presentation Material

May 20, 2021

ShinMaywa Industries, Ltd.

**ShinMaywa**  
VISION WITH INSIGHT

**Long-term management plan,  
Sustainable Growth with Vision 2030  
Presentation Material**

## Long-term vision (Established in April 2020)

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

### Ideas incorporated in the Long-term vision

- Technological innovation allows us to offer optimal solutions for global social issues through making **urban, transportation and environmental** infrastructures more advanced.
- Along with bringing together the entire strength of the ShinMaywa Group, we can also actively utilize our alliances in order to become **a true value co-creation company** that creates new values speedily.

## ■ Basic policy

The vision will be implemented with the following two management themes in parallel, improving corporate value by sustainably creating economic value and social value

### 1. Long-term business strategies:

Lay out a future vision of society in 2030 and formulate and implement business solutions to achieve it

### 2. Strengthening management foundations:

Contribute to the SDGs through implementing sustainability management that supports Long-term business strategies

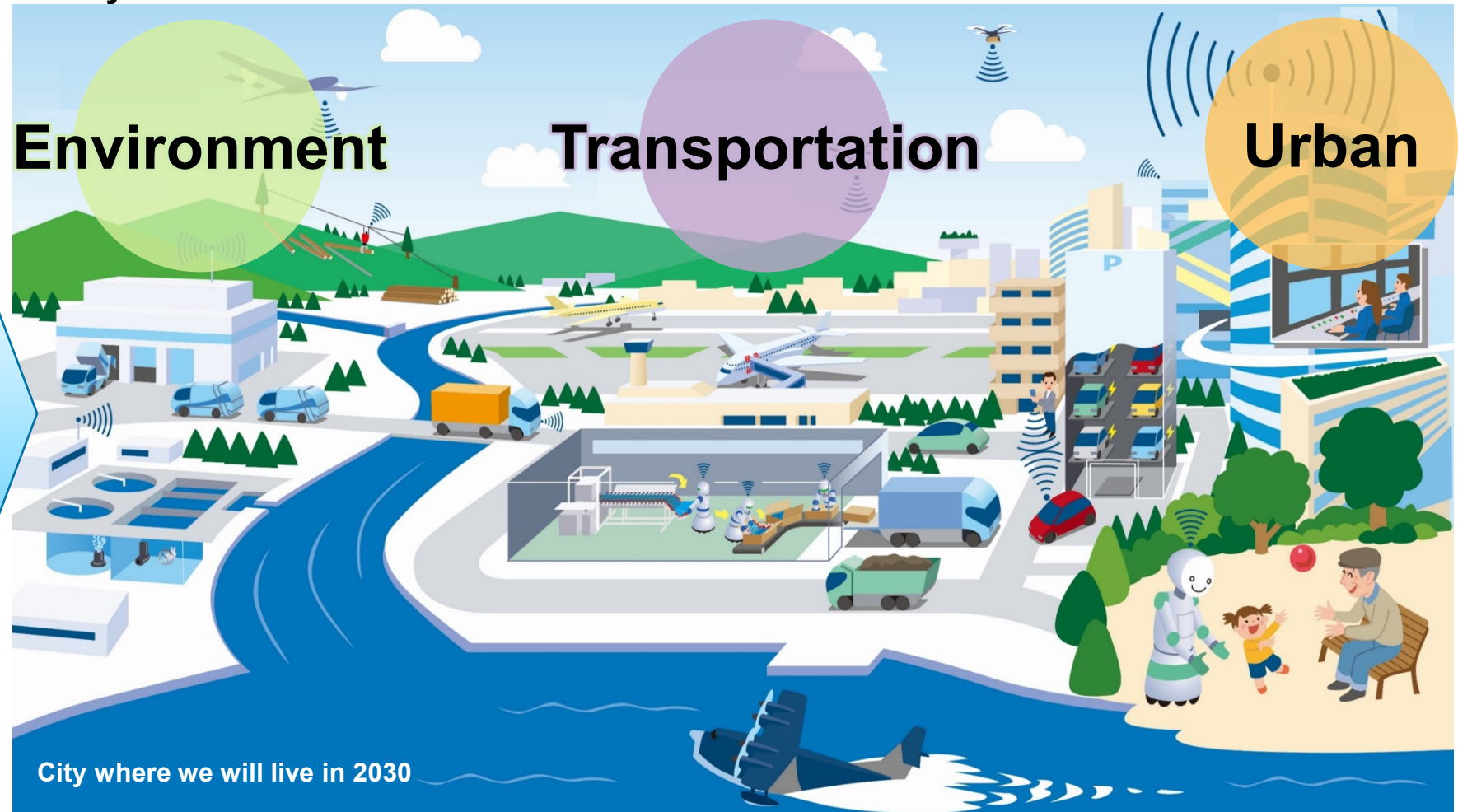
Long-term management plan	Sustainable Growth with Vision 2030 [SG-Vision 2030]		
Medium-term management plan	FY2021-FY2023	FY2024 on	up to FY2030
	Phase 1: Transformation “Transformation to Long-term oriented management”	Phase 2: Enlargement	Phase 3: Advancement

- Long-term business strategies: Future vision of society in 2030 and specific measures
- Strengthening management foundations: Setting of solution measures and evaluation indicators (KPI)

The two items above will be disclosed in spring 2022

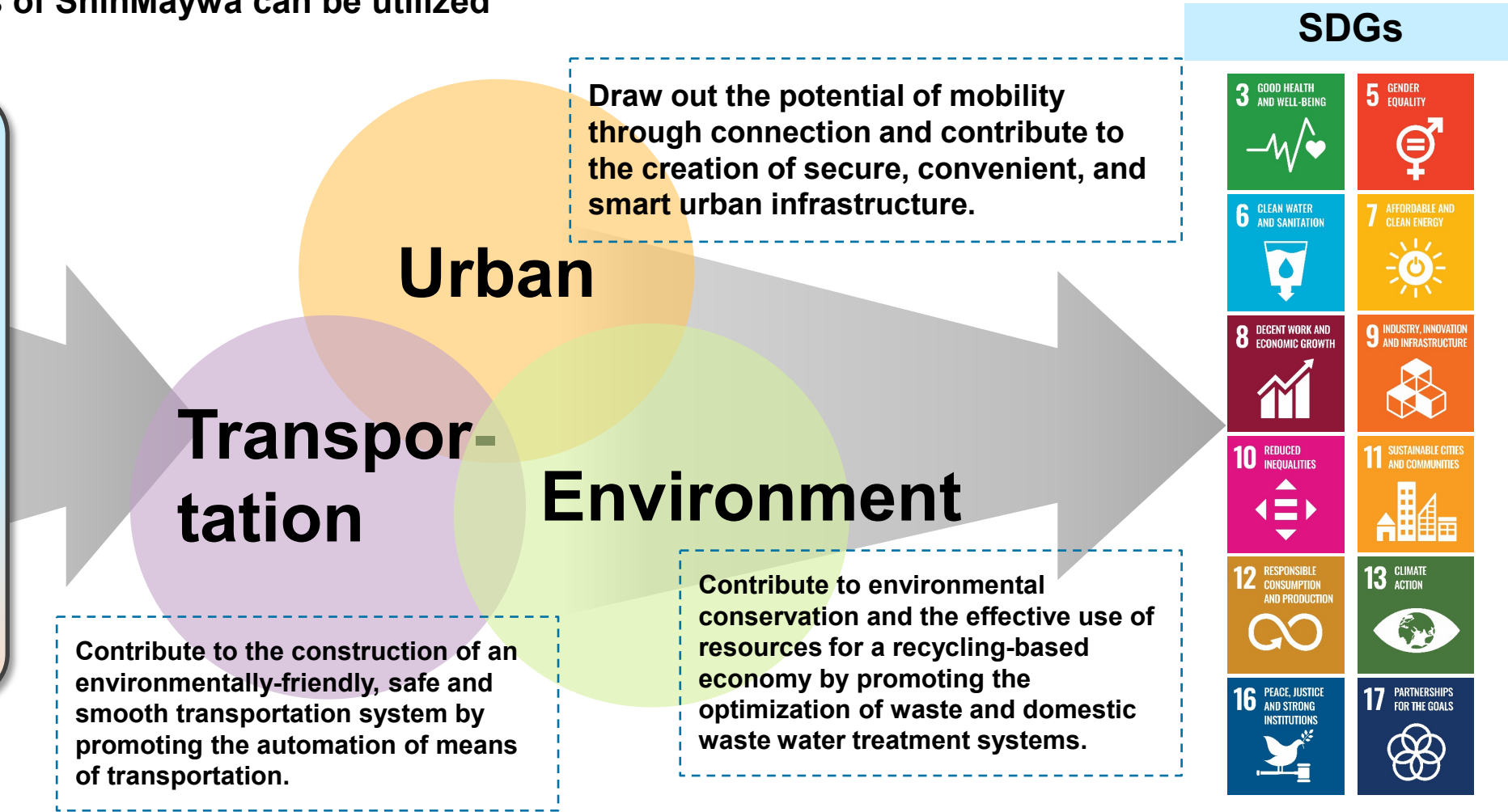
## ■ Direction of new business creation

Contribute to the SDGs by creating new businesses in “Urban,” “Transportation,” and “Environment” where the strengths and resources of ShinMaywa can be utilized



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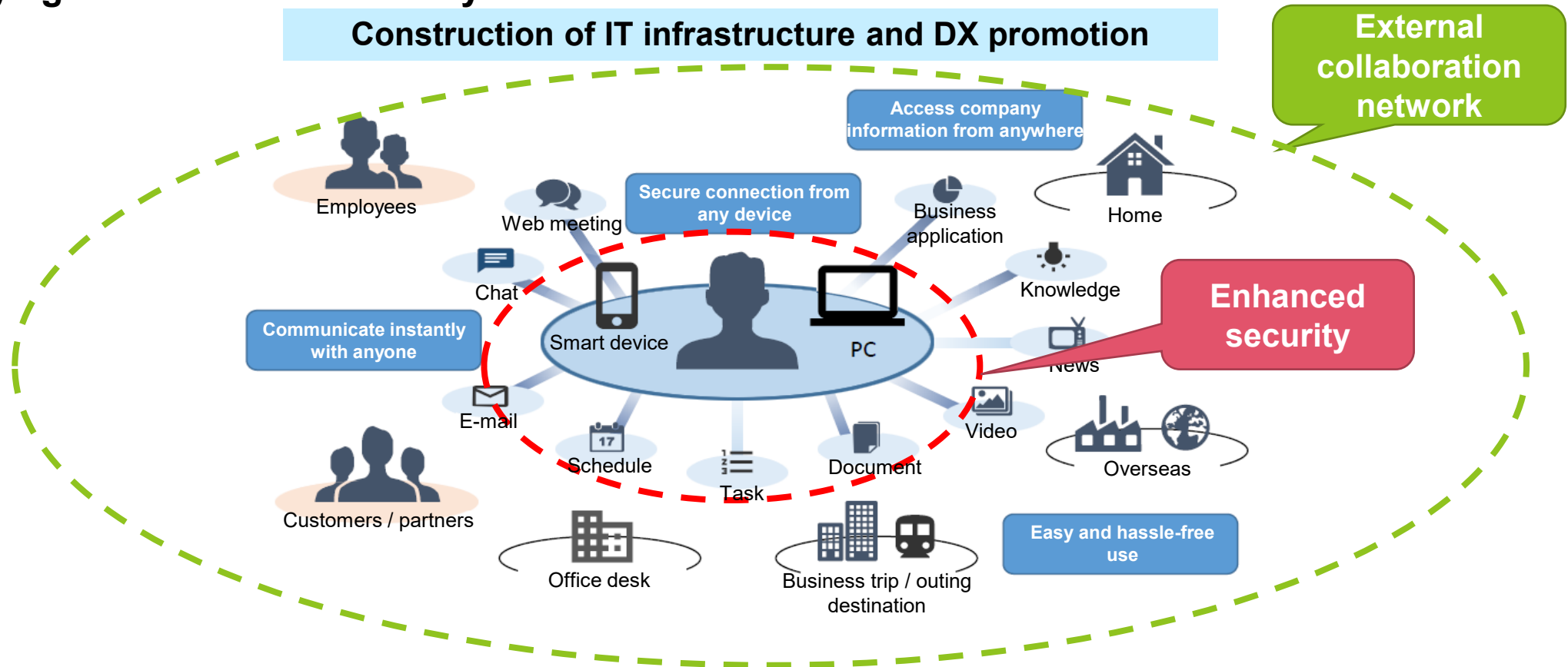
## ■ Implementing sustainability management:

By promoting the Sustainability management policy formulated with a focus on ESG management, we shall work to contribute to the SDGs and solving the seven key issues (materialities) that support the creation of value even as we continue to support progress in the Long-term business strategies

Seven key issues (materialities) that support the creation of value		
Environment	Preventing global warming	
	Contributing to a recycling society	
Society	Promoting diversity and inclusion	
	Establishing workplaces that are easy to work in	
	Contributing to local communities	
Governance	Enhancing corporate governance systems	
	Establishing and strengthening risk management systems	

## ■ Promotion of DX\*

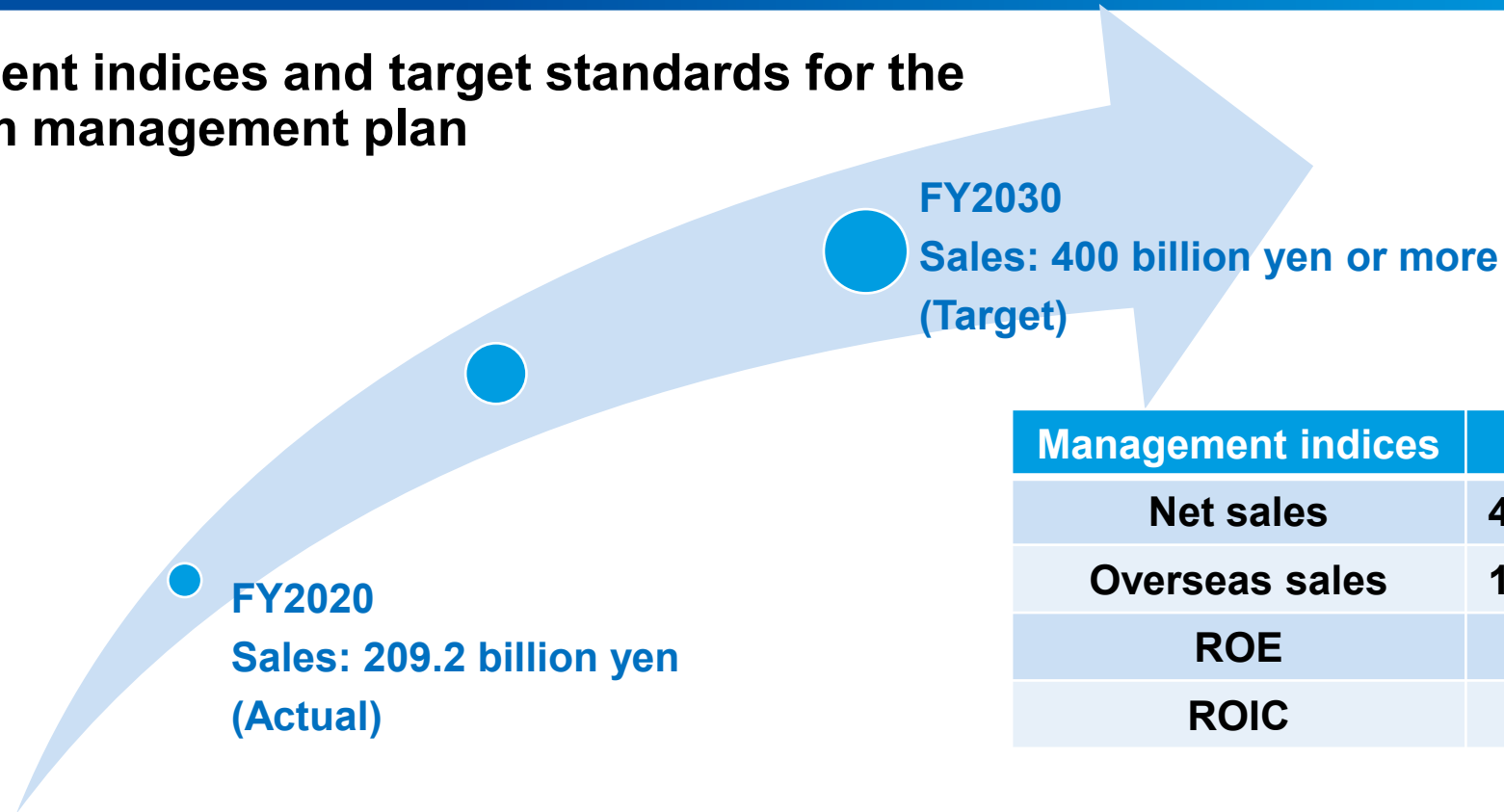
To accelerate the creation of new business models and business reforms, strengthen IT infrastructure that incorporates networks that are aware of external collaborations, business diversity and enhanced security against threats such as cyber-terrorism



\* DX: digital transformation



## ■ Management indices and target standards for the Long-term management plan



Management indices	Target standards
Net sales	400 billion yen or more
Overseas sales	100 billion yen or more
ROE	12% or more
ROIC	10% or more

## ■ What we are aiming to be by achieving our targets

- Contribute to advancing global social infrastructure ➡ Improve both profitability and corporate favorability
- Solve/improve key ESG issues ➡ Create social/environmental values, contribute to SDGs
- Optimize capital formation based on sustainable growth ➡ High returns to shareholders and other stakeholders
- Foster diverse personnel and establish a workplace environment that makes it rewarding to work ➡ Improve employee engagement

## Purpose

- **Sustainable growth with an emphasis on asset efficiency**  
⇒ Moving to management with an emphasis on investment efficiency
- **Pursue an optimal capital structure with an awareness of capital costs**  
⇒ Minimize WACC (weighted average cost of capital)\* through an optimal capital structure  
  
\* The Company's WACC as of the end of March 2021 is assumed to be approximately 5%

## Target and measures

- **Achieve ROIC above WACC and make improvements**  
Implement portfolio management using ROIC (in-house indices) for each division to make judgments
  - ⇒ Strengthen investment through comparisons with WACC and revise business content
  - ⇒ Implement ROIC improvements that match business characteristics

# Medium-term management plan, Sustainable Growth with Vision 2030 Phase 1: Transformation [SG-2023] \* Presentation Material

\* “SG” in [SG-2023] refers to “Sustainable Growth” in the name of the Long-term management plan, and “2023” refers to the final year of the activity period.

# Summary of the previous Medium-term management plan “Change for Growing, 2020 [CFG2020]” (1)

- Achieved increase in revenue and profit for the first two years (FY2018 and FY2019) but did not achieve the target for the final year (FY2020)

## Final year (FY2020) initial target values

Net sales  
230 billion yen

Operating  
income  
14 billion yen

ROE  
8%

## Summary

- Achieved ROE target (8%) one year ahead of schedule in FY2019 due to profit increases in line with sales expansion and review of capital structure
- However, no indicators for FY2020 were achieved due in part to the COVID-19 pandemic
- Carried out M&A with seven companies during this period (FY2020 Amount contributed to consolidated net sales: 6.2 billion yen)

Unit: Billion yen	FY2018 Actual	FY2019 Actual	FY2020 Initial target (A)	FY2020 Actual (B)	Difference (B - A)
Net sales	217.2	227.2	230.0	209.2	-20.8
Operating income	10.7	12.8	14.0	10.4	-3.6
ROE	6.8%	8.9%	8.0%	6.4%	Not achieved (-1.6pt)

## 1. Summary and business performance by segment (FY2020)

Unit: Billion yen

Segment	Summary of main measures	Net sales		Operating income	
		Planned	Actual	Planned	Actual
<b>Aircraft</b>	<ul style="list-style-type: none"> <li>Established mass production system for Boeing 787, 777X; Bombardier G7500</li> <li>Profitability worsened significantly due to the reduced production of 787 and 777 aircraft resulting from the COVID-19 pandemic</li> <li>US-2 STOL Search and Rescue Amphibian No. 9: incorporated into the FY2021 Ministry of Defense budget</li> </ul>	41.0	25.9	3.2	-0.8
<b>Special Purpose Truck</b>	<ul style="list-style-type: none"> <li>Increased the market share of core products (various dump trucks, refuse compactors, detachable container system, tail lifts)</li> <li>Developed new products using AI and IoT</li> <li>Gained a large share (37%) of the Thai market for cylinders for dump trucks</li> </ul>	86.5	94.7	5.0	6.7
<b>Industrial Machinery &amp; Environmental Systems</b>	<p><b>Fluid:</b> Rollout of new products using AI, IoT technologies Started operation of new plant in Thailand</p> <p><b>Mechatronics:</b> M&amp;A including overseas subsidiaries For automobiles: trade friction, COVID-19 causes drops</p> <p><b>Environmental Systems:</b> Expanded profits through increased demand for recurring revenue model refuse transfer stations and recycling facilities</p>	43.5	37.1	3.7	2.9
<b>Parking Systems</b>	<p><b>Mechanical Car Parking Systems:</b> Gained top share in large-scale systems and elevator-type systems</p> <p><b>Aircraft Passenger Boarding Bridges:</b> Rollout of new systems with AI technologies, enlarged production capacity through M&amp;A with two overseas corporations</p>	44.0	35.2	3.2	3.2

- Established mass production system for Boeing 787, 777X; Bombardier G7500
- Profitability worsened significantly due to the reduced production of 787 and 777 aircraft resulting from the COVID-19 pandemic
- US-2 STOL Search and Rescue Amphibian No. 9: incorporated into the FY2021 Ministry of Defense budget

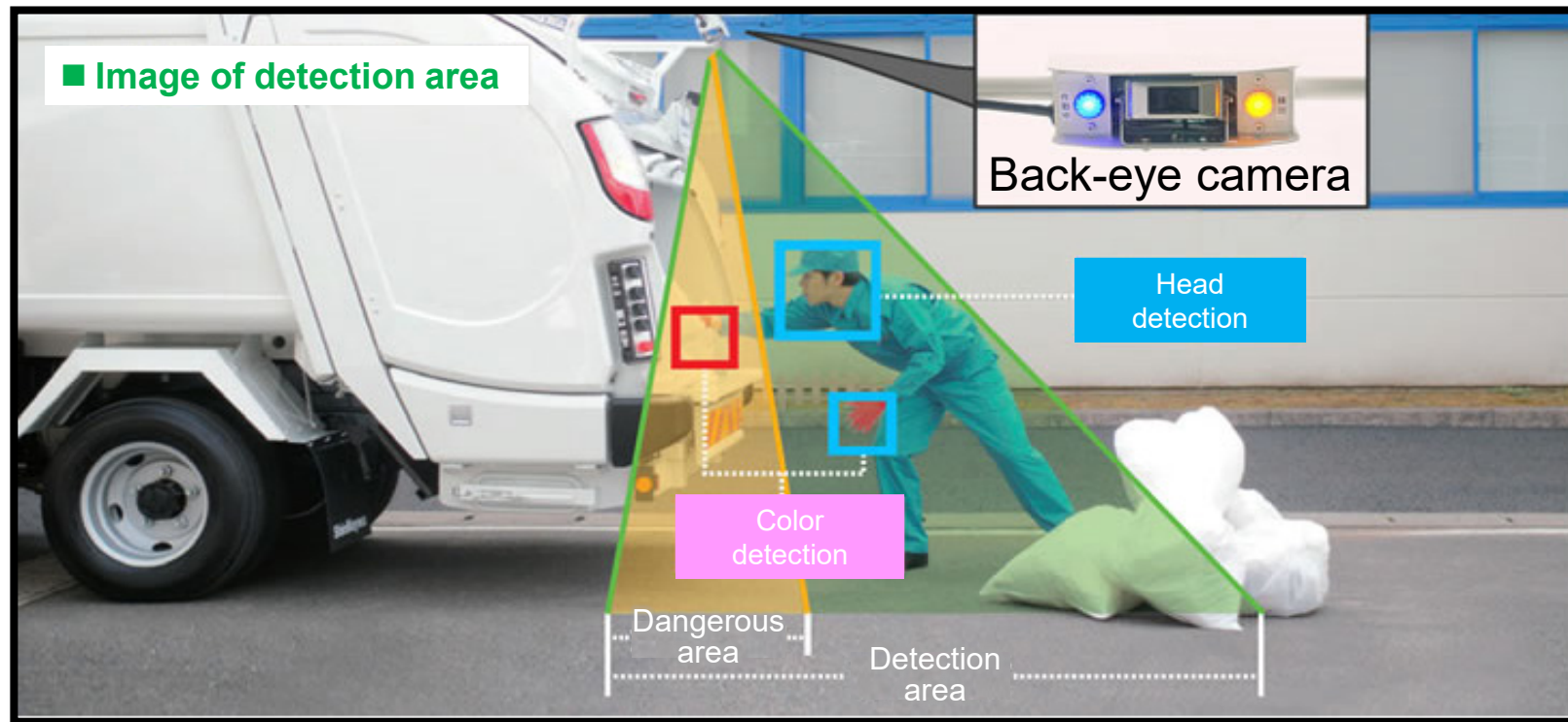


**Main wing spar for Boeing 787**



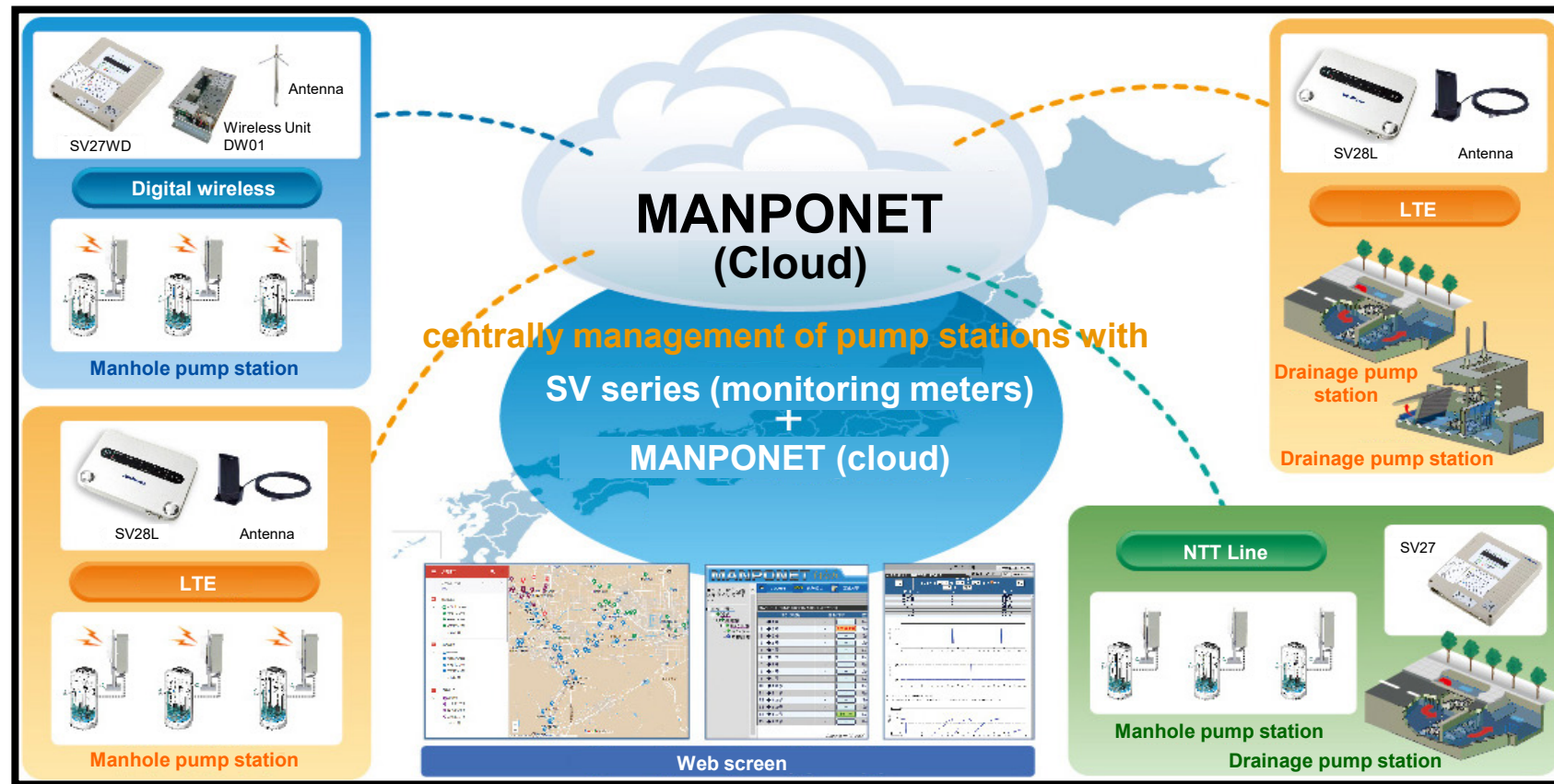
**US-2 STOL Search and Rescue Amphibian**

- Increased the market share of core products (various dump trucks, refuse compactors, detachable container system, tail lifts)
- Developed new products using AI and IoT
- Gained a large share (37%) of the Thai market for cylinders for dump trucks



**Smart eye motion --- Device equipped with AI technology to reduce damage from being entangled by refuse compactor**

**Fluid: (1) Rollout of new products using AI, IoT technologies**  
**(2) Started operation of new plant in Thailand**



**High-performance MANPONET with AI-based diagnosis function (Cloud)**



## Environmental Systems:

Expanded profits through increased demand for recurring revenue model  
refuse transfer stations and recycling facilities



**Oyama Wide Area Health and Sanitation Association Recycling Center  
(Tochigi Prefecture's material recycling promotion facility)**

## Mechanical Car Parking Systems:

Gained top share in large-scale systems and elevator-type systems

## Aircraft Passenger Boarding Bridges:

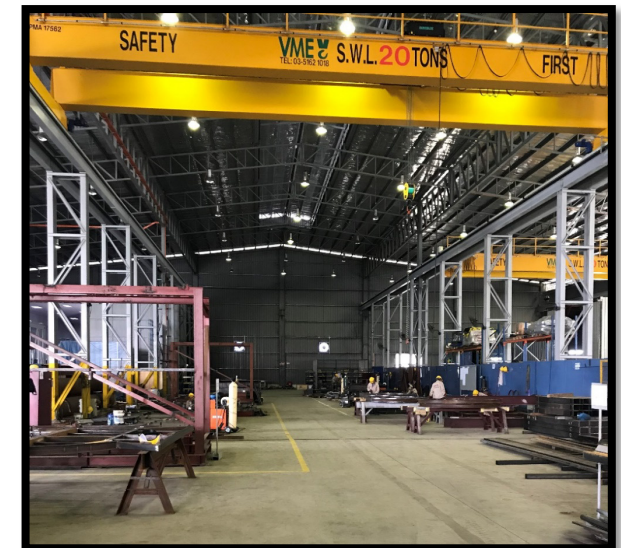
- (1) Rollout of new systems with AI technologies
- (2) Enlarged production capacity through M&A with two overseas corporations



**Elevator Type Car Parking System**



**ShinMaywa Aerobridge  
Singapore Pte. Ltd.**



**ShinMaywa Aerobridge  
Malaysia Sdn. Bhd.**

## 2. Growth investment and shareholder return

Unit: Billion yen

Type		Planned	Actual (3-year total: FY2018 - FY2020)
Growth investment (capital investments, M&A)		30-40	26.8 (capital investments: 22.8, M&A: 4)
Shareholder return	Dividend	10-13	11.6
	Acquisition of treasury shares	Acquire flexibly	45 (30.27 million shares)

# Summary of [CFG2020] (4)

## ■ Sales and profits by segment

Segment	Net sales Unit: Billion yen					Operating income Unit: Billion yen				
	FY2018 Actual	FY2019 Actual	FY2020 Target (A)	FY2020 Actual (B)	Difference (B-A)	FY2018 Actual	FY2019 Actual	FY2020 Target (A)	FY2020 Actual (B)	Difference (B-A)
Aircraft	43.6	38.9	41.0	25.9	-15.1	0.6	1.5	3.2	-0.8	-4.0
Special Purpose Truck	92.3	94.6	86.5	94.7	8.2	6.5	6.8	5.0	6.7	1.7
Industrial Machinery & Environmental Systems	33.8	38.3	43.5	37.1	-6.4	2.4	2.7	3.7	2.9	-0.8
Parking Systems	33.8	37.8	44.0	35.2	-8.8	2.3	3.2	3.2	3.2	0.0
Others*	13.6	17.4	15.0	16.0	1.0	1.0	1.1	1.3	1.4	0.1
Adjustments	—	—	—	—	—	-2.3	-2.6	-2.4	-3.0	-0.6
<b>Total</b>	<b>217.2</b>	<b>227.2</b>	<b>230.0</b>	<b>209.2</b>	<b>-20.8</b>	<b>10.7</b>	<b>12.8</b>	<b>14.0</b>	<b>10.4</b>	<b>-3.6</b>

\* "Others" refers to business segments not included in the reportable segments and includes construction business, real estate business, and software business

This is positioned as the first step towards the Long-term vision and consists of the following four policies.

- 1) Continue to implement and reap the benefits of “Measures for expanded scale and increased profit of key businesses” as set out in CFG2020
- 2) Formulate and promote Long-term business strategies based on the Long-term vision
  - (1) Further deepening of key businesses
  - (2) Development of new businesses and creation of new revenue sources through co-creation (Embodiment of a future-oriented “business portfolio”)
- 3) Strengthening management foundations
  - (1) Establish the Sustainability Management Policy (as of April 1, 2021) and its implementation, determination of key issues (materialities) management items, setting KPI (targets for both FY2023 and FY2030), and promoting Long-term business strategies to contribute to the SDGs
  - (2) Develop IT infrastructure for promoting DX and innovate core business
- 4) Create future value and share results with stakeholders
  - (1) Transform into a company that sustainably creates future value by enhancing the circulation of profits and assets through practicing ROIC management
  - (2) Share a certain level of profit with stakeholders (dividends)

**Improving profitability of existing businesses**

- Adding even more value to products and services through ICT/digital technology
- Expanding revenue of domestic businesses through strengthening business tie-ups and M&A

**Accelerating expansion of overseas businesses**

- Strengthening sales links between segments especially in Southeast Asia
- Expanding orders by strengthening alliances with local businesses and trading companies

**Development of new businesses**

- Promoting the proposal and development of new business ideas through in-house co-creation
- Creation of a new business model through business tie-ups with IT companies, etc.

**Optimizing business portfolios**

- Business evaluation using business growth potential (including market growth potential) and ROIC
- Ensuring ROIC management through setting hurdle rates

# [SG-2023]: Formulation and promotion of Long-term business strategies (2)

## Management policies by segment

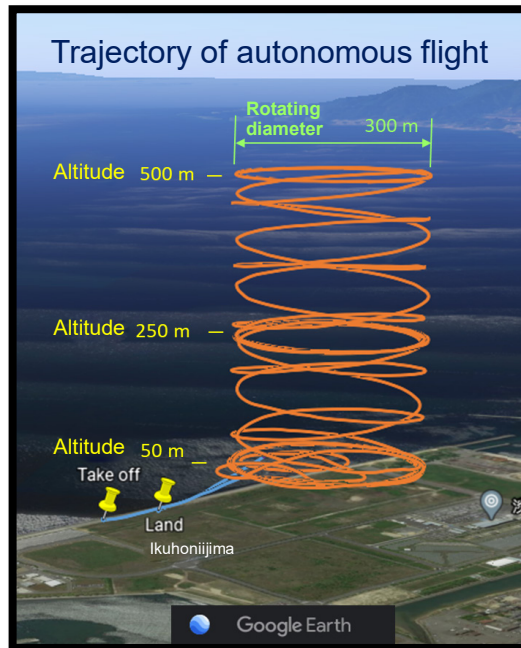
Segment	Management policies
<b>Aircraft</b>	<ul style="list-style-type: none"> <li>• Development of fixed-wing unmanned aerial vehicle (UAV) “XU-S” and planning of new businesses through alliances</li> <li>• Launch of PBL<sup>(*1)</sup> business and US-2 successor development business</li> </ul>
<b>Special Purpose Truck</b>	<ul style="list-style-type: none"> <li>• Deepen connection with users through SSC<sup>(*2)</sup> expansion ➔ Creation of new value</li> <li>• Expand sales routes for key components of special purpose trucks in the Asia/Oceania region</li> </ul>
<b>Industrial Machinery &amp; Environmental Systems</b>	<p><b>Fluid:</b> Use the sales synergy with TurboMAX to expand business overseas</p> <p><b>Mechatronics:</b> Expand share of secondary battery market in Europe/North America for vacuum products</p> <p><b>Environmental Systems:</b> Establish brand and expand income for waste water processing business in China</p>
<b>Parking Systems</b>	<p><b>Mechanical Car Parking Systems:</b> Collaboration with G-PARK to expand sales of parking facilities in Southeast Asia</p> <p><b>Aircraft passenger boarding bridges:</b> Actively proposals for fully automated docking system (major airports in Southeast Asia, Japan)</p>

(\*1) Performance Based Logistics: Where a private company (ShinMaywa) undertakes maintenance and servicing of US-2 supply parts and other items normally carried out by the Self-Defense Forces

(\*2) ShinMaywa Smart Connect: A communication tool for understanding the operational status of special purpose trucks

- **Development of fixed-wing unmanned aerial vehicle (UAV) “XU-S” and planning of new businesses through alliances**
- **Launch of PBL\* business and US-2 successor development business**

\* Performance Based Logistics: Where a private company (ShinMaywa) undertakes maintenance and servicing of US-2 supply parts and other items normally carried out by the Self-Defense Forces



Atmospheric environment observation / High-altitude flight (@ Awaji City)



Radiowave propagation measurement / long distance flight (@Sado City)

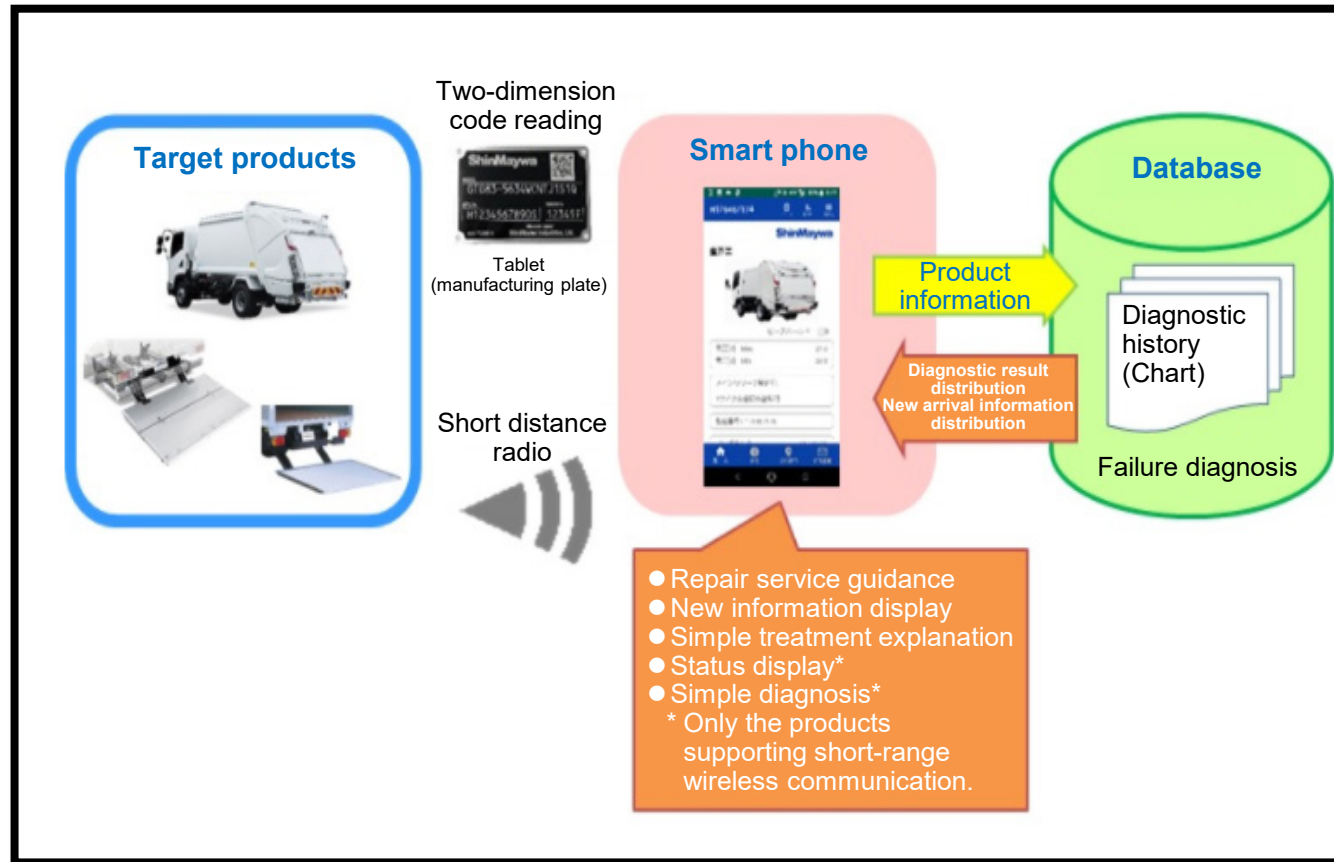


Long endurance / long distance flight (@Niigata City)

## Fixed-wing unmanned aerial vehicle business



- Deepen connection with users through ShinMaywa Smart Connect expansion
  - ➔ Creation of new value
- Expand sales routes for key components of special purpose trucks in the Asia/Oceania region



Tool for communicating with customers: ShinMaywa Smart Connect

**Fluid:**

**Use the sales synergy with TurboMAX to expand business overseas**

**Mechatronics:**

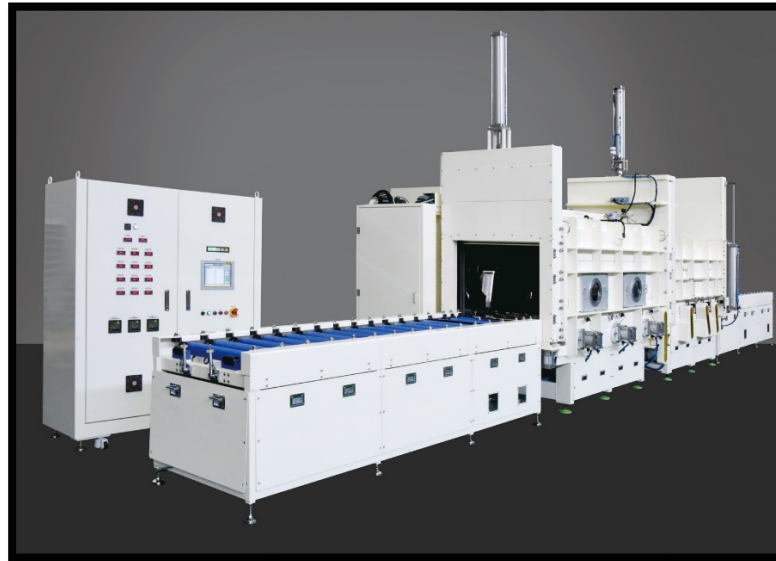
**Expand share of secondary battery market in Europe/North America for vacuum products**

**Environmental Systems:**

**Establish brand and expand income for waste water processing business in China**



**Turbo Blower, main product of TurboMAX Co., Ltd. (South Korea), whose shares are to be acquired in 2021**



**Vacuum drying furnace for the on-vehicle secondary battery market (Korea Vacuum Limited)**



**Promoting waste water treatment business at a newly established local subsidiary in China (Photo shows equipment delivered to Chongqing city)**

**Mechanical Car Parking Systems:**

**Collaboration with G-PARK (Thailand) to expand sales of parking facilities in Southeast Asia**

**Aircraft passenger boarding bridges:**

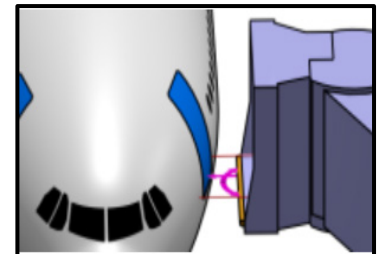
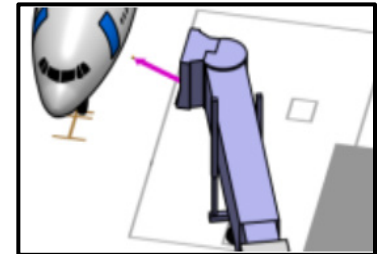
**Actively proposals for fully automated docking system (major airports in Southeast Asia, Japan)**



**Showroom-specification parking facility completed on the premises of G-PARK, with which ShinMaywa has concluded a sales agency agreement**



**Aircraft passenger boarding bridge  
“Fully automated docking system”**



# [SG-2023]: Main measures for strengthening management foundations

**E**

**Preventing global warming and contributing to a recycling society**

- **Contribute to a recycling society by reducing CO<sub>2</sub> emissions through promotion of energy-saving measures and by reducing waste**
- **Developing and spreading environmentally-friendly products and services**

**S**

**Promoting diversity and inclusion**

- **Studying diversification of HR evaluation methods based on personnel portfolios**
- **Fostering innovative personnel who can discover, solve, and implement social issues on their own**

**G**

**Enhancing corporate governance systems**

- **Strengthening Board of Directors supervisory function through new monitoring functions\***
  - **Introduction and operation of succession plans**
- \* Sustainability meeting: function to monitor and report on key ESG issues over the entire company

**Constructing an IT foundation for promoting DX**

- **Introducing security against threats such as cyber-terrorism and networks linked to the outside**
- **Promoting DX through innovations to core businesses**

## [SG-2023]: Target values

<b>Management indices</b>	<b>Target level (end of March 2024)</b>
<b>Net sales</b>	<b>250 billion yen</b>
<b>Operating income</b>	<b>15 billion yen</b>
<b>Overseas sales</b>	<b>45 billion yen</b>
<b>ROE</b>	<b>10% or more</b>
<b>ROIC</b>	<b>7% or more</b>
<b>Cash allocation</b>	<b>Target level</b>
<b>Growth investment (capital investments, M&amp;A)</b>	<b>30 to 40 billion yen (total for three years)</b>
<b>Dividend payout ratio</b>	<b>40 to 50%</b>
<b>Acquisition of treasury shares</b>	<b>Flexibly implemented depending on stock price levels, etc.</b>

(Exchange rate based on 1 USD = 108 JPY)

## [SG-2023]: Performance target by segment

Unit: Billion yen

Segment	Net sales	Operating income
<b>Aircraft</b>	<b>30.0</b>	<b>0.7</b>
<b>Special Purpose Truck</b>	<b>102.0</b>	<b>6.9</b>
<b>Industrial Machinery &amp; Environmental Systems</b>	<b>52.0</b>	<b>4.9</b>
<b>Parking Systems</b>	<b>47.0</b>	<b>3.8</b>
<b>Others*</b>	<b>19.0</b>	<b>1.4</b>
<b>Adjustments</b>	<b>—</b>	<b>-2.7</b>
<b>Total</b>	<b>250.0</b>	<b>15.0</b>

\* "Others" refers to business segments not included in the reportable segments and includes construction business, real estate business, and software business

# Changes in business performance (past 10 years)

Unit: Billion yen

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
<b>Net sales</b>	108.9	150.9	174.0	193.1	203.9	201.2	207.3	217.2	227.2	209.2
<b>(Overseas sales included in the above)</b>	20.9	30.4	36.0	45.6	48.1	43.0	42.5	42.8	43.2	27.1
<b>Operating income</b>	2.2	5.8	10.8	13.6	15.2	13.0	10.5	10.7	12.8	10.4
<b>Ordinary income</b>	2.1	6.4	11.4	14.3	15.5	13.2	10.7	10.4	12.3	11.1
<b>Profit attributable to owners of parent</b>	-0.2	11.3	7.4	9.1	10.2	8.9	7.0	6.9	7.3	5.4
<b>Interest-bearing debt</b>	10.0	8.0	6.0	4.1	2.0	0.1	0	49.8	57.5	54.5
<b>Equity</b>	78.0	88.9	95.1	105.8	112.9	118.2	124.8	82.3	82.9	87.9
<b>ROE (%)</b>	-0.3	13.6	8.1	9.1	9.4	7.7	5.8	6.8	8.9	6.4
<b>ROIC (%)</b>	1.5	3.9	6.8	8.3	9.1	7.7	6.0	5.8	6.5	5.1

\* ROIC=Operating income 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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