

Management Strategy for Future

May 22, 2023

SHIBAURA MACHINE CO., LTD.

Management Strategy for Future

- 1) Management Reform Plan and Progress Evaluation
- 2) Management Reform Plan - Tasks for FY2023
- 3) Next Medium-Term Management Plan

Management Reform Plan and Progress Evaluation

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

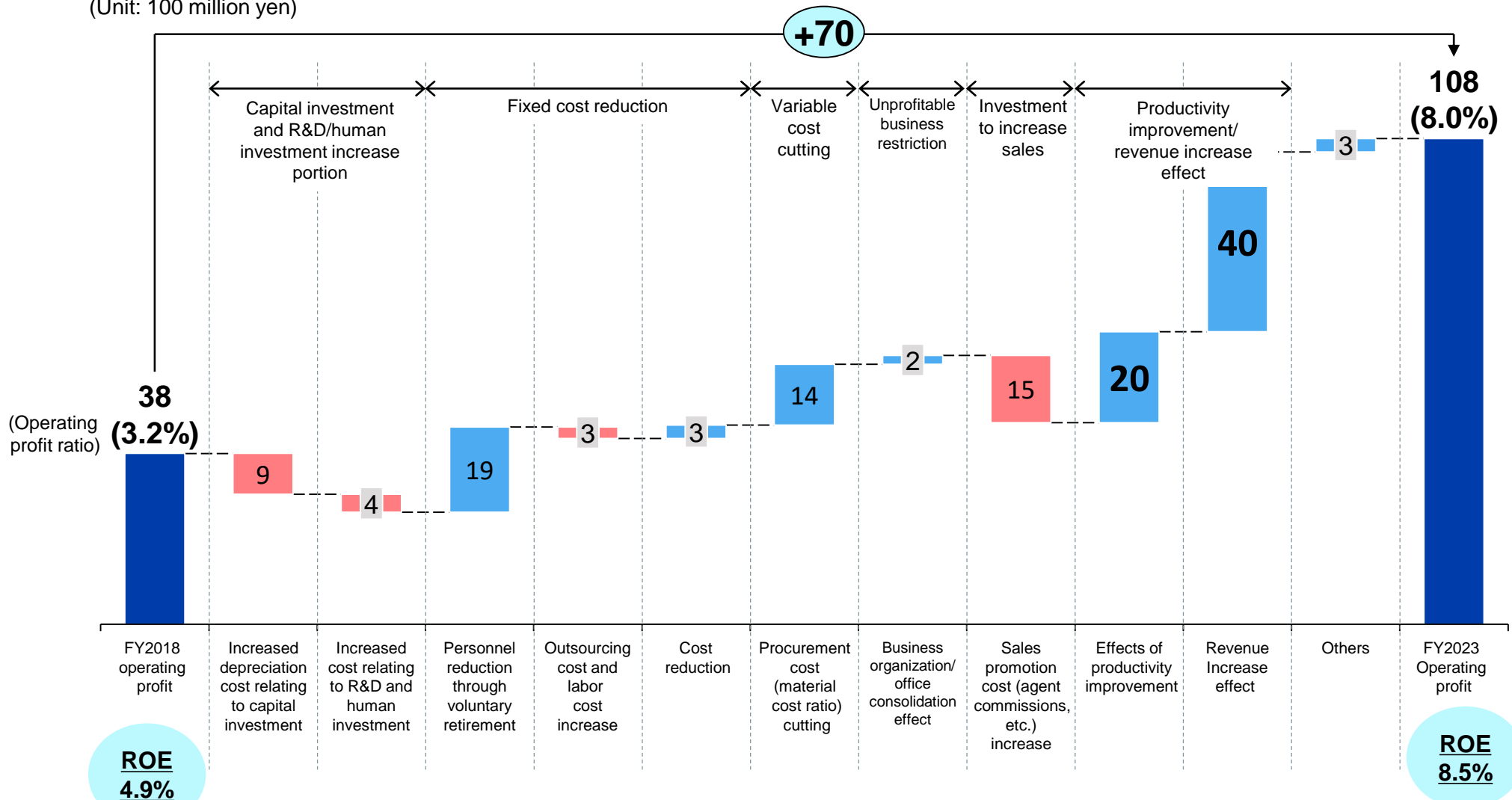
[Implement a Financial Strategies Aimed for Enhancement of Return On Equity (ROE)]

- (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 centering 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)									
	<div style="display: flex; align-items: center;"> <div style="flex: 1; border: 1px solid black; background: linear-gradient(to right, transparent 49%, #0056b3 49%, #0056b3 51%, transparent 51%); position: relative; height: 20px;"> Preparation / Design / Construction </div> <div style="margin-left: 10px;"> <p>○ New plant in India starts operation</p> <p>○ Logistic center business starts</p> </div> </div>									

Management Reform Plan's Evaluation (At End of 3rd Year)

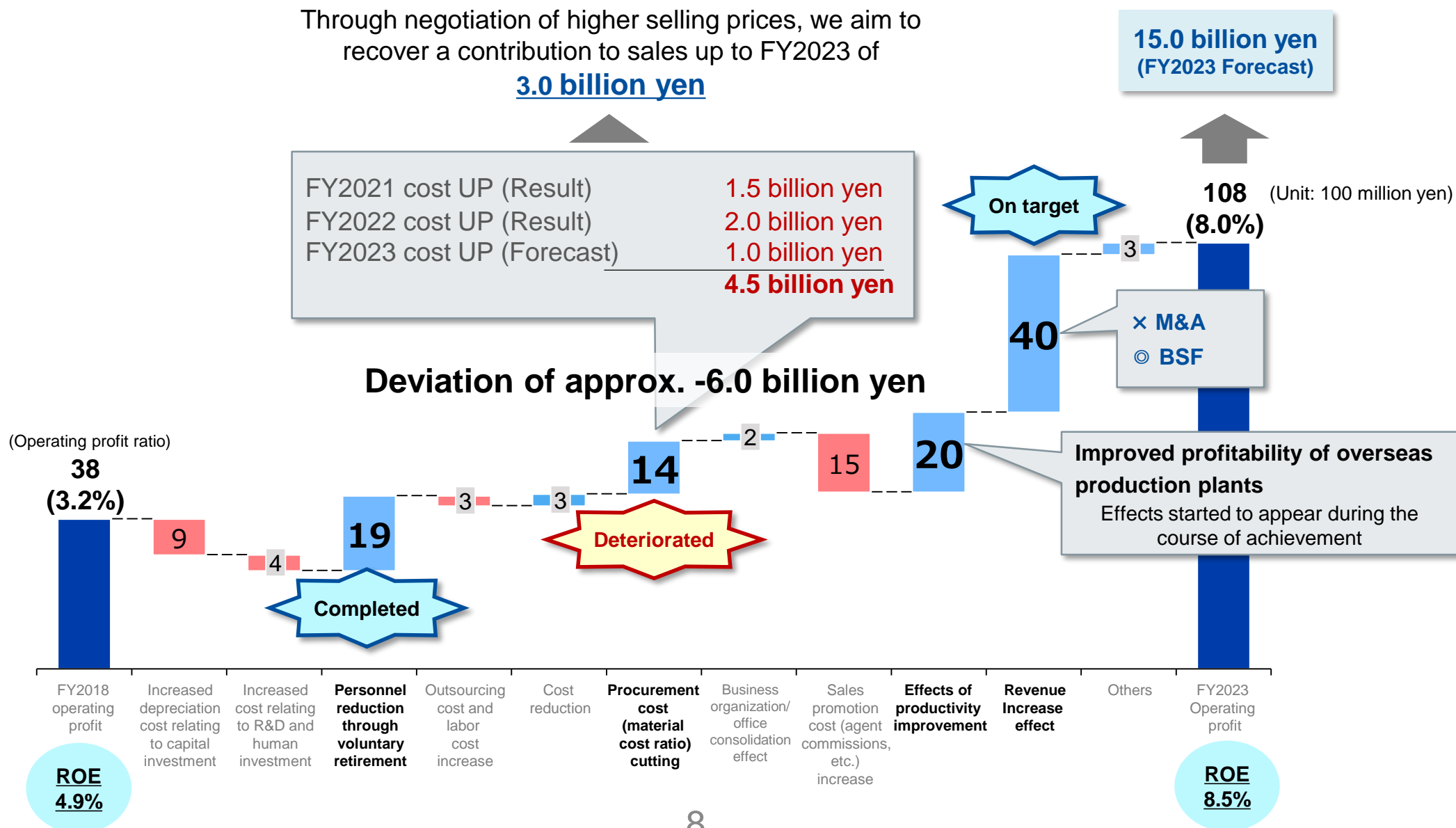
	management reform measures	Progress evaluation (at end of 3rd year)	
		Fast as planned	Slower than planned
(1)	Company system (Reorganization)	<ul style="list-style-type: none"> • Nurture sense of unity, reduce overlapping tasks • Subsidiary reorganization 	<ul style="list-style-type: none"> • Integrate injection molding and die casting businesses completely (for only manufacturing departments)
(2)	Improvement of production efficiency and QCD	<ul style="list-style-type: none"> • Different plants in and outside Japan used for different models 	—
(3)	Optimal resource allocation Fixed cost reduction	<ul style="list-style-type: none"> • Early Voluntary retirement program • Relocate personnel to extrusion machine business 	—
(4)	Growth investment	<ul style="list-style-type: none"> • New plant in India (starts operations in latter half of 2023) • DX investment → <u>Gain to be reaped from now</u> • Capital investment to boost extrusion machine production 	<ul style="list-style-type: none"> • M&A: Talks held with multiple enterprises, leading to no successful contracts → <u>Negotiations to be held continuously</u> • Numazu Plant's reorganization → Delayed with more priority given to boosting extrusion machine production
(5)	Financial strategies	<ul style="list-style-type: none"> • Logistics (utilize plant grounds) • Sell off unused recreational facilities for employees 	—
(6)	Other	<ul style="list-style-type: none"> • Extrusion machine business (BSF)'s growth 	<ul style="list-style-type: none"> • Delayed sales, production in COVID-19 • Surging procurement costs → Impact detailed on next page

Management Reform Plan

Effects of Reform for progress

Progress Evaluation at of the Year Ended March 31, 2023

Through negotiation of higher selling prices, we aim to recover a contribution to sales up to FY2023 of **3.0 billion yen**



Management Reform Plan Tasks for FY2023

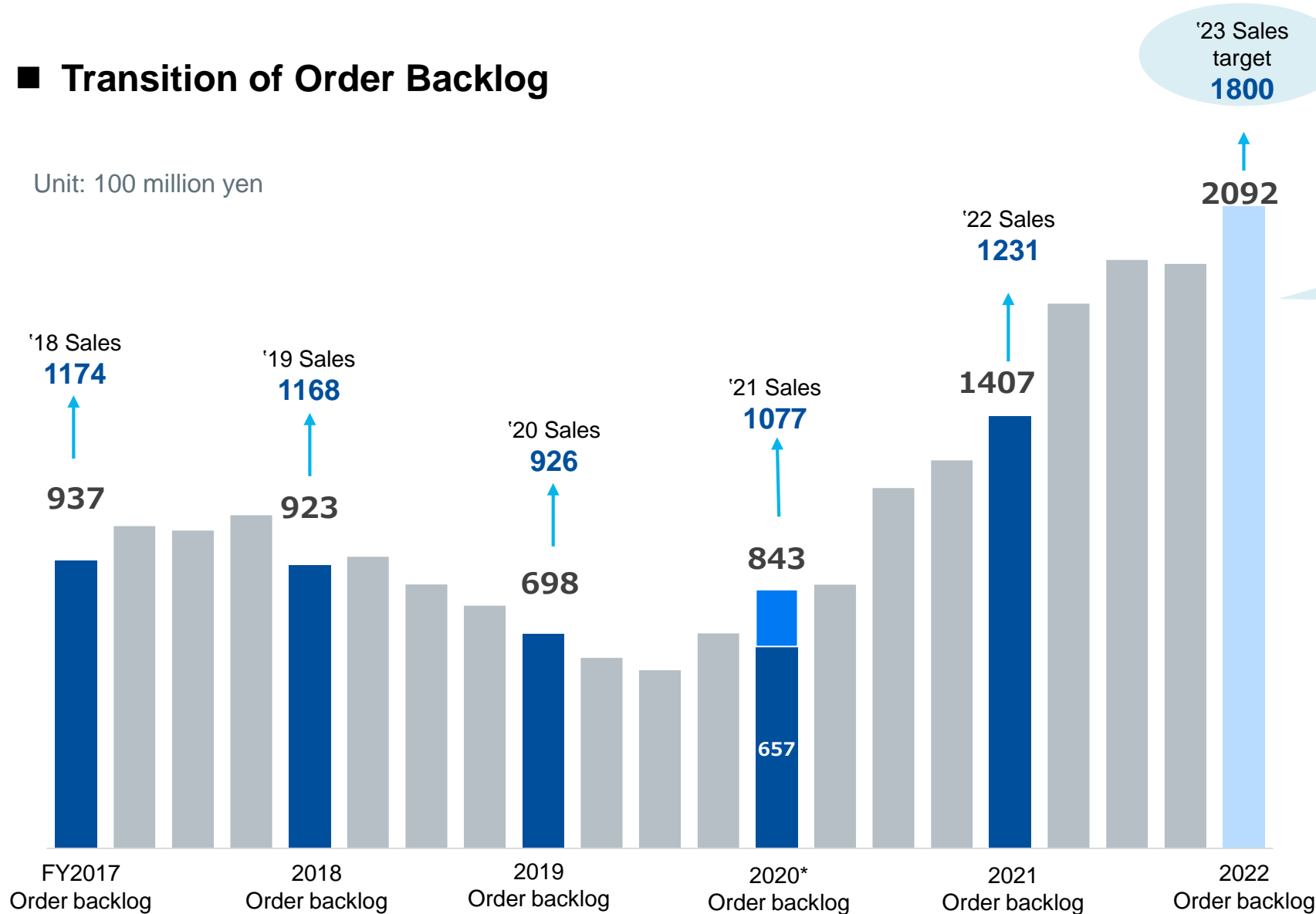
Probability for Sales Achievement for FY2023

Shibaura Machine

Expected to achieve the target of 135 billion yen due to increase in extrusion machines sales

Transition of Order Backlog

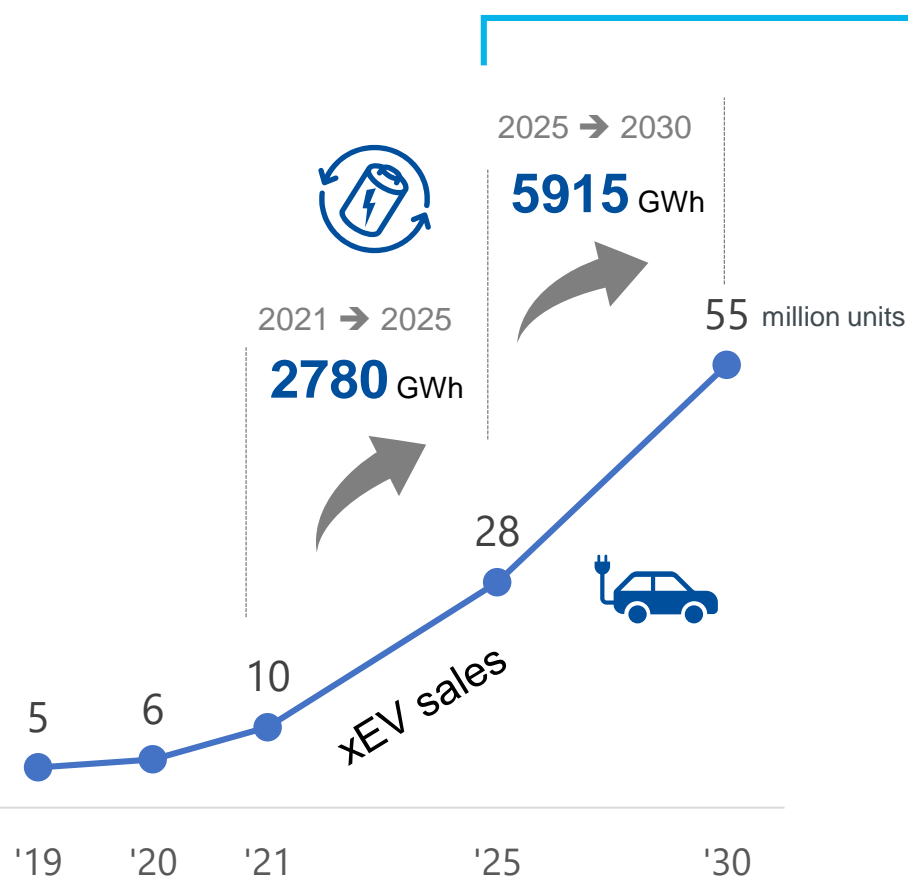
Unit: 100 million yen



Of which, 154.4 billion yen is for extrusion machines

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

■ Prediction of car-mounted LiB capacity improvement



xEV sales forecast is quoted from Fuji Keizai Co., Ltd.(2022.8).

■ BSF sales prediction

Total car-mounted battery capacity estimated at **7300 GWh** for 2023-2030 period

Capacity per BSF line
100 million m²/year = **8 GWh/year** (capacity, yield rate taken into account)

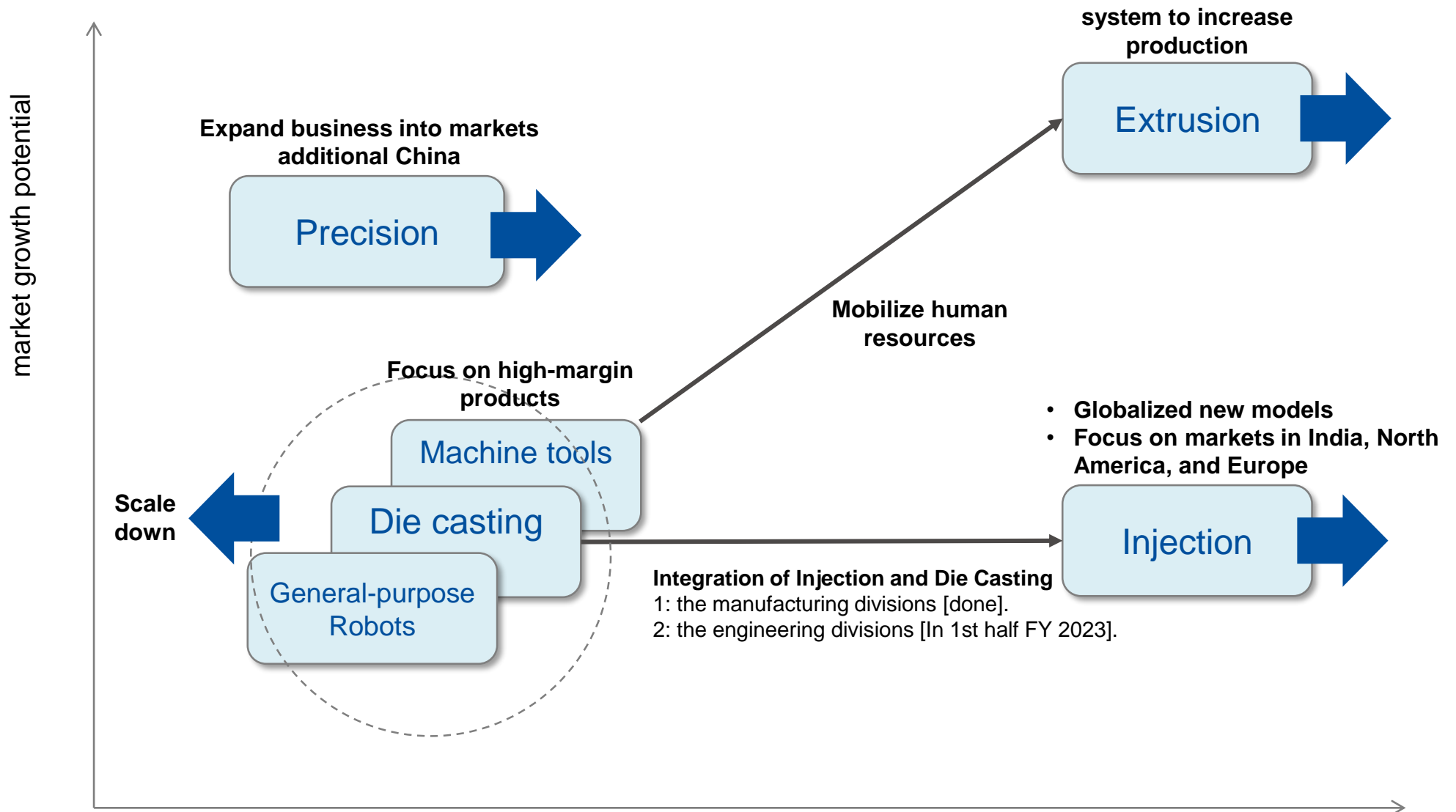
Needed unit number for FY2023-2030 period: about **912 lines** (about **115 lines/year**)

Current production capacity to be up from **4 lines** to **6 lines** (48 lines/year → **72 lines/year**)
Form alliance, framework by end of FY2024

Secure annual **sales of 100 to 150 billion yen** through 2030

Demand expected to grow in 2030 or later, too, given that more **EVs, power storage stations**, and other facilities are introduced under decarbonization trend

Structural Reform of Existing Businesses



Injection : Injection molding machines
 Die casting : Die casting machines
 Extrusion : Extrusion machines
 Precision : High-precision machine tools

Expansion of India Market (Injection molding machines)

Shibaura Machine



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 several years time.



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

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

Start of production of small **electric machines**



Mid-April 2023 timeframe
(Construction begins)



Starts operation
in 2nd half FY 2023

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

Progress of Investments (for operations in FY2023)

■ India plant (new)



Starts operation in 2nd half FY 2023

■ MFLP Zama(Sagami logistics center)



Starts business in 2nd half FY 2023

■ India plant (Component processing facility for injection molding machines)

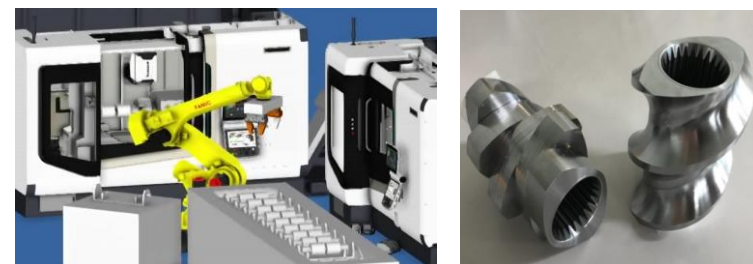


BM-1000Q

4 units to start operation in 1st half FY 2023
(2 of them are in operation)

■ Component processing facility for LiB separator film production lines

Screw element processing equipment



Starts operation in 2nd half FY 2023

Vertical start-up of capital investment projects to help increase profits in FY2023

Shibaura Machine Group Solution Fair Oct. 31 (Tue.) - Nov. 2 (Thu.)

-- Aim to realize a resource recycling society connected by advanced technologies --
 “Sustainability, circular economy and digitization”

1) Commitment to **EVs (CASE)** and other relevant fields that play part in **GX**



	Category	Abstract	I	D	E	M	P	C
1	Secondary battery	Battery cover, separator, battery assembly process		●	●			●
2	Car body, interior/exterior design	Biomass plastic, composite material, aluminum welding	●	●	●	●		
3	Drive system	Motor cover and the like		●				
4	Self-driving technology	Sensors (lenses), electric control system (CASE)					●	●
5	Electric power	Power storage, wind power generation, smart grid			●	●		●
6	FCV	Separator, electrode, hydrogen infrastructure facilities			●	●	●	●

2) Pursuing **sustainability with DX**

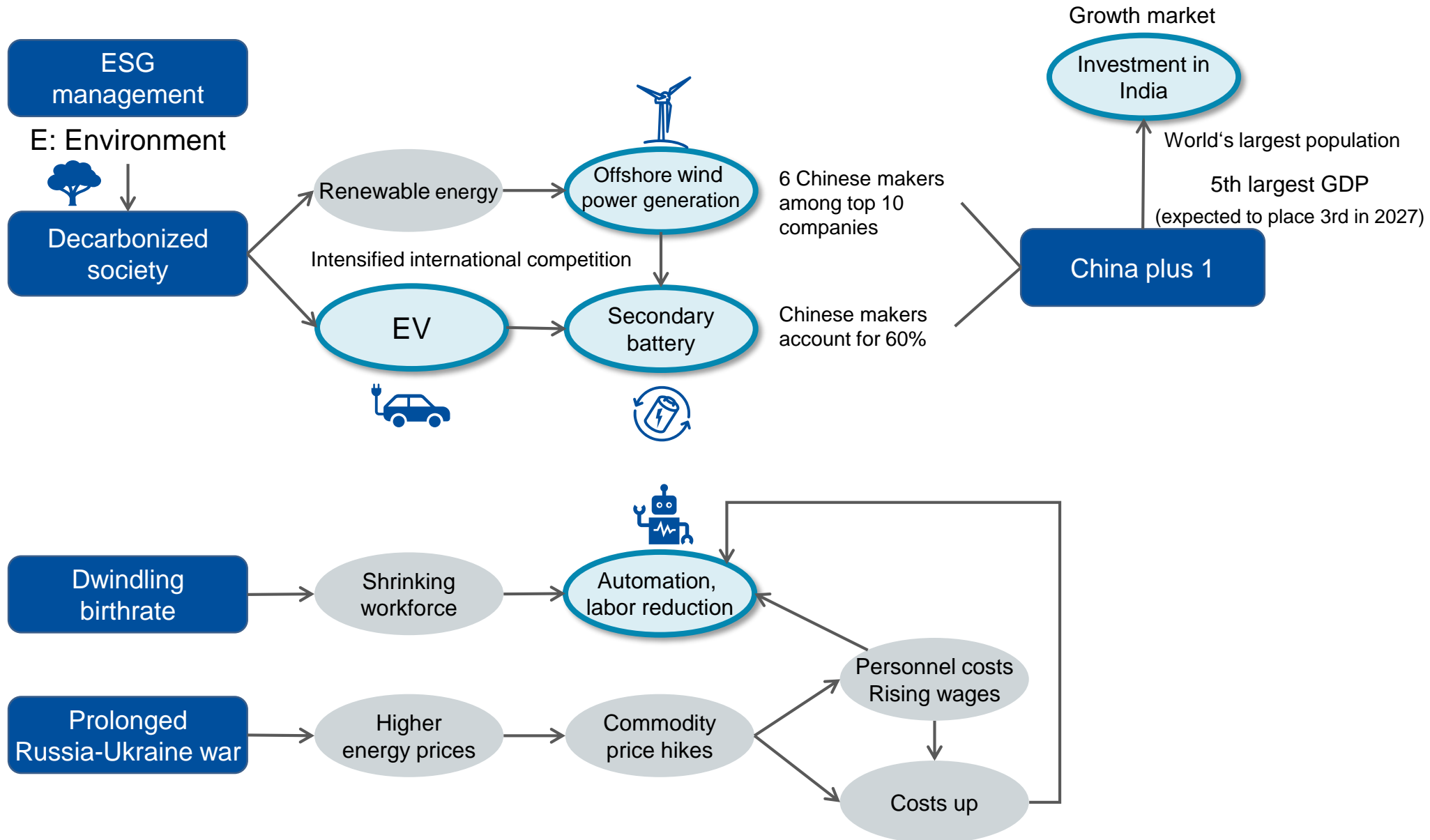
Systematize exhibited machines and **propose high-value-added solutions for customers** by utilizing IoT

I : Injection molding machines
 D : Die casting machines
 E : Extrusion machines
 M : Machine tools
 P : High-precision machine tools
 C : Control systems

Next Medium-Term Management Plan(from FY2024)

*The next medium-term management plan is currently being formulated and is not yet finalized.

Megatrend



* Light blue sections in thick circles represent fields where our Group has chance of expanding our presence or profit

Business domain falls mainly into **E** (environment)



Power distribution,
recharging



Embed



Discard



Renewable
energy

Secondary battery
Storage battery

CASE
(reduced weight, self-driving)

Recycle

- Turbine
- Pivot



- Separator film
- Battery assembly line



- Foaming, carbon fiber molding
- Reduced body components' weight
- Sensor lens for self-driving technology



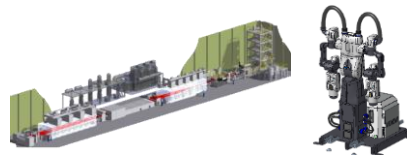
- Chemical recycle



Machine tools



BSF, Robots



Large injection molding machines, die casting machines
High-precision machine tools, control systems



Extrusion machines



Expand business and improve profitability via offering **high-value-added products to contribute to better global environment**

Response to Auto Industry Trend

Reduce CO₂ emissions

EV

China

Europe

- Promote **EVs** as part of national policies to be **game changer**
- Move to **make engine-relevant technologies obsolete**
- Japanese cars driven out of market?

Struggle for supremacy

New fuel-powered car

Hydrogen engine car

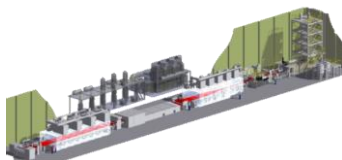
Europe (such as Germany, Italy)

Japan (partially)

- Do not want others to be **game changer**
- Want to maintain **engine technologies' superiority**
- Want to protect **employment for affiliated and partner companies**

Demand for **batteries** ↑

Expand BSF



Continuous **engine** use →

Constant demand for die casting machines

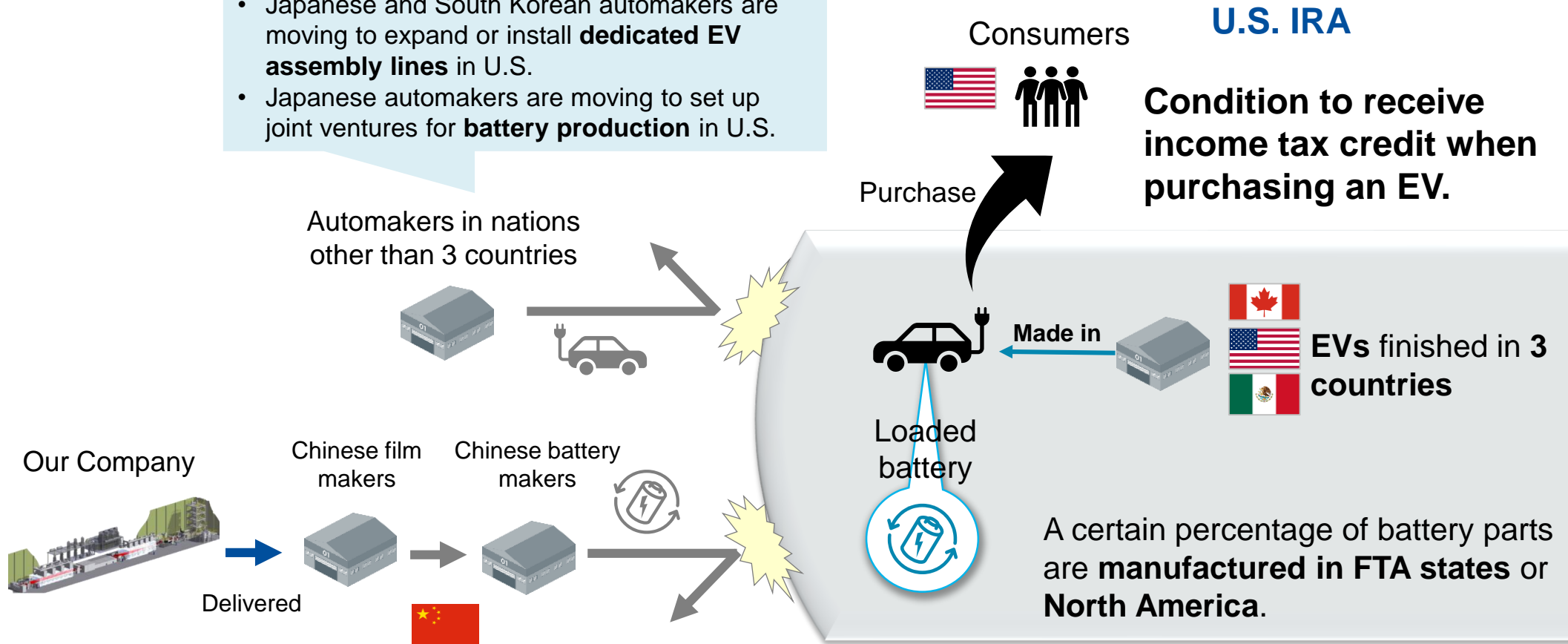


To respond either way, nurture human resources with **multiple techniques and skills** via **flexible personnel relocation**

Aluminum frame introduction as another business opportunity

Response to Geopolitical Risks

- Japanese and South Korean automakers are moving to expand or install **dedicated EV assembly lines** in U.S.
- Japanese automakers are moving to set up joint ventures for **battery production** in U.S.

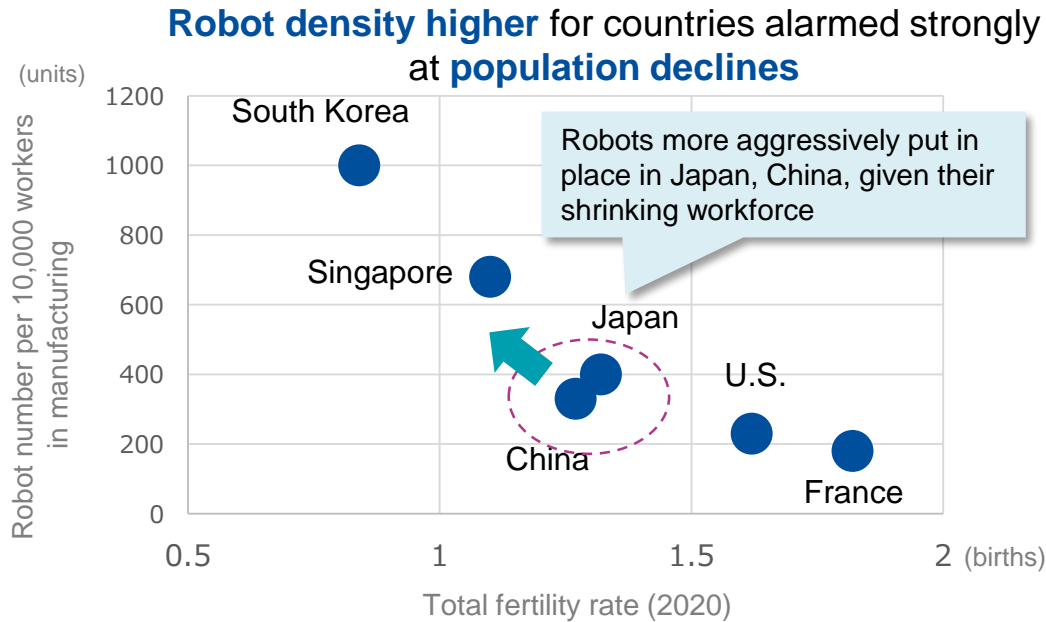


In response to moves above,

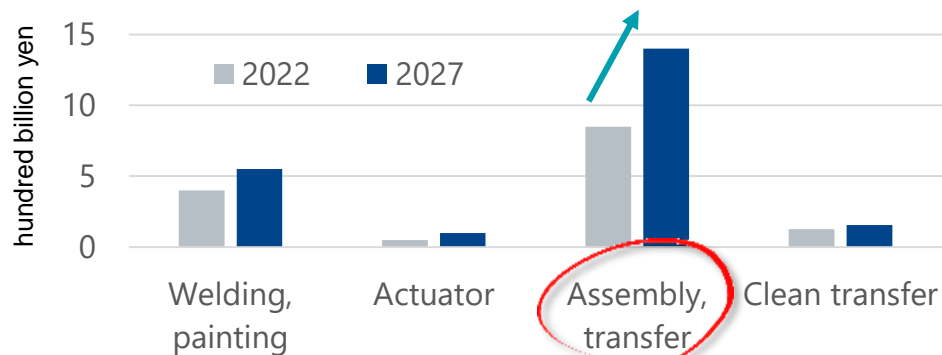
- Cash in on demand with **electrically powered injection molding machines**, given active capital investment in EVs in North America
- Establish **sales channels for BSF in U.S., Europe, and India** as means to evade geopolitical risks

Robot density in manufacturing (by country)

Source: Nikkei (April 4, 2023)

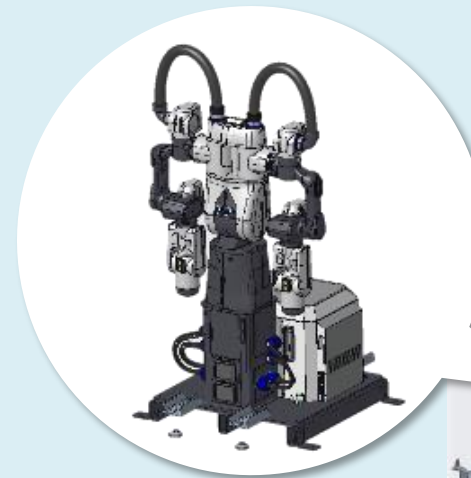


Manufacturing robot market (global)

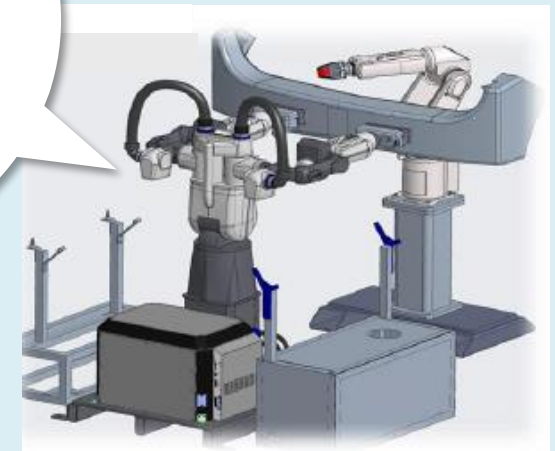


Source: Fuji Keizai (April 25, 2023)

Automobile assembly lines' automation



Collaborative dual-arm robot



<Customers' merits>

- No layout changes necessary for existing production lines
- No safety fences necessary
- 2-worker process → 1 worker + 1 robot

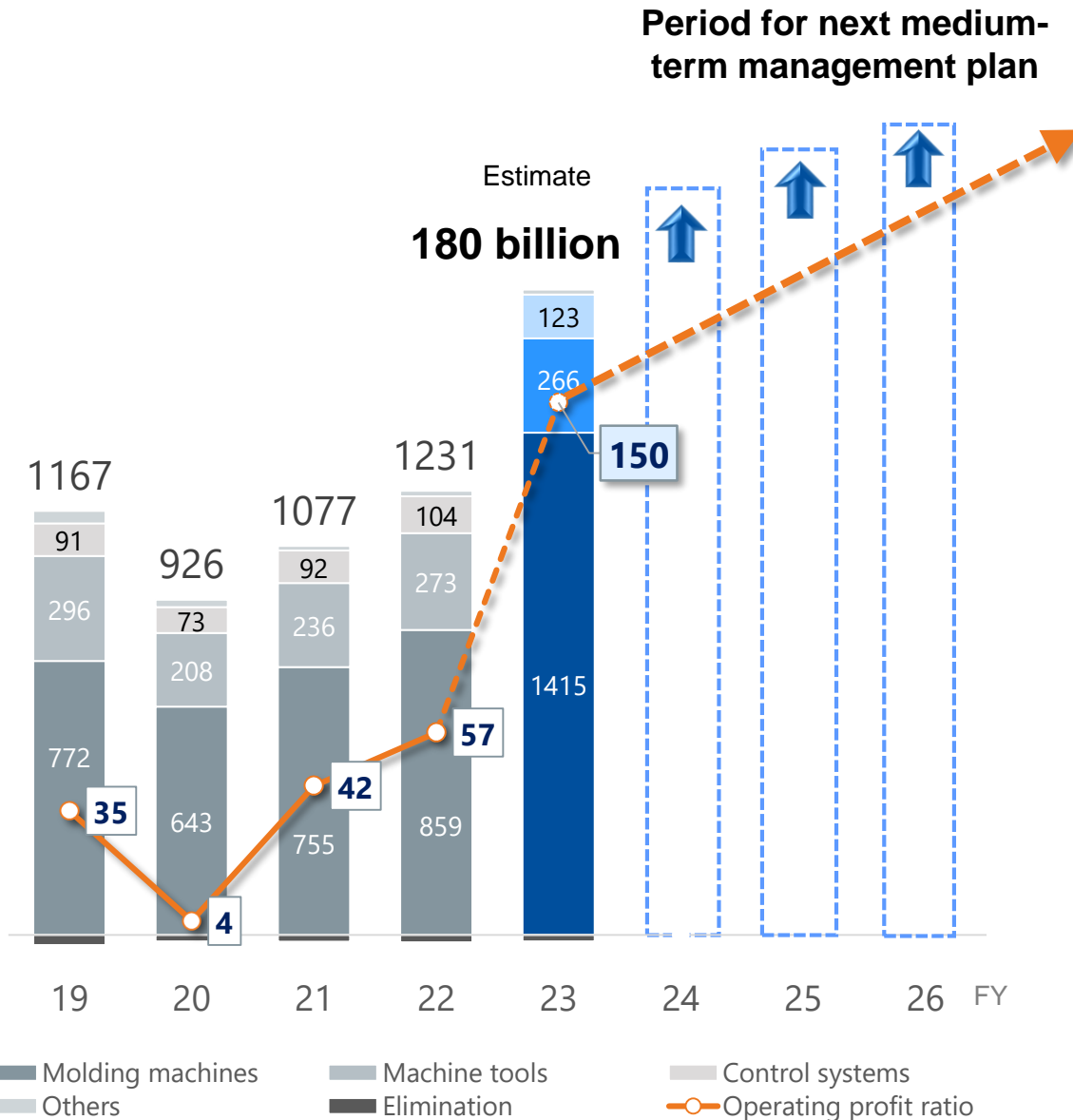
Portfolio Rearrangement for Achieving Record Profit

Shibaura Machine

* Our Group's record high profit
FY2006

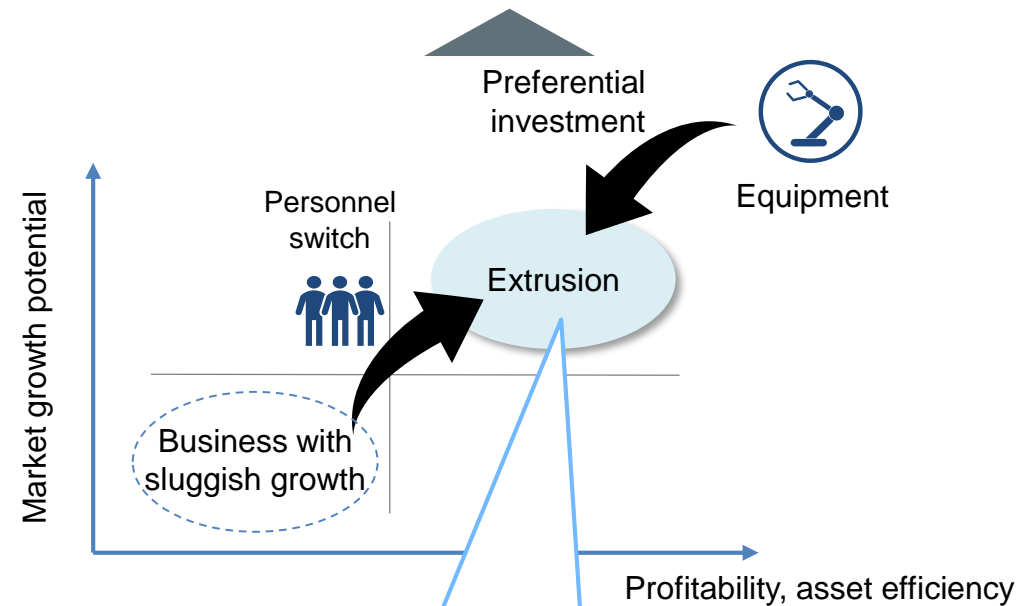
Sales: 164.3 billion yen
Operating profit: 20.5 billion yen

Unit: 100 million yen



Achieve **record high profit***

Sales estimated at **around 200 billion yen** for several years to come **on a continual basis**, as proceeds from **our core earner**, brisk **extrusion machine business**, will be combined with those from other departments



Rearrange business portfolio, with **extrusion machine business at its center**

Shibaura Machine

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