

Management Strategy for Future

November 16, 2022

SHIBAURA MACHINE CO., LTD.

Management Strategy for Future

- 1) Management Reform Plan and Progress Evaluation
- 2) Management Reform Plan - Tasks for FY2022
- 3) Long-term Vision

Management Reform Plan and Progress Evaluation

Framework of "Management Reform Plan"

Shibaura Machine

Quantitative Targets

Target Values
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 Reforms 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, Delivery

Investment plan/ Financial strategies

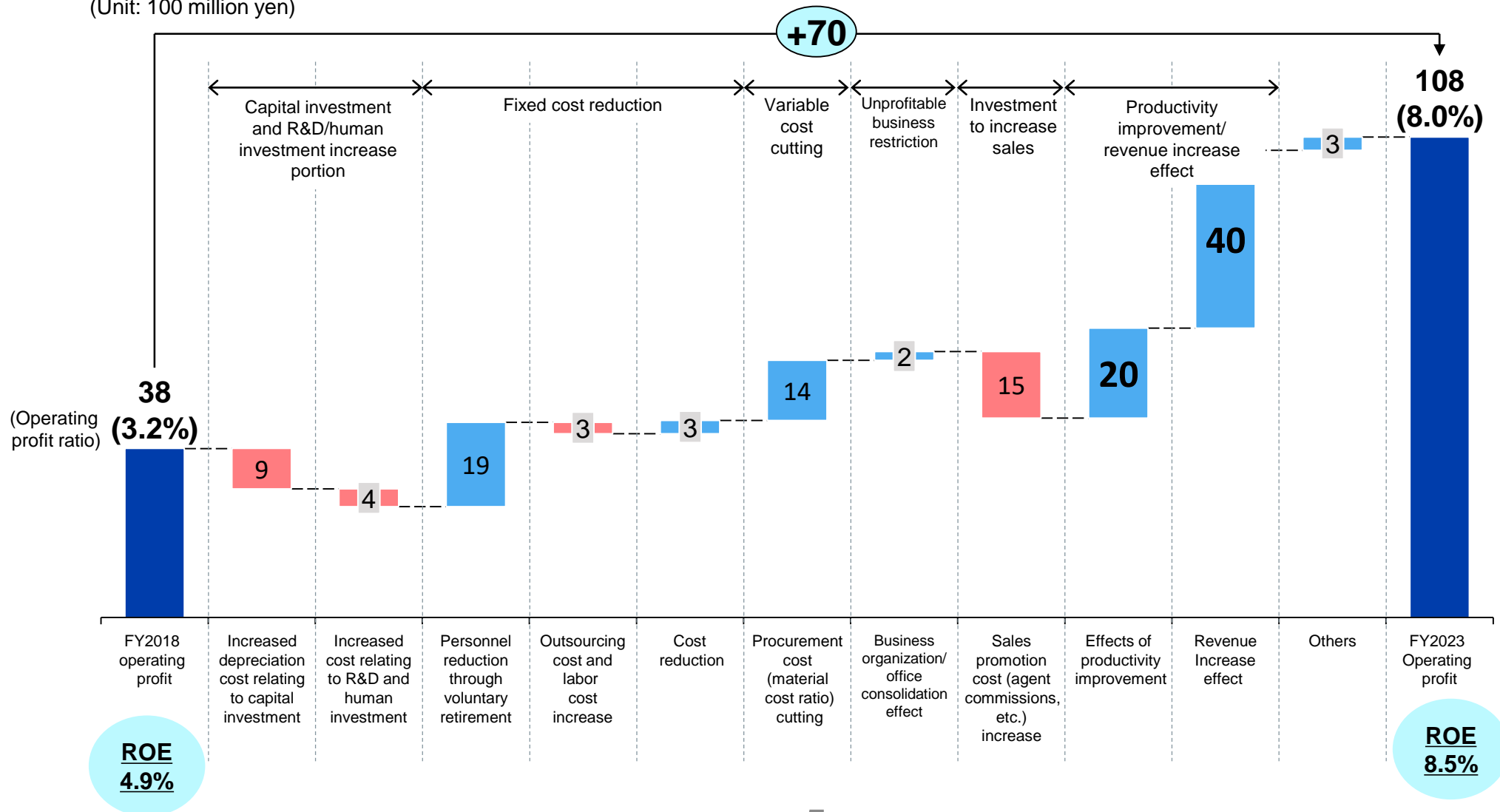
[Implement a Financial Strategies Aimed for Enhancement of Return On Equity (ROE)]

- (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)



Management Reform Plan Measures and Progress

	2020		2021		2022		2023			
	1st Half	2nd Half	1st Half	2nd Half	1st Half	2nd Half	1st Half	2nd Half		
Business reform	● Organizational reform (establishment of company system, RDC, production center)									
	● RDC (Consolidated to Sagami)		● Relocation of Head Office (Numazu to Tokyo)		● Integration of Fuji Seiki					
Business management	● Management accounting system (visualization of business management)									
	● Engineering department: New 3D-CAD system (DX)									
Human resources	● Early voluntary retirement		● New HR system (management)							
	● New HR system (union members)									
Sales reform	● Sales activity management system									
			● Closure of UK distributor		Service business Reinforcement initiative					
Plant reform	● Small injection molding machines: Shift production to overseas (Japan to China and Thailand)									
	● Relocation of injection molding machines production department (Numazu to Sagami)									
	● Shift production of general-purpose robots to overseas (Japan to China)									
	Preparation / Design / Construction									

- New plant in India starts operation
- Marshalling center starts operation
- Logistic center business starts

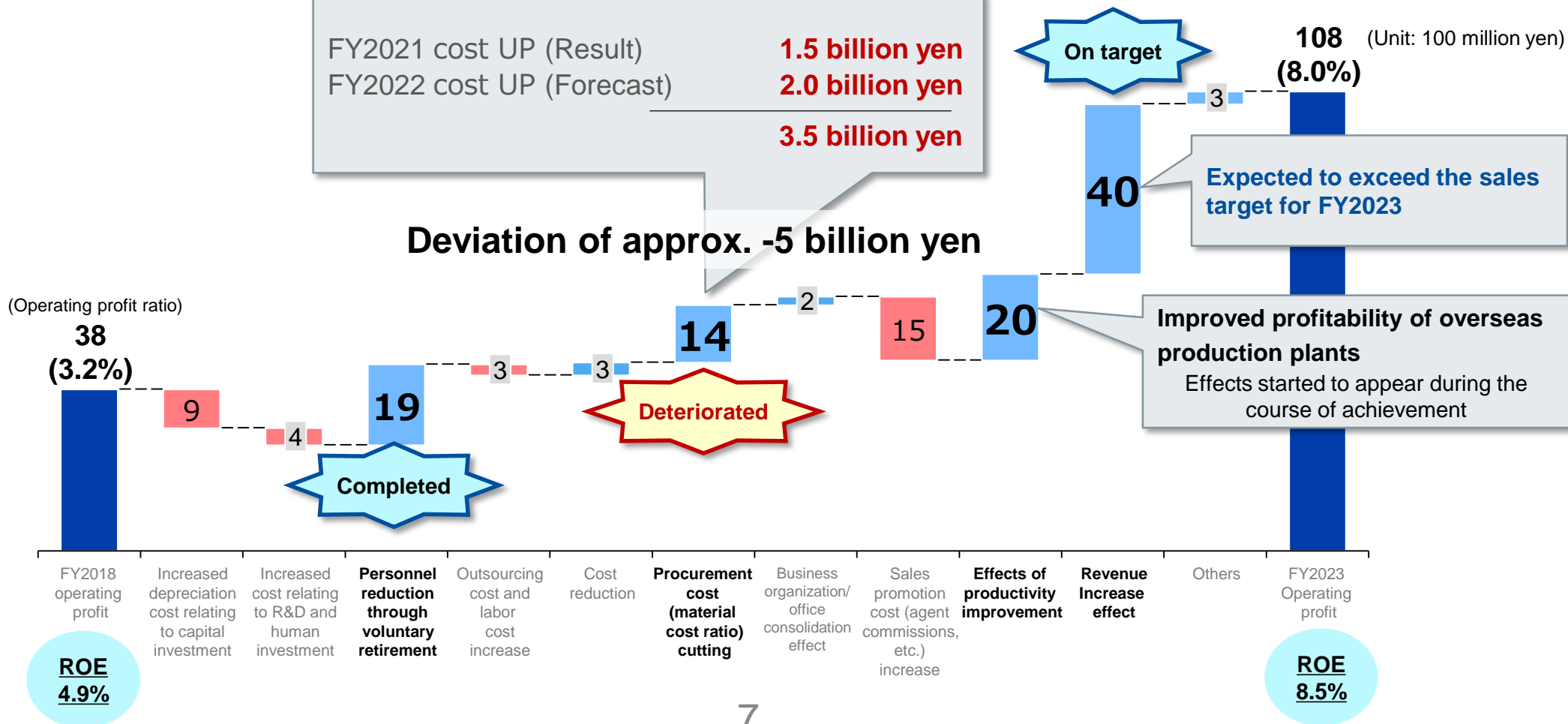
Management Reform Plan

Effects of Reform of the First Half

Progress Evaluation at of the End of First Half of FY2022

Through negotiation of higher selling prices, we aim to recover a contribution to sales up to FY2023 of **2.5 billion yen** (as of end-September 2022)

FY2021 cost UP (Result) **1.5 billion yen**
 FY2022 cost UP (Forecast) **2.0 billion yen**
3.5 billion yen

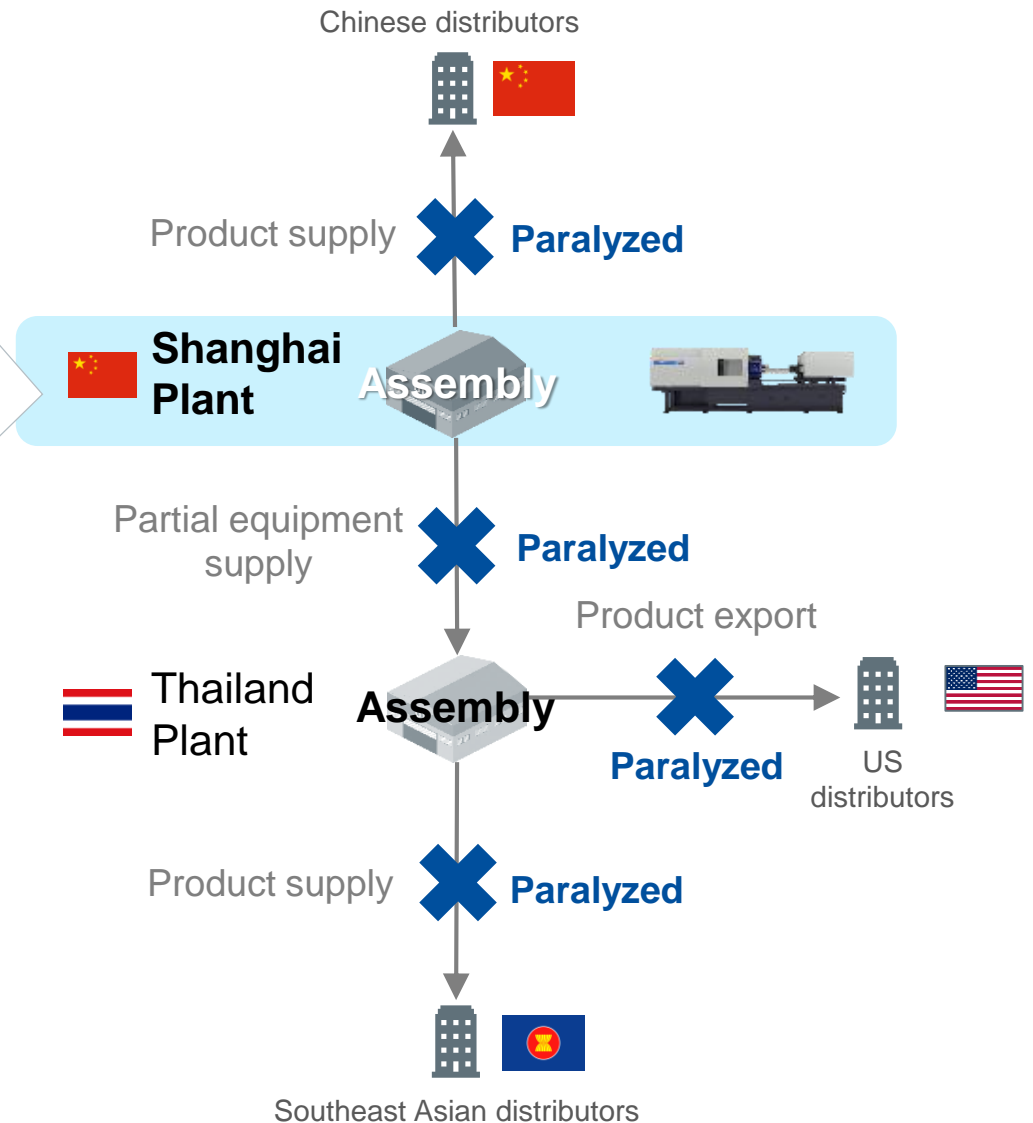
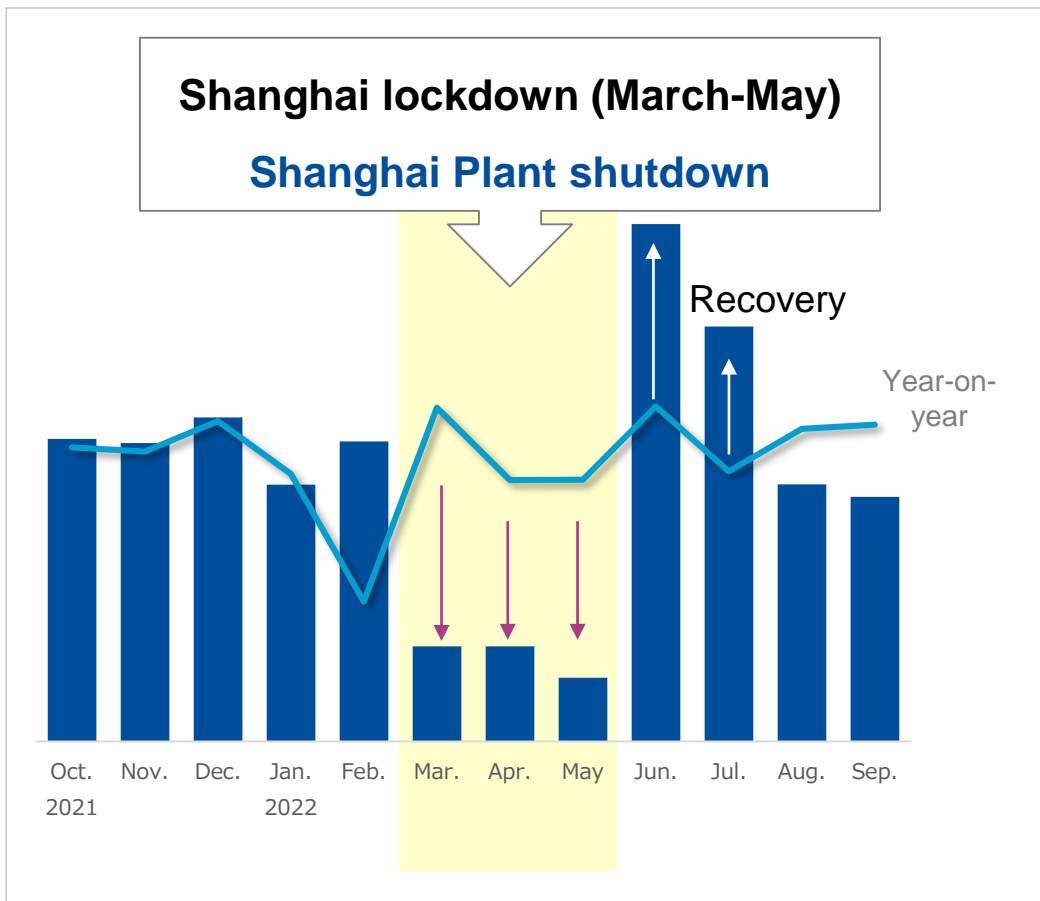


Materialized Risk in the First Half

At the start of lockdown, each sales company initially responded with its own on-hand machine inventory, but product supply routes were temporarily paralyzed after that.

⇒ Switched to direct supply from Chinese partners / Recovery beginning in June to July at Shanghai Plant

Shanghai Plant Production Output



Handling of Immediate Business Risks

Overt events	Immediate business risks	Measures
Material price hikes Procurement difficulty	<ul style="list-style-type: none"> Deterioration in profit ratio due to higher raw material costs Operational shortage and sales delay emerge while waiting for procured goods to arrive 	<ul style="list-style-type: none"> Sale price increase negotiations (negotiations for an 8% increase over FY2020 continue) Personnel shift from underutilized workplaces to extrusion machines Strengthen service business
Energy price hike	<ul style="list-style-type: none"> Increase of manufacturing costs Increase of logistics costs 	<ul style="list-style-type: none"> Improvement of productivity by promoting the use of DX Negotiation of sharing the load of the increase of logistics cost
Inflation	<ul style="list-style-type: none"> Pressure on the labor cost associated with the price rise 	<ul style="list-style-type: none"> Efficiency enhancement by reviewing work methods (control information, from sales to production and shipping information)
Weaker yen	<ul style="list-style-type: none"> Decrease in the price advantage of foreign-produced machines over competing machines made in Japan 	<ul style="list-style-type: none"> Promote local production for local consumption further by increasing the OUT-OUT weight Temporary return to Japanese production of high-value-added models Strengthen export sales of Japanese production equipment (large machine tools and high-precision processing machine tools)
Geopolitical risks	<ul style="list-style-type: none"> China risk (US-China trade friction, the Taiwan-China issue, zero-COVID policy) 	<ul style="list-style-type: none"> Shifted production from Chinese plants to Thai plants and local procurement in Thailand

Forecast for FY2022

Management Reform Plan

Plan for FY2022

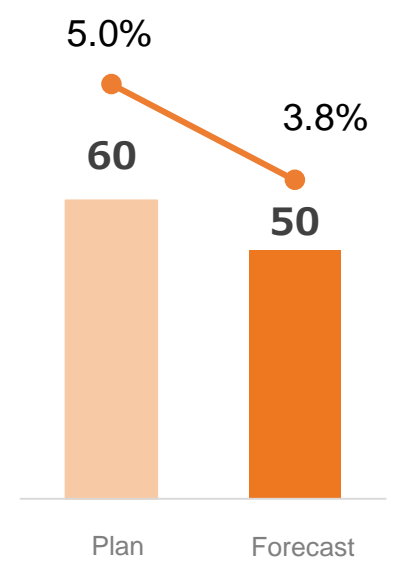
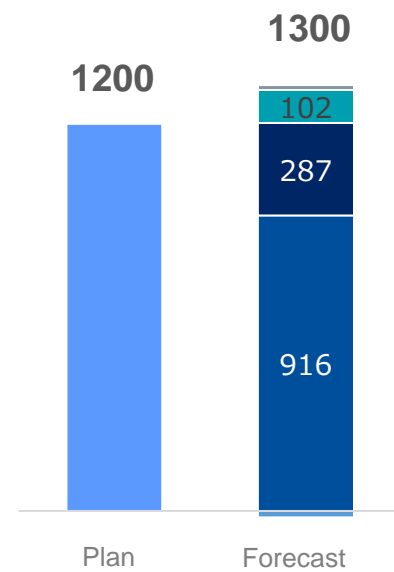
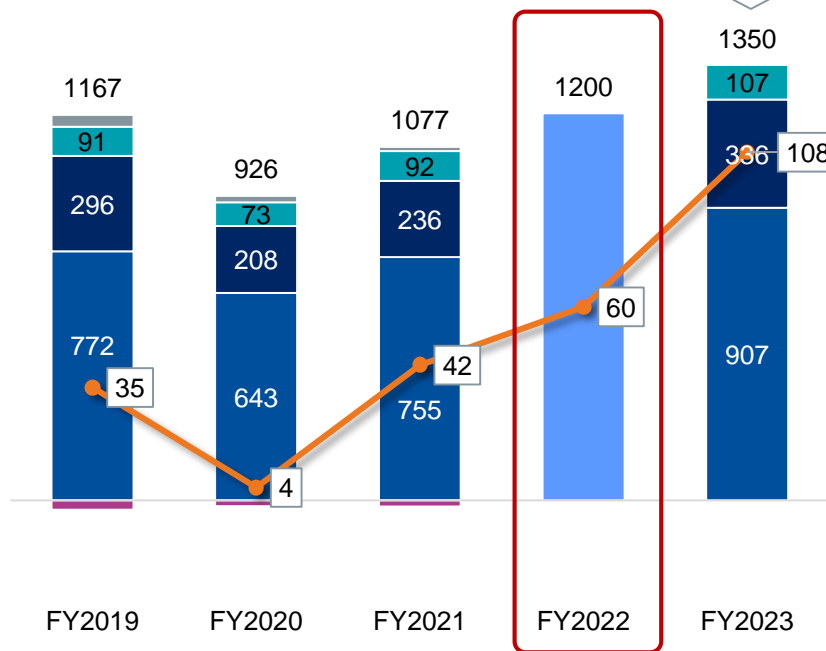
Sales: 120 billion yen
Operating profit: 6 billion yen

<Factors that worsen profit ratio>

- Further increase in procured goods and transportation costs
- Decrease in profit due to sales composition

Operating profit ratio 8.0%
ROE 8.5%

Unit: 100 million yen



Sales

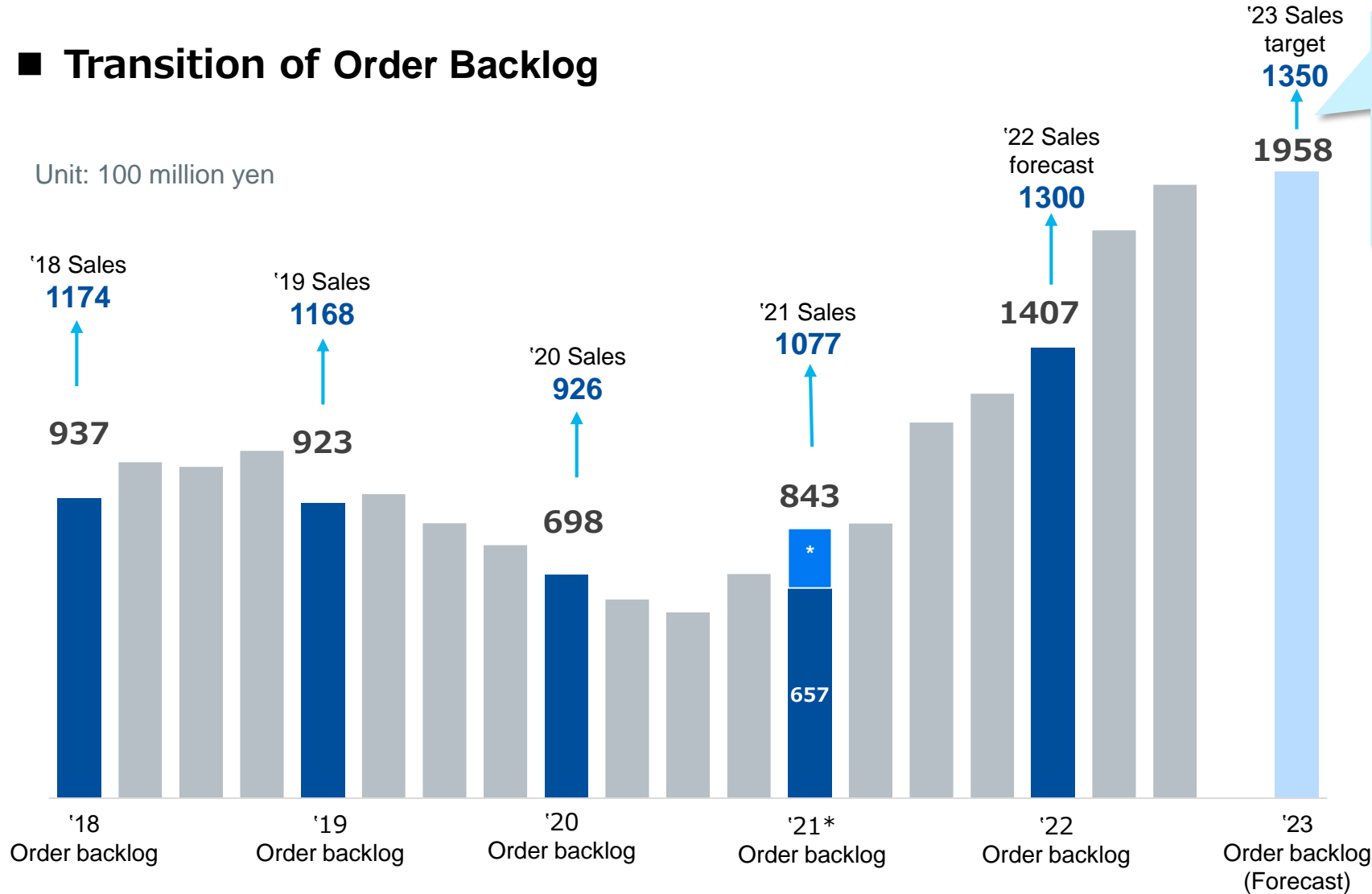
Operating profit
(Operating profit ratio)

- Metal & plastics industrial machine
- Control systems
- Elimination
- Machine tools
- Others
- Operating profit

Management Reform Plan Tasks for FY2022

Transition of Order Backlog

Unit: 100 million yen



Although the order backlog shows that the sales target will be achieved, further increase in production volume is needed to clear the profit target amid soaring material prices.






*Increase of order backlog due to the change of the revenue recognition criteria made in April 2021.

Boost production volume by all possible means to digest the backlog of orders that is at a plateau

- **Shift in policy from production tailored to customer delivery dates to production ahead of schedule**
 - ⇒ Increase production turnover in production areas
- **Uniform management of global sales and production information on general-purpose injection molding machines in Japan**
 - ⇒ To ensure that finished machines do not remain in the production area, the Japanese Headquarters will, from time to time, direct the destination of finished machines according to the delivery date specified by the overseas sales subsidiaries.
- **Shipment of 4 lines/month of extrusion BSF (production system completed)**
 - ⇒ Continued transfer of human resources from other departments
 - ⇒ Collaboration with local engineering company for machine adjustment in China
- **Start operation of new plant in India (second half of FY2023)**

Tasks for FY2022 (1) Productivity Improvement (Overseas)

Create profits by improving productivity through small variety mass production.

		FY2020	FY2021	FY2022	FY2023
 China Plant	<ul style="list-style-type: none"> • Transfer of SCARA robot production • Improvement of local procurement rate of parts and materials 		 850 units/year	Partial switch to Japan production due to Shanghai lockdown in Q1 and continued yen depreciation ⇒ Achievement of 75% of local procurement ratio, but forecast to fall below 2,000 units 3,400 units/year	4,800 units/year
 Thailand Plant	<ul style="list-style-type: none"> • Effects of increased production of electric injection molding machines • Improvement of local procurement ratio of parts and materials 	Transfer of production of 180-ton-class Injection Production 19 units/month	Transfer production of 50- to 350-ton-class Injection Production 50 units/month	Dispatch of instructors from Japan to several local suppliers to provide technical guidance on machining and casting ⇒ Completion of production system for 60 units per month Production 50 to 60 units/month	Production 60 units/month
 India Plant	<ul style="list-style-type: none"> • Consolidation of hydraulic injection molding machines • Increased production of medium to large hydraulic injection molding machines • Study production of electric injection molding machines 		Consolidated hydraulic machines 	Construction permit approval is under review by Indian government / general contractor for construction has been specified / financing policy has been decided Construction of new plant In-house machining of large structures for injection	Operation of new plant
		Acquisition of neighboring land → Plant investment plan → Construction of new plant → Operation of new plant			

Tasks for FY2022 (2)

Expansion of India Market



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

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.

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



Increased production of medium to large hydraulic machines

Exterior view of the new plant ⇒



Currently **1,200 units/year** ⇒ Plan to build a plant **capable of producing up to 4,000 units/year** in combination with the current plant
Aiming for **3200 units/year** at the start of operation

Start of production of small electric machines



Current plant's maximum monthly production is 100 units

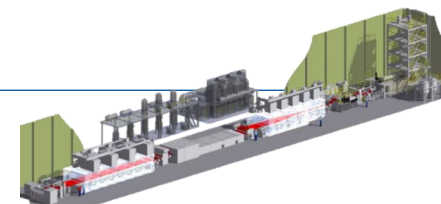


Tasks for FY2022 (3) Increase of Extrusion BSF Production

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

BSF: Battery separator film manufacturing equipment

Target 4 lines/month production



From October 2021

Production **2 lines/month***



2nd half of FY2022

Production **4 lines/month***

⇒ **Production system completed in September**

*Full line

Construction of Production System

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



Machine Tool Production Deployment Locations



September: Large crane installed
Preparation of BSF organization structure completed

Numazu No. 9 Plant

6 lines*



Numazu No. 15 Plant

2 lines*



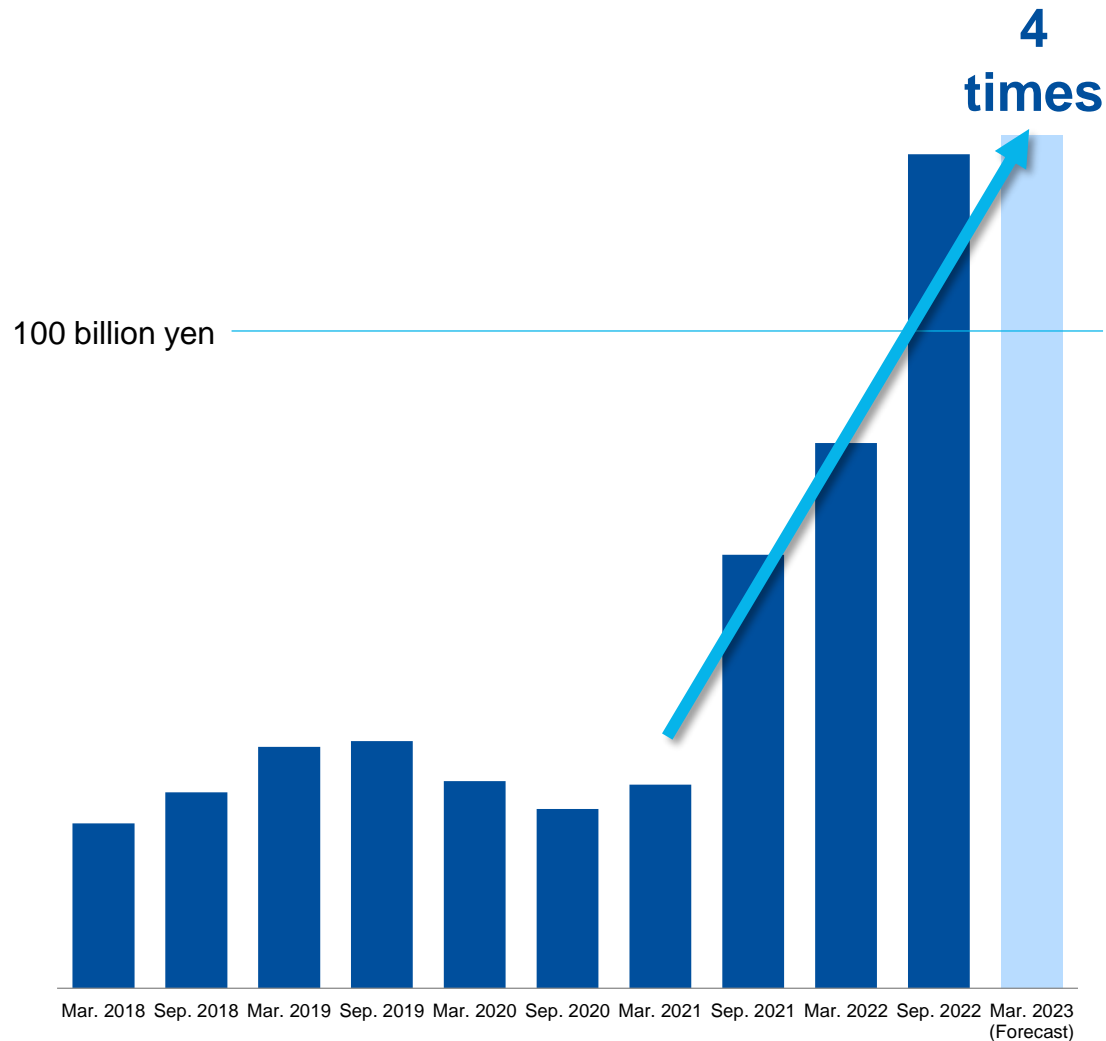
Gotenba No. 1 Plant

4 lines*

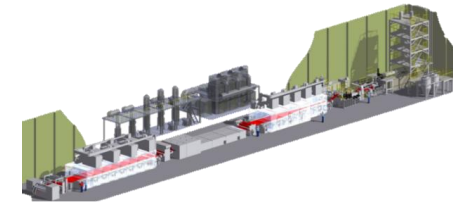
The strength of our company is the ability of providing **high-precision products (thin and uniform) from our full engineering line.**

Tasks for FY2022 (3) Increase of Extrusion BSF Production

■ Order Backlog of Extrusion (including equipment other than BSF)



BSF: Battery separator film manufacturing equipment



Current: 4 lines/month



**Planning for production system
capable of 6 lines/month***

(from FY2024 onward)

* Rather than restricting ourselves to achieving the 6 lines on our own, we aim for early realization by utilizing every possible means, including the use of subcontractors.

Tasks for FY2022 (4) Capital Investment

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"> Profit creation by the effective use of company assets 				
Sales service	<ul style="list-style-type: none"> Expansion of the service business by DX utilization 				
Technology	<ul style="list-style-type: none"> Use of DX to eliminate redo work of development and design (Productivity improvement) 				
Production (Domestic)	<ul style="list-style-type: none"> Realization of the sales achieved by the high precision machine tools to the 10-billion-yen scale Reorganization of Numazu plant 				
Production (Overseas)	<ul style="list-style-type: none"> Capture demand in the expanding India market 				

Total investment of the above amounts to about 23 billion yen

Long-term Vision

Business Portfolio Strategy (Long-term Vision)

Basic Policy	High-value-added/Market Expansion Areas		Reduce/withdraw		
	New	Expand/enhance			
Machine Tools Company Focus on specific domains by model selection <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"> • Multifunction machines • Ceramic cutting machines 	<ul style="list-style-type: none"> • Large machines • Special, dedicated machines • Ultra-precision processing machines 	Digital transformation	<ul style="list-style-type: none"> • Small and general-purpose machines 	
Molding Machine Company Injection and die casting → Expand local production for local consumption overseas <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 2px;">Automobiles</div> <div style="border: 1px solid black; padding: 2px;">Resource conservation</div> </div> Extrusion machines → Business expansion through investment <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <div style="border: 1px solid black; padding: 2px;">Energy</div> <div style="border: 1px solid black; padding: 2px;">Devices</div> </div> <div style="border: 1px solid black; padding: 2px; margin-top: 5px; width: fit-content; margin-left: auto; margin-right: auto;">New materials</div>	<ul style="list-style-type: none"> • System engineering 	<ul style="list-style-type: none"> • Injection molding machines • Die casting machines 		<ul style="list-style-type: none"> • Domestic production of standard hydraulic machines 	
Control Machine Company Specialize in external sales. Strengthen system engineering. <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <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"> • Dissimilar material joining machines 	<ul style="list-style-type: none"> • High-pressure continuous press (batteries, etc.) • Reactive extrusion machines (biomass, etc.) 		<ul style="list-style-type: none"> • Extrusion machines 	<ul style="list-style-type: none"> • Conical-type extruders
New Business Establish technology for adding new functions via surface structure control <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <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"> • Collaborative robots • AMR 	<ul style="list-style-type: none"> • Robots • Servo motors, controllers 		<ul style="list-style-type: none"> • NC, controllers (utilizing of external alliances) 	
	<ul style="list-style-type: none"> • Film casting equipment: Electronic circuit market (next-generation communications) • Coaters: High-performance films, devices market (batteries, ceramic capacitors, optical components, etc.) • Imprint equipment: Water purification and sterilization market (Deep-UV LEDs) 				

R&D Orientation



Environmental Burden Reduction

Through Products

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

- New injection molding machine (under development)

Energy-saving products

- High-shear processing machines

Materials recycling



Creation of High-Quality Products

Through Technological Innovation

Promotion of SHIBAURA DX
Achievement of the 99.7% perfection level in virtual space

- Metal 3D additive manufacturing system

Technology catch-up for repair applications on aircraft parts and industrial machinery parts



Exhibits at JIMTOF2022

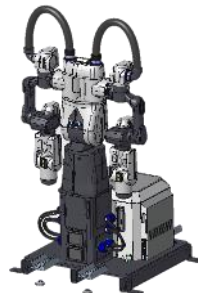
Optimal Production Lines Enabled by Automation

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

- Engineering solutions

- Autonomous mobile robots (AMR)

- Collaborative robots



Exhibits at Robot Technology Japan

Natural Energy Dissemination

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

- New double column-type machine tools

Support for offshore wind and hydrogen gas turbines



Exhibits at JIMTOF2022

Shibaura Machine

SHIBAURA MACHINE CO., LTD.

2-2, Uchisaiwaicho 2-Chome, Chiyoda-ku, Tokyo 100-8503, Japan
TEL +81-3-3509-0444 FAX +81-3-3509-0333 URL: <https://www.shibaura-machine.co.jp/>