

# Management Strategy for Future

**June 3, 2022**

**SHIBAURA MACHINE CO., LTD.**

# Management Strategy for Future

- 1) Management reform plan and change of the business environment
- 2) Management reform plan – Results and effects of the first half
- 3) Management reform plan – Tasks for FY2022
- 4) Long-term vision

# Management reform plan and change of the business environment

## Quantitative targets

Target value for FY2023  
Consolidated basis

Sales  
**135 billion yen**

Operating profit ratio  
**8.0%**

Payout ratio  
**Prospect of 40%**  
(During the period of "Management Reform Plan")

ROE  
**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 an "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 grow in the future.



\*QCD: Quality, Cost and Delivery

## Investment plan/ Financial strategies

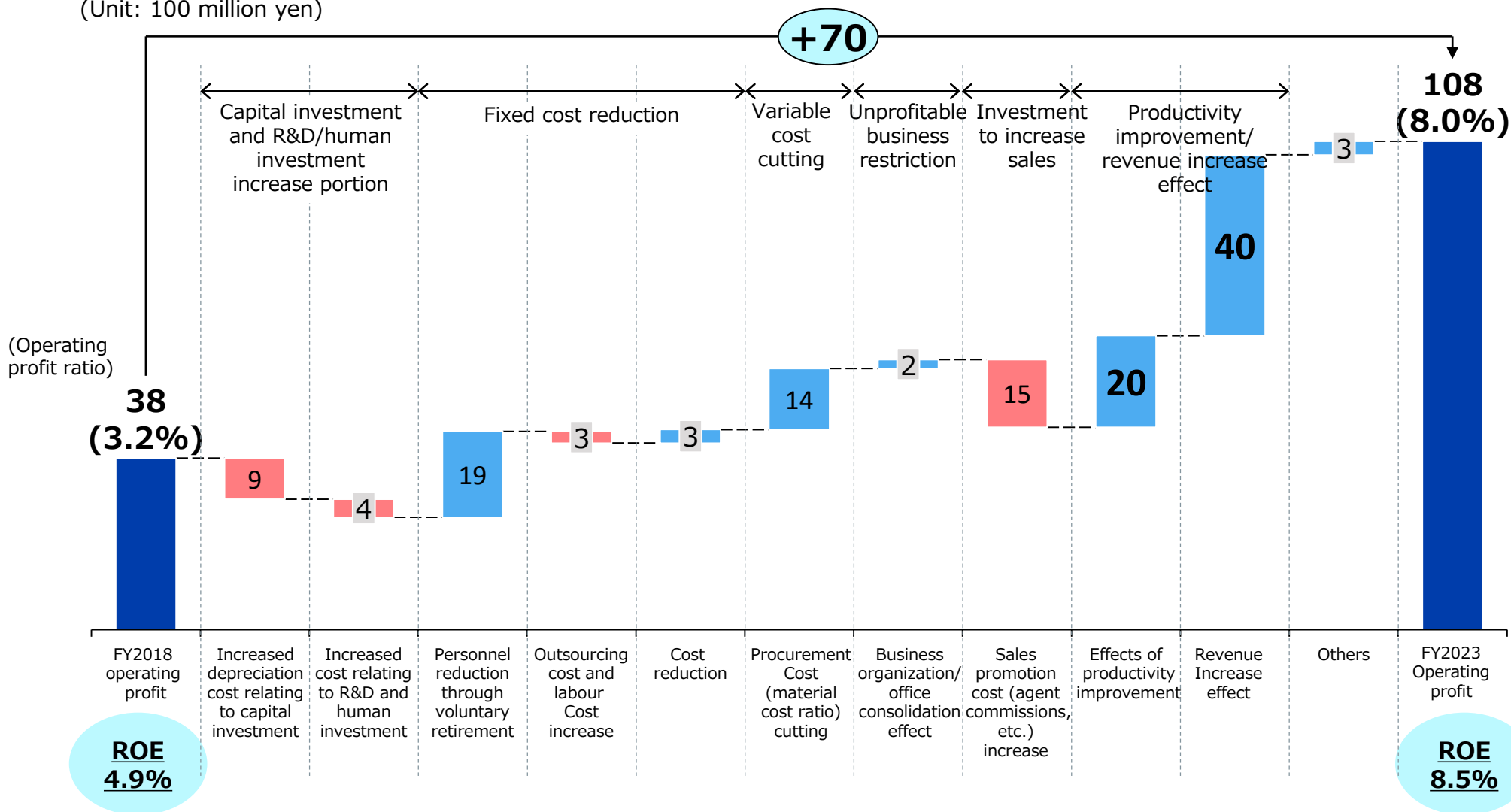
### 【Implement a financial strategies aimed for enhancement of return on equity (ROE)】

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

# Implementation measures and assumed effects (Impact on operating profit)

**Achieve the operating profit of 10.8 billion yen in FY2023** by steady implementation of the **reduction of fixed cost** and **reduction of procurement cost** through the management reform centring on reorganization.

(Unit: 100 million yen)



Factors that are newly introduced since the planning of the management reform (February 2020) due to the change of the business environment

## Positive

- ✓ **Acceleration of transition to EV → Increase of orders received for extruders**  
(+40.5 billion yen, increase of 172%\*)
- ✓ **Materialization of the India production plants of Japanese automobile manufacturers**
- ✓ **Efficiency improvement and reduction of business trip expenses by utilization of WEB tools**

## Negative

- ✓ **Acceleration of transition to EV → Decrease of orders received for die casting machines**  
(-8.1 billion yen, -34% reduction\*)
- ✓ **Restriction of sales and service activities and production due to the outbreak and prolonged COVID-19 pandemic**  
(Deferred sales amounting to -4.8 billion yen)
- ✓ **Difficulty in procurement of electrical components including semiconductors**  
(Delivery delay of 45 days on average and up to 420 days from the normal situation)
- ✓ **Soaring steel and energy prices and transport costs**  
(Factor of profit downward pressure -1.9 billion yen, of which the procurement cost is -1.5 billion yen)

\*The changes of the amounts and ratios are based on the comparison between FY2021 and FY2018.

# Results and effects of management reform plan in the first half

# Management reform plan: result of reform in the first half

Shibaura Machine

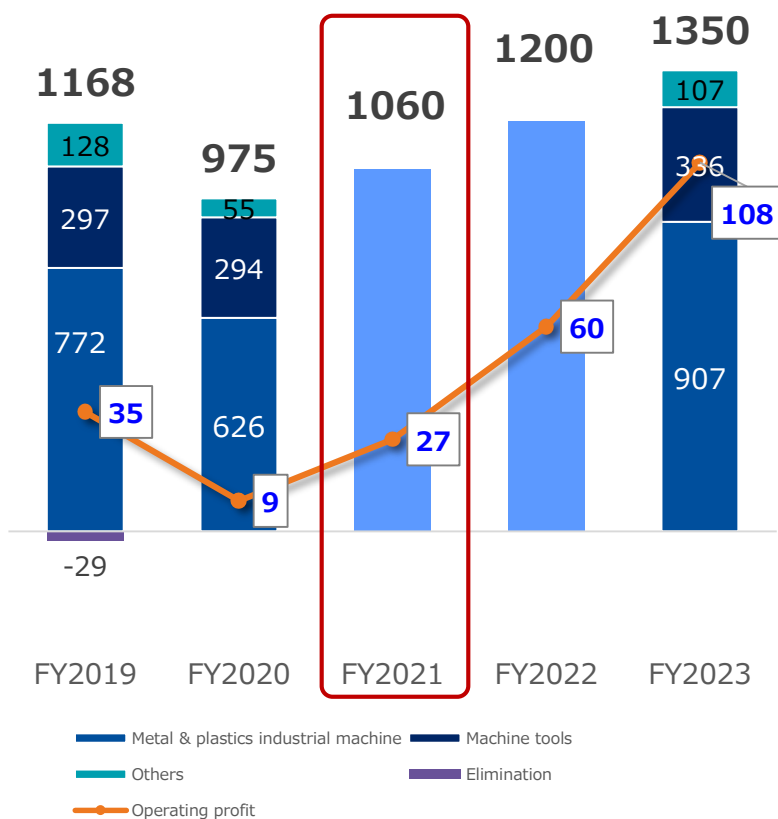
	Policy	Progress of FY2020 and FY2021
<b>Production reform</b>	<ul style="list-style-type: none"> <li>• <b>Reorganization of domestic production system</b> (Structuring according to the shift of the internal company system)</li> <li>• <b>Transfer of general-purpose machines production to overseas plants</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Integration manufacturing divisions</b> of injection molding machines and die casting machines</li> <li>• Transfer of production of small molding machines and SCARA robots to overseas plants ⇒ <b>Improved profitability of overseas production plants</b></li> </ul>
<b>Sales reform</b>	<ul style="list-style-type: none"> <li>• <b>Reorganization of sales process</b></li> <li>• <b>Review of domestic offices and overseas offices</b></li> </ul>	<ul style="list-style-type: none"> <li>• Operation commencement and stabilization of <b>business activity visualization</b> system (Monitoring of negotiation amounts and negotiation stages)</li> <li>• Closure of UK distributors</li> </ul>
<b>HR system reform</b>	<ul style="list-style-type: none"> <li>• <b>Construction of a new HR system</b> <ul style="list-style-type: none"> <li>➢ Introduction of some elements of a <b>JOB-based HR system</b></li> <li>➢ Commencement of the system for managers (from April 2021)</li> <li>➢ Commencement of the system for union members (from October 2021)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Application of the system for managers (<b>Commenced in April 2021</b>)</li> <li>• Application of the system for union managers ⇒ <b>Commenced in April 2022</b> for providing thorough explanation and familiarization of the system with applicable employees</li> </ul>
<b>Visualization of business management</b>	<ul style="list-style-type: none"> <li>• <b>Construction of a management account system</b> <ul style="list-style-type: none"> <li>➢ Automatic aggregation of management figures</li> <li>➢ Installation of a multiaxial analysis function</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Automatic aggregation           <ul style="list-style-type: none"> <li>➢ Result aggregation (Commenced in April 2021)</li> <li>➢ Budget/outlook calculation (Commenced in October 2021)</li> </ul> </li> <li>• Multiaxial analysis           <ul style="list-style-type: none"> <li>➢ Capable of obtaining figures from the main unit sales to sales of service Used for measures to be taken for weak regions and investment planning for strong regions</li> </ul> </li> </ul>



## Management reform plan

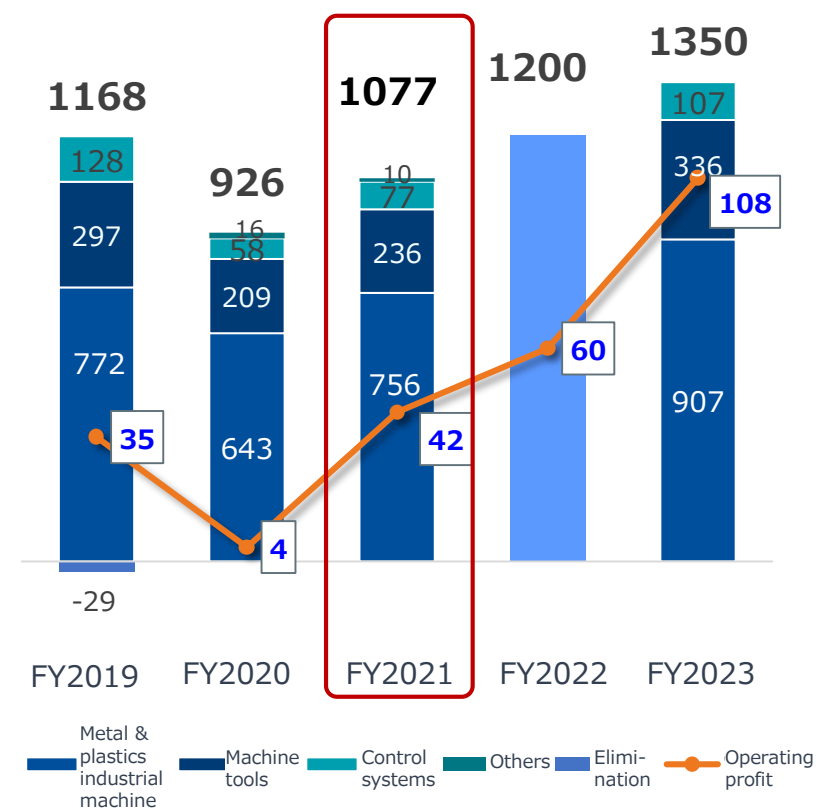
Unit: 100 million yen

Operating profit 8.0%  
ROE 8.5%



## The target business figures for FY2021 have been achieved.

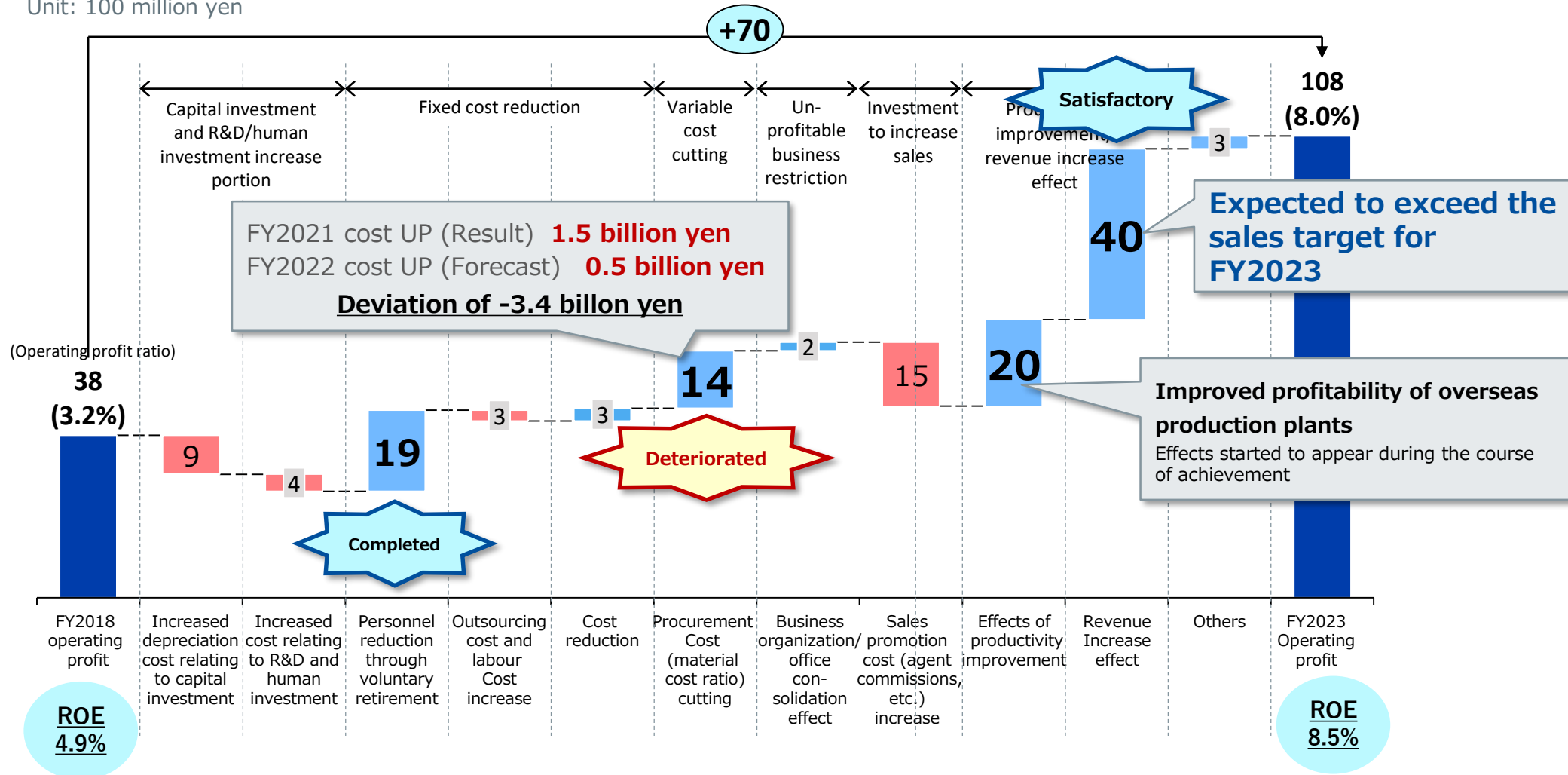
Unit: 100 million yen



# Management reform plan - Effects of reform of the first half

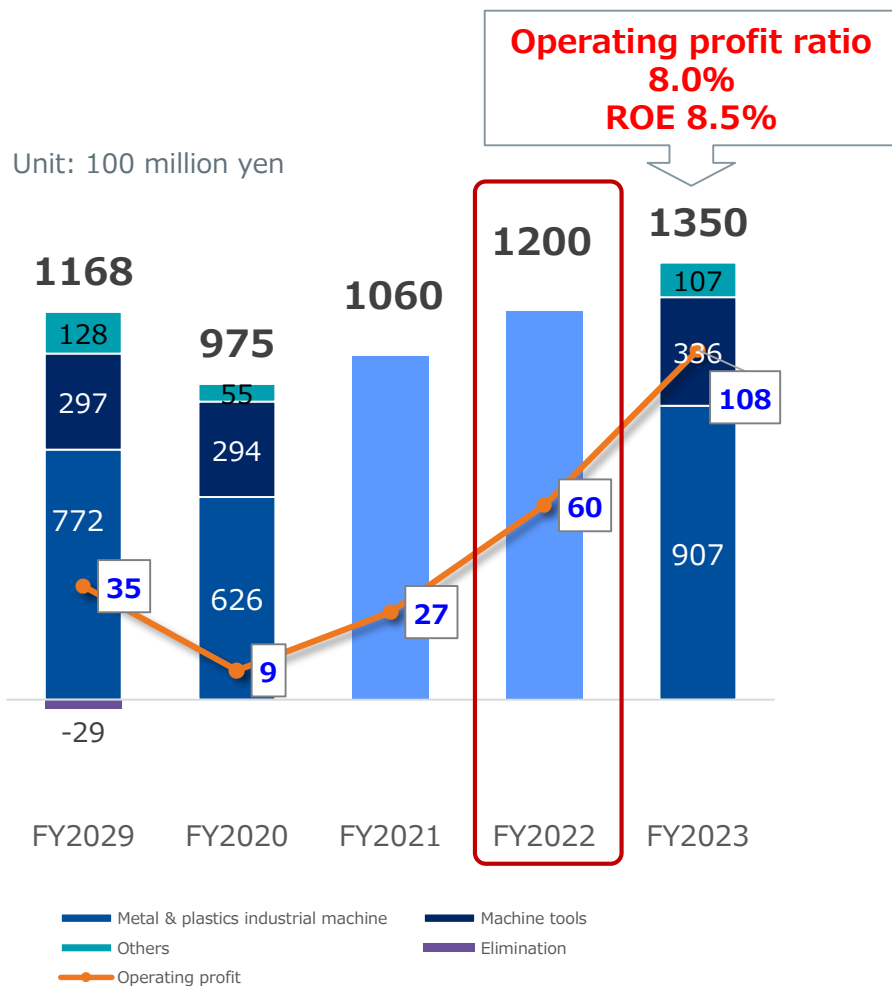
## Progress evaluation as at the end of FY2021

Unit: 100 million yen



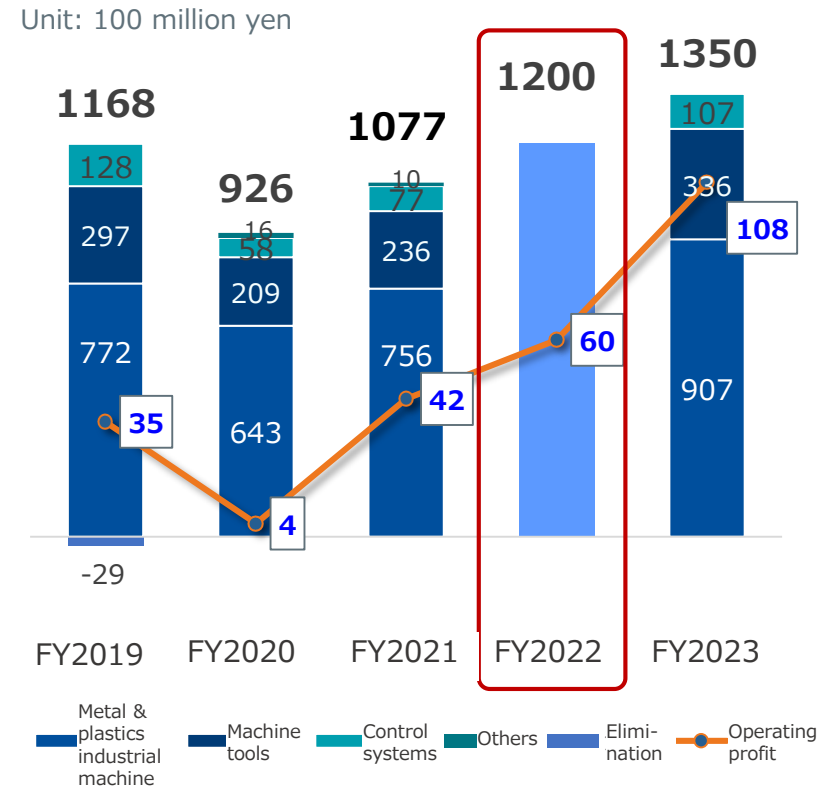
# Management reform plan Tasks for FY2022

## Management reform plan



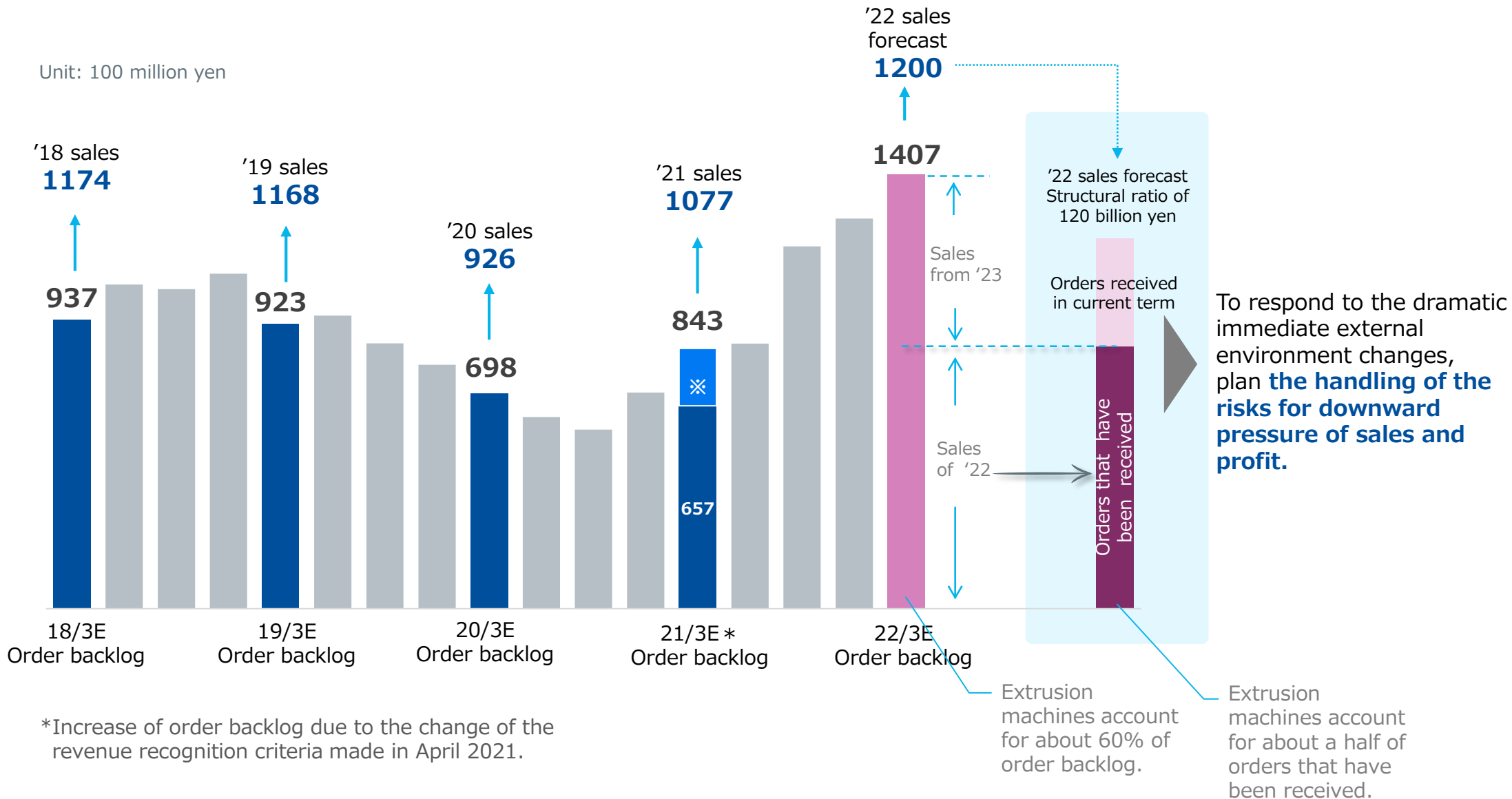
## Forecast of FY2022

Sales 120 billion yen  
Operating profit 6 billion yen



## ■ Transition of order backlog




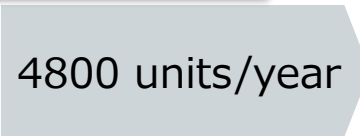

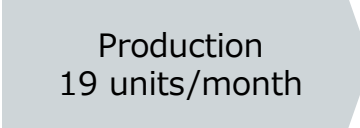
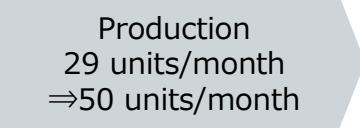

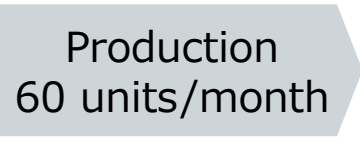




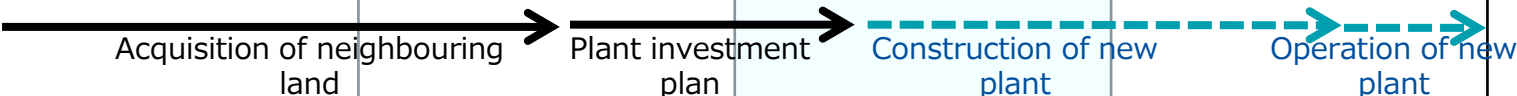
Unit: 100 million yen



Overt events	Immediate business risks	Measures
COVID-19	<ul style="list-style-type: none"> <li>• Deterioration of Shanghai Plant operation due to the extended lockdown in Shanghai City</li> </ul>	<ul style="list-style-type: none"> <li>• Use of cooperation companies located within Anhui Province.</li> <li>• Increase the operation of Thailand Plant.</li> </ul>
Material price hike Procurement difficulty	<ul style="list-style-type: none"> <li>• Deterioration of profitability due to the increase of cost of raw materials</li> <li>• Curtailed operation and sales delay due to the delay of arrival of procured items</li> </ul>	<ul style="list-style-type: none"> <li>• Negotiation of increase of sale price (3% increase in FY2021 from that of FY2020 ⇒ <b>8% increase</b> in FY2022)</li> <li>• <b>Transfer of human resources</b> from the operation curtailed workplaces to the <b>extrusion machine</b> operation plants</li> <li>• Focus on the <b>service</b> business.</li> </ul>
Energy price hike	<ul style="list-style-type: none"> <li>• Increase of manufacturing cost</li> <li>• Increase of logistics cost</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement of productivity by promoting the <b>use of DX</b></li> <li>• Negotiation of sharing the load of the increase of logistics cost</li> </ul>
Inflation	<ul style="list-style-type: none"> <li>• Pressure on the labor cost associated with the price rise</li> </ul>	<ul style="list-style-type: none"> <li>• Efficiency enhancement by reviewing work methods</li> </ul>
Weaker yen	<ul style="list-style-type: none"> <li>• Increase of procurement cost for the injection/mold clamping units produced in China</li> <li>• Increase of cost prices of parts produced by manufacturers in China and Taiwan</li> </ul>	<ul style="list-style-type: none"> <li>• Promote <b>local production for local consumption</b> further by increasing the OUT-OUT weight.</li> <li>• Temporary use of parts manufactured domestically within Japan.</li> </ul>
Geopolitical risks	<ul style="list-style-type: none"> <li>• Exit of Britain from EU</li> <li>• Extended period of US-China trade friction</li> <li>• Russia-Ukraine issue</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Closure</b> of the UK distributor → Transfer the territory to Italian distributor</li> <li>• China plant → <b>Shift production to the Thailand plant.</b></li> <li>• Export to Russia is minimal (impact is extremely low).</li> </ul>

# Tasks for FY2022 ① Productivity improvement (overseas)

Create profits by improving productivity through small variety mass production.

		FY2020	FY2021	FY2022	FY2023
 <b>China plant</b>	Transfer of SCARA robot production  Improvement of local procurement rate <b>75% or more</b>		 850 units/year	 <b>3400 units/year</b>	 4800 units/year
	However, revised to 2300 units as some production is switched to the plant in Japan due to lockdown in Shanghai				
 <b>Thailand plant</b>	Effects of increased production  Improvement of local procurement rate	Transfer of production of 180-ton-class Injection   Production 19 units/month	Transfer of production of 50 to 350-ton-class Injection   Production 29 units/month => 50 units/month	 <b>Production 50 to 60 units/month</b>	 Production 60 units/month
 <b>India plant</b>	Consolidation of hydraulic injection molding machines  Increased production of medium to large machines		Consolidation of hydraulic machines 	 In-house processing of injections of large structure Installation of 4 machine tools manufactured in house 	
					

### Sales promotion of injection molding machines to the fast-growing India market

#### ■ Alliance (Scheme under discussion)

#### ■ Organic

#### Demand for switching from hydraulic machines to electric machines

- Led by the **medical/container** industry and **Japanese automobile manufacturers**
- **Rate of electrification**  
FY2021 **11.5%** ⇒ After 10 years - **31.5%** forecast

#### Increase of medium to large machines (In particular, for the automobile industry)

- **Growth of the markets of white goods, building materials, containers, and automobiles is expected due to the population growth.**
- **The Japanese automobile industry is expected to commence business in India in 5 years time.**

#### Start of production of small electric machines

Our model machines



Manufactured in the Nissei ASB India Plant

Mumbai Chennai

#### Increased production of medium to large hydraulic machines



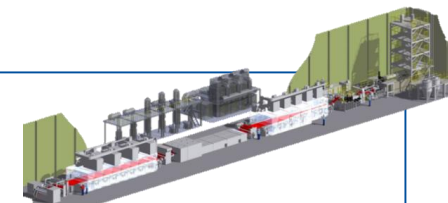
Plan to start the operation during FY2023  
Expansion of the plant production area +  
Updating of process facilities  
1200 units/year ⇒ 2500 units/year (including the new plant operation)



## Aiming at extrusion BSF sales 100 billion yen (next mid term)

BSF: Battery Separator Film

### Target 4 lines/month production



From October 2021

Production **2 lines/month\***



2<sup>nd</sup> half of FY2022

Production **4 lines/month\***

\*Full line

### Construction of production system

It is necessary to **set up 12 lines** concurrently  
(Production LT 3 months as precondition)



Numazu No.9 Plant

**6 lines\***



Numazu No.15 Plant

**2 lines\***



Gotenba No.1 plant



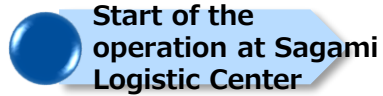
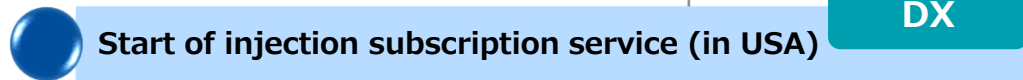
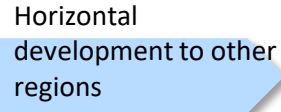

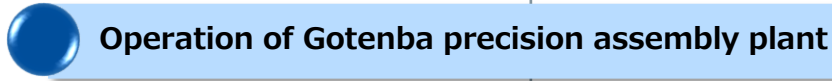
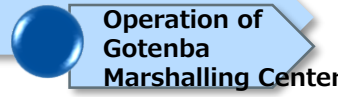

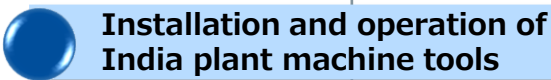

**4 lines\***

- The strength of our company is the ability of providing **high-precision products (thin and uniform) from our full engineering line.**

The Gotenba plant is used temporarily although it normally operates for production of machine tools.

### Establish dedicated BSF organization structure (April, 2022)

### Major capital investment plan and operation schedule (FY2022 + FY2023)

Category	Investment purpose	FY2022		FY2023	
		H1	H2	H1	H2
Management	<ul style="list-style-type: none"> <li>Profit creation by the effective use of company assets</li> </ul>				
Sales service	<ul style="list-style-type: none"> <li>Expansion of the service business by DX utilization</li> </ul>				
Technology	<ul style="list-style-type: none"> <li>Use of DX to eliminate redo work of development and design (Productivity improvement)</li> </ul>				
Production (Domestic)	<ul style="list-style-type: none"> <li>Realization of the sales achieved by the high precision machine tools to the 10-billion-yen scale</li> <li>Reorganization of Numazu plant</li> </ul>				
Production (Overseas)	<ul style="list-style-type: none"> <li>Expansion of India market</li> </ul>				<p>Four units are to operate by June 2023</p>

Total investment of the above amounts to about 23 billion yen

# Long-term Vision

# Business portfolio strategy(Long-term vision)

Shibaura Machine

	Basic policy	High-value-added/market expansion areas		Reduce/withdraw				
		New	Expand/enhance					
Machine Tools Company	<p>Focus on specific domains by model selection</p> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 2px;">Energy</div> <div style="border: 1px solid black; padding: 2px;">Aircraft</div> </div> <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <div style="border: 1px solid black; padding: 2px;">Optics</div> <div style="border: 1px solid black; padding: 2px;">Devices</div> </div>	<ul style="list-style-type: none"> <li>• Multifunction machines</li> <li>• Ceramic cutting machines</li> </ul>	<ul style="list-style-type: none"> <li>• Large machines</li> <li>• Special, dedicated machines</li> <li>• Ultra-precision processing machines</li> </ul>	<ul style="list-style-type: none"> <li>• Small and general-purpose machines</li> </ul>				
					<ul style="list-style-type: none"> <li>• System engineering</li> </ul>	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Digital transformation</p>		
					<ul style="list-style-type: none"> <li>• Dissimilar material joining machines</li> </ul>		<ul style="list-style-type: none"> <li>• Injection molding machines</li> <li>• Diecasting machines</li> </ul>	<ul style="list-style-type: none"> <li>• Domestic production of standard hydraulic machines</li> </ul>
					<ul style="list-style-type: none"> <li>• High pressure continuous presses (batteries, etc.)</li> <li>• Reactive extrusion machines (biomass, etc.)</li> </ul>		<ul style="list-style-type: none"> <li>• Extrusion machines</li> </ul>	<ul style="list-style-type: none"> <li>• Conical-type extruders</li> </ul>
Control Machine Company	<p>Specialize in external sales. Strengthen system engineering.</p> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 2px;">Automation</div> <div style="border: 1px solid black; padding: 2px;">Labor-saving</div> </div>	<ul style="list-style-type: none"> <li>• Collaborative robots</li> <li>• AMR</li> </ul>	<ul style="list-style-type: none"> <li>• Robots</li> <li>• Servo motors, controllers</li> </ul>	<ul style="list-style-type: none"> <li>• NC, controllers (utilizing of external alliances)</li> </ul>				
New Business Company	<p>Establish technology for adding new functions via surface structure control</p> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 2px;">Automation</div> <div style="border: 1px solid black; padding: 2px;">Devices</div> </div>	<ul style="list-style-type: none"> <li>• Film casting equipment: Electronic circuit market (next-generation communications)</li> <li>• Coaters: High-performance films, devices market (batteries, ceramic capacitors, optical components, etc.)</li> <li>• Imprint equipment: Water purification and sterilization market (Deep-UV LEDs)</li> </ul>						

## Environmental Burden Reduction

Through Products

Development of eco products that reduce the environmental load through the use of light-weight parts and fewer parts

## Creation of High-Quality Products

Through Technological Innovation

### **Promotion of SHIBAURA DX**

Achievement of the **99.7%** perfection level in virtual space

**Social Value that SHIBAURA MACHINE Will Provide**

Contribute to factory automation with our total support to the entire factory

## Optimal Production lines

Enabled by Automation

Contribute to the spread of renewable energies with a variety of products

## Natural energy Dissemination

Information provided in Integrated Report 2021

Published on the corporate website.

# Shibaura Machine

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