

Note: This document is a translation of the original Japanese version and provided for reference purposes only.
In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

New Medium-term Corporate Management Plan

Medium-term Management Plan 2026

FY2024 - FY2026

May 13, 2024

SHIBAURA MACHINE CO., LTD.

1

Previous Medium-term Corporate Management Plan Review of “Management Reform Plan” FY2020 - FY2023

2

New Medium-term Corporate Management Plan “Medium-term Management Plan 2026” FY2024 - FY2026

- ◆ Basic policy
- ◆ Company strategy
- ◆ Corporate strategy

* Results forecasts and other descriptions used in this material contain forward looking statements which are based on information that is currently available and assumptions the Company deems rational. Actual results may vary due to various changes and factors in the external environment.

* The term "BSF" used in this material refers to "LiB separator film production lines".

1

**Previous Medium-term Corporate
Management Plan
Review of
“Management Reform Plan”
FY2020 - FY2023**

“Management Reform Plan” Quantitative Targets and Results

Shibaura Machine

	FY2019 Results	FY2023 Management Reform Plan Quantitative Targets	FY2023 Results
Sales	116.7 Billion yen	135.0 Billion yen	160.6 Billion yen
Operating profit	3.5 Billion yen	10.8 Billion yen	13.6 Billion yen
Operating profit ratio	3.0%	8.0%	8.5%
ROE	8.6%	8.5%	17.8%
Dividend payout ratio	28.0%	Target 40%	52.1%

*Note 1

* Note 1) Dividend payout ratio for FY2023 results: Gain on sale of a partial lot on the south side of the Sagami Plant is to be appropriated to the acquisition of proprietary interest of a building established on the transferred land by the transferee according to the equivalent-exchange method, and therefore it was excluded from net income in this term. Additionally, the dividend payout ratio was calculated as a total payout ratio which includes treasury stock acquisitions announced on May 13, 2024.

Results and Issues

Strategies/Measures

Business
restructuring
M&A

Reinforcing functions
through M&A

Business restructuring

Plant
restructuring
Productivity
increase

Numazu Plant
restructuring

Separation of production
models between domestic
and overseas plants

HR system
reform

Voluntary early
retirement

Introduction of a new
HR system

Results

Reinforced engineering
solutions with the acquisition
of POKKA MACHINE Co., Ltd.

Improved work efficiency through
the consolidation of functions
and offices for each Company

—

Increased productivity by shifting
the production of general-
purpose models overseas

Reduced fixed costs

Acquired and retained
highly skilled professionals

Issues

Numazu Plant
restructuring and
investment plans were
postponed because
priority was placed on
building a system for
increasing production to
expand the volume of
sales in response to rising
EV sales and to meet
growing demand for BSF.

Building a system for increasing
production by establishing a
new plant in India

Further increasing sales
per capita

Boosting recruitment
through branding

2

New Medium-term Corporate Management Plan

“Medium-term Management Plan 2026”

FY2024 - FY2026

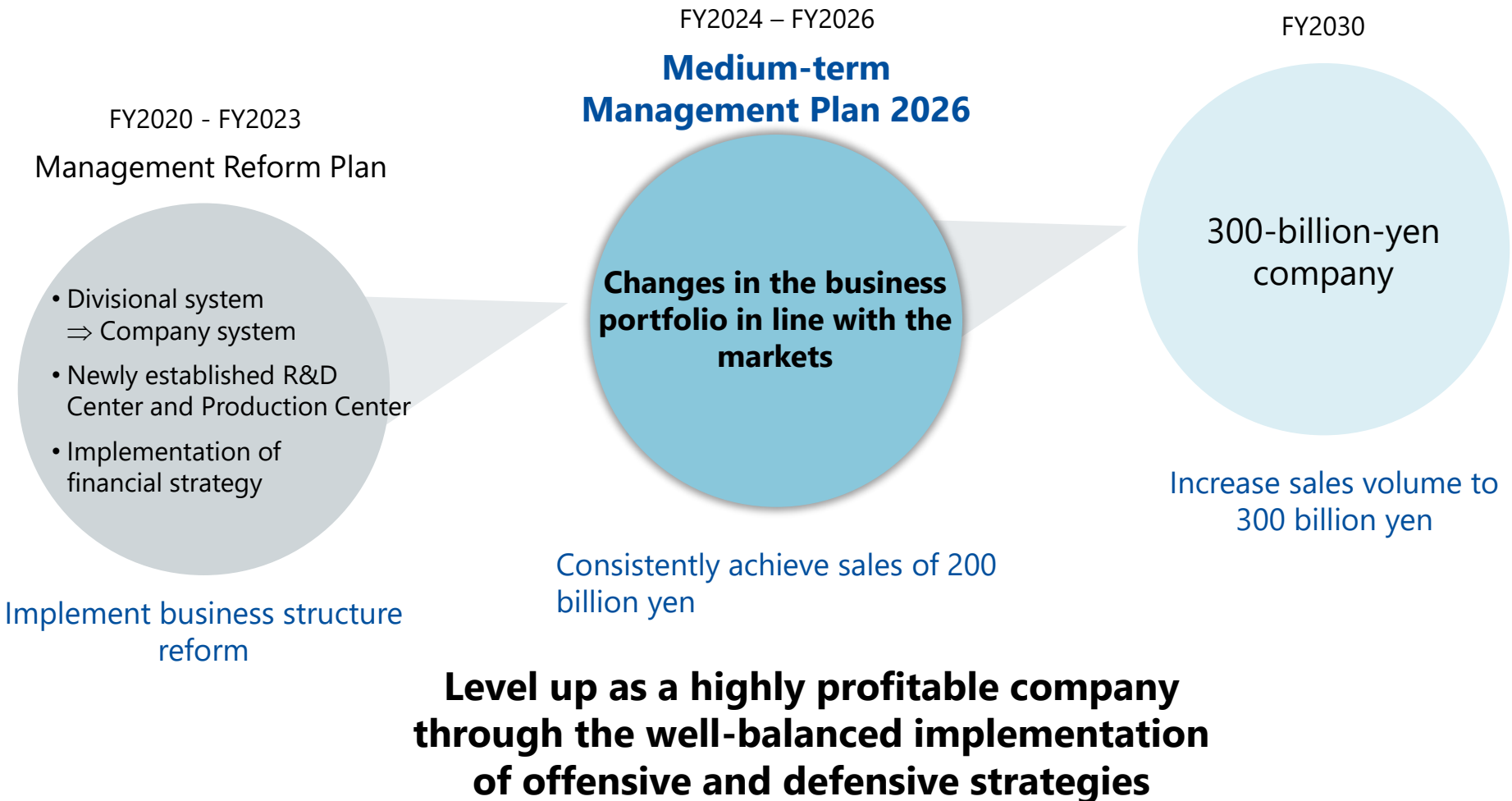
Basic Policy

Positioning of Medium-term Management Plan 2026

Shibaura Machine

Megatrends (mid- to long-term)

Climate change and resource shortages / demographic changes / technological advancements



Basic Policy of Medium-term Management Plan 2026

Shibaura Machine

Quantitative targets

Consolidated target value for FY2026

Sales

200.0 Billion yen

Operating profit margin

10.0%

ROE

9.5% or more

(Reference) ROIC 9.0% or more

Policies indicating business direction



Ascertain growing markets and change the business portfolio to maximize overall profit



Engineering solutions to help increase customer productivity
Transform to turnkey equipment sales and direct sales



Arrange business infrastructure to make the leap toward becoming a 300-billion-yen company in FY2030

Fundamental policies



Implement a human resource strategy in connection with changes in the business portfolio



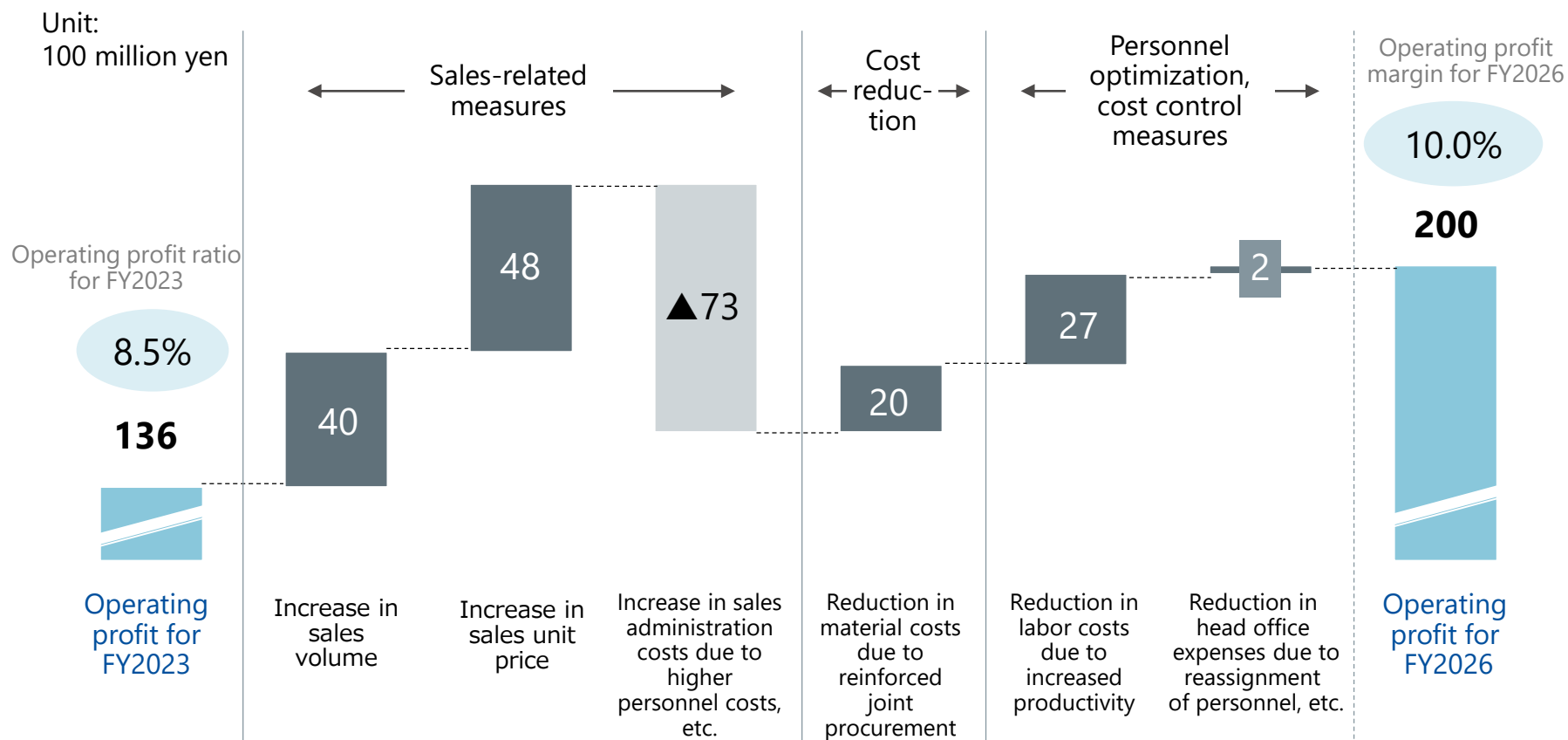
Promote ESG management

Profit/Loss Improvement Waterfall

Shibaura Machine

(FY2023 ⇒ FY2026 Operating Profit)

Profit is assumed to be improved by **about 6.4 billion yen** compared to FY2023 through the implementation of cost reduction and other measures, including **increasing sales quantities, higher unit prices, joint procurement and personnel optimization** (personnel increase control and reassignment).



2

New Medium-term Corporate Management Plan










“Medium-term Management Plan 2026”

FY2024 - FY2026

Company Strategy

(Strategy by Product Segment)

Domains in Medium-term Management Plan 2026

	Environment (carbon-free society)	India (growing market)	Automation (labor shortage)
Energy	Wind power generation  Market size 22: 902GW 30: 2420GW 40: 4337GW Machine Tools	Power generation (mainly thermal)  Growing population and industries 20: 378GW 24: 492GW 29: 753GW CGAR 8.8% (in the coming 5 years) Machine Tools	—
	Secondary batteries, storage batteries  Market size 19: 87.8 B \$ 27: 220.0 B \$ Extrusion Machines		
Automobiles	xEV  xEV sales quantity 22: 16,900,000 unit 25: 24,240,000 unit 30: 34,500,000 unit Injection Molding Machines Die Casting Machines	Automobiles  Automobile market 20: 2,940,000 unit 22: 4,720,000 unit 30: 6,000,000 unit Injection Molding Machines Die Casting Machines	Self-driving (sensors)  Market size 21: 1.7 B \$ 28: 6.3 B \$ High-Precision Machine tools
Social norms	Recycling  Extrusion Machines	Consumer goods  Growing urban population ratio 01: 28% 20: 35% 30: 40% Consumer durables and personal care products grow as consumers' income levels and purchasing power rise Injection Molding Machines	Engineering solutions  Control Systems Injection Molding Machines



Divide into “Offensive Business” and “Defensive Business”

Shibaura Machine

Offensive business

Re-entry into untapped regions

■ **European market**



Growing markets



■ **Indian market**

Post-growth markets

Injection

Injection Molding Machines

Extrusion

Extrusion Machines

Precision

High-Precision Machine tools

■ **North American market**



Priority market

Gain insight into growing markets and input management resources to increase the volume of sales, **with the aim to maximize profit amounts**

Defensive business

DC

Die Casting Machines

Machine tools

Machine Tools

Control

Control Systems

Focus efforts on selling high value-added products instead of increasing the volume of sales from the level in FY2023, **with the aim to increase profit margins**



Offensive Business



Injection

Injection Molding Machines

Management Reform Plan

- **Downturn of Chinese market**
- Motivation to invest in the U.S. market reaching a plateau
- Brisk Indian market, **establishing a new plant**

Medium-term Management Plan 2026

- **Achieve cost reduction** through the effects of economy of scale, etc. by manufacturing the same models at plants around the world
- Put **the new plant in India** on track to **increase production**
- Capture the recovery of the U.S. market
- Handle large resin parts for automobiles



Extrusion

Extrusion Machines

- Increasing EV sales
- **Rapid increase of BSF sales** due to strong demand for batteries manufactured in China
- Became the backbone of our Group

- Explore markets primarily in **North America** and **Europe** in view of future risks in China's political environment and economy
- Focus on the **development** of products to support **next generation batteries**
- Aim to achieve sales of 100 billion yen



Precision

High Precision Machine tools

- Decreased sales of smartphone lenses (molds) in China

- **Explore markets other than China (North America, Europe and India)** by making the best use of overseas injection resources
- Explore markets of products other than smartphone lenses
- Aim to achieve sales of 10 billion yen



Defensive Business

Management Reform Plan

- **Lower demand for engine blocks** due to increase in EV sales

- Brisk environment for receiving orders in the first half of the year
- Slowing down of the environment for receiving orders as capital investments reached a plateau

- Downturn of Chinese market (general-purpose robots)

Medium-term Management Plan 2026

- Produce CD effect through integration with Injection Molding Machines
- Develop technologies to enable giga-casting (establishing **low pressurization technology***)

- Eliminate waste through **full build-to-order production**
- **Capture opportunities to meet the demand for large Machine Tools** with increasing wind power generation and the trend toward larger mold for giga-casting

- Boost **system engineering sales** through M&A and alliances
- Promote sales and commercialize **dual-arm collaborative robots**



Die Casting Machines

DC



Machine Tools

Machine Tools



Control Systems

Control

* Low pressurization technology: The technology to realize, for example, a die-cast molded product with clamping force of 3500 t, which used to be produced with 6000 t-class clamping force.



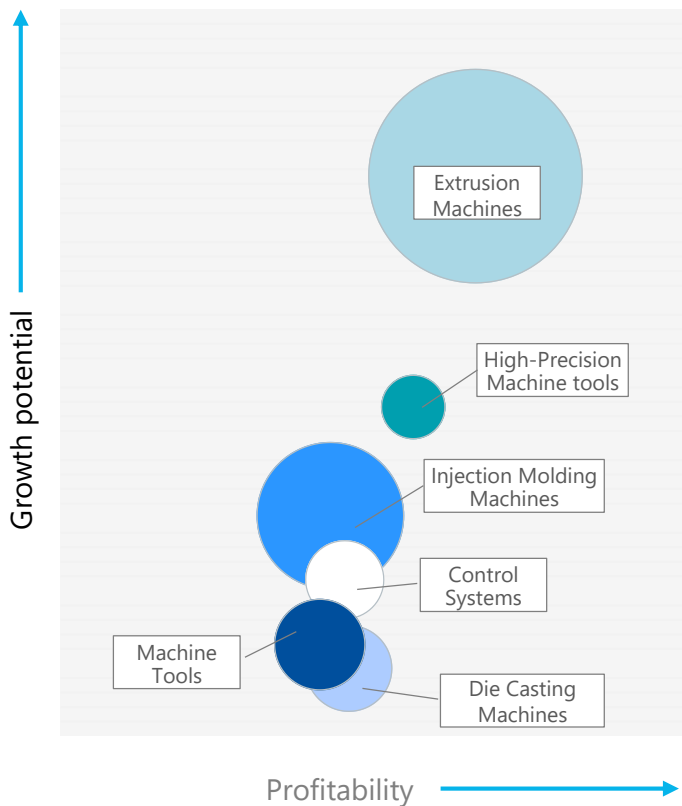
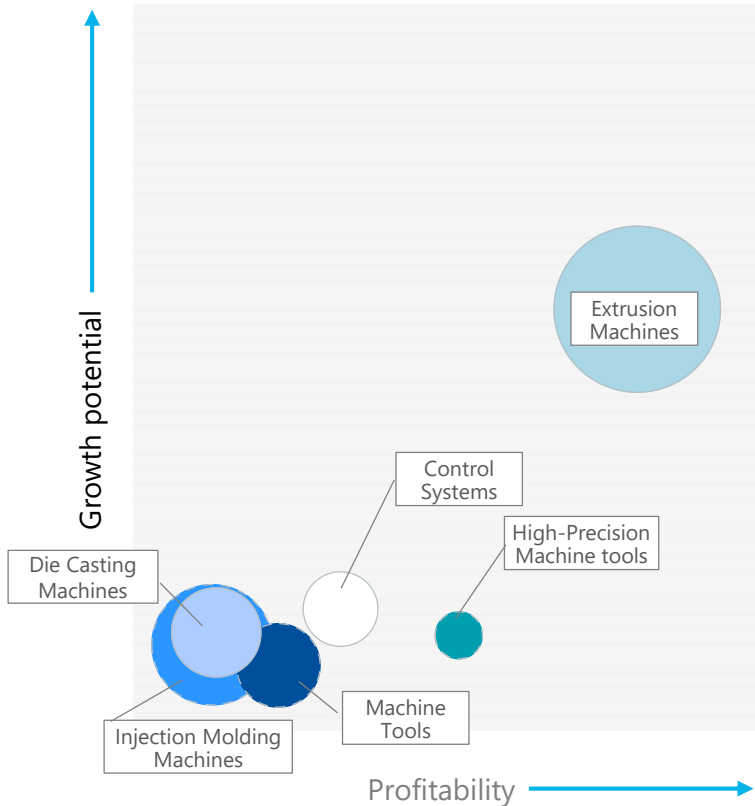
Changes in Business Portfolio

FY2023 “Management Reform Plan”



FY2026 “Medium-term Management Plan 2026”

* Balloon size indicates business scale.



* FY2018 is the reference point of growth.

2

New Medium-term Corporate Management Plan

“Medium-term Management Plan 2026”

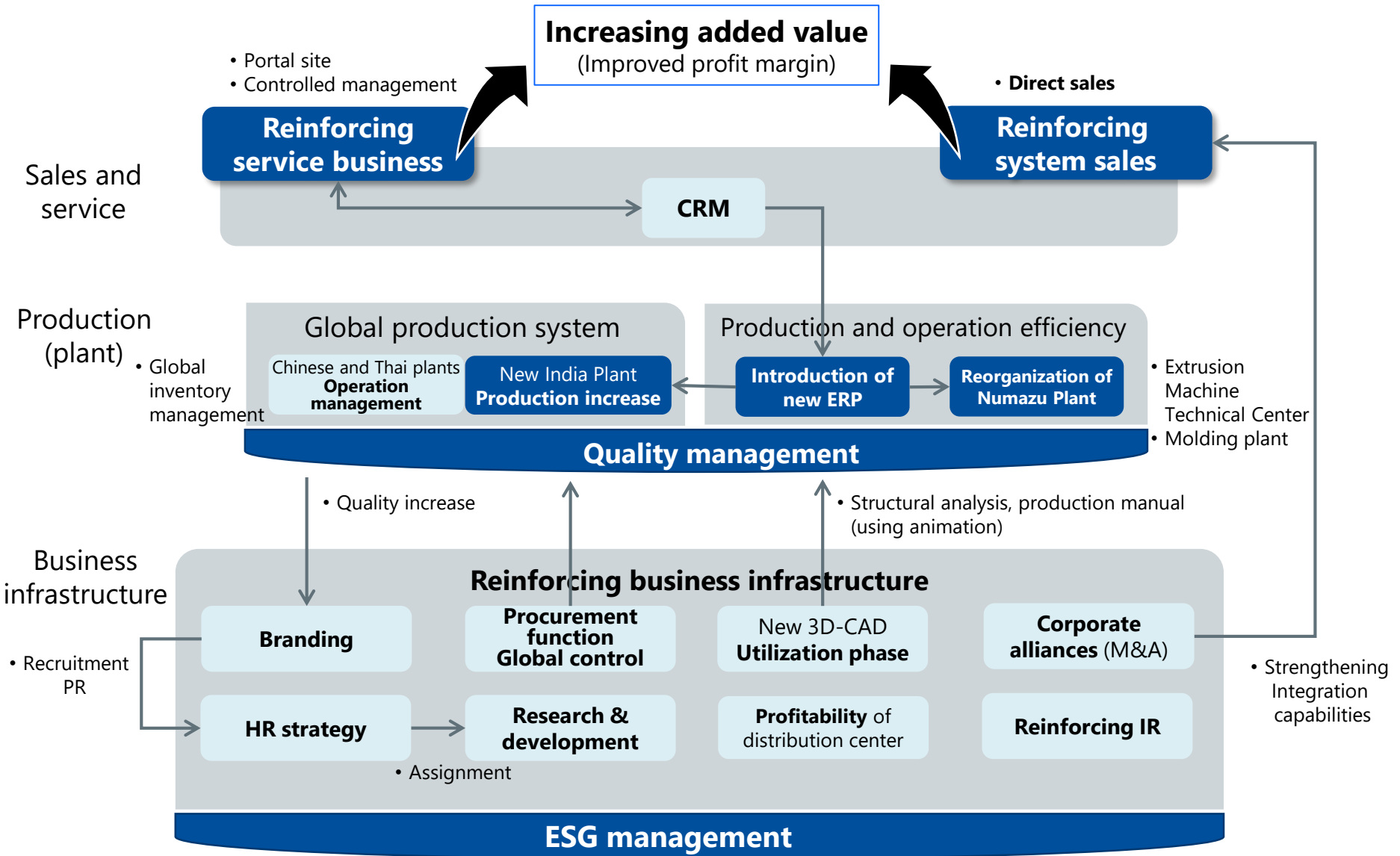
FY2024 - FY2026

Corporate Strategy

(Reinforcing Business Infrastructure)



Overview of Business Infrastructure Reinforcing Strategy and Measures





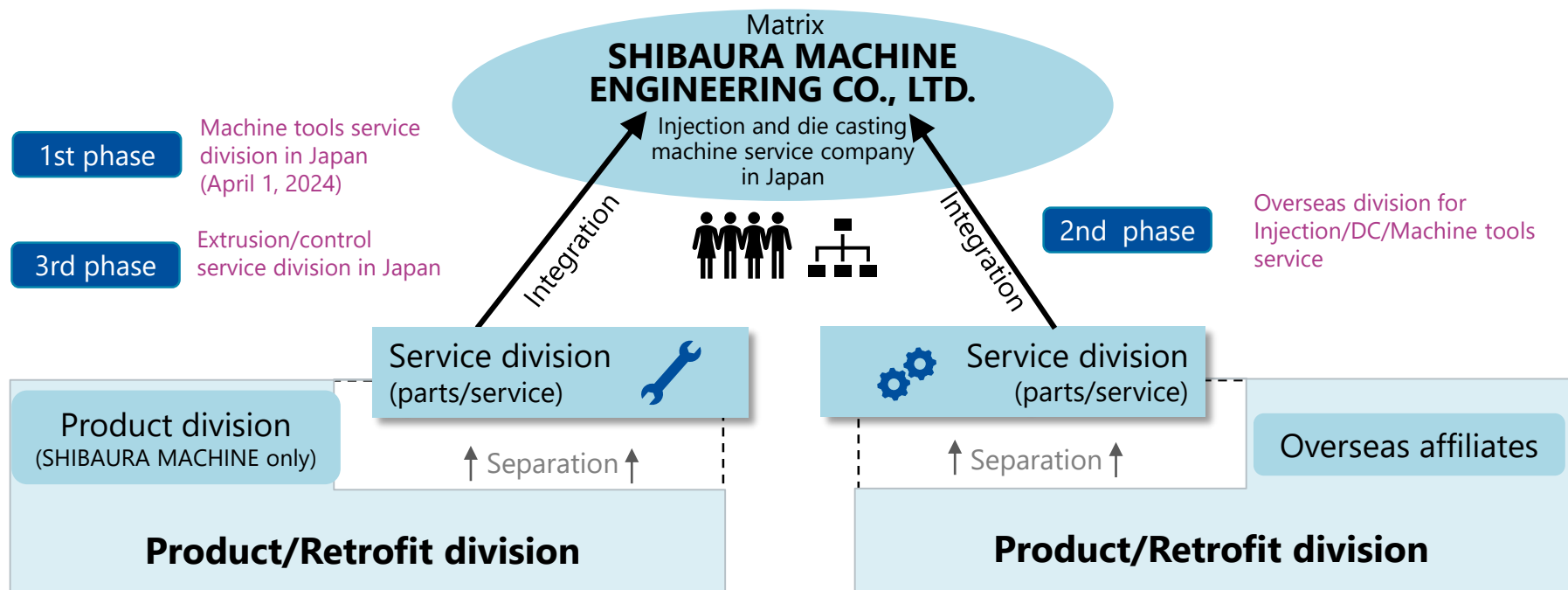
Reinforcement of Company-wide Service Business

Shibaura Machine

Clarify profit/loss in services and profit/loss in product segment to maximize overall profit.

《 Function of company-wide service management company 》

- **Manages service activities in Japan and other countries under uniform rules**
- Promotes **consolidation** of service offices
- Pursues operating efficiency by **centralizing back-office functions**
- **Manages service profit/loss of the entire Group**





Reinforcing System Engineering

(From Single Unit Sales to System Sales)

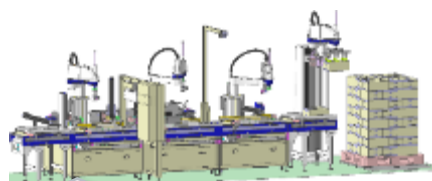
Shibaura Machine

Skills transfer issues

Shrinking working-age population

Rising labor costs

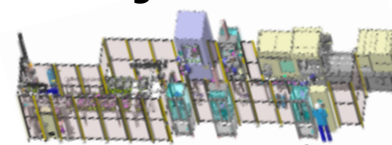
■ SCARA robot applications



Customer's need for turnkey/all process automation

Achieve **production systems capable of solving customer's issues by integrating** internal and external technologies focused on **control equipment and robotics**

■ Automation of post-processing of injection molding machines etc.



March 1, 2024
Acquired POKKA MACHINE
(currently TECHNOLINK CO., LTD.)

Sales/technology/
production/service
functions

FY2023

FY2026 sales target

5.0 billion yen

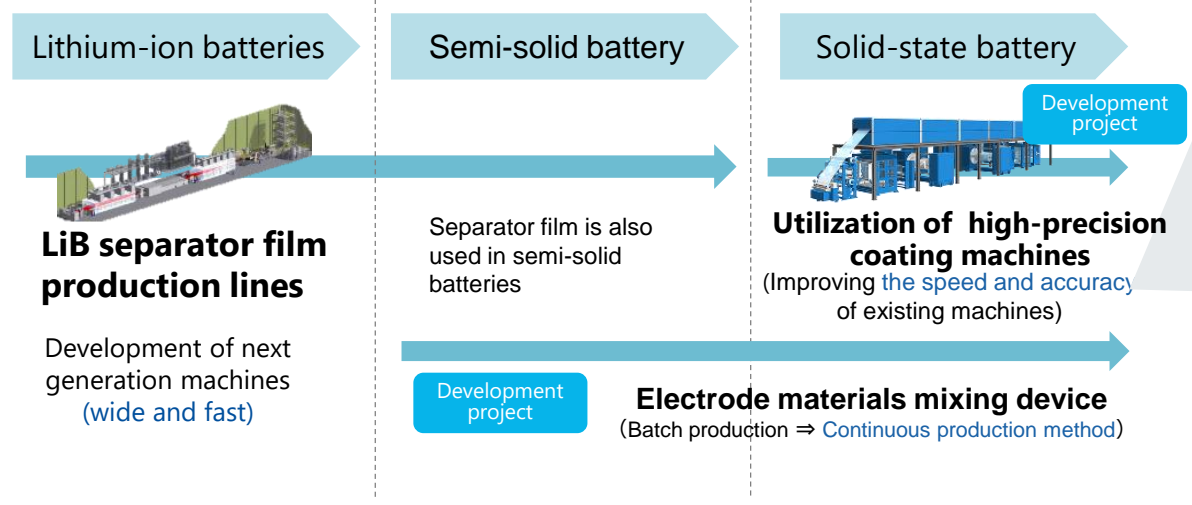
FY2030 sales target

10.0 billion yen

- Increase in scale and profits by **continuously building up functions** through M&A, alliances and other means
- Launch at the **company-wide level (change in sales mindset)**



■ Development of solid-state battery for vehicles



Structure of solid-state battery

Negative electrode layer

Positive electrode layer

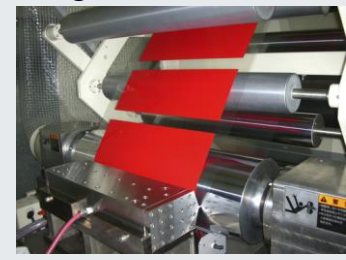
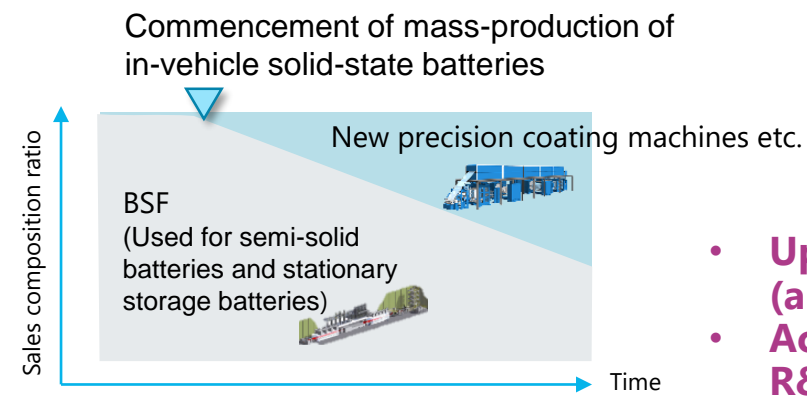
Solid electrolyte

Electrode layer

Electrode layer

Currently developing new coating machines to make the electrode layer **uniform and stable** (during FY2024)

■ Product composition of Extrusion machines business (Future)

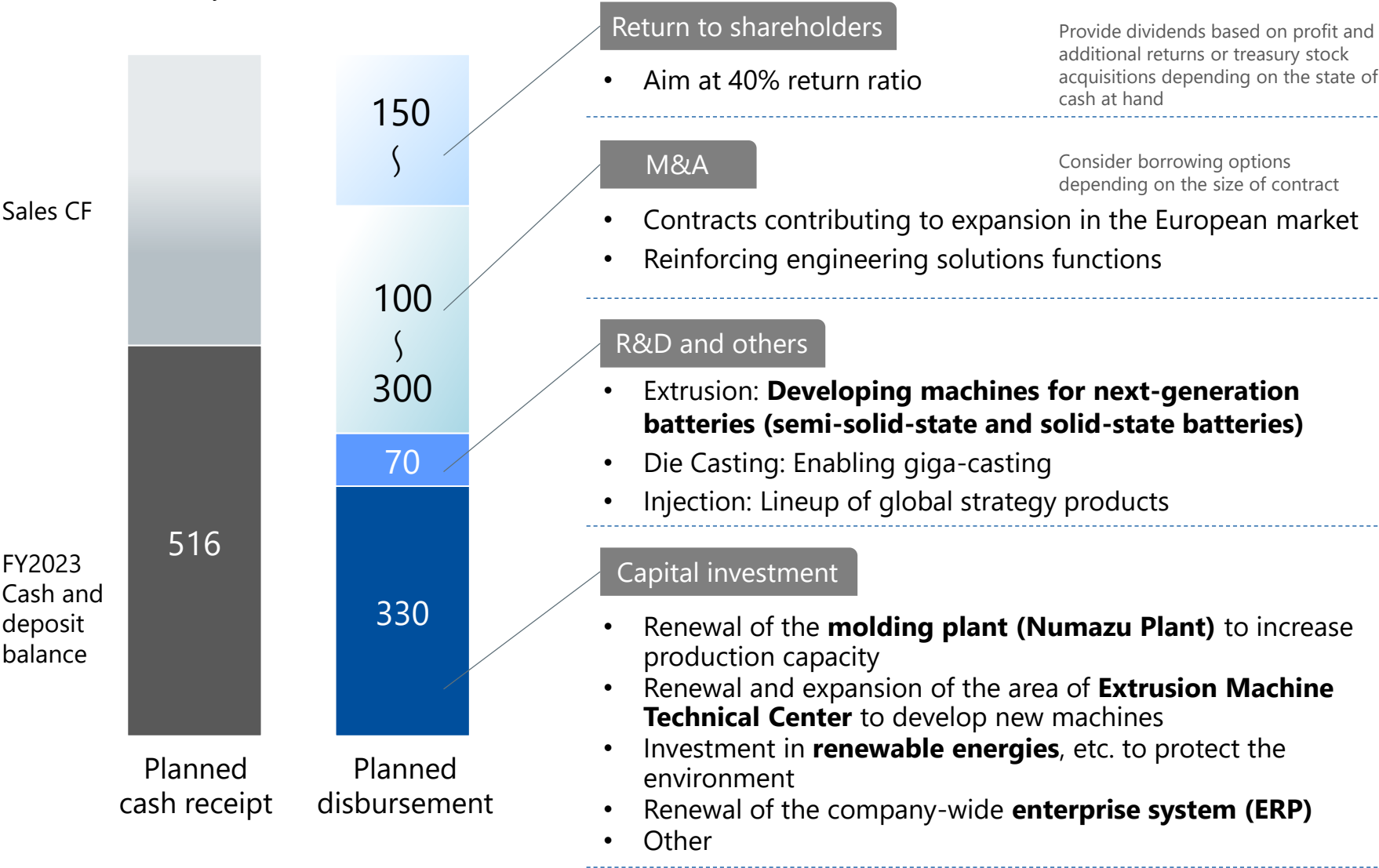


- Updates to Extrusion Machine Technical Center (area expansion)
- Accelerated development in collaboration with R&D Center



Cash-flow Plan

Unit: 100 million yen

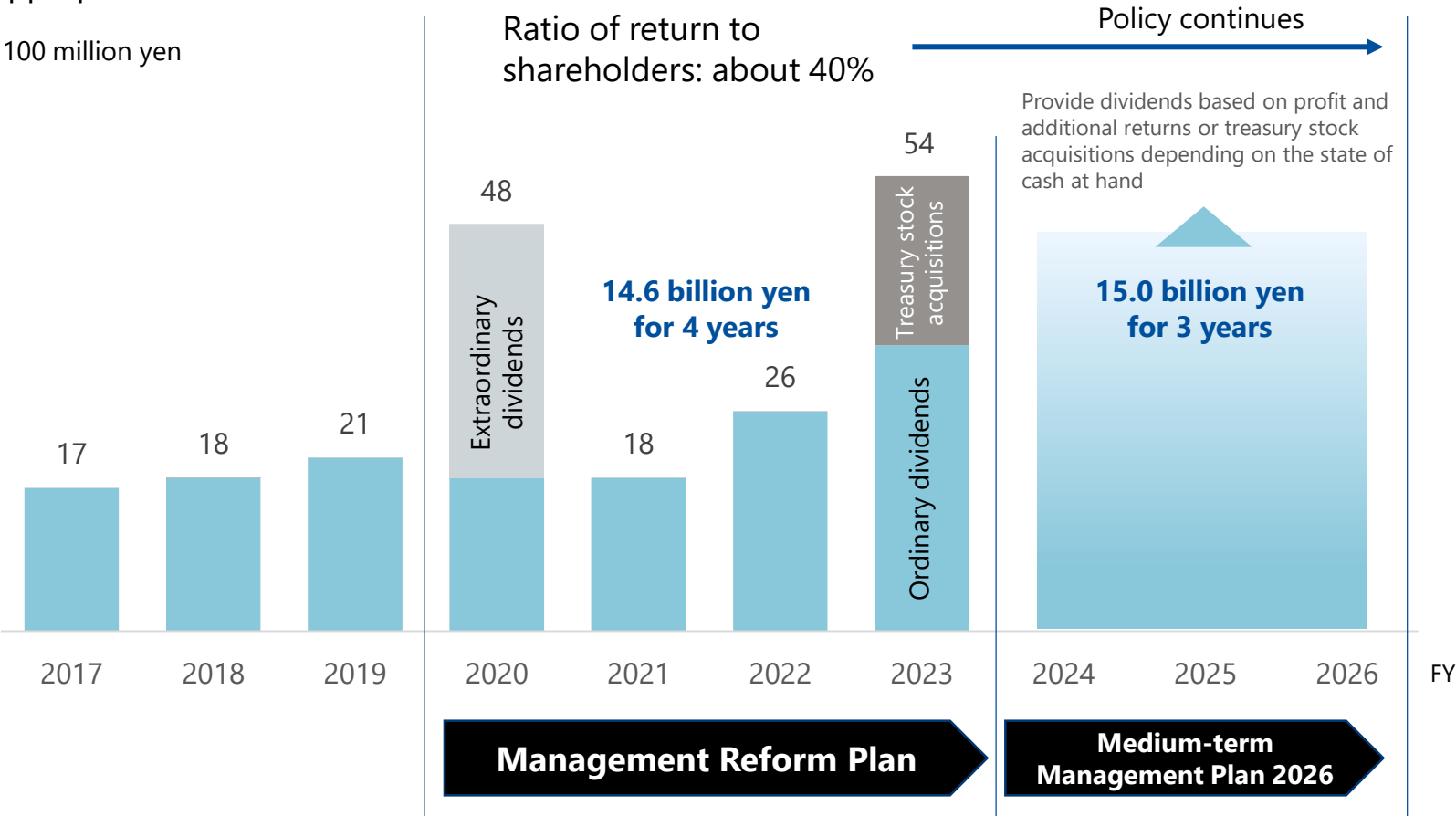




Policy of Return to Shareholders

Our basic policy is to maintain stable dividends and to distribute profits in line with business performance while strengthening our management structure to improve profitability. With regards to retained earnings, we will make strategic decisions on future business development for the purpose of continuous corporate growth, and effectively invest in production facilities, technological development, overseas expansion, and other areas. We will also continue to return profits to shareholders in an appropriate manner.

Unit: 100 million yen



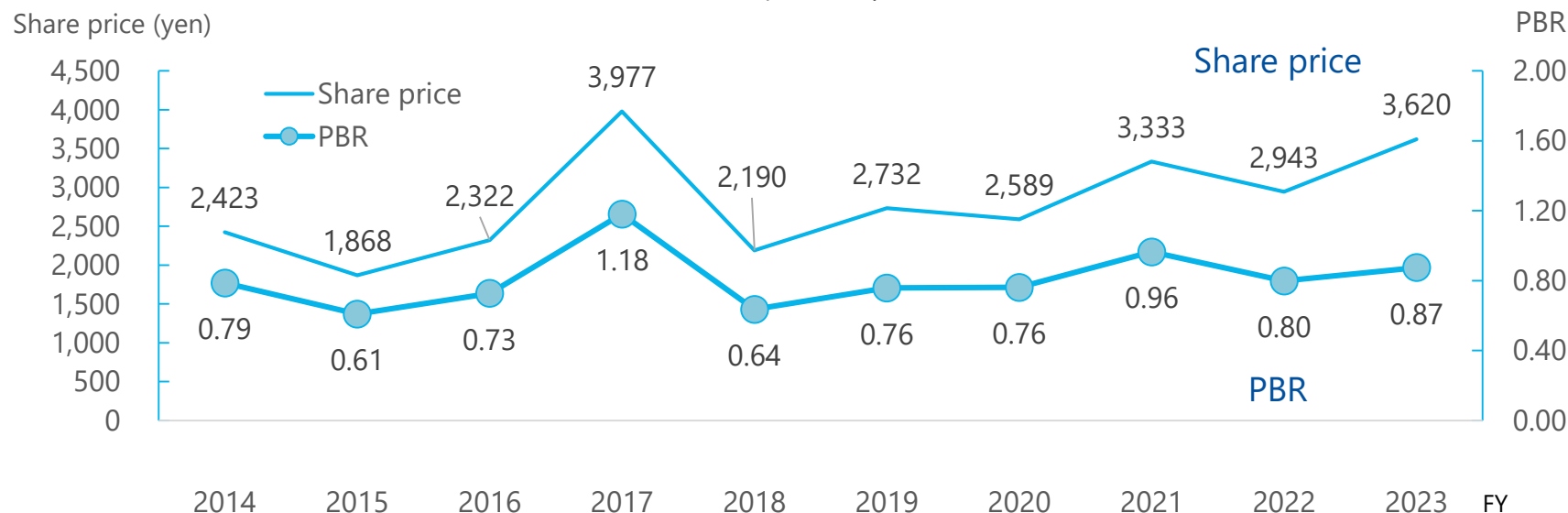
Extraordinary dividends paid in FY2020 were sourced from the proceeds of selling shares of NFT (NuFlare Technology, Inc.). Treasury stock in FY2023 was acquired in Q1, 2024 taking into consideration the ratio of return to shareholders.



Increasing PBR

■ Trends in PBR and share prices

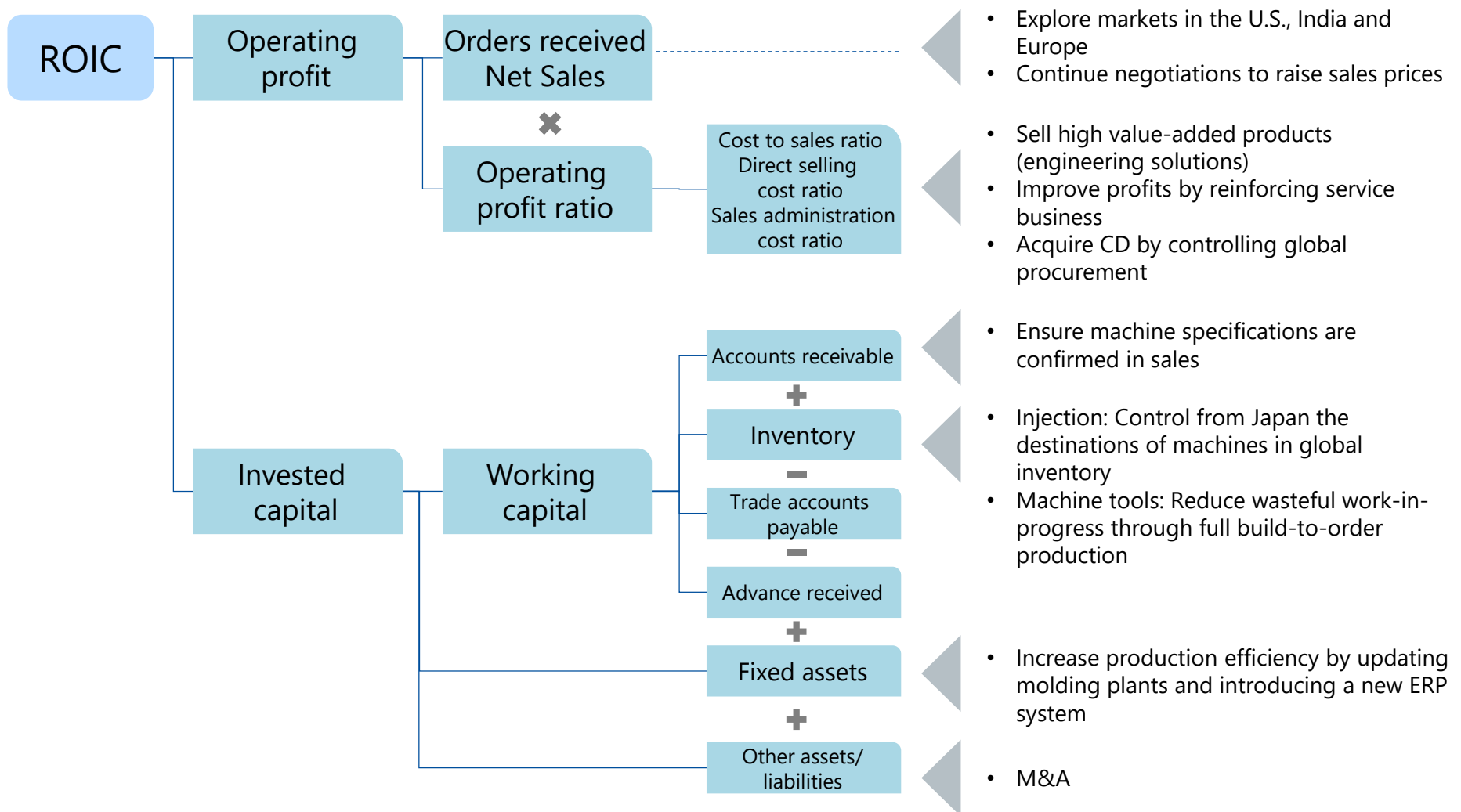
- Share prices in each FY are six-month moving average prices as of the end of March.
- The highest price in the period on the graph was 5,020 yen on July 3, 2023. (PBR 1.14)



- **Maximize overall company profits** with strict separation of “**Offensive Business**” and “**Defensive Business**” and control through management by policy.
- Improve profits and increase capital efficiency through the permeation of **ROIC tree management**. (See next page.)
- 2020: Introduced executive compensation and share compensation systems. ⇒ More **oriented to compensation linked to share prices** (Under consideration for revision).





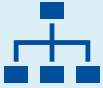
Permeation of ROIC Tree Management



Set a ROIC target for each product segment and link bonuses for managers and higher executives to business results.



ESG Management

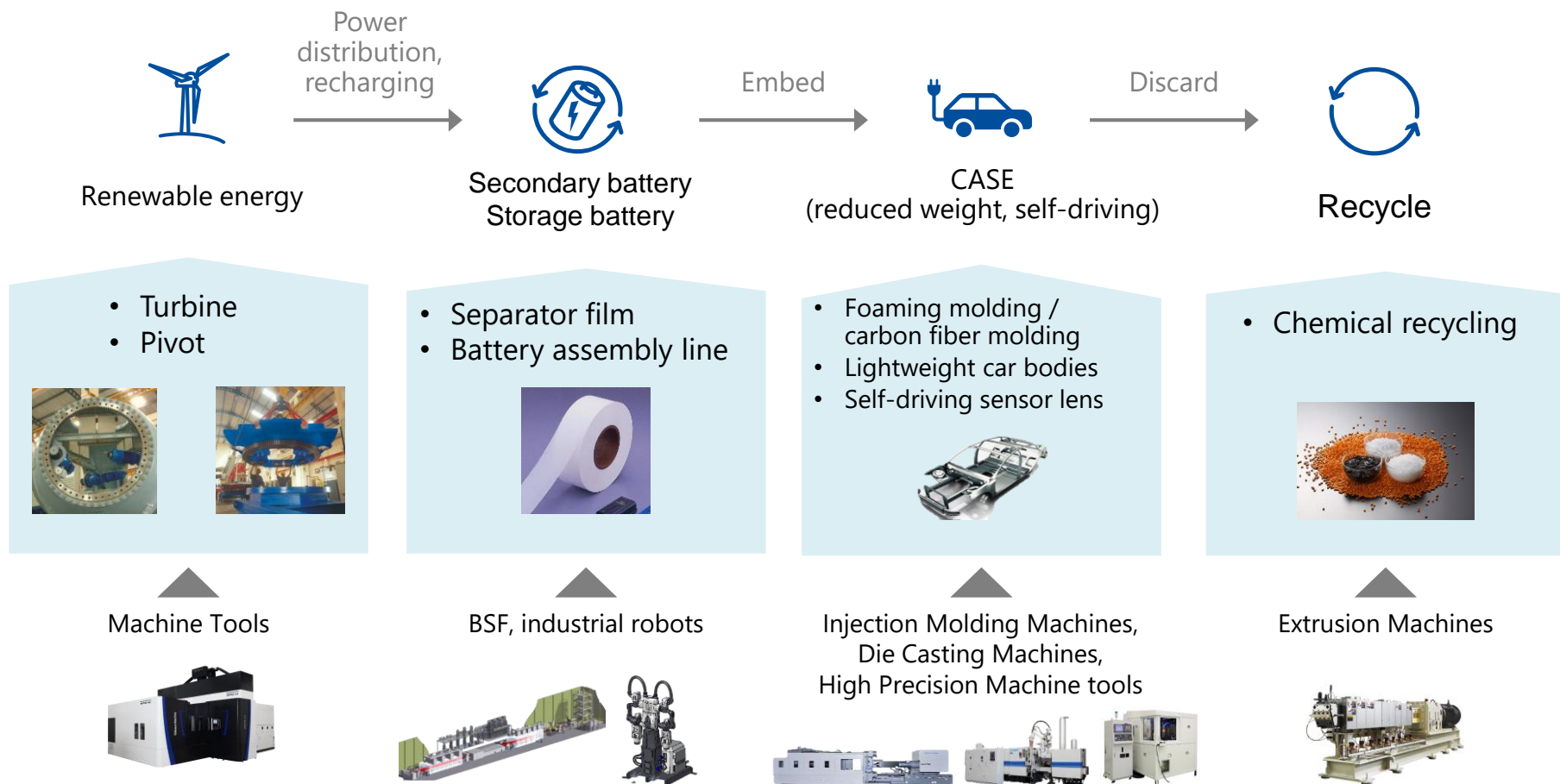
 E	<ul style="list-style-type: none">• Reduce CO₂ emission by 50% (in FY2030 compared to FY2013)• Supports TCFD (May 2023) ⇒ June 2024 Disclosure• SSBJ ⇒ June 2024 Disclosure• Improve CDP score (evaluation B or higher in 2026)• Create carbon-neutral products
 S	<ul style="list-style-type: none">• Expansion of appointment of foreigners as executive officers• Increase the ratio of female managers globally• Continuously achieve targets for the legal employment of persons with disabilities• Carry out due diligence on human rights in line with UN guiding principles on business and human rights and establish a mechanism to remedy human rights violations.
 G	<ul style="list-style-type: none">• Ratio of women on the board of directors (currently 8%* ⇒ FY2030: 30% or more) * One female director out of a total of twelve board members• Revise the executive compensation system (June 2024)



Contributions to the Global Environment (Carbon-free Society)

Shibaura Machine

Endeavor to expand business scale and increase profit margins by providing **high value-added products that contribute to the global environment**





Human Resource Strategy



Shibaura Machine

Basic policy of
Medium-term
Management Plan 2026

Timely review of business portfolio
in response to market fluctuations

... possibility of withdrawal or shrinking of business

Measures

**Facilitate the mobility of internal
human resources**

Rebuild

Personnel evaluation
system

Education of
global professionals

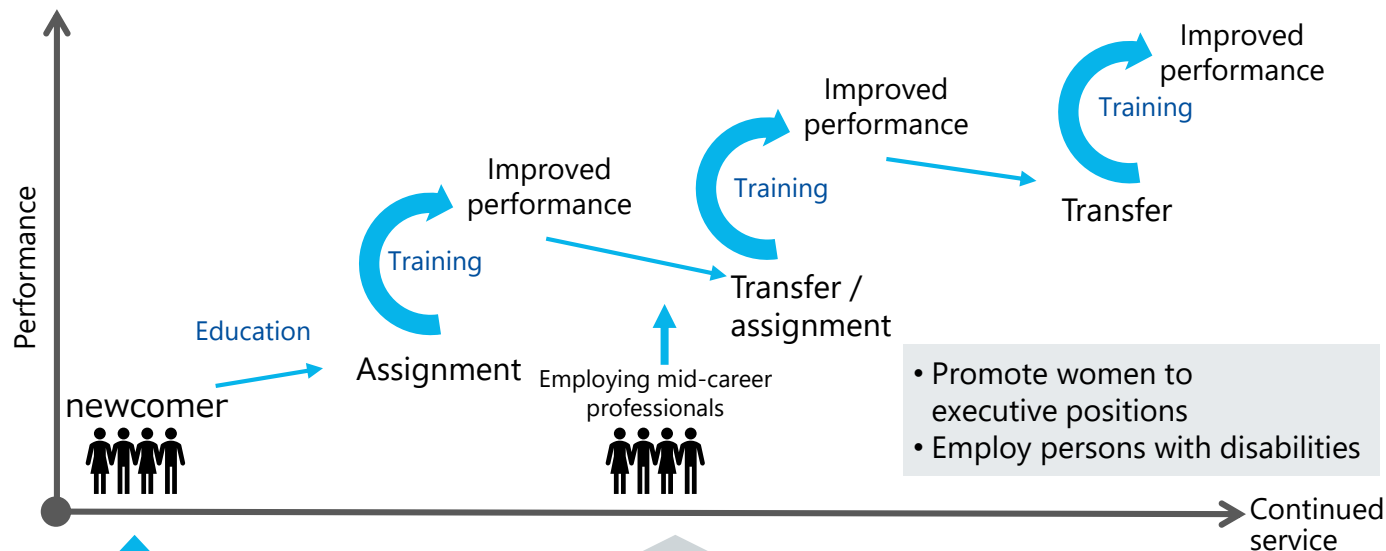
Training for
applicants

Selective training

Education by class

Education system

Recommendations on
technical qualifications



Recruitment PR

Branding

Shibaura Machine

Salary system

Retirement
allowance system

Welfare

Service years ⇒ Focusing on employee's contribution to the company

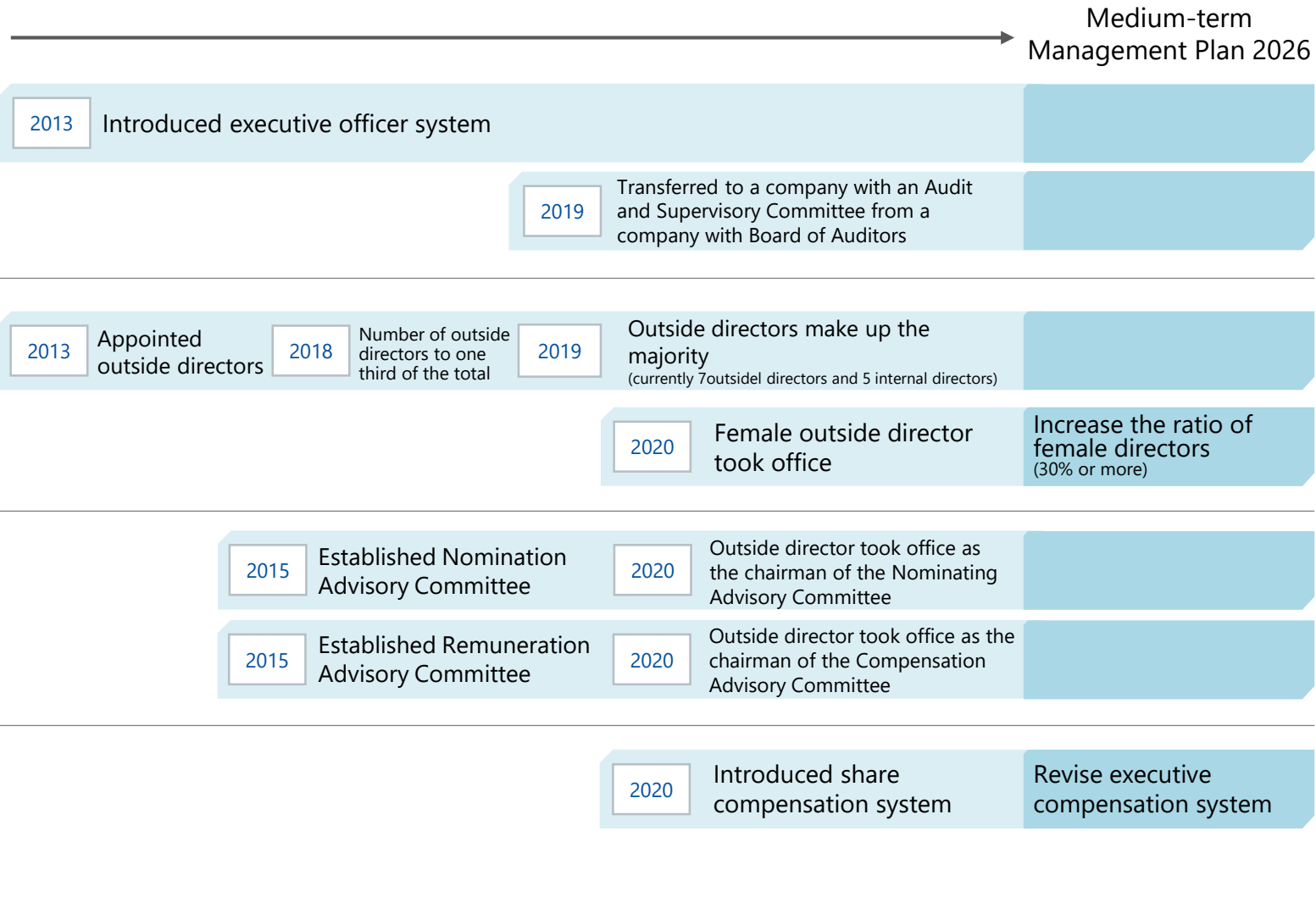
Establish and review employment base



History of Corporate Governance Reform



Shibaura Machine



Shibaura Machine

Shibaura Machine Co., Ltd.

Fukoku Seimei Bldg., 2-2, Uchisaiwaicho 2-Chome, Chiyoda-ku, Tokyo 100-8503, JAPAN

TEL (03)3509-0444 **FAX** (03)3509-0336 **URL** : <http://www.shibaura-machine.co.jp>