

Chairman's Message

Aerospace production in Japan has been increasing in recent years with several civil aircraft development programs with foreign companies and reaching its record high in aircraft business, while some decreasing trends are found in defense and space sections. In the global economy recessions triggered by the U.S. financial crisis, there is greater uncertainty about the future, however we believe we could manage its impact on our production capability required.

Aircraft business can be divided into two categories, defense and civil sections. Recently civil section is growing its production rate up to more than 50 percent of the total production in Japan.

This is a result of increased collaborative development projects with oversea partners in such international joint programs like Boeing 767 and 777. For the future the next generation transport, 787 Dreamliner, in which Japanese Tier-1 Partners like Japan Aircraft Development Corporation (JADC), Mitsubishi Heavy Industries, Ltd. (MHI), Kawasaki Heavy Industries, Ltd. (KHI) and Fuji Heavy Industries, Ltd. (FHI) are participating, is expected to contribute in terms of production system enhancement as well as technology innovation. Currently, we worry about the production slides and re-scheduling by Boeing, we hope the issue to be solved quickly enough. Airbus A380, which also several Japanese suppliers work for, overcomes the schedule problem. The production seems recovering along with the start of its first commercial operation, which we expect to lead to the business expansion for the Japanese suppliers.

In the regional aircraft, we keep close look at Bombardier and EMBRAER and also aerospace industries in Russia, China and India. In the globalization of industry, countries other than Japan, such as Mexico and Asian countries are now involved in manufacturing aircraft parts and components.

At aircraft engine programs, Japan is a key partner for developing GENx and Trent 1000 for Boeing 787. As for Airbus 380, more than 20 Japanese companies are involved in the development of its engine, Trent 900 and PW 7200. Production for such programs is expected to grow as steadily as planned.

In Japan, MHI has established a new company called Mitsubishi Aircraft Corporation which is a platform to promote MRJ (Mitsubishi Regional Jet) aircraft business. We look forward the entry-in-to-service of MRJ at the earliest date.

We work to maintain and expand aerospace production and technologies and also to promote international collaborations. For an example, we pursue the joint research in SST (Super Sonic Transport) related technology with French Aerospace Association (GIFAS). Since the first workshop held in Japan October 2006, we have the annual workshop sessions in France and Japan alternately so that we reconcile the progress of several research works like composite structure or engine noise mitigation technologies, which is applicable to severe flight condition of supersonic aircraft.

Aircraft for defense, had been the main production in Japanese aerospace industry, however due to shrinking defense budget, it has less than 50 % of production.

The development of P-X next maritime patrol aircraft is progressed into production phase, and the other program C-X next transport aircraft will continue its development. However, the tight defense budget trend will continue and decrease the production requirement.

In space activities, we have been depending on Government to launch satellites, but as a result of recent administrative review, opportunity to launch them has decreased. After being transferred to MHI,

the H-IIA standard main rocket has been accumulating consecutive success and is achieving world level of reliability. This January, MHI announced that they received an order from KARI: Korea Aerospace Research Institute to launch KOMSAT-3 (Korea Multipurpose Satellite) and this became the first orders from international market. With the establishment of the Basic Space Law, review and improvement of structure surrounding the space development are being in progress. We are hoping to receive many orders from oversea agencies or institutions, so that we can make launching business as commercially successful.

The satellite business is expected to grow its production by receiving commercial orders from domestic and international customers, such as Superbird 7 and next generation communication satellite called "ST-2" from Singapore and Taiwan Joint procurement, the satellite business is expected to grow its production by receiving commercial orders from domestic and international customers. Also, we anticipate steady development in such programs like H-IIB rocket upgraded from H-IIA, HTV technology demonstrator aiming at intra-orbital transport system in near future, G-X rocket, environmental earth-sensing satellite, and Mercury/Mars probe vehicles.

In the international collaborative project, the construction of the International Space Station is in steady progress with equipment and materials transported by Space shuttle and Soyuz, and the Japan Experiment Module "Kibo" is now hoping to accomplish its mission and to achieve a great contribution in research works.

Striving to create a lot of business opportunities for our member companies, SJAC is committed to enhance our international relationship through our activities like symposium for aero industry trade promotion and several trade shows. We sincerely hope this will help our domestic capability more closely connected with global requirement.