

Management Strategy for Future

November 15, 2023

SHIBAURA MACHINE CO., LTD.

Management Strategy for Future

- 1) Management Reform Plan and Progress Evaluation
- 2) Current initiatives for the 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

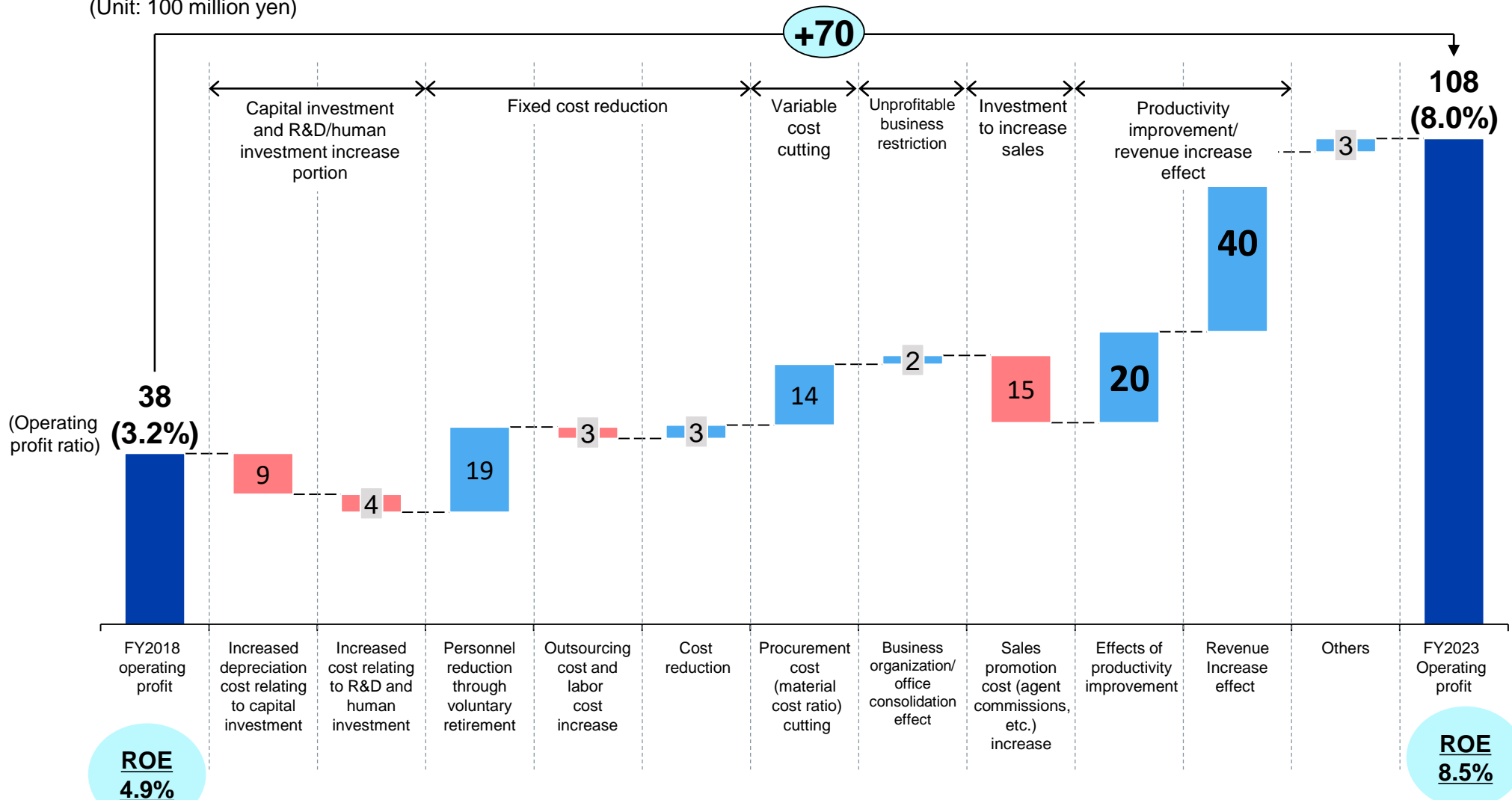
[Implement a Financial Strategies Aimed for Enhancement of Return On Equity (ROE)]

- (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

Shibaura Machine

	FY2020		FY2021		FY2022		FY2023	
	1st Half	2nd Half	1st Half	2nd Half	1st Half	2nd Half	1st Half	2nd Half
Business reform	<ul style="list-style-type: none"> ● Reorganization(establishment of company system, R&D center, production center) 							
			<ul style="list-style-type: none"> ● A headquarters structure, in Tokyo and Numazu 	<ul style="list-style-type: none"> ● Closing an overseas affiliate (UK sales and service company) 			<ul style="list-style-type: none"> ● Absorption-type merger of a domestic affiliate (FUJISEIKI CO.,LTD.) 	
Business management			<ul style="list-style-type: none"> ● Construction and operation of a management accountability system (visualization of business management) 					
Tecnology (DX)					<ul style="list-style-type: none"> ● Operation of a new 3D-CAD system 			
Human resources		<ul style="list-style-type: none"> ● Early voluntary retirement 	<ul style="list-style-type: none"> ● Introduction of a new HR system (managers) 					
					<ul style="list-style-type: none"> ● Introduction of a new HR system (union members) 			
Sales reform				<ul style="list-style-type: none"> ● Sales activity management system 				
Plant reform		<ul style="list-style-type: none"> ● Small injection molding machines: Shift production to overseas (Japan to China and Thailand) 						
			<ul style="list-style-type: none"> ● Relocation of injection molding machines production department (Numazu to Sagami) 					
					<ul style="list-style-type: none"> ● Shift production of SCARA robots to overseas (Japan to China) 			
							<ul style="list-style-type: none"> ● MFLP Zama (logistics facility) 	
							<ul style="list-style-type: none"> ● New Indian plant 	

Management Reform Plan's Evaluation (As of the end of September 2023)

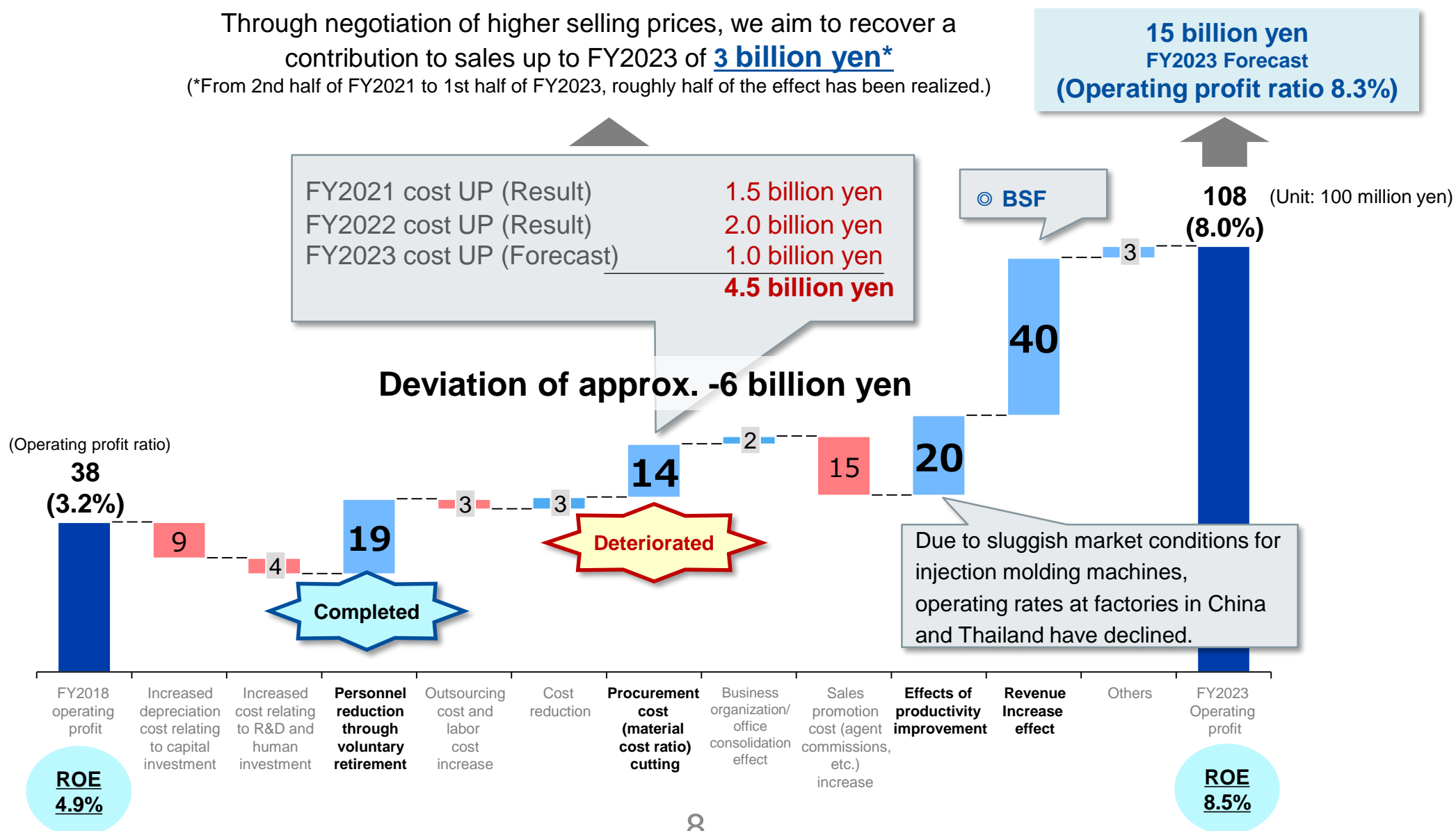
	management reform measures	Progress evaluation	
		Fast as planned	Slower than planned
(1)	Company system (Reorganization)	<ul style="list-style-type: none"> • Nurture sense of unity, reduce overlapping tasks • Subsidiary reorganization 	<ul style="list-style-type: none"> • Integrate injection molding and die casting businesses completely (The integration of manufacturing departments is complete, but technology departments are still not integrated.)
(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 Indian plant (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: No successful → <u>Negotiations to be held continuously</u> • Numazu Plant's reorganization → <u>Delayed with more priority given to boosting extrusion machine production</u>
(5)	Financial strategies	<ul style="list-style-type: none"> • Logistics facility business (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 • Difficulties in procuring electrical components, rising procurement costs

Management Reform Plan

Effects of Reform for progress

■ Progress Evaluation at of the end of September 30, 2023

Through negotiation of higher selling prices, we aim to recover a contribution to sales up to FY2023 of **3 billion yen***
 (*From 2nd half of FY2021 to 1st half of FY2023, roughly half of the effect has been realized.)



Current Tasks for Next Mid-Term Management Plan (FY2024 - FY2026)

- Structural Reform of Businesses
- R&D, Capital Expenditures

External Environment ①

Industry analysis (geopolitics)

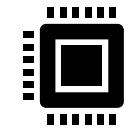


Economic Security Issues



Political and economic risks in China

- Real estate market downturn
- Declining birthrate and aging population
- Youth unemployment rate worsening
- Taiwan issue

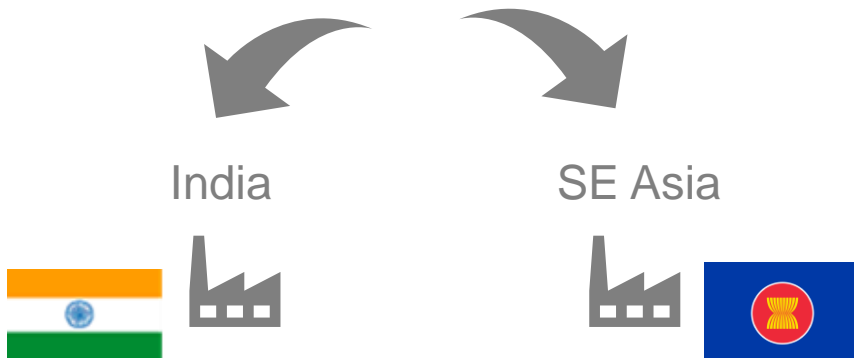


Ban on export of semiconductor-related products in China



Local production and consumption with the aim of protecting and nurturing domestic industries

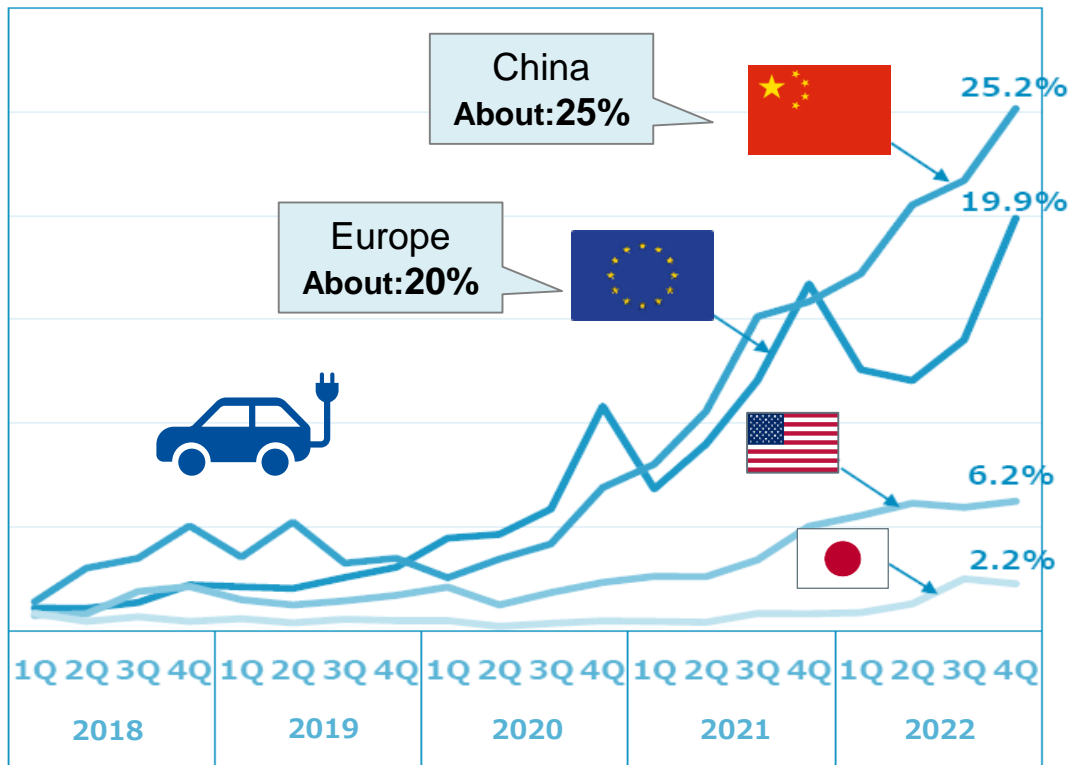
Transfer of production base of foreign company



- Suppressing price increases Slowing down investment due to monetary tightening
⇒ Expecting recovery from Q4 FY2023
- **EV-related investment is booming** as EVs become a block economy

External Environment② Expansion of EV market

■ Trends of EV sales ratio (By Region)



Reference: Ministry of Economy, Trade and Industry data

Gasoline cars

Engine demand decreased



Die Casting Machine decreased



EV

Battery demand increased



Growth of BSF



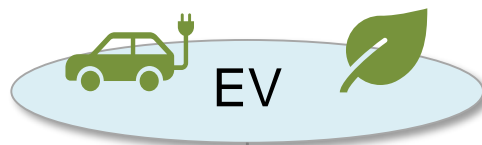
Integrated aluminum molding (Giga-casting)

Die Casting Machine increased



Solution proposal for EV

Proposing solutions to customer issues with products that are compatible with EVs



Rechargeable battery

Lightweight

Separator film

Extrusion machines



BSF

Assembly process (Automation)

Control systems



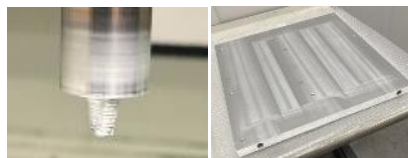
Dual-arm collaborative robots (SCARA type)

Integrated aluminum molding (Giga-casting)

Die casting machines



Aluminum bonding



FSW(Friction Stir Welding)

Large dies

Large machine tools



Large Double Column Type Machining Center

Large resin part molding (bonnet, etc.)

Large Injection molding machines

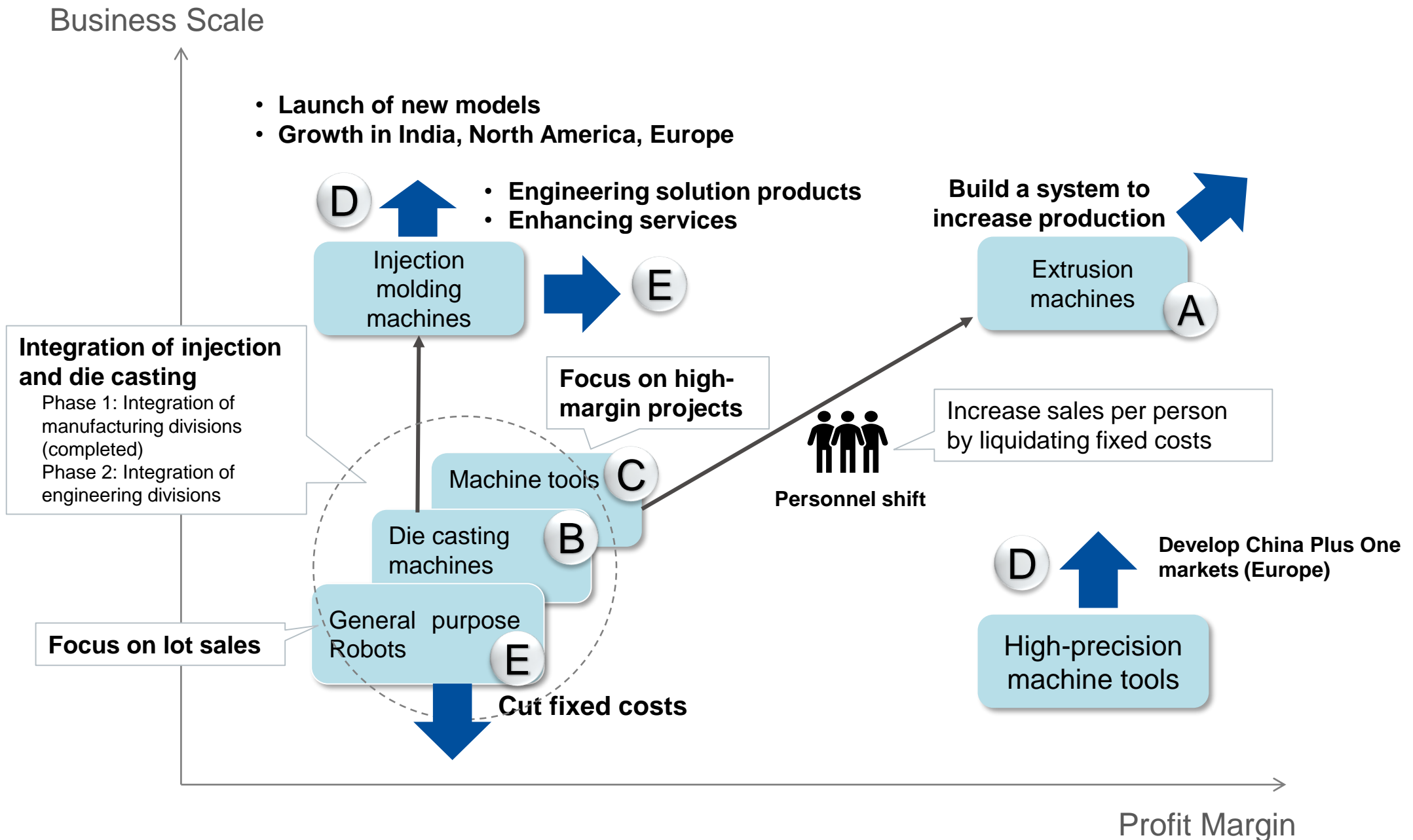


Foam-molded

Injection molding machines



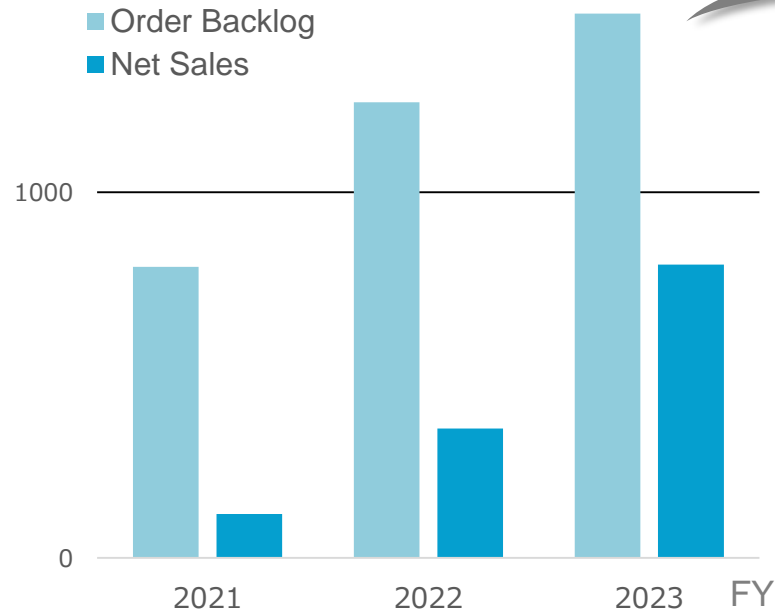
Structural Reforms (Overview)



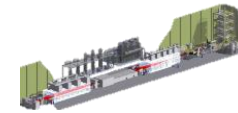
A Extrusion Machines Business Expansion (Production capacity enhancement of BSF)

■ BSF Equipment Sales Plan

(Unit: 100 million yen)



The production response to the high backlog of orders



Production capacity enhancement from 4 lines to 6 lines

Company-wide support for expanded scale

- Adoption of BSF component processing equipment



Screw element machining



Barrel machining

- Shift personnel from other businesses
(Mainly from the machine tool business)

+30



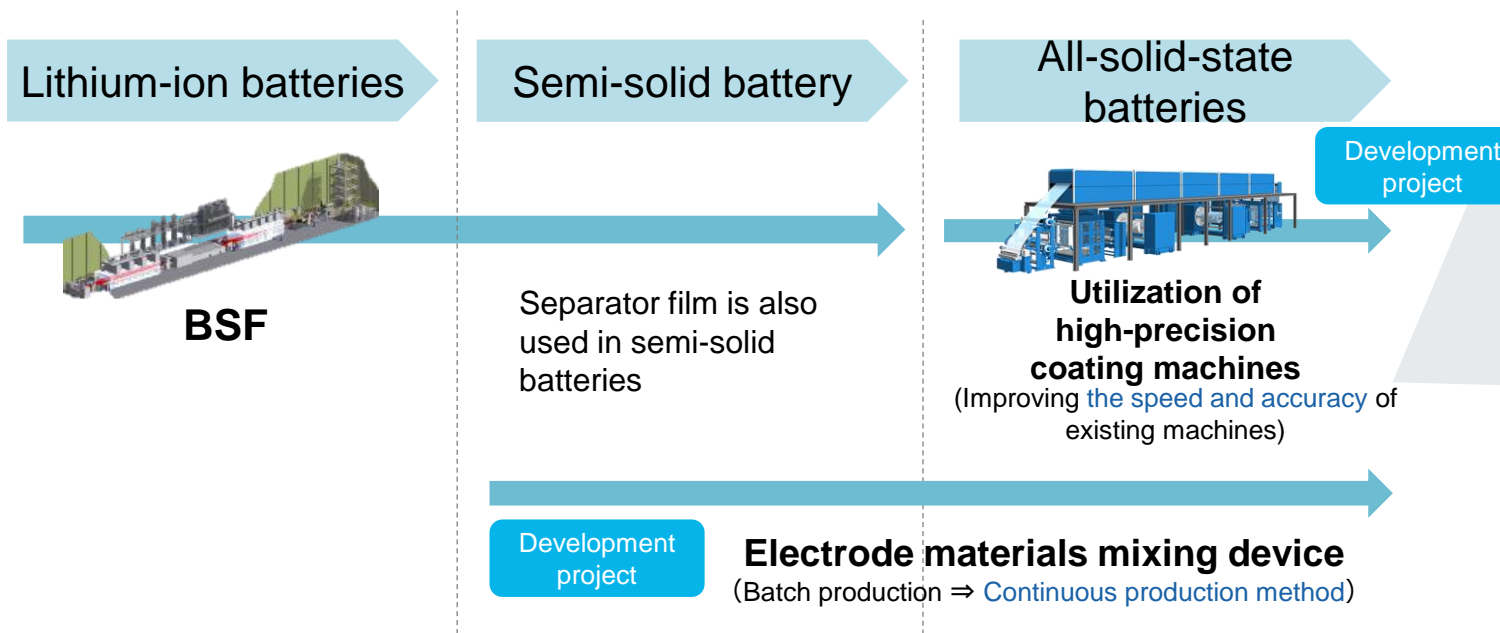
*April to October 2023

- Expand sales channels for BSF in India, U.S. and Europe in anticipation of the strengthening U.S. IRA.
- Development of **next-generation machine (high-speed, wide width)**
⇒ Start accepting orders for the second half of FY2023, contributing to sales from FY2025 onwards

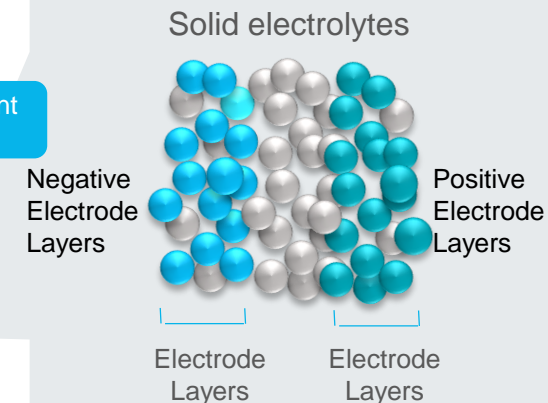
*Order intake of the first half of FY2023 temporarily slowed down due to the transition from the existing machine to the next-generation machine.

A The future of Extrusion machines business

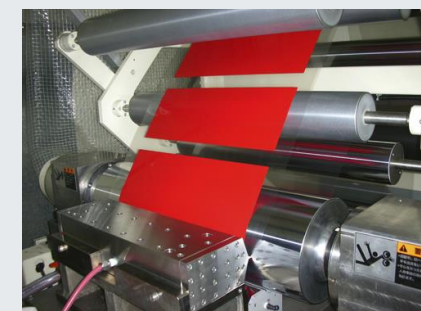
Compatible with automotive all-solid-state batteries



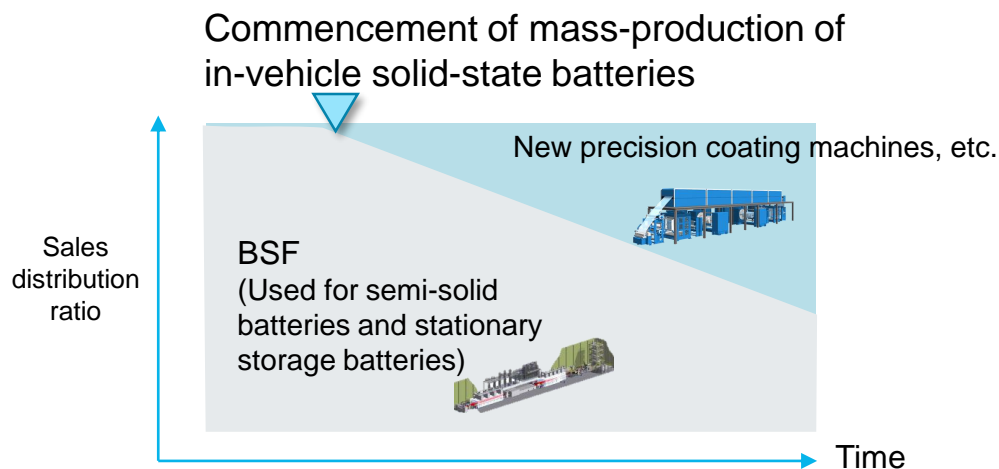
Structure of all-solid-state battery



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



Product composition of Extrusion machines business (Future)



B Response to Giga Casting of Die Casting Machines

Issues on the introduction of giga die casting machines on the customer side



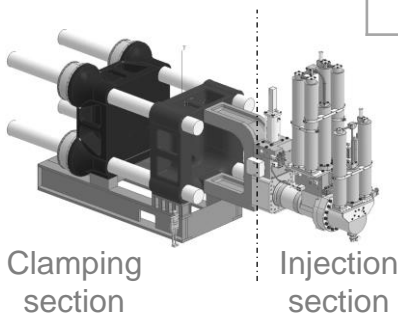
- Substantial capital investment (3 to 4 billion yen/unit, melting furnace, and large crane)
- Equipment transportation within Japan
- **Quality issues** on integral molding (**distortion** by stress in addition to **cavities**)
- Issues on the **joining technology** to be prepared for **further product size increase in the future**

Inclined towards the **slightly cautious stance** on the new production method based on the issues described above

■ Our policy at the current point

Clamping capacity of giga casting	Applicable product	Weight including cast
6000~9000t	Front under panel and rear under panel	70~80kg
9000~12000t	Battery case and floor panel	100kg
12000~24000t	Integration of front, rear, and floor panels	200kg

Volume zone (target)



As one of the responses, we aim at development of the product that can form **super large products with small clamping capacities** by establishing **a low-pressure technology***.

*Ex. Technology that achieves molded items produced with the clamping capacity of 3500t, which are normally produced with the capacity of 6000t class.

Solution for the issues

Focus on high-value added models, triggered by the increase of environmental awareness

Large multifunction machine



Increase of opportunities due to the review of hydraulic power generation in addition of wind power generation towards realization of the carbon neutral target by 2050



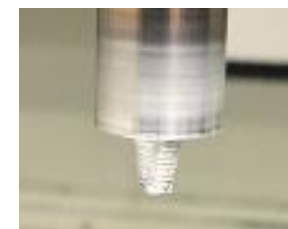
Giga casting

Double-column type large machining center



Increase of opportunities of large machine tools for molds that are increasing in size and weight as a result of introduction of giga casting

For EV



FSW

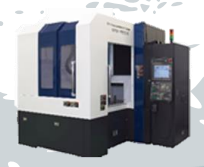
Proposal for manufacturing of giga casting equipment products by joining aluminium molded products using a small die casting machine through FSW(Friction Stir Welding)

D Response to the Growth Market, etc.

■ European market

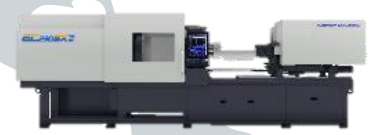
We will attack the sales blank area of our group (1% sales ratio in FY2022) and aim to re-enter the market.

High-Precision Machine tools



Precision Mold
(For Vehicle-mounted lens, Medical, Optical, etc.)

Expand sales in Europe as China plus one market



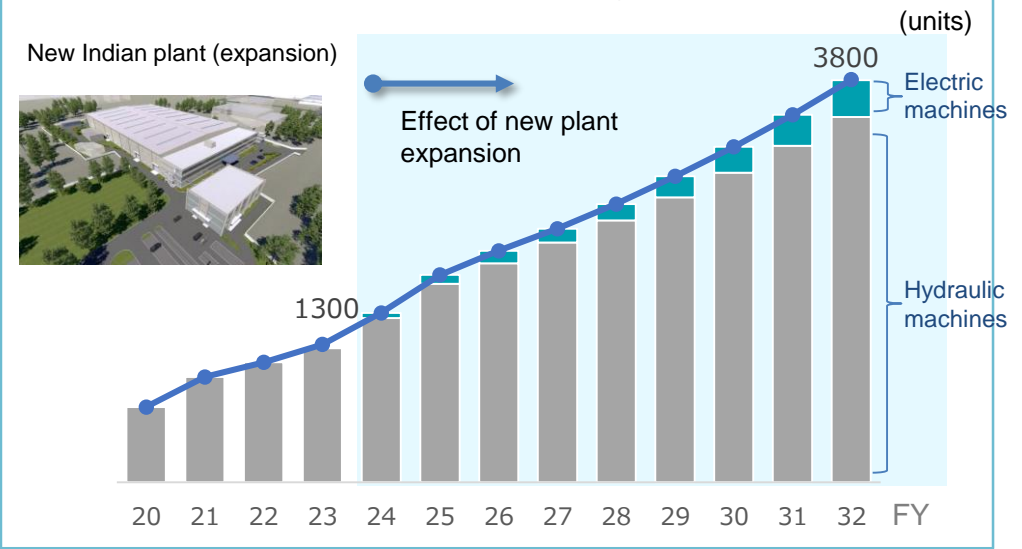
Injection molding machines

■ Middle East Asia and African market

Shipped from India Plant
Expanding sales of injection molding machine to the Middle East Asia and Africa
 Expected 90 units in FY2023 ⇒ Targeted 300 units in FY2032

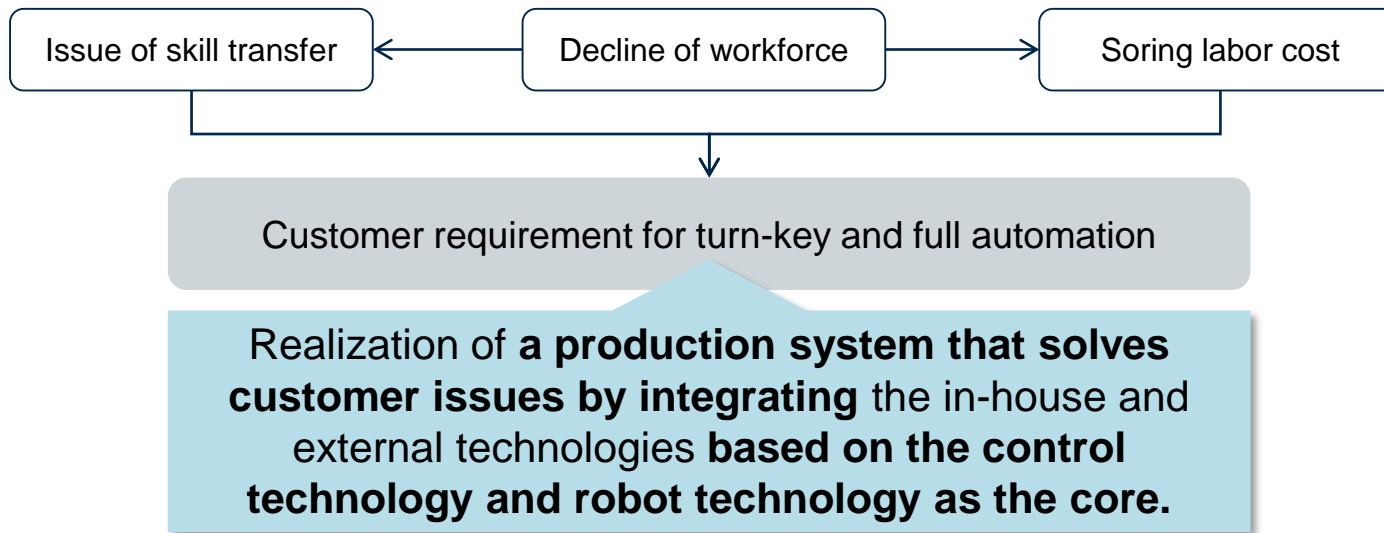
■ Indian market

■ Planned production of injection molding machines in India



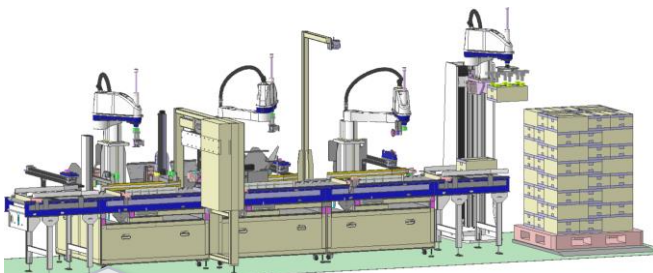
*Cumulative sales volume to Africa in the last five years is 290 units.

E Reinforcement of Engineering Solutions (From Unit Sales to System Sales)



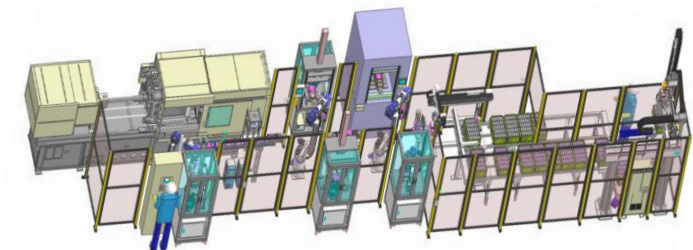
■ SCARA robot utilization example

Ex. Application to food factories (substitution to manual labor in workplaces in cold environment)



■ Automation of molding machine post-processes

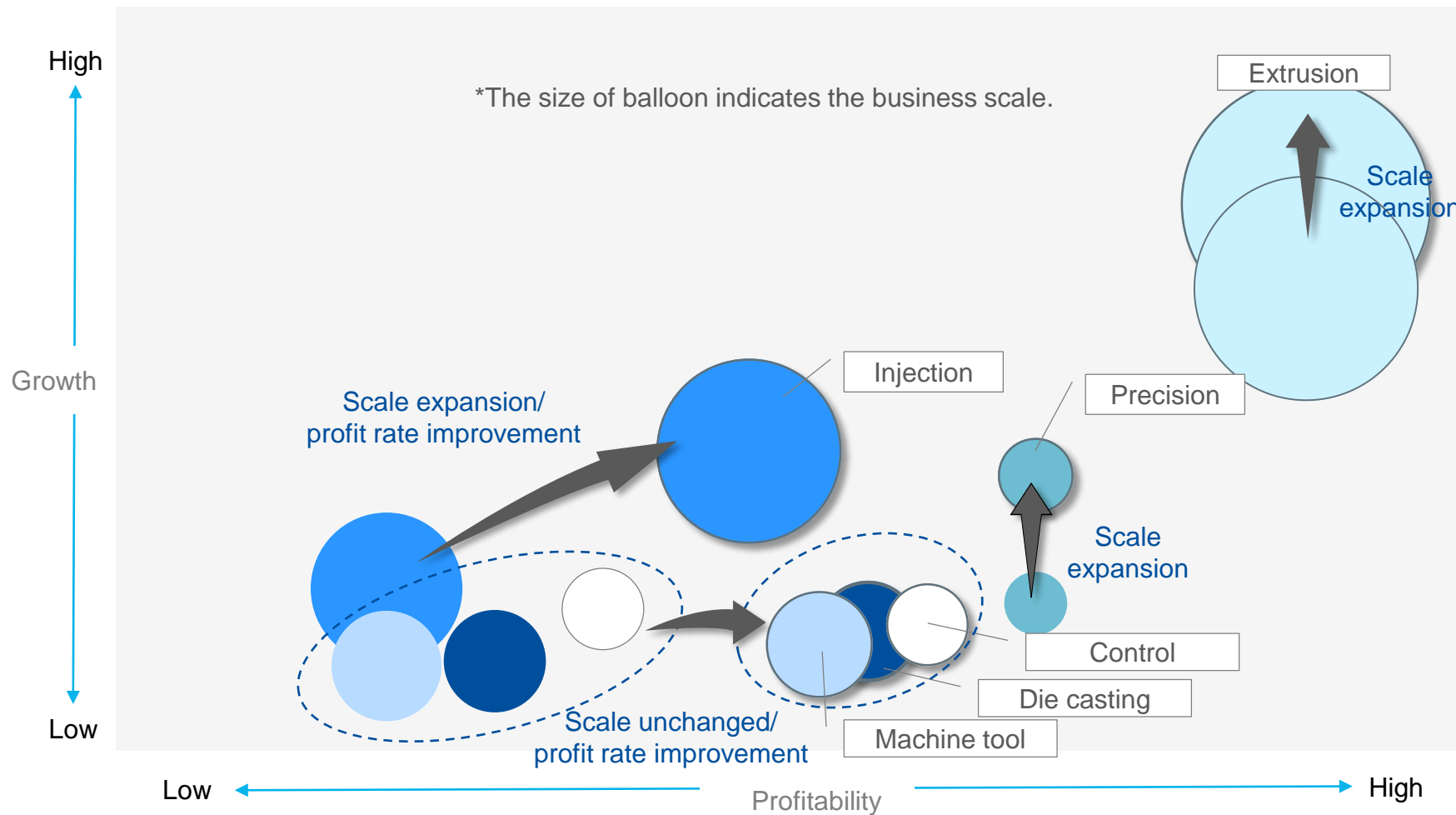
Inspection, packing, and transportation of products molded by injection molding machines



Rearrangement of Business Portfolio

Shibaura Machine

FY2023 (Management Reform Plan) ⇒ FY2026 (Next Medium-Term Management Plan)



- The large-scale structural reform is completed in FY2023.
- In the next medium-term management plan, **the mission on profitability is to be clarified** for each product business and the **portfolio is to be rearranged**.

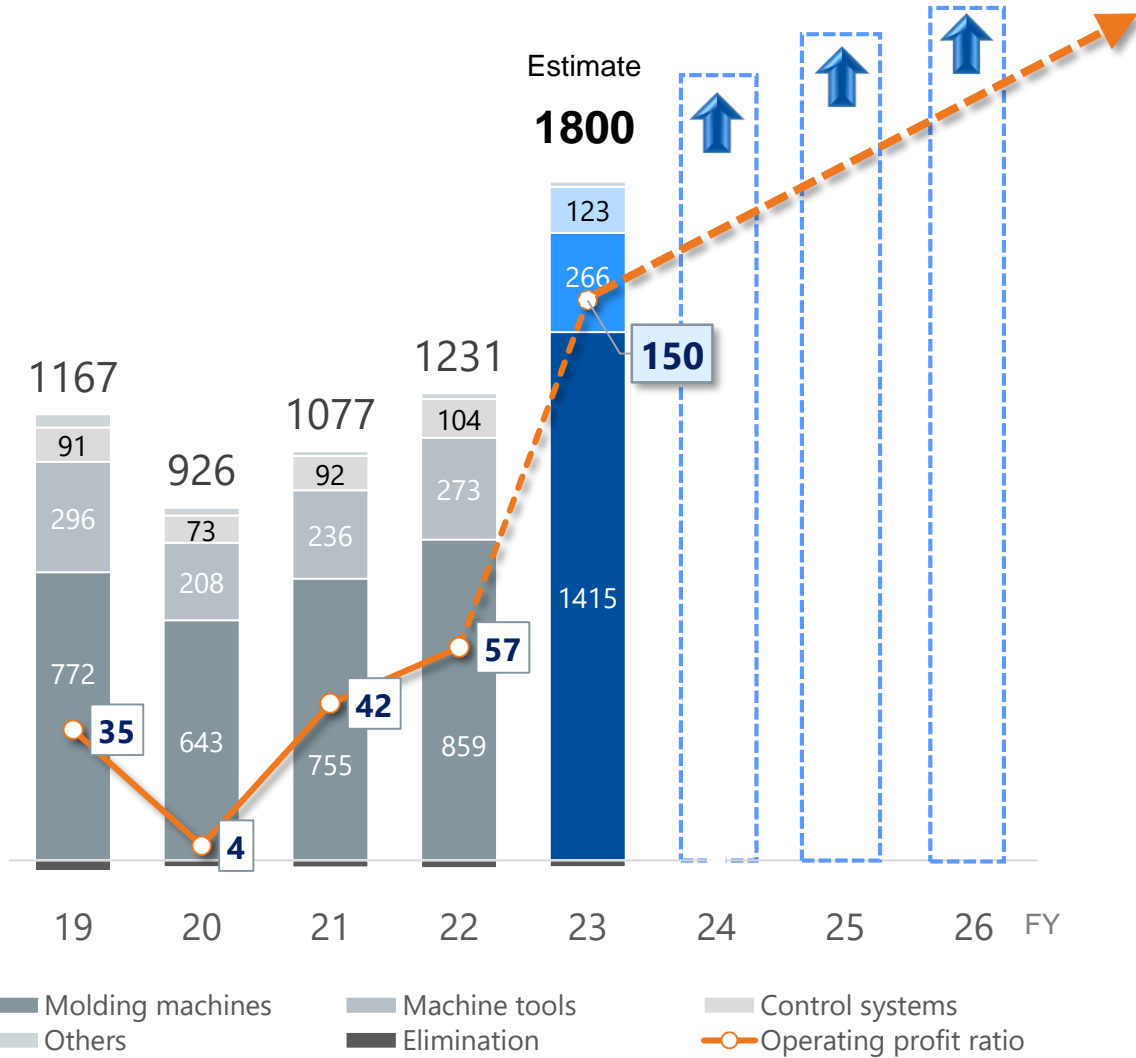
* Our Group's record high profit
FY2006

Sales: 164.3 billion yen
Operating profit: 20.5 billion yen

Portfolio Rearrangement for Achieving Record Profit

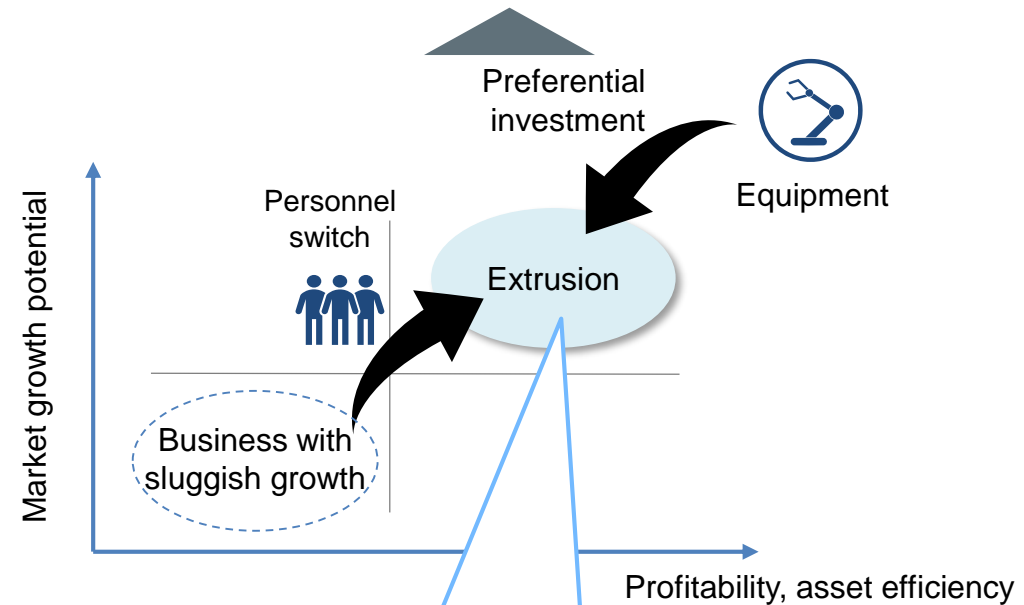
Unit: 100 million yen

Period for next medium-term management plan



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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