Financial Results
Summary Material

Management Strategy for Future

November 16, 2021

SHIBAURA MACHINE CO., LTD.

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Management Strategy for Future

1) Business Environment
2) Progress of "Management Reform Plan"
3) Commitment to ESG

External Business Environment

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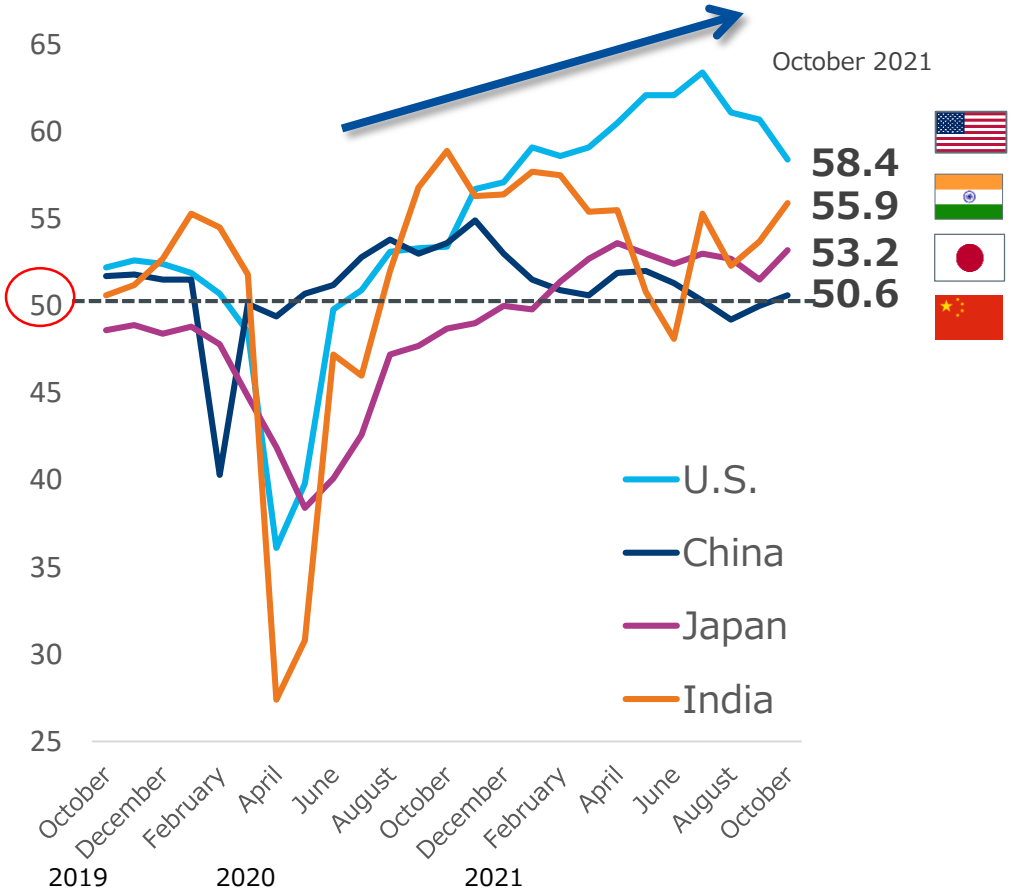
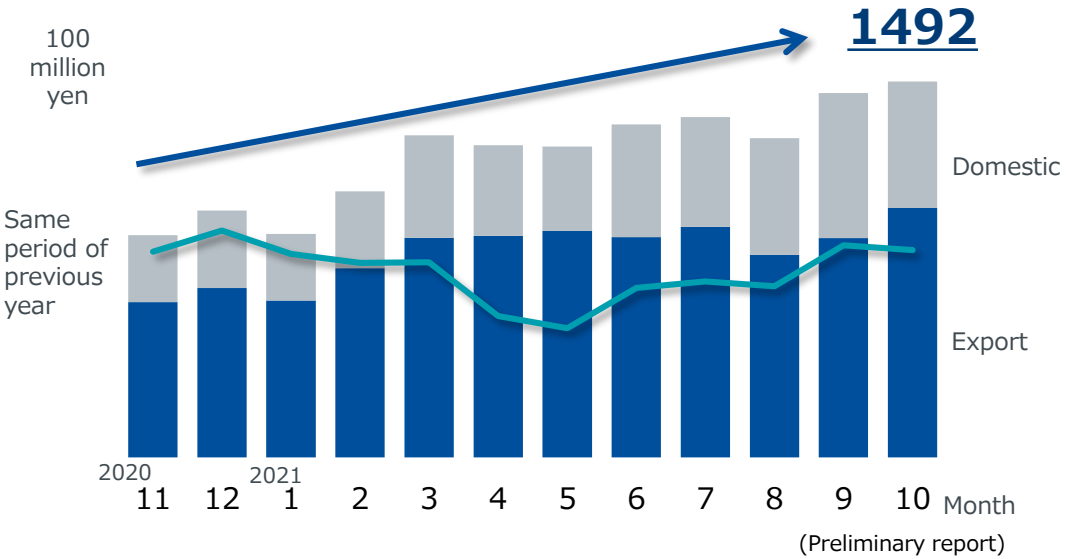
■ **Manufacturing Industry PMI trend (reference: 50)**



■ **Amount of orders received for machine tools**

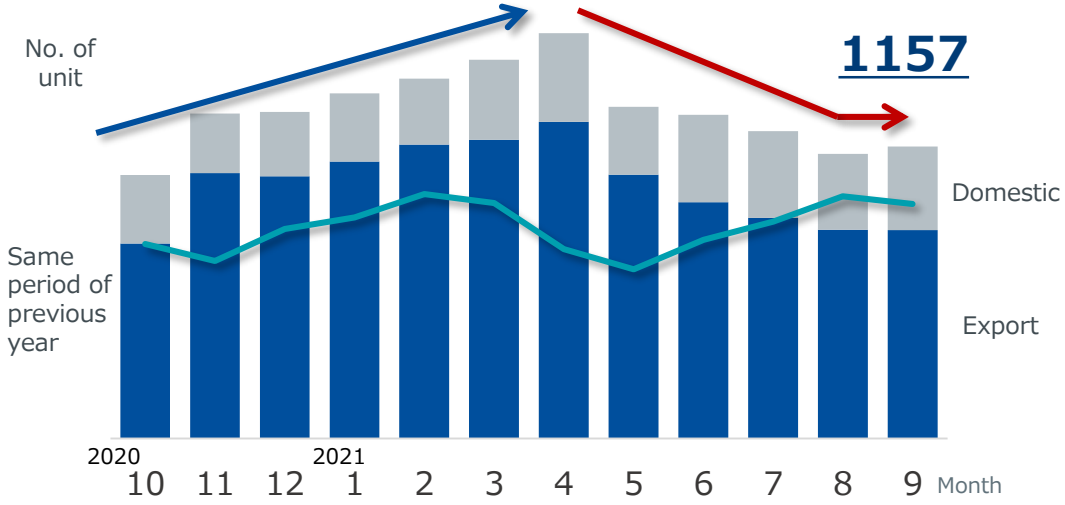
Statistics by Japan Machine Tool Builders' Association



(Preliminary report)

■ **Orders received (units) for injection molding machines**

Statistics by The Japan Society of Industrial Machinery Manufacturers (nation-wide/13 companies)



✓ **Business conditions were robust despite several risk factors including COVID-19, difficulty in procurement of parts/materials and increasing procurement cost.**

Consolidated Orders Received/Consolidated Sales

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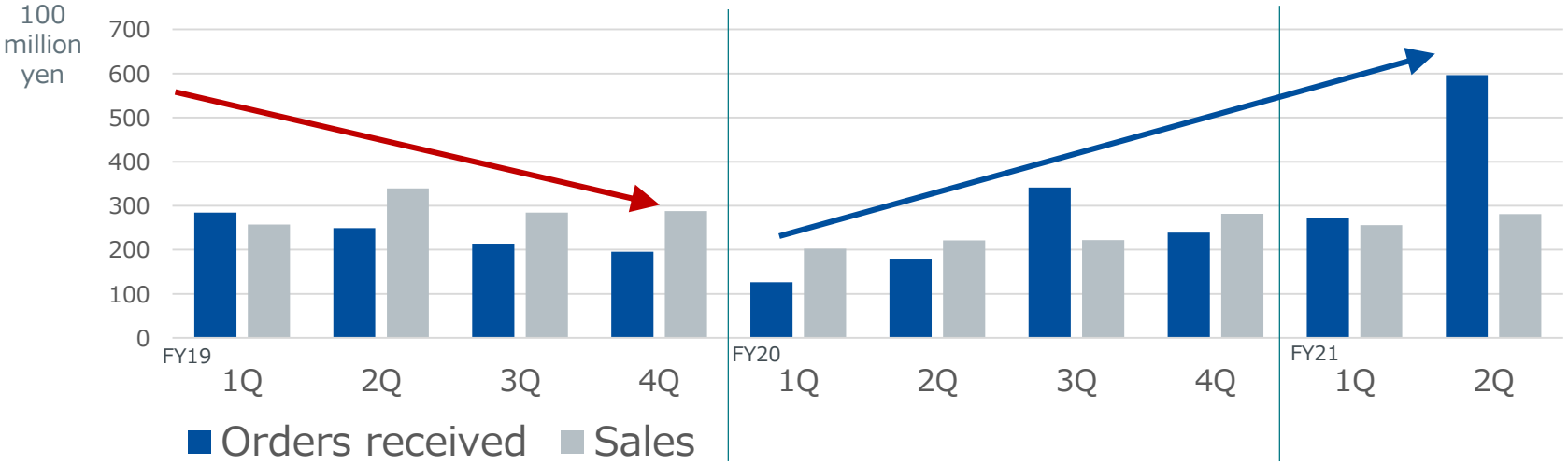
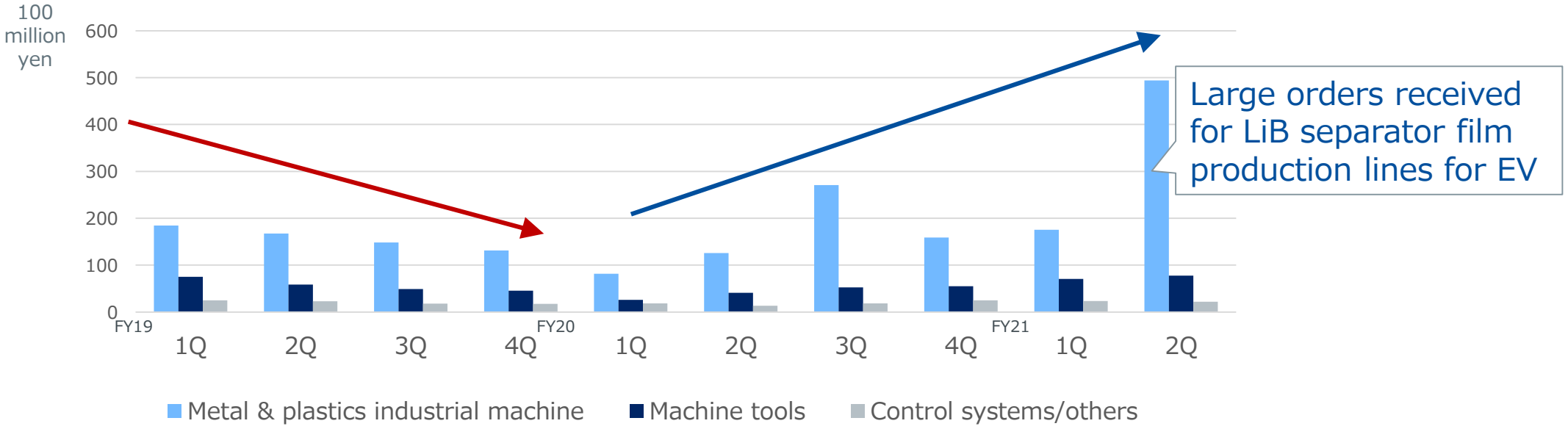
■ Consolidated Orders Received/ Consolidated Sales



■ Amount of orders received by segment



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Progress of "Management Reform Plan"

Framework of "Management Reform Plan"

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Quantitative targets
Target value for FY2023 Consolidated basis

Sales	Operating profit ratio	payout ratio	ROE
135 billion yen	8.0%	Prospect of 40% (During the period of "Management Reform Plan")	8.5%

Specific measures

【Management reform centered on reorganization】

① Abolish the "division system" and employ "company system" to further promote total optimization even.

② establish am "R&D Center" and "Production Center" which bear enhancement of production efficiency and QCD* as common.

③ Conduct personnel relocation and voluntary retirement toward optimal resource allocation and reduction of fixed costs.

【Promotion of growth investments aimed for expansion of purposes to fields expected to grow in the future】

④ Promotion of growth investments aimed for expansion of purposes to fields expected to grown in the future.

*QCD: Quality, Cost and Delivery

Investment plan/ Financial strategies

【Implement a financial strategies aimed for enhancement of return on equity (ROE)】

⑤ Allot cash-on-hand to investments towards change into a profitable company, and enhance profitability and capital efficiency

FY2021 Plan

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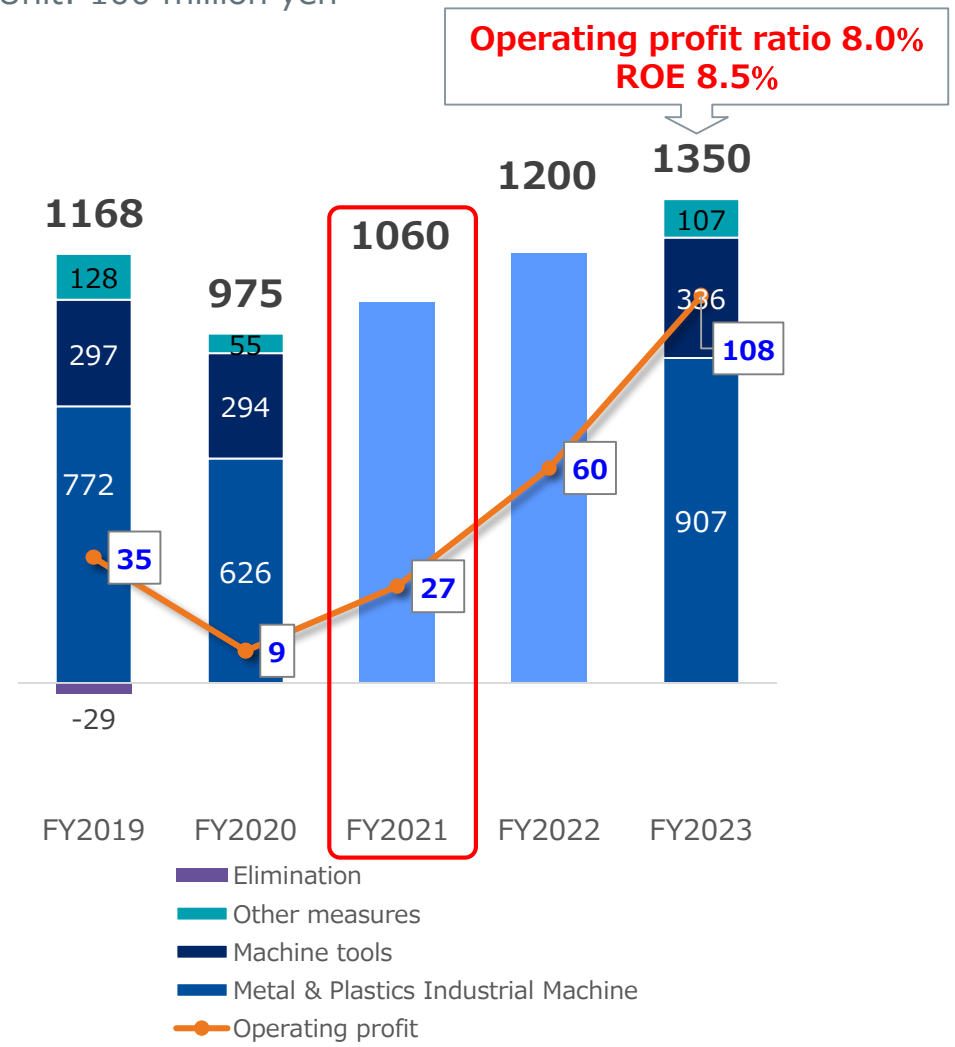
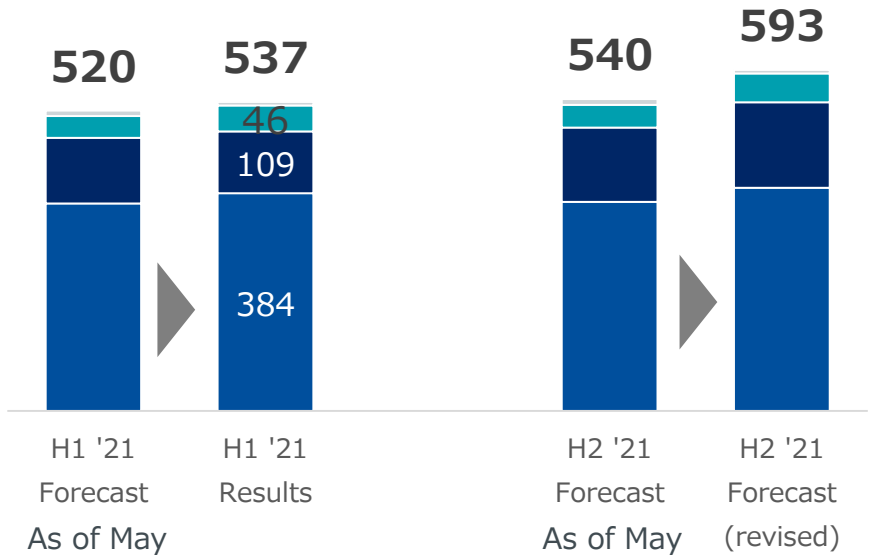
■ Management Reform Plan

Unit: 100 million yen

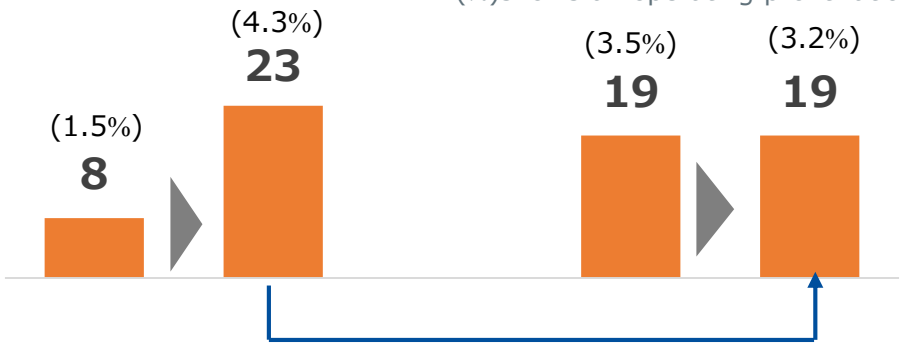


■ FY2021 sales (half term)



■ FY2021 operating profit (half term)

(%)shows an operating profit ratio.



《Cause of the deteriorated profit ratio in H2 of FY21》

Because of an impact of rising procurement costs as a result of increased sales of general purpose machines (Injection, die casting and machine tools)

Probability of achievement of FY2023 sales target

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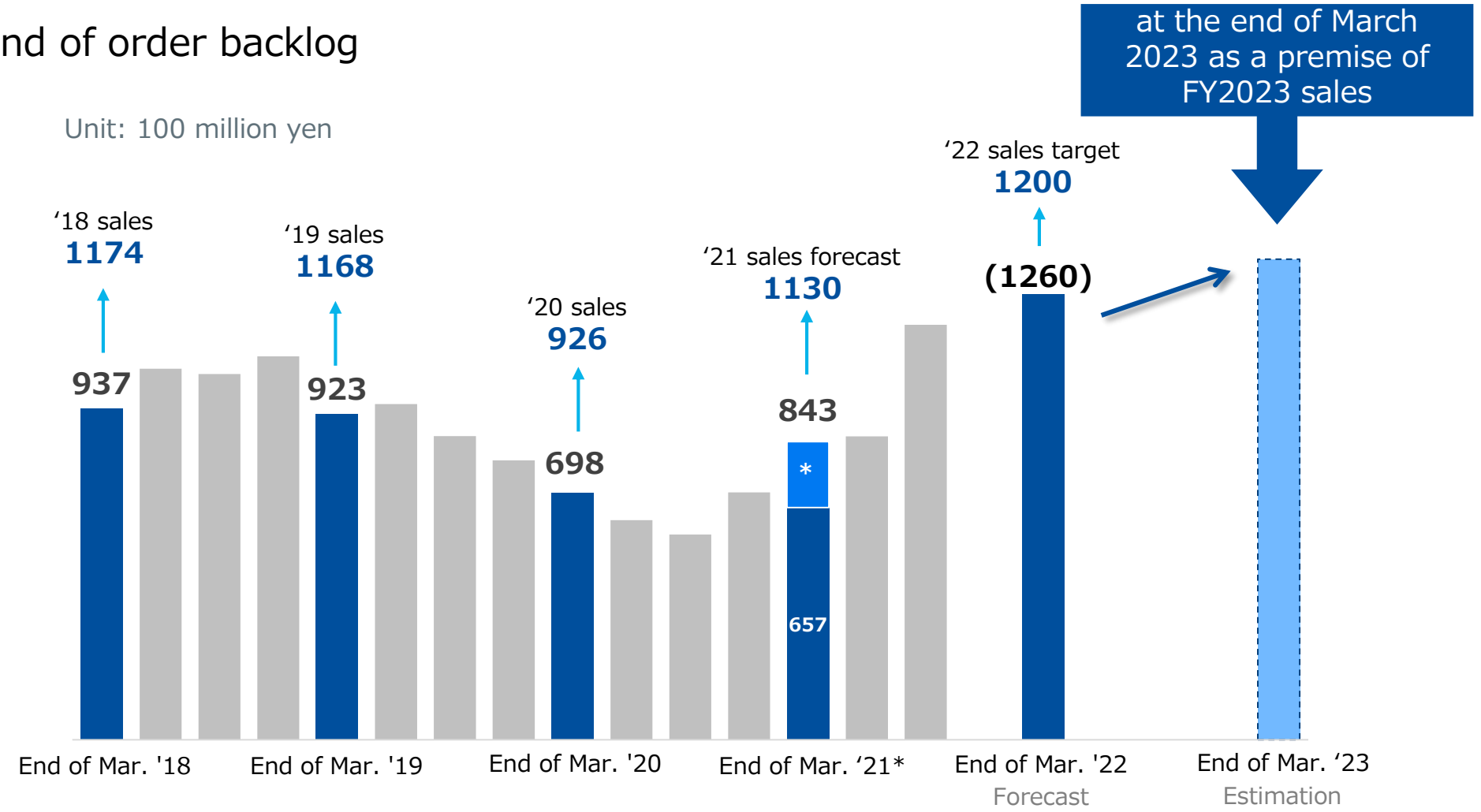
■ Trend of order backlog



* An increase in order backlog due to change of revenue recognition criteria in April 2021

Order backlog formation is strong toward achieving FY2023 sales of 135 billion yen.

Action in FY2021

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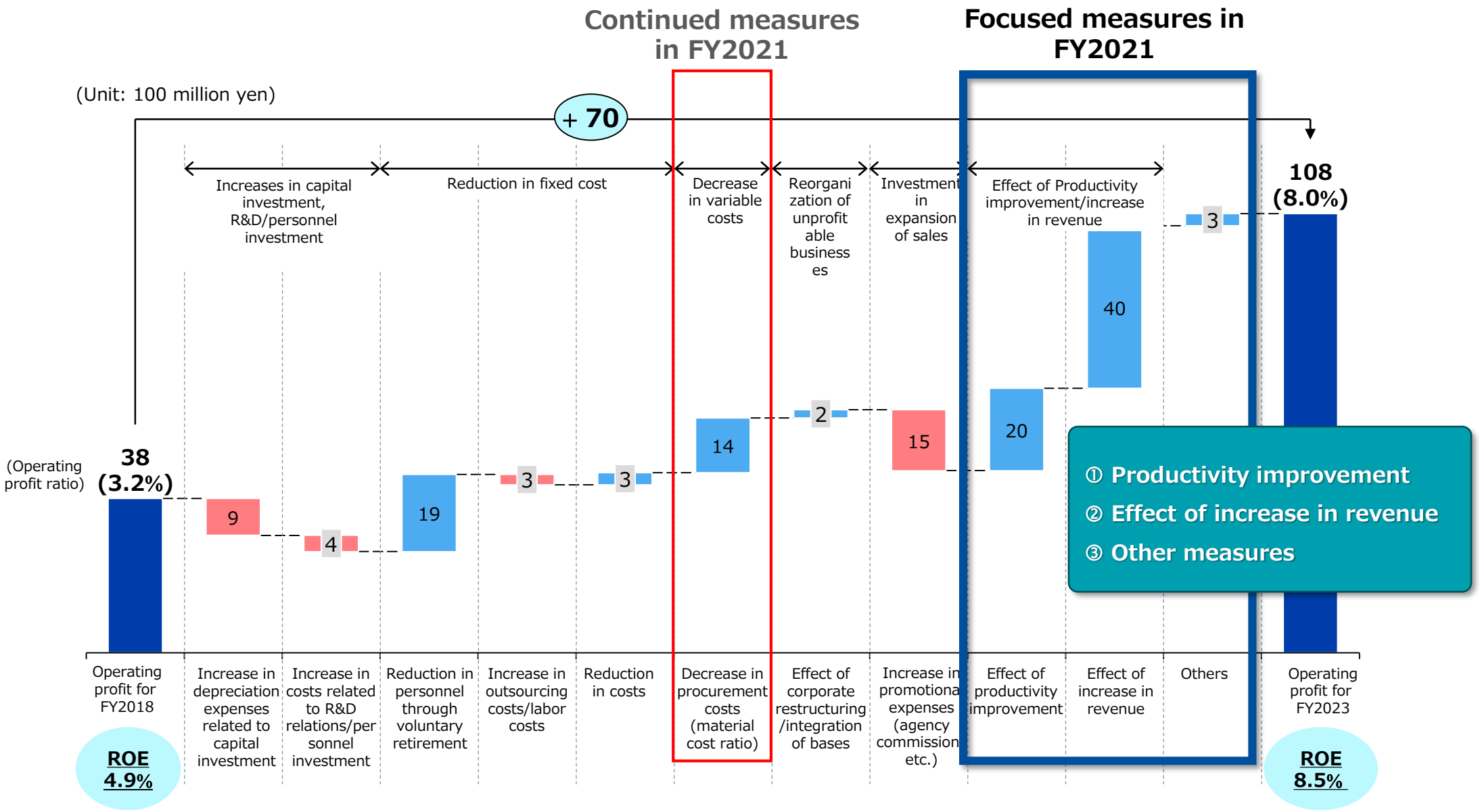

Reorganization of domestic offices in Japan (policy)

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① Productivity improvement

Plants reorganization along with the shift from divisional system to internal company system

Machine tools plant

Gotemba Plant

Consolidating machines having similar machinery mechanisms

⇒ Aiming at technological synergy and improving production efficiency

- Machine Tools
- High-Precision Machine tools

High-Precision Machine tools (Numazu → Gotemba)

Control systems plant

Sagami Plant

Aiming at advancing robot/IoT technologies through collaboration with R&D Center

- Industrial robots
- Electronic control systems

Die Casting Machines (Sagami → Numazu)

Control systems plant (Numazu/Mishima → Sagami)

* A subsidiary Toei Electric (in Mishima) also plans to move to Sagami.

Numazu Plant

Molding machines and mother factory

- Injection Molding Machines
- Die Casting Machines
- Extrusion Machines
- Casting and Machining

Consolidating machines having similar machinery mechanisms

⇒ Aiming at technological synergy and improving production efficiency

Progress of production sites reorganization

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① Productivity improvement

Company	Policy
Metal & plastics industrial machine Company	• Consolidating electric small- and medium-sized injection molding machines in China and Thailand • Consolidating hydraulic injection molding machines in India • Consolidating small die casting machines in China and Thailand • **Plants in Japan specialize in large injection molding machines, large die casting machines and extrusion machines.**
Machine tools Company	• Reviews the production system of general purpose machines. • **Specializes in large special purpose machines and high-precision machine tools.**
Control systems Company	• Transfers production of SCARA Robots to China. • Expands system engineering business.
Common	• Establishing a new machining factory (smart factory) in Numazu.

Targeted effect as of FY2023

＋ 2 billion yen

[Progresses]

- **Transfer of overall production of small molding machines and SCARA Robots to overseas facilities**
  - ⇒ Effect of reduction in outsourcing costs in Japan and cost reduction as a result of small variety mass production in overseas production facilities
  - ⇒ Starting SCARA Robots production in China from January 2022 due to delay of procurement of semiconductors (local procurement rate is 75%).
- **New plant is currently under construction on the site next to the India Plant.**
  - ⇒ After COVID-19 infection subsides, production volume will increase leading to larger production scale.

Progress of overseas production sites reorganization

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① Productivity improvement

		H2 '20	H1 '21	H2 '21	FY2022
China Plant	Transfer of SCARA Robots production Increased local procurement ratio			From January 2022 Small SCARA Robots	From Q2 of 2022 Medium to large SCARA Robots
Thai Plant	Effect of production increase	Transfer of production of injection molding machines of 180 t class 19 units production/month	Transfer of production of injection molding machines of 50 to 350 t class 29 units production/month	**50 units production/month**	**60 units production/month**
India Plant	Consolidation of hydraulic injection molding machines	Acquiring a neighboring site	Consolidation of hydraulic machines 	Plant investment plan	Plant construction

Expansion of Extrusion Machines Business

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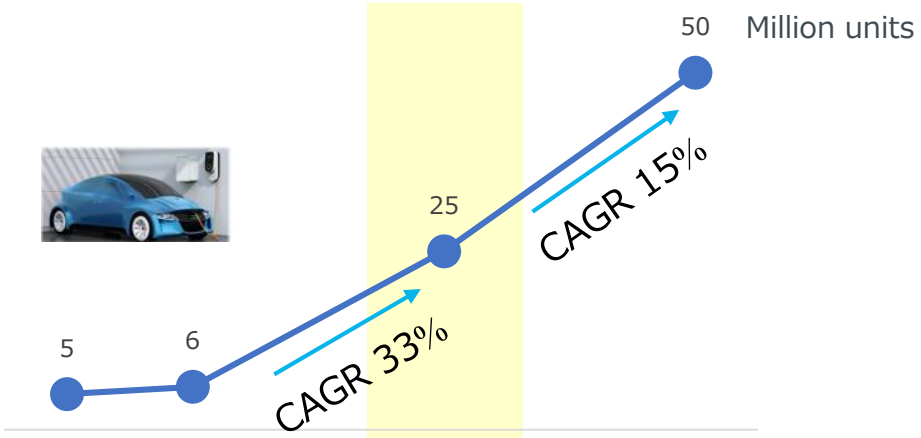
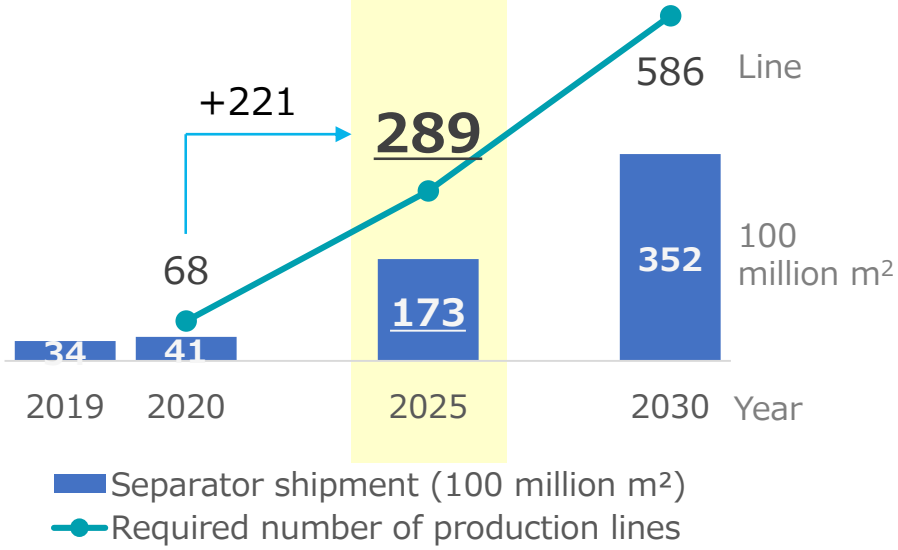
② Effect of increase in revenue

■ xEV Sales (EV + PHEV + HEV)



■ Equipment market outlook



xEV sales forecast is quoted from Yano Research Institute Ltd. (2021.9). On the assumption that separator use for 1 unit of xEV is 700 m² and that production capacity of 1 LiB separator film production line is 60 million m², the number of lines required is calculated.

As of 2025

xEV sales forecast: 25 million units

↓

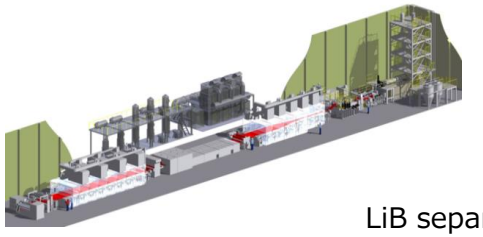
Required separator: 17.3 billion m²

↓

221 lines required by FY2025

↓

- Capable of providing **high-precision (thin and uniform) and full-line engineering** is our company's strength.
  ⇒ Currently receiving **new inquiries for 100 lines**
- **Doubling present production capacity** (24 lines ⇒ **48 lines)**
- Continuing sales volume of **80 to 100 billion yen** in 2024 and after



LiB separator film production line

Expansion of High-Precision Machine Tools Business

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② Effect of increase in revenue

Medical (artificial heart, etc.)

FY2018: 200 billion yen
FY2022: 530 billion yen
CAGR: 27.6%

UVM *

AR/VR

FY2020: 0.2 trillion yen
FY2030: 15 trillion yen
CAGR: 51.5%

ULG/ULC *

Optical device Optical component

FY2020: 2.7 trillion yen
FY2025: 5.5 trillion yen
CAGR: 15.3%

USM others *

Mirrorless single lens

FY2018: 280 billion yen
FY2022: 370 billion yen
CAGR: 7.2%

GMP *

* Model name

Automobile lighting

FY2017: 2.9 trillion yen
FY2023: 4 trillion yen
CAGR: 5.3%

Japanese lamp manufacturers entering in overseas market

On-vehicle camera

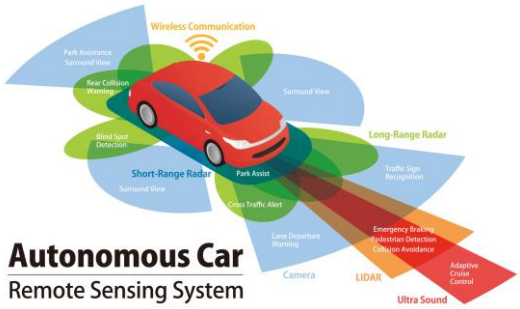
FY2020: 1 trillion yen
FY2024: 2 trillion yen
CAGR: 18.9%

Next generation vehicle/safety standards
Laser optical system

Self-driving (LiDar)

FY2018: 70 billion yen
FY2030: 400 billion yen
CAGR: 15.6%

Growing market of polygon mirror for LiDar



Order backlog: End of Mar. 2021 **4.2 billion yen** ⇒ End of Sept. 2021 **6.7 billion yen** [+ 2.5 billion yen]

Toward achieving FY2023 sales of 10 billion yen (FY2020 sales was about 5 billion yen), establishing a **thermostatic chamber dedicated to assembly** in Gotemba Plant 1 to start **increasing production and sales promotion from June 2022.**

Management Reform Plan, Operation Reform

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③ Other measures

	Policy	Progress in FY2021
Production reform	• **Re-examination of processing plant** ➢ Completion of identifying issues of the entire production	• Transfer toward overseas production • Production reform of Metal & Plastics Industrial Machine Company (Merger of injection molding machines and die casting machines)
Sales and marketing reform	• **Survey of current situation and extracting issues** ➢ Completion of extracting issues ➢ Starting reconstruction of sales process	• Started operation of a system **to visualize sales activities.** (monitoring negotiated amount and negotiation stagers)
HR system	• **Establishment of a new HR system** ➢ Partly incorporating job-based HR system ➢ Starting a system for management members (from April 2021) ➢ Starting a system for union members (from October 2021)	• Application of a system for management members (from April 2021) • Application of a system for union members ⇒ **Changed to start from April 2022** to provide targeted people with detailed explanations and promote dissemination
Visualization of business management	• **Establishment of a management accounting system** ➢ Starting automatic aggregation ➢ Implementing multiaxial analysis function	• Automatic aggregation ➢ Actual figures aggregation (from April 2021) ➢ **Budget and estimation calculation** (from October 2021) • Multiaxial analysis ➢ Capable of grasping figures from unit sales to service sales **Taking measures in regions with weak sales and further reinforce activities in regions with strong sales**

Management risks at the moment

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Item	Reason for price increase	Affected items within the company
Increasing costs of raw materials including steel and copper	• Price hikes of materials including iron ore • Resurgence of Chinese market and automobile industry	• Machine structures casting • Sheet metals and frames • Hydraulic equipment, motors and piping parts • Fastening parts including bolts
Increasing costs of raw materials for casting	• Price hikes of raw materials and scrap iron • Rising crude oil price	• Machine structures casting
Increasing prices of semiconductors and electric parts	• Increasing demand for display units • Resurgence of automobile	• Parts of control panel and internal building (wiring kit)
Increasing ocean freight	• Lack of containers in the world • Lack of harbor workers • Rising crude oil price	• Import/export of products and parts

Impact of **reduction by more than 1 billion yen** in FY2021 (based on operating profit)

Sales prices increase by 3% for all models in all regions

Each Business Policy for FY2023

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Metal & Plastics Industrial Machine
(Injection molding machines and die casting machines)

Expanding business base as the core to shape figures
- Reallocation to use overseas production plants for different models
- Further promoting local production for local consumption

Metal & Plastics Industrial Machine (Extrusion machines)

Positioned as additional business to shape figures
- As the business size is expanding, establishing the structure including reallocation of resources

Machine Tools

To be a source of profits
- Focusing resources on high-value added areas (high-precision machine tools/large and special purpose machines)

Control Systems

Expanding business base to shape figures
- Implementing SCARA Robots production in China to intensively meet the automation needs of 5G smartphone parts manufacturing factories in China and Southeast Asia

Business Portfolio Strategy (Long-term Vision 2030)

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Basic policy		High-value-added/market expansion areas: New	High-value-added/market expansion areas: Expand/enhance		Reduce/withdraw
Machine Tools Company	Focus on a specific domains by selection Energy / Aircraft / Optics / Devices	• Multifunction machines • Ceramic cutting machines	• Large machines • Special, dedicated machines • Ultra-precision processing machines	Digital transformation	• Small and general-purpose machines
Metal & Plastics Industrial Machine Company	Injection and die casting → Expand local production for local consumption overseas Automobiles / Resource-saving	• System engineering • Dissimilar material joining machines	• Injection molding machines • Diecasting machines		• Domestic production of standard hydraulic machines
	Extrusion machines → business expansion through investment Energy / Devices / New materials	• High pressure continuous presses (all-solid-state batteries, etc.) • Reactive extrusion machines (biomass, etc.)	Extrusion machines		• Conical-type extruders
Control Systems Company	Specialize in external sales. Strengthen system engineering. Automation / Labor-saving	• Collaborative robots • AGV	• Robots • Servo motors, controllers		• NC, controllers (utilizing of external alliances)
New Business Company	Establish technology for adding new functions via surface structure control Automation / Devices	• Film casting equipment: Electronic circuit market (next-generation communications) • Coaters: High-performance films, devices market (all-solid-state batteries, LiB ceramic capacitor, optical components, etc.) • Imprint equipment: Water purification and sterilization market(Deep UV-LEDs)			

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Initiatives to ESG

Sustainability Promotion Structure

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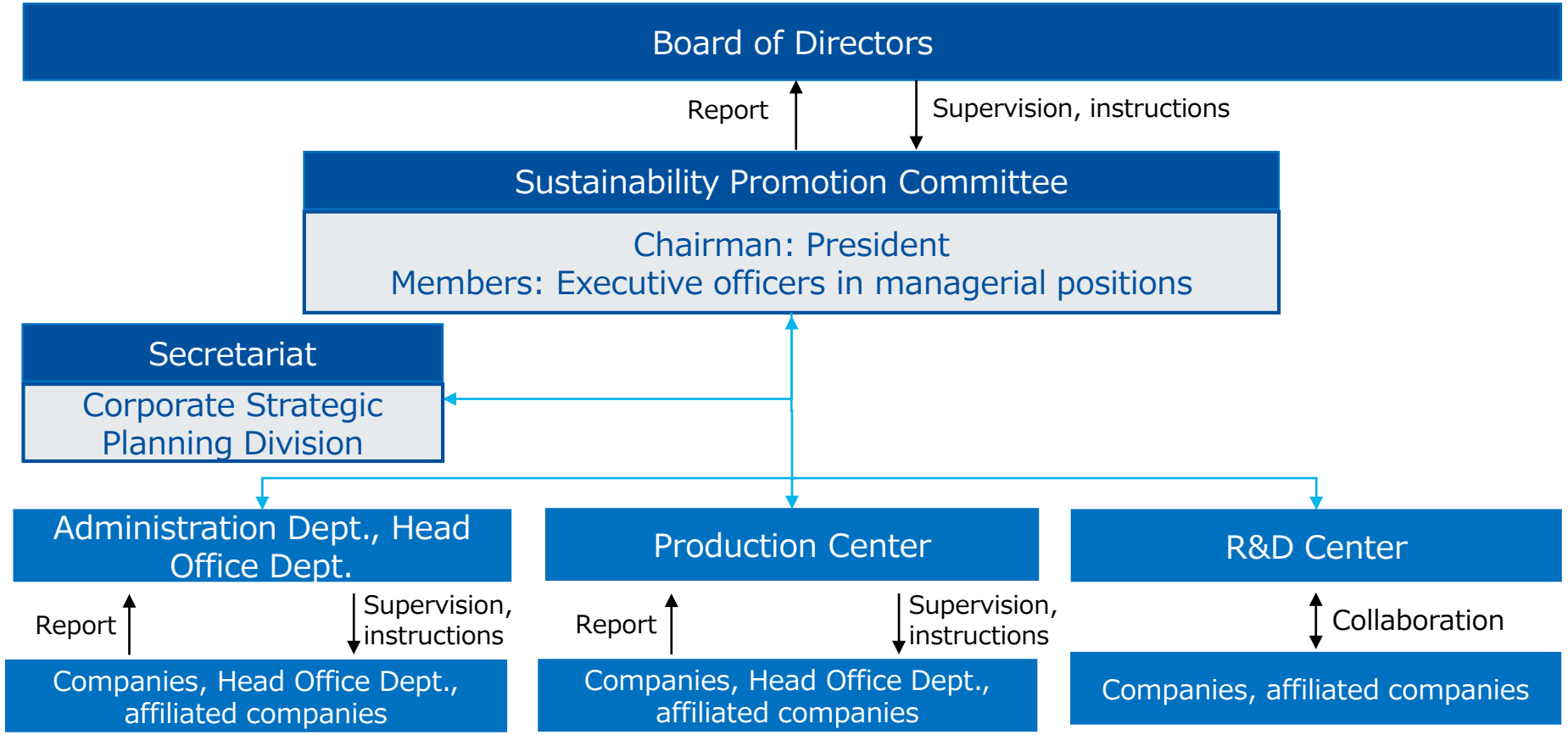

Promotion Structure Establishment [Done]

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Decision of corporate policy

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Improvement goals setting

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Measures planning, implementation and evaluation by each subsection

Environmental Action Plan

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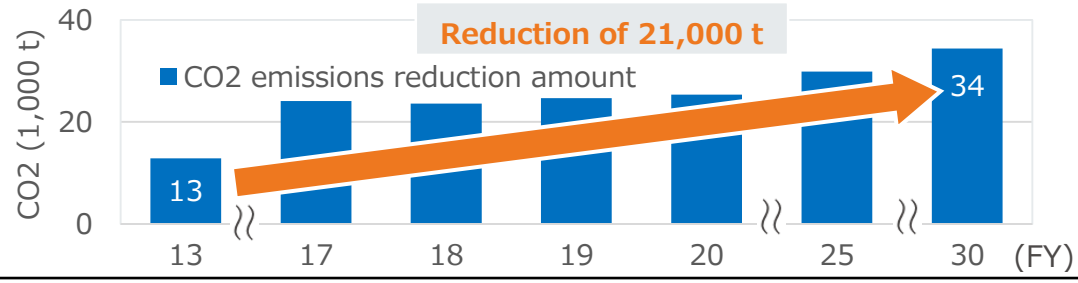
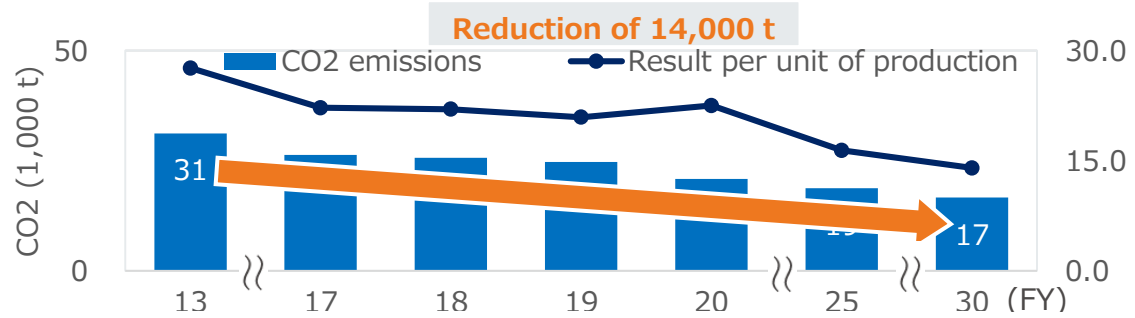
"Shibaura Machine's CO2 reduction goal" Reduction of 50% or more by 2030 from the level of 2013

Reference fiscal year: FY2013	Item to be addressed	The 2nd Environmental Action Plan FY2025	Long-term goal FY2030
Prevention of global warming **CO2 reduction**	**Provision of environment-conscious product (ECP)*** * Products that are designed according to the "Environment-conscious product designing guide" that takes 3R into consideration		
	Plant energy saving		
	Scope 3 activities	Understanding environmental load (including overseas)	Reduction activities
	Use of renewable energies	**Photovoltaic power generation accounting for 7.5% or more of the energy use**	**Renewable energy power generation accounting for 20% or more of the energy use**
LCA (Life cycle assessment)	**Biodiversity preservation**	biotope, tree planting in domestic plant premises	Cooperation in foresting business
	Effective use of resources Reduction of waste emissions per unit of production (t/100 million yen)	2.0 (-58%)	1.2 (-65%)
	Control of chemical substances Reduction of chemical substance emissions per unit of production (t/100 million yen)	42.5 (-45%)	40 (-52%)
	Establishing a global EMS*	External survey of infrastructure, internal survey of overseas environment, fostering overseas plant environment leaders	

* EMS: Environment Management System

Activities with Various Products

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Information is published on the company website.

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